



NATIONAL SEAFOOD INDUSTRY ALLIANCE

National Seafood Industry Alliance Submission

Rural and Regional Affairs and Transport
References Committee –
*Inquiry into Current requirements for labelling of
seafood and seafood products*

August 2014

MEMBERS OF NATIONAL SEAFOOD INDUSTRY ALLIANCE



EXECUTIVE SUMMARY

Government intervention is needed to extend Country of Origin Labelling (CoOL) legislation throughout the supply chain for seafood. The extension of existing legislation will ensure that consumers at all purchase points within the supply chain will be provided with clear information to allow them to make an informed decision. The extension of CoOL requirements throughout the supply chain will also support Australian commercial fishers and aquaculturists.

This submission and the recommendations contained in it were prepared by the National Seafood Industry Alliance Incorporated (NSIA) to seek support to;

- create a specific section in the *Competition and Consumers Act* that deals solely with country of origin claims with regard to food;
- maintain the current requirement for CoOL;
- extend the CoOL requirements to seafood sold for immediate consumption (i.e. dining venues or outlets); and
- require that fish names are used in accordance with the Fish Names Standard.

Australian commercial fishers and aquaculturists produce world class seafood in a sustainable manner, meeting Australia's strict health and safety standards with a workforce protected by Australia's work place legislation. It is an industry to be proud of that produces world leading seafood. When Paul Hogan threw another “prawn on the barbie” to advertise Australia to the world, it was not an imported prawn. For the Australian public and tourists, seafood is synonymous with the Australian lifestyle - today seafood is the food of choice for most Australians at times of celebration and the vast majority of consumers assume that their purchase is product of Australia.

According to a Fisheries Research and Development Corporation (FRDC) report¹, seafood consumption in Melbourne rose to 12.5kg per capita in 2005, an increase of 8.3% from 11.5 kg in 1991; in-home consumption rose just 2.3% to 7.8kg while out-of home consumption rose 19.6% to 4.7kg per person. This trend is supported by ABS data that shows Australian consumers are increasingly eating their meals out of the home at food service establishments. Between 1985–86 and 2005–06, per capita real household final consumption expenditure on catering rose by 30% or 1.3% per year on average (from \$1,297 to \$1,679). In 2003–04, households spent an average of \$153 per week on food and non-alcoholic beverages. Expenditure on meals out and fast food was the highest single component of this broad expenditure group, with households spending on average \$42 or around 28% of their food budget on such food per week².

The market failure of not extending CoOL legislation to the dining outlets is damaging our domestic industry and misleading seafood consumers, including millions of tourists visiting Australia each year. Market failure caused by not labelling imported seafood means there is an urgent need for government intervention on the labelling of seafood. This market failure was given as a key reason for government intervention in mandating consumer value labels in the recent Blewett Review.

¹ Ruello, N., 2006. Retail Sale and Consumption of Seafood – Melbourne. Fisheries Research and Development Corporation

² Australian Bureau of Statistics, 2006. Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04 (Reissue), Australian Bureau of Statistics.

With over 70% of Australia's seafood being imported and domestic product dominating fresh fish sales for home consumption, one can only conclude that foodservice trade is being dominated by imported seafood. Research has shown that country of origin is second only to freshness in guiding consumer choices. However this market failure, where a cheaper product dominates a higher value end of the market due to a lack of consumer information, is unacceptable.

It is important to note that the seafood industry in no way wishes to limit the import of seafood. However, the absence of effective labelling requirements compromises consumer choice and undermines Australian industry.

Noting the demonstrated market failure for the CoOL of seafood, the NSIA requests that the government act as a priority on the reports recommendation and provide intervention to ensure consumers are provided with country of origin information throughout the supply chain from water to plate. Consistent with the recommendations of the Blewett report, the NSIA is seeking for the *Competition and Consumer Amendment (Australian Food Labelling) Bill 2012* to be passed with additional amendments to ensure consumers are informed about the origin of their seafood wherever it is purchased along the supply chain.

Grahame Turk
Chair
National Seafood Industry Alliance

INTRODUCTION

National Seafood Industry Alliance

The National Seafood Industry Alliance (NSIA) on behalf of its members welcomes the opportunity to provide input into the Australian Parliament's Standing Committee on Agriculture and Industry undertaking an inquiry into Country of Origin Labelling.

The NSIA was established in 2009 to provide representation of our industries at the Federal level on four key priorities:

- Resource access (including the Commonwealth Government's marine planning processes and the impact of climate change and policy on industry);
- Research, development and extension;
- Promoting industry; and
- Federal cost imposts.

The members of NSIA are:

- Commonwealth Fisheries Association;
- National Aquaculture Council;
- New South Wales Seafood Industry Council;
- Northern Territory Seafood Council;
- Queensland Seafood Industry Association;
- Seafood Industry Victoria;
- Tasmanian Seafood Industry Council;
- Western Australian Fishing Industry Council; and
- Wildcatch Fisheries SA.

Australian Seafood Industry

The Australian seafood industry is a major primary industry and a significant employer, particularly in regional Australia. In 2010-11, the firsthand value of fisheries production was \$2.26 billion (wild-harvest \$1.31 billion and aquaculture \$0.948 billion), with a total harvest of 234,000 tonnes. The value of exports totalled \$1.2 billion and imports \$1.5 billion.

Current issues and challenges facing the Australian seafood industry that must be addressed include under-development of both wild harvest resources and aquaculture, leading in turn to serious future food security challenges for Australia. (Already, more than 70% of total seafood consumed by Australians is imported.)

Participants in the Australian seafood industry are facing the same challenges as other small to medium-sized businesses in primary industry and manufacturing. In particular, they have been impacted by the high Australian dollar, and the prohibitively high cost of production. This can no longer be absorbed and export markets are becoming no longer viable. International buyers are sourcing cheaper substitutes. Therefore Australian suppliers are losing those markets, or holding them at reduced margins. Increased competition on the domestic market from relatively cheaper imports is eroding market share at home.

Notwithstanding Australia's world recognised, scientifically proven advances in fisheries resource and environmental management, regulatory burden and costs constrain the operations of wild harvest and development of aquaculture, placing Australian seafood producers at a distinct disadvantage globally. Contrary to what is spoken by Governments a culture of regulation and compliance dominates Government at all levels rather than development and growth with regards to the seafood industry

The industry operates in a hostile physical environment, with both its harvesting operations and infrastructure (often sited at the interface of land and ocean) vulnerable to natural disasters such as floods and cyclones (and, in the case of land-based aquaculture, even bushfires).

It attracts hardy and resilient individuals but their hardiness and resilience have been tested in recent years.

BACKGROUND

In 2006 the Federal Government amended the Australian New Zealand Food Standards Code to require all seafood be labelled by Country of Origin to the point of sale, excluding the food service sector. This labelling requirement is well supported by industry and more importantly where the information is provided it greatly influences consumer choice. The majority of small fish retailers rely almost entirely on domestic product with some complimentary imported lines. The large supermarket chains have also confirmed their fresh fish lines are now predominantly Australian product with domestic fish making up 90% of sales. This labelling requirement, in this part of the supply chain, has played an important role in the development of Australian produced Atlantic Salmon and the rising success of Australian caught Red Snapper.

Unfortunately the standard provided an exemption to this requirement where seafood was being sold for immediate consumption and by certain institutions types (i.e. dining venues and outlets). This exemption creates a large gap in informing the consumer.

Early work on consumer choices recognised a strong need for consumer confidence in accurate labelling by fish species. This led to the formation of the Fish Names Committee, the development of the Australian Fish Names Standard (ASO SSA 5300) and the implementation of a Fish Names Brand Scheme to enable businesses to demonstrate fish names compliance. This allows the consumer to be confident in the seafood species they are buying. The fish name standard and fish name brand scheme will ensure this confidence develops though time. It should be noted here that imported fish of the same species must therefore be labelled the same as domestically produced fish. For example *Lates calcarifer* is generally marketed in Asia as Asian Sea Bass but when it enters Australia it must be labelled as barramundi in line with the Australian Fish Names Standard.

Research has shown that country of origin is second only to freshness in guiding consumer choices. Consumer research findings from Roy Morgan Research, the Fisheries Research and Development Corporation (FRDC) and the Seafood Cooperative Research Centre have demonstrated that;

- Australian consumers want to buy Australian, with 90 per cent of Australians more likely to buy food products labelled “made in Australia”;
- Consumers cannot readily identify where the seafood they buy is sourced;
- Consumers are under the impression that they are consuming Australian seafood, when in fact they may be consuming imported product;
- There is significant (and growing) consumer and retailer support for locally grown/harvested produce;
- Consumers would like to purchase Australian seafood;
- Consumers value Australian seafood highly; and
- Seventy two per cent agree with the statement “I prefer Australian seafood to imported product”.

A recent FRDC funded report on imported seafood confirmed that significantly higher mark-ups are being made on imported seafood without informing the consumer³. This alone defines the need for consumer protection and labelling to guide consumer choice.

On November 2008, the Northern Territory Government put in place legal requirements for licensed fish retailers, advertising seafood for sale to the public for consumption, to label that the seafood is imported if it has not been harvested (this includes farmed product) in Australia. These requirements apply to all venues selling seafood to the public for consumption (e.g. dining venues and outlets). These laws were brought into effect as it was considered that they would assist consumers to make informed seafood choices.

A FRDC project to track the impacts of the regulations has confirmed a high level of support from consumers and the food service sector for the legislation, that the cost of complying with the regulations was not significant, retailers showed a high level of compliance and most importantly, the report confirmed that the labelling laws were important in determining consumer choice⁴. In addition, the identification of Australian seafood product has allowed industry to invest in a significant and ongoing marketing and promotional campaign.

The NSIA has developed a clear policy for the mandatory labelling of seafood to ensure that consumers are able to make informed choices about their seafood (Appendix 1). Specifically, the NSIA seeks a commitment to maintain the current CoOL requirements and remove the current gap in CoOL by extending country of origin laws for seafood to the food service sector (i.e. dining venues and outlets). This request has been made previously to government with industry being provided a holding response awaiting the outcome of the broader government food labelling review (Blewett Review).

Since the completion of the Blewett Review no further action to assist consumers in making informed choices about the seafood they eat at dining venues or outlets has been undertaken. The final report from the food labelling panel "Labelling Logic" (Blewett Review) was presented to the Federal Government in January 2011. The key recommendation within the Blewett Review is that government adopts an "Issues Hierarchy" outlining where Government intervention in labelling is required and where rules and oversight should lie. The hierarchy considers four areas: food safety; preventative health; new technologies; and consumer values. The hierarchy also outlines who should instigate intervention (Government or industry), the mode of intervention (mandatory through to self regulated) and where the oversight should occur (Food Standards Code or Consumer Protection Laws).

The key pillars guiding the NSIA in terms of supporting country of origin labelling include;

- Accurate country of origin labelling across the supply chain to help the consumer identify where seafood is produced/harvested.
- Support for sustainably fisheries and aquaculture operations that comply with the highest standards of labour laws, fish handling and hygiene procedures in line with what is in place in Australia.
- The omission of country of origin labelling in the restaurant and food service sector can be deceptive for consumers.

³ Final Report - 2010/222 - A Study Of The Composition, Value And Utilisation Of Imported Seafood In Australia, Ruello & Associates Pty Ltd, 2011. Available online from http://frdc.com.au/research/Documents/Final_reports/2010-222-DLD.pdf

⁴ FRDC Report 2009/216 Tracking the impacts on seafood consumption at dining venues arising from the Northern Territory's seafood labelling laws, Calogeras et al, June 2011 - http://tree.birdbrain.com.au/new-ntsc/wp-content/uploads/NTSC_NTSeafoodLabellingLaws_Report_ONLINE1.pdf

- Consumers are willing to pay more for Australian seafood.
- The general perception in the Australian community is that the seafood they buy is local.
- Australian seafood is an important and growing asset to the tourism industry.
- The Australian seafood industry cannot price compete against imports from fisheries overseas that operate without essential environmental, food safety and work place regulations.
- The NSIA supports informing consumers as to whether seafood is wild caught or farmed.

Recommendation: Maintain the current requirements for CoOL with respect to seafood.

CONSUMER VALUES

Country of origin labelling was rated by the Blewett review as a consumer value issue. Furthermore, that consumer value issues under the hierarchy are to be self regulated and rely on consumer protection legislation. The Blewett review found that there is no requirement for Government intervention in CoOL as this will be driven by consumer demand.

However, most significantly, the panel recommends regulation, or mandatory government intervention, in situations of market failure. Market failure is defined in the report as occurring in situations where disclosure could harm sales. The panel refers this issue specifically to government intervention on country of origin labelling;

“6.37 The Panel proposes that market failure is the principal argument that should be advanced for any prescriptive intervention in food labelling in the area of consumer values issues. There are mutual market benefits (to buyer and seller) of promoting food with positive/aspirational origins (e.g., chocolate from Switzerland), yet non-reciprocal benefits from withholding such information when it relates to origins with perceived negative connotations (e.g., food products from countries with poor human rights records). This situation constitutes market failure and the reason for government intervention on the issue of CoOL.”

Recommendation: Create a specific section in the *Competition and Consumers Act* that deals solely with country of origin claims with regard to food.

INSUFFICIENT INFORMATION

Since June 2006 it has been a legal requirement that seafood sold to the Australian public must be clearly labelled with its Country of Origin. These regulations were introduced by the Federal Government to ensure the Australian consumer be accurately informed about the origin of their seafood.

Unfortunately this requirement is only binding on retailers of fresh seafood. Venues selling fish for immediate consumption including restaurants, clubs, bars, and even fish and chip shops are exempt from this labelling requirement.

Research has shown that country of origin is second only to freshness in guiding consumer choices. Consumer research findings from Roy Morgan Research, the Fisheries Research and Development Corporation (FRDC) and the Seafood Cooperative Research Centre have demonstrated that;

- Australian consumers want to buy Australian, with 90 per cent of Australians more likely to buy food products labelled “made in Australia”; and
- Consumers cannot readily identify where the seafood they buy is sourced.

Consumers are well aware of the health benefits from consuming seafood and understand that the oceans surrounding Australia are some of the cleanest in the world. The quality of our seafood is well accepted by the consumer and demand for seafood is known to be rising. Consumers can also be assured that Australian seafood either farmed or wild caught is sustainable.

Seafood is a much loved product in Australia and part of the seafood experience is undoubtedly our iconic seafood species such as barramundi, prawns, lobster and blue eye trevalla. Popular tourist destinations such as Darwin and Cairns have restaurants relying heavily on the lure of seafood. In our major cities seafood restaurants are still coveted by those seeking a fine dining experience.

What is common amongst all the consumers at all these venues is that they perceive their seafood to be local or at least produced in Australia. The omission of country of origin labelling on menus has led to consumers being misled believing the seafood they purchase to be locally produced. Eating local product is a key aspect of the whole seafood experience and tourism industry.

Recommendation: Extend the CoOL requirements to seafood sold for immediate consumption (i.e. at dining venues and outlets);

BEST PRACTICE TRACEABILITY OF PRODUCT CHAIN-OF-CUSTODY

Food sold at the food service level is required neither to be labelled ‘imported’ nor with the country of origin.

Packaged foods – must be labelled with country of origin (Section 1.1A.3 2(1) of the Food Standards Code) (NOTE: Food always includes fish – but also other foods, e.g. vegetables)

Unpackaged fish – must be labelled imported or with country of origin at the retail level. (Section 1.1A.3 3(2) of the Food Standards Code)

The majority of cases of mis-labelling of seafood occur in the food service sector. Research commissioned by Foods Standards Australia New Zealand, and carried out by the WA Department of Health confirms this. Over half of all seafood consumed is supplied by the food service sector; if it is exempt from labelling provisions then it would merely divert substitution further away from the retail sector and towards the food service sector. This will make a complete nonsense of providing the seafood buyers with surety of public health and safety, provision of adequate information and the prevention of false and deceptive conduct for half the seafood consumed in Australia.

Extending CoOL labelling will give the public further information on the seafood that they are offered. It will facilitate traceability should product pose a food safety risk. As all food businesses are required to have product traceability procedures this will not impose a higher level of scrutiny on seafood providers than should be in place now.

DEFINITIONS

Australian Fish Names

The Australian Fish Names Standard requires the Standard Fish Name to be used when fish are sold or traded to consumers (e.g., retail sales and dining venues and outlets). Fish sold or traded other than directly to consumers (e.g., wholesale, export, import) must be identified by their Standard Fish Name or scientific name. The mandatory labelling of fish names is essential to ensure the consumer is both informed about their seafood choices and most importantly that they can be confident they get the fish they have paid for.

Currently this scheme is voluntary only.

Recommendation: Fish Names are used in accordance with the Fish Names Standard

LABELLING FOR COOKED OR PRE-PREPARED SEAFOOD PRODUCTS

The NSIA understands there is a cost to any labelling regime, however in this instance believes the financial burden to be minimal and to be far outweighed by the benefits of ensuring the consumer is not misled.

It is already a requirement that all seafood be labelled by country of origin along the supply chain up to the back-door of the dining venues and outlets. It would seem a simple and logical matter to make this information available to the consumer. In addition, once the consumer (the major beneficiary of CoOL in seafood) is aware of the requirement, the compliance will be highly self regulating and can be supported by the work of current local food inspectors.

The main benefit of mandatory labelling in seafood is to ensure the consumer is not being misled and can then make informed decisions. The reasons for this are outlined below.

Why is seafood different

The NSIA is not suggesting CoOL for all food groups. In fact the NSIA believes the consumer demand for information on country of origin is far higher in seafood than any other food group.

Our high standards in work place regulation, sustainability, safety and hygiene in Australia, place additional cost on the Australian industry. Without being able to effectively identify our product in the market place these measures simply restrict our ability to compete.

Fisheries regulation to ensure sustainability is fully supported by the NSIA, but it is essential we can identify our sustainable product effectively to the consumer. As important is the ability of the consumer to identify seafood from less regulated or unregulated fisheries.

The increased need for country of origin in seafood is predicated by a high consumer preference for local seafood and to provide a framework to ensure the Australian industry is not out competed by less regulated industries that, by labelling omission, are seen as Australian product.

Incentives for voluntary labelling

Over a period of time the seafood industry has worked with dining venues to try and encourage where possible, those using Australian product, to inform the consumer they are using local product. Where this fails is that the consumer already assumes their seafood to be local. Quite simply the consumer has no way of differentiating between barramundi from an overseas producer and that which is locally produced. The consumer believes both these are Australia. There is therefore currently no benefit to a dining outlet advertising “Australian” seafood.

Without mandatory identification of imported seafood all product is generally perceived as local. The lower cost of imported seafood means there is also no incentive for venues to voluntarily identify imported product. There is further disincentive for voluntary labelling when one considers consumers strong preference for domestic seafood and a willingness to pay a premium price for it.

Arguments against extension of CoOL

A range of arguments (See appendix 2) against the extension of CoOL have been put forward, but none of the reasoning to date is supported and appears only to serve those with a vested interest in not fully informing the consumer.

The Australian seafood consumer demands seafood from sustainable fisheries and farms. There is a strong community perception that seafood sold in Australian venues for immediate consumption is sourced locally. Therefore there is an urgent need for intervention to remove the current gap in the legislation and to include an amendment that specifically refers to country of origin labelling requirements by venues providing seafood for immediate consumption or through venues such as restaurants, cafés, hotels, clubs and takeaways.

Impacts on Australian production costs due to compliance with legislative and regulatory frameworks

Many nations fail to meet United Nations Food and Agriculture Organisation (FAO) standards for fisheries and aquaculture management. This greatly reduces the cost of production for those countries. The well managed and regulated Australian industry is unable to price compete with such low cost management regimes. In addition many overseas producers operate in an environment with lower governance standards, environmental and work place regulatory frameworks

Without the extension of country of origin labelling, Australian producers cannot price compete against cheap imports from fisheries overseas that operate without essential sustainability, environmental and work and food safety regulations.

Australian consumers have the right to ensure their seafood comes from fisheries or aquaculture ventures that comply with similar standards as those in Australia. This cannot be achieved without CoOL. The omission of CoOL in the food service sector is misleading for consumers. The NSIA is seeking the current gap that excludes dining venues and outlets from country of origin labelling for seafood be addressed.

Recommendation: Extend the CoOL requirements to seafood sold for immediate consumption (i.e. at dining venues and outlets);

NORTHERN TERRITORY LABELLING

On November 2008, the Northern Territory Government put in place legal requirements for licensed fish retailers, advertising seafood for sale to the public for consumption, to label that the seafood is imported if it has not been harvested (this includes farmed product) in Australia. These requirements apply to all venues selling seafood to the public for consumption (e.g. dining venues and outlets). These laws were brought into effect as it was considered that they would assist consumers to make informed seafood choices.

COMMON LANGUAGE GROUP

NSIA supports the following recommendations from the FRDC Common Language Group:

1. That country of origin laws applicable to seafood, including unpackaged seafood, be maintained and strengthened.
2. That Country of Origin laws applicable to seafood be extended to apply in the restaurant and food service sectors.
3. That it be a legal requirement for food labels on seafood to carry the standard fish name in accordance with the Australian Fish Names Standard AS SSA 5300.

COMPETITION FOR DOMESTIC PRODUCERS

Clearly the absence of CoOL in the food service sector does not permit the consumer to make a judgement on purchases based on origin. This is in contrast to the retail sector where the consumer is supplied with this information. In addition the absence of CoOL in the food service sector provides the opportunity for unscrupulous retailers to substitute lower value imported species with domestic product.

RECOMMENDATIONS

The NSIA provides the following recommendation on behalf of the Australian Fishing and Seafood Industry:

1. create a specific section in the *Competition and Consumers Act* that deals solely with country of origin claims with regard to food;
2. maintain the current requirement for CoOL;
3. extend the CoOL requirements to seafood sold for immediate consumption (i.e. at dining venues and outlets); and
4. require that fish names are used in accordance with the Fish Names Standard.

Appendix 1: National Seafood Industry Alliance Policy Paper

POLICY POSITION PAPER 1:

Seafood Labelling

Executive Summary

The National Seafood Industry Alliance (NSIA) is seeking the mandatory labelling of seafood to ensure the consumer is able to make informed choices about their seafood and is not **misled** by the absence of effective labelling.

In this, the NSIA is requests that the Australian government;

- Maintains the current country of origin laws for seafood;
- Removes the current loophole in Country of Origin Labelling (CoOL) by extending country of origin laws for seafood to the dining venue and food service sector; and
- Requires fish names to be used in accordance with the Australian Fish Names Standard.

The NSIA also supports the differentiation between wild caught and farmed produce to the end user.

NSIA Policy Position:

- Accurate country of origin labelling across the supply chain is required to help the consumer identify seafood from;
 - Sustainably managed and regulated wild harvest fisheries and/or aquaculture operations; and
 - Fisheries and aquaculture operations with well regulated fish handling and hygiene procedures.
- The omission of country of origin labelling in dining outlets and food service sector is misleading.
- Consumers are willing to pay more for quality Australian seafood.
- The general perception in the Australian community is that the seafood they buy is local.
- The NSIA believes cheap imports are damaging the high quality reputation of Australian seafood.
- Australian seafood is an important asset to the tourism industry.
- The Australian Seafood industry cannot price compete against cheap imports from fisheries overseas that operate without essential environmental and food safety regulations.
- The NSIA supports informing consumers as to whether seafood is wild caught or farmed.

Issues

Since June 2006 it has been a legal requirement that seafood sold to the Australian public must be clearly labelled with its Country of Origin. These regulations were introduced by the Federal Government to ensure the Australian consumer be accurately informed about the origin of their seafood.

Unfortunately this requirement is only binding on retailers of fresh seafood. Venues selling fish for immediate consumption including restaurants, clubs, bars, and even fish and chip shops are exempt from this labelling requirement.

The management of Australian fisheries is well recognised as world leading. In contrast we import seafood from many countries which are still failing to implement basic fisheries regulations in relation to sustainability.

The importance of food safety has become well understood. Australian wild catch operations and aquaculture ventures are heavily regulated and independently audited to ensure the safety of Australian Seafood.

Consumers are well aware of the health benefits from consuming seafood and understand that the oceans surrounding Australia are some of the cleanest in the world. The quality of our seafood is well accepted by the consumer and demand for seafood is known to be rising. Consumers can also be assured that Australian seafood either farmed or wild caught is sustainable.

Seafood is a much loved product in Australia and part of the seafood experience is undoubtedly our iconic seafood species such as barramundi, prawns, lobster and blue eye trevalla. Popular tourist destinations such as Darwin and Cairns have restaurants relying heavily on the lure of seafood. In our major cities seafood restaurants are still coveted by those seeking a fine dining experience.

What is common amongst all the consumers at all these venues is that they perceive their seafood to be local or at least produced in Australia. The omission of country of origin labelling on menus has led to consumers being misled believing the seafood they purchase to be locally produced. Eating local product is a key aspect of the whole seafood experience and tourism industry.

We see demand for seafood rising yet the Australian industry is in decline. The NSIA believes consumers want Australian Seafood, they want seafood from sustainable and well managed fisheries and farms, and they want seafood from Australia where they know food safety is well regulated. Most of all consumers deserve to be informed about the origin of their seafood so they can make informed decision about what they eat.

Rationale

The Australian seafood consumer demands seafood from sustainable fisheries and farms. There is a strong community perception that seafood sold in Australian venues for immediate consumption is sourced locally. Therefore there is an urgent need for Government to remove the current loophole in CoOL legislation and legislate the use of the fish names standard to ensure the seafood consumer is not further misled about the origins of their seafood.

Appendix 2: Arguments against extending Country of Origin Labelling

With large cost savings currently hidden from the consumer there are vested interests with considerable incentive not to have government intervene in ensuring the consumer is adequately informed. Numerous arguments against CoOL have been raised many of which seem irrelevant to the issue of informing the consumer. The following provides responses to issues currently raised in opposition to CoOL for seafood.

Cost

Claim: *CoOL in the food service sector in general would simply be too costly.*

A project tracking the impacts of CoOL in food service venues in the Northern Territory has shown the cost of complying with the legislation is minimal and businesses adjusted quickly with a vast majority complying with new legislation within a month of implementation⁵.

Claim: *Seafood changes hands several times before it reaches a restaurant and there would be no way of tracing its origin.*

The current legislative requirements only exempt the actual food service venue. Currently seafood has to be labelled by origin to the back door of every restaurant, pub or club. There will be no additional costs "tracing" the origin of any seafood. The cost will be informing the consumer of the origin as found on the same label as the species at the back of the restaurant.

Compliance

Claim: *The cost of compliance for CoOL is not worth the benefits.*

Compliance would be covered under consumer legislation and would have only a marginal additional financial cost compared to ensuring compliance with current consumer protection legislation. The food labelling review recommended government prioritise and fund an expansion of powers in this area to protect the consumer. This recommendation is supported by the seafood industry but it is also noted compliance in these areas is best achieved by having effective punitive measures in place for non compliance.

Effects of Country of Origin Labelling

Claim: *CoOL has no lasting effect on consumers seafood choices.*

The Blewett Review notes explicitly the saliency of CoOL with the Australian community rating as highly in many cases as health issues related to food

No evidence has ever been provided to support the claim that CoOL has no lasting effect on consumers' seafood choices.

⁵ FRDC Project 2009/216 http://www.nts.com.au/pdfs/NTSC_NTSeafoodLabellingLaws_Report_ONLINE.pdf

Evidence from consumer surveys and the impacts on seafood choices when labelled effectively shows this claim to be substantially incorrect. It needs to be asked if CoOL was to have no impact on consumer choices then why are people objecting to extending the legislative requirement.

Consumer research findings from Roy Morgan Research, the Fisheries Research and Development Corporation and the Seafood Cooperative Research Centre have demonstrated that;

- Australian consumers want to buy Australian, with 90 per cent of Australians more likely to buy food products labelled “made in Australia”.
- There is significant (and growing) consumer and retailer support for locally grown/harvested produce.
- Consumers would like to purchase Australian seafood and value Australian seafood highly. Seventy two per cent agree with the statement “I prefer Australian seafood to imported product”.

Survey work carried out in the NT demonstrated an increase in the use of local seafood by over 15% since the implementation of seafood labelling laws.

CoOL has been mandated in the retail sector since 2006. The majority of small fresh fish retailers rely solely on domestic seafood. The larger supermarkets have confirmed their fresh fish sales are 90% domestic product. Two local products, farmed Tasmanian Atlantic Salmon and wild caught red snapper from northern Australia now dominate the fresh fish sales in supermarkets. This is a direct result of demand by informed consumers for local seafood options. The market for red snapper has developed since the implementation of CoOL in 2006 in direct response to consumer demands.

Importance of imported seafood

Claim: *The food service sector is reliant on the use of imported seafood.*

There is considerable demand for seafood in the food service sector. As with other western countries seafood makes up around 30% of menu choices within Australia.

The use of imported seafood of well over 70% in this sector only strengthens the need for CoOL. The high use of imported seafood in no way removes the need for CoOL. This is especially true when one considers extensive market research has shown:

- Consumers cannot readily identify where the seafood they buy is sourced; and
- Consumers are under the impression that they are consuming significant quantities of Australian seafood, when in fact they may be consuming imported product.

Employment contribution

Claim: *Imported seafood supports 70% of the post harvest jobs in the seafood industry.*

Most imported seafood is imported as fillets or already processed seafood. 100% of domestic seafood requires processing at some level. This argument only further demonstrates the price differential between domestic and imported seafood.

This argument in no way limits the need for informing the consumer about the origin of their seafood. Any suggestion that informing the consumer about the origin of their seafood would impact imported seafood's employment contribution strengthens further the need for CoOL to inform consumer choice.

Viability and employment support

Claim: *Food service venues can place a far higher mark-up on imported seafood due to the lower cost compared to domestic product, this in turn provides for the viability and jobs in these venues.*

The seafood industry fully supports the consumer being given the option of choosing cheaper imported seafood. The use of this cheaper seafood however must be made clear to the consumer. The current market failure in not informing the consumer about the use of imports was recognised as they key reason for government intervention in consumer value labels in the Blewett Review.

The large mark-up on imported seafood is only possible because the consumer is left unaware of their seafood's origin. In the long term this will damage both the seafood industry and the food service sector which rely heavily on consumer trust. Once seafood is effectively labelled the consumer can decide whether they pay this additional mark up on imported seafood.

Competition

Claim: *Imported seafood is not local seafood's main competitor, therefore for this reason producers would be better of promoting their own product than seeking CoOL. (For example: Australia imports half the amount of Barramundi than the Tasmanian farms produce of Atlantic Salmon - therefore Atlantic salmon not imported barramundi is the local products biggest competitor).*

All seafood and other protein sources including chicken, beef and pork are competitors. In addition, there is competition between the seafood species for market position. However, what is clear is the fact that the consumer is well informed of which species they are choosing when looking at the example above, i.e. between Australian Salmon and Barramundi. The consumer is not informed on whether they are in fact choosing between Australian Salmon; Australian Barramundi; or seafood produced overseas. It is this unfair competition industry is seeking resolved.

Unlabelled imported seafood is an unfair competitor to both Australian producers. Imported seafood is a competitor to domestic product and without appropriate labelling is falsely masquerading as Australian product.

Menu Changes

Claim: *It will be too hard to change menus if we change from domestic product to imported or vice versa due to availability.*

The assumption to this claim is there are scenarios that involve a venue swapping from domestic to imported seafood or vice versa. There is no scenario where this would occur where there would not be either a considerable incentive to inform the consumer or an obligation to do so.

In the scenario where a restaurant uses domestic product and due to season or supply it becomes unavailable - if the seafood is substituted with a cheaper import then the consumer deserves the right to know.

In the scenario that a restaurant selling imported product then chooses instead to buy a domestic product to replace the seafood in the dish - the venue has every incentive to tell the consumer as the cost of production of the meal has likely increased.

Promotion of seafood

Claim: *Seafood producers are too concerned with imported product and should in fact invest more time in marketing and promoting seafood to take a greater market share from other proteins.*

Demand for seafood is increasing and the seafood industry continues to invest in seafood promotion and marketing. Currently the increased demand is largely met by imported product. With over 70% of seafood consumed in Australia being of imported origin and until domestic product is extended to the restaurants the beneficiaries of seafood marketing are largely seafood importers.

Our seafood market is dominated by imports about which the consumer is unaware. Extension of CoOL will allow industry to invest in marketing and promotion with confidence. Since the implementation of seafood labelling in the Northern Territory the local industry has made an ongoing commitment to promoting seafood (www.supportNTcaught.com). This investment has been made possible because their product can now be identified throughout the entire market.

Consumer values and market forces

Claim: *CoOL is a consumer value and as such its labelling should be left to market forces and not government intervention.*

CoOL is currently voluntary in food service venues. Some sectors of the industry choose to label domestic seafood. Unfortunately the community's assumption that all seafood is domestic has provided the venues that do label the country of origin with no market advantage.

Notably no venue has ever voluntarily labelled imported seafood. They never will unless they see a market advantage in doing so – e.g. Alaskan King Crab, Beluga caviar. The Australian consumer has a strong preference for Australian seafood and there are many negative connotations from imported labels. In addition, imported seafood is purchased at a far lower cost and there is no incentive to pass these savings on to the consumer.

The study into the impact of the NTs seafood labelling laws demonstrated a strong consumer preference away from imported seafood. The consumer however needed a label to make this informed choice.

This market failure means that voluntary CoOL of seafood will never occur across the food service industry. It is unacceptable for the consumer to be misled by the absence of effective CoOL. The governments report on food labelling confirmed this market failure as a reason for government intervention. Market forces will ensure seafood is never labelled voluntarily. The consumer and industry must be protected from this deception.

Certification schemes

Claim: *Industry should adopt certification schemes to identify their product and help with its promotion as an alternative to CoOL.*

Industry supports certification schemes where they are required. These can relate to a number of values such as origin, sustainability, health and safety, fair trade and work conditions. While the community is not made aware of how much seafood they are consuming is imported, such schemes provide little benefit in the food service sector.

Australian seafood is produced under Australian legislation for sustainability, health and safety and work conditions. An Australian label can be a proxy for all these values and is much more practical and carries far less cost than numerous certification schemes.

Australia imports seafood and one must assume it is safe to eat. However producers overseas can for example:

- use antibiotics and chemicals banned in Australia;
- farm fish in conditions that would not be acceptable in Australia;
- fish wild stocks at unsustainable levels;
- fish illegally on the high seas; and
- utilise work conditions do not have to meet Australian standards.

Our Australian fisheries and farms are managed to very high standards as set out by the Australian government. Australian product already has its certification - it was produced under our laws. A certification scheme to promote Australian seafood does not negate the mislead consumer when imported product requires no labelling.

Consumers require labelling by origin to make their own informed decisions about the seafood they eat. Imported seafood needs to be identified and certification sought if its production differs from Australian standards.

A good example would be in Australia's southern gummy and school shark fishery. This fishery has undergone considerable investment and restructure to ensure sustainability. These fisheries markets, mainly in Victoria, are also supplied by gummy shark from unmanaged fisheries in South Africa. The consumer deserves the right to choose the sustainable product.

Demand for Seafood

Claim: *Demand for seafood is outstripping domestic supply and by 2020 we will need to import over 500,000t of seafood.*

It is unclear how this relates to CoOL and would seem only to strengthen the need to identify local product.

Of note, the figure is calculated by considering Australian population growth and current consumption rates of seafood. It is argued Australian producers cannot meet this shortfall. The prediction fails however to consider world population growth and world seafood demand. It also fails to consider where this imported seafood will come from when of course countries with far higher populations and far higher growth rates will be competing for any increased seafood production.

Australia's wild harvest fisheries are some of the best managed fisheries in the world. Claims that there is no room for expansion are simply untrue. There are large numbers of species not currently harvested due to market conditions. Even within some of our larger quota managed fisheries we have species that are not currently harvested. Australia's tropical snapper fishery has developed rapidly over the last few years now producing approx 5,000t of fish. This sustainable development was driven in no small part by consumer demand for domestic seafood.

Aquaculture in Australia is in its infancy with room for considerable expansion. Australia should be supporting these industries and encouraging investment in fish production. Simply assuming we will import our expanding seafood needs from dwindling international resources places considerable risk on Australia's food security.