

Chapter 2

Overview

Introduction

2.1 This chapter provides an overview of some of the key certification schemes and what food certification means. Specific issues identified over the course of this inquiry are examined in the next chapter.

2.2 Third party certification is a mechanism business owners employ to promote particular product attributes to consumers. Certifiers licence their logo or trademark to businesses that meet given standards, thereby confirming that products bearing the mark possess the marketed attributes. These can include qualities such as:

- nutrition (e.g. National Heart Foundation tick of approval)
- product origin (e.g. 'Australian Made Australian Grown')
- environmental sustainability (e.g. dolphin-friendly tuna)
- animal welfare (e.g. RSPCA approved)
- compatibility with religious belief systems (e.g. halal, kosher)
- dietary choice (e.g. organic)
- ethical sourcing (e.g. fair trade)

The benefits of certification

2.3 Certification confirms that a required standard has been met, and is commonly used to identify organic, gluten free, halal, or kosher food products. For certification to be effective a standard must be clear, information about the standard should be easily accessible, and consumers must have confidence in the credibility and integrity of the certification system.

2.4 The value of certification to food producers and retailers is to allow them to differentiate their product in the market:

The value to the manufacturer or brand owner lies in the fact that a trusted and independent entity is confirming that the product has the claimed characteristic, and the value to the certifier lies in enhanced reputation as a trusted expert and in the certification fees paid.¹

1 Australian Food and Grocery Council, *Submission 1412*, p. 4.

2.5 Market forces play a significant role in the success of a certification scheme. When consumers do not trust a certifying body, it offers little value to the manufacturer or retailer, and the commercial relationship is likely to be discontinued.² Certification may also be valuable for food manufacturers and retailers in other less direct ways:

- It may be an entry cost of doing business with a particular customer or retailer, or to gain access to a particular market – for example, halal certification allows entry into Middle East and South East Asian markets;
- It opens the opportunity for incremental business opportunities (e.g. selling to food service as well as retail), leading to better productivity and higher factory utilisation;
- It can fulfil corporate charter requirements and ‘good corporate citizen’ measures; and
- It acts as a compliance measure for claim substantiation (i.e. the product label claim might be ‘organic’ which is then substantiated by way of a third party organic certification).³

2.6 Certification is therefore 'both a marketing tool and a quality assurance measure.'⁴

The importance of export market access

2.7 Australia is a mature food market in which consumption is rising modestly in line with population growth. By contrast, overseas food markets, such as the Middle East and much of Asia, are expanding as the number of middle class consumers grows.⁵

2.8 At present, approximately two thirds of Australian food is produced for export.⁶ Our food exports were worth approximately \$37 billion in 2014 alone.⁷

2.9 Certification provides Australian food exporters with access to lucrative export markets.

2.10 Food certification is expanding rapidly worldwide—in 2013, the value of the global certification market was estimated at US\$10 billion, roughly 1.4 per cent of the total value of the global food and agricultural industry, and it is projected to grow at more than five per cent annually to 2019.⁸

2 Australian Food and Grocery Council, *Submission 1412*, p. 4.

3 Australian Food and Grocery Council, *Submission 1412*, p. 4.

4 Export Council of Australia, *Submission 1436*, p. 3.

5 Department of Industry and Science, *Submission 1413*, p. 15.

6 Department of Agriculture, *Submission 1338*, p. 2.

7 Department of Foreign Affairs and Trade, *Submission 1236*, p. 1.

8 Food South Australia, *Submission 945*, p. 13.

2.11 The value of halal certification alone is substantial:

The global halal market is robust and dynamic market. One of its most outstanding features of halal certification is that it can capture and is intended to capture both this market as well as others that do not characterise themselves as halal markets. Halal certification is an effective and sought after instrument that enables companies to expand the scope of their customers worldwide. Arguably no other instrument has the capacity to do so than halal because essentially it removes barriers of entry to markets. Australia would be at a considerable disadvantage to do anything to undermine halal or its utilisation by Australian business. Using the halal certification label can bring about a massive expansion of both halal and non-halal exports and result in significant improvements in Australia's terms of trade if in fact it has not already done so.⁹

2.12 It is estimated that there are 1.6 billion consumers in the halal market worldwide, making it one of the biggest food markets in the world:

According to research commissioned by the Dubai Chamber of Commerce the halal food industry was worth US\$1.1 trillion dollars in 2013. It estimates that the global share of the food and beverages market accounted for 16.6 percent. The UAE halal food market alone (dominated by unpackaged red meat at 78.7 per cent) was valued at \$20 billion dollars in 2013. The outlook is even more impressive. The global halal food market is expected to be worth 1.6 trillion dollars in 2018, growing at a compound growth rate of 6.9 percent. There are also higher estimates which claim that the halal market was worth US\$2 trillion dollars 2008, when halal food is combined non-food halal products (i.e. cosmetics & pharmaceutical products etc.). What this shows is that the halal market is one of the fastest growing and lucrative food markets in the world.¹⁰

2.13 The Australian red meat export sector was worth \$1.4 billion in 2013–14. Halal certification is required for exports to Indonesia, Malaysia, Iran, Iraq, the United Arab Emirates, Jordan, Kuwait, Bahrain, Brunei, Oman, Qatar, Saudi Arabia and Egypt. These are significant markets for the meat industry¹¹ and third party certification is instrumental in providing exporters access to these markets:

Were we unable to offer Australian Government assured halal certification to our Muslim and other trading partners, access for our red meat exports to these markets would be limited and potentially denied, with a corresponding deleterious effect on the Australian red meat export industry. Likewise, if other food businesses did not have access to commercial halal certification services this would limit their ability to access a large and

9 Mr Abdul Ayan, *Submission 205*, p. 5.

10 Mr Abdul Ayan, *Submission 205*, p. 12. See also Department of Industry and Science, *Submission 1413*, p. 12.

11 Department of Foreign Affairs and Trade, *Submission 1236*, p. 3.

growing pool of Muslim consumers, many of whom reside in rapidly growing economies within our region.¹²

2.14 Kosher certification presents comparatively fewer economic advantages, but is 'useful for exporting to Israel and the United States.'¹³ Opportunities also exist in organic food certification, with Australia's organic food exports valued at over \$228 million in 2014.¹⁴

Regulation

2.15 Various food certification schemes are subject to a complex interplay of regulatory standards which balance food safety with the varied requirements of our export markets. The Department of Industry and Science (DIS) explained:

The institutional structures and administration of Australia's food industry regulation are complex due to the devolved nature of many activities and the need to balance production and consumer marketing aspects of food with food safety and export requirements.¹⁵

2.16 Food safety is important to consumers, industry and the government:

In Australia, and indeed most modern economies, food safety is assured to the extent possible through processes of hazard identification, and control point identification for risk minimisation and mitigation.¹⁶

2.17 Although it is not common practice for quality and safety system accreditations to appear on food labels, significant work is being done to standardise food safety audits:¹⁷

Safety audits are undertaken for regulatory compliance, as a result of manufacturer requirements or to satisfy retailer requirements, and at present there is relatively little recognition by one stakeholder of safety audits undertaken for another, even though the safety audit can be standardised against internationally accepted protocols. This creates the circumstance where a company might undergo 10 to 15 different safety audits in a year, all looking at the same things. This duplication places a burden on auditors and on the audit process where standardisation and recognition could drive better outcomes for consumers and for industry.¹⁸

2.18 The Department of Agriculture has an important role in regulating the certification of goods for export, which 'provides recognisable economic benefit to Australia's agricultural industries and assists against the threat of market failure.'¹⁹ In

12 Department of Foreign Affairs and Trade, *Submission 1236*, p. 3.

13 Department of Industry and Science, *Submission 1413*, p. 12.

14 Department of Industry and Science, *Submission 1413*, p. 12.

15 Department of Industry and Science, *Submission 1413*, p. 6.

16 Australian Food and Grocery Council, *Submission 1412*, p. 5.

17 Australian Food and Grocery Council, *Submission 1412*, p. 5.

18 Australian Food and Grocery Council, *Submission 1412*, p. 5.

19 Department of Agriculture, *Submission 1338*, p. 2.

the case of halal certified foods, the department's role is limited only to the halal certification of red meat—certification of other goods is on a purely commercial basis.²⁰

2.19 Manufacturers and brand owners are not always required by law to certify products destined for the domestic market, nor do regulations prevent claims being made about products which are not certified.²¹ As put by the Australian Food and Grocery Council, '[c]ertifications are rather discretionary marketing activities of the manufacturer or brand owner.'²²

2.20 The section below explores how consumer interests are protected.

Consumer protection—certification trademarks

2.21 The consumer protection provisions contained in Schedule 2 of the *Competition and Consumer Act 2010* (Australian Consumer Law) apply to all commercial activity in Australia, including all certification schemes. Under the Australian Consumer Law:

A person must not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.²³

2.22 The Australian Food and Grocery Council elaborated on this:

- it is unlawful to make a representation that is misleading or deceptive or likely to mislead or deceive, including by way of a certification;
- it is both unlawful and a criminal offence to make a false or misleading representation that a product has a history or characteristic that it does not have, including by way of a certification; and
- it is both unlawful and a criminal offence to represent that a product has a sponsorship or approval that it does not have.²⁴

2.23 Although the Act provides a considerable degree of consumer protection regarding the validity of certifications, the type of trademark/logo a certification body operates under impacts considerably on the resultant level of consumer protection.

2.24 The *Trade Marks Act 1995* distinguishes between types of trademarks:

A special class of trade marks has been created in Australia, called a certification trade mark (CTM). CTMs differ from other registered

20 See discussion with Mr Greg Read, First Assistant Secretary, Exports Division, Department of Agriculture, *Proof Committee Hansard*, 21 August 2015, pp 32–45.

21 Claims must be accurate and truthful to comply with the *Competition and Consumer Act* (the Australian Consumer Law).

22 Australian Food and Grocery Council, *Submission 1412*, p. 7.

23 Section 18 (1) of the *Competition and Consumer Act 2010*.

24 Australian Food and Grocery Council, *Submission 1412*, pp 5–6.

trademarks in that they require a set of public rules which must be met in order for that manufacturer to be able to display the CTM.²⁵

2.25 CTMs are lodged and processed by IP Australia, and must be approved by the Australian Competition and Consumer Commission (ACCC) before they can be registered under the *Trade Marks Act*. Dr Richard Chadwick, General Manager of the Adjudication Branch of the ACCC explained Australia's trademark system during the inquiry:

Certification trademarks are a type of trademark, so they lodge an application with IP Australia, and IP Australia does its usual kind of review of the trademark. And then, if they are seeking a certification trademark, IP Australia sends the application and the rules across to us. As Mr Gregson said, there are really two types of things we look at. Under the Trade Marks Act, there is a set of requirements effectively that the rules have to specify the attributes of the person doing the assessment; the rules that are being assessed, so the standard; and how they are being assessed. There are also requirements that there are dispute resolution systems. So, if you like, the certification process has to have certain elements. And then the commission also has a broader assessment process, which is really deciding whether or not the trademark and the rules are consistent with the principles of consumer protection and competition.²⁶

2.26 Certification trademarks indicate that a product is of a particular quality, manufactured in a particular way or according to a particular process and that the advertised standard is assessed and monitored for compliance regularly. The Heart Foundation Tick is a well-known and easily recognised certification trademark.

2.27 Consumers can be confident that products certified by a company with a certification trademark comply with the sought-after standard or value:

[CTMs] might be said to be more transparent to consumers due to the public nature of the requirements and processes involved in the certification. However, operating a CTM is a more expensive exercise for certifiers, costs which are ultimately borne by the certified manufacturers through fees.²⁷

2.28 There is no requirement for a logo or a trademark to be a registered certification trademark. Certification authorities may 'seek protection of their intellectual property through other mechanisms' or not seek protection at all.²⁸

2.29 Certification bodies which do not have registered certification trademarks are by law only prohibited from misleading conduct, penalties for which range from

25 Australian Food and Grocery Council, *Submission 1412*, p. 8.

26 Dr Richard Chadwick, General Manager, Adjudication Branch, Australian Competition and Consumer Commission, *Proof Committee Hansard*, 24 September 2015, p. 2.

27 Australian Food and Grocery Council, *Submission 1412*, p. 8.

28 Mr Scott Gregson, Executive General Manager, Consumer Enforcement, Australian Competition and Consumer Commission, *Proof Committee Hansard*, 24 September 2015, p. 1.

\$200 000 for individuals and \$1.1 million for companies.²⁹ They are not required to operate to a particular standard.

Certification schemes

Organic certification

2.30 The organic market is the fastest growing agricultural industry in Australia, currently valued at \$1.72 billion.

2.31 The term "organic" is not regulated for the domestic Australian market³⁰—the industry relies on self-regulation, consumer awareness and respect:

Responsibility for action taken on misuse of the term organic and certified organic therefore falls on the certification industry, working in concert where relevant with the ACCC and fair trade agencies. Ultimately this is a market driven and supported production system attribution claim which requires vigilance from consumers in looking for, and buying, certified organic products under a recognised logo.³¹

2.32 Conversely, organic food bound for export is subject to strict controls.³²

2.33 Certification is carried out by one of six organic certification bodies administered by the Department of Agriculture:

The Department of Agriculture is considered the competent authority, and conducts annual audits to verify that all organic certification issued by these bodies is in accordance with the requirements of the National Standards for Organic and Biodynamic Produce.³³

2.34 A representative of the department explained its role:

I think the easiest way to explain something that is very complicated is in a simple framework. Essentially my division operates under and administers the Export Control Act. Within the Export Control Act, we will have a range of prescribed goods and, clearly, one of those prescribed goods areas is meat and meat products. Within our regulatory philosophy, what we are seeking to do is, to the minimalist extent possible, meet importing country requirements. So depending on what the aspect of the commodity is, depending on the markets it is going to, it enables us then to use various ranges of instruments to have the lightest possible touch into those markets. Probably one of the lightest touch regulatory models we have is organic. You would have observed that we actually facilitate industry in as a devolved way as possible the administration of that program. You would

29 Mr Scott Gregson, Executive General Manager, Consumer Enforcement, Australian Competition and Consumer Commission, *Proof Committee Hansard*, 24 September 2015, p. 3.

30 Department of Foreign Affairs and Trade, *Submission 1236*, p. 4.

31 Australian Organic Ltd, *Submission 1374*, p. 1.

32 Organic Industry Standards and Certification Council Inc., *Submission 1398*, p. 1.

33 Organic Industry Standards and Certification Council Inc., *Submission 1398*, p. 1.

have heard that we gain the assurances for the certificates that are issued on our behalf through some verification audits over those certifiers.³⁴

2.35 Each of the six certifiers is required to comply with strict criteria, and must provide information regarding fee structures and service provision. Certifiers must simultaneously meet strict regulatory standards applied by the European Union, Taiwan and Japan 'in order to accredit product for export to these regions, under equivalency arrangements.'³⁵

2.36 A number of Australian organic certifiers also hold direct accreditation with foreign governments, for example the United States Department of Agriculture National Organic Program, which enables them to certify products for export bound for those countries. Their accreditation with overseas governments means they meet other nations' legislative and audit requirements.³⁶

2.37 In their submission to the inquiry, the Department of Foreign Affairs and Trade state third party certification is critical to the continued growth of Australia's organics industry:

Although Australia's total percentage share of the global organic food market is only 2.3 per cent, the forecast compound annual growth rate of the Australian industry for 2014-2016 is 12.5 per cent, more than double that of the global industry of 5.9 per cent. This growth potential will benefit from continued robust third party certification for organics, which in turn should continue to support national and international consumer confidence in Australian organic produce and ensure that we maintain access to key overseas markets.³⁷

Genetically modified food

2.38 Only two genetically modified (GM) crops, canola and cotton, are grown in Australia.³⁸

2.39 GM food is regulated under standard 1.5.2 of the Food Standards Code.³⁹ The food standard permits up to 0.9 per cent of genetically modified material in food products. Products containing higher levels are required to be labelled as "genetically modified". A submission from GMO ID Australia states that no routine testing is conducted on imported products.⁴⁰

34 Mr Greg Read, First Assistant Secretary, Exports Division, Department of Agriculture, *Proof Committee Hansard*, 21 August 2015, p. 32.

35 Organic Industry Standards and Certification Council Inc., *Submission 1398*, p. 1.

36 Organic Industry Standards and Certification Council Inc., *Submission 1398*, p. 1.

37 Department of Foreign Affairs and Trade, *Submission 1236*, p. 4.

38 GMO ID Australia, *Submission 376*, p. 1.

39 For more information see Food Standards Australia New Zealand (FSANZ) at: <http://www.foodstandards.gov.au/consumer/gmfood/gmoverview/Pages/default.aspx> (accessed 9 November 2015).

40 GMO ID Australia, *Submission 376*, p. 1.

2.40 Certification is available for non-genetically modified food products:

Non GM certification is a non-religious standard and was established to inform customers/consumers about a product/ingredient that current labelling legislation does not adequately cover. Many consumers are concerned about genetic manipulation of different crops, by products and animals.⁴¹

Religious certification

2.41 There are two primary forms of religious based certification carried out in Australia—kosher for the Jewish market, and halal for the Muslim market. Both halal and kosher certification bodies adhere to specific requirements in relation to how meat is to be slaughtered, which ingredients are permissible and how cross-contamination of products is to be avoided. Submissions received from the Halal Certification Authority Australia (HCAA) and the Executive Council of Australian Jewry (ECAJ) confirmed that non-meat products sold as halal or kosher are not blessed or religiously altered in any way.⁴²

2.42 Specific issues of concern to submitters are examined in the next chapter. The sections below outline what kosher and halal certification entails and how certification operates in Australia.

Kosher

2.43 ECAJ defined the word "kosher" as "proper" or "fit for use":

It describes the acceptable status of food products in accordance with the Biblically-based dietary laws of the Jewish faith. These laws are extremely intricate, taking up many volumes of ancient and modern scholarly texts and teachings. Reliable and acceptable endorsement of items as kosher requires considerable scholarly and technical knowledge and expertise.⁴³

2.44 The committee was provided an outline of the multifaceted rules and traditions which comprise Jewish religious dietary laws:

- Further, the “kosher” animal must be killed for consumption by specially trained and religiously observant Jewish personnel in a procedure conforming to strict rules that ensure a swift, clean kill.
- Poultry is similarly categorised into acceptable and non-acceptable species, based on a Biblical listing. Chicken and turkey are acceptable species. Wild duck and all carnivorous birds of prey are not. The acceptable poultry must be prepared for consumption under similarly strict regulations governing killing and processing.
- Kosher meat certification rules are not just confined to the meat itself but also govern the acceptability, or otherwise, of the use of

41 GMO ID Australia, *Submission 376*, p. 1.

42 Halal Certification Authority Australia, *Submission 1437*, p. 5. Executive Council of Australian Jewry, *Submission 874*.

43 Executive Council of Australian Jewry, *Submission 874*, p. 1.

everything derived from the animal/meat or otherwise of animal/meat origin. This includes animal-based food products such as tallow-based fats and margarines, and also less obvious animal-derived products such as processing aids like gelatine, emulsifiers and rennet.

- The addition of any non-kosher animal or animal-derived products into other products also renders the final product as non-kosher.
- Kosher laws define the acceptability or otherwise of fish and seafood. Only fish and sea-food possessing defined scales and fins are permitted according to Biblical law. This excludes octopus, shark and whales and all shell-fish and crustaceans such as oysters and crabs and their derivatives.
- The mixing of meat and dairy products or their respective derivatives, is prohibited by Biblical law.
- There are also regulations regarding the acceptability of consumption of various fruit and vegetables, again based on specific Biblical regulations.
- Production of kosher items in equipment that was previously used for non-kosher products also renders the otherwise kosher product non-kosher – unless the equipment first undergoes a specific “cleansing” process to remove any trace of the previous non-kosher “contamination”.⁴⁴

2.45 The committee noted that declaring food to be "kosher" merely entails an expert assessment of the way the food was produced and the ingredients it contains. The food is not subject to any religious ritual, change or blessing.⁴⁵

Kosher certification

2.46 Overall, the market for kosher food in Australia is small, estimated by ECAJ to be about 30 000 people. There are others who seek kosher food on some occasions, for a range of reasons.⁴⁶

2.47 Two kosher certification authorities—the New South Wales Kashrut Authority (NSWKA) and Kosher Australia (KAVIC)—are the principal certification authorities in NSW and Victoria respectively, and provide over 90 per cent of kosher certification services in Australia. The Kashrut Authority of Western Australia (KAWA) is the only kosher certification authority in WA, and no certification authorities operate in Queensland, South Australia, Tasmania or the Australian Capital Territory, reflecting the distribution of Australia's Jewish population. In states without certification authorities, the local Jewish communities rely on kosher supervision

44 Executive Council of Australian Jewry, *Submission 874*, p. 2.

45 Executive Council of Australian Jewry, *Submission 874*, p. 2.

46 The ECAJ submission explains that approximately one quarter of Australia's Jewish population identify as 'strictly Orthodox' or 'modern Orthodox' and can be assumed to 'keep kosher'. See Executive Council of Australian Jewry, *Submission 874*, p. 4.

undertaken by the local rabbis, and will often source specialised kosher products from NSW and Victoria.⁴⁷

2.48 Certifiers examine and certify individual products, but they also certify food businesses such as bakeries, restaurants and caterers. Almost all kosher animal slaughter in Australia is carried out in NSW and Victoria.⁴⁸

Halal

2.49 The Halal Certification Authority Australia (HCAA) defined the word "halal" as 'permitted, allowed, authorised, approved, sanctioned, lawful, legal, legitimate or licit'.⁴⁹ In the context of food "halal" denotes goods that are fit for consumption by Muslims.

2.50 Conversely, foods which are not fit for consumption by Muslims are known as "haram"; that is, 'not permitted, unauthorised, unapproved, unsanctioned, unlawful, illegal, illegitimate or illicit'.⁵⁰ Products are "haram" if they contain or come into contact with:

- Animals not slaughtered according to Islamic requirements.
- Carnivores, omnivores, pigs, dogs or donkeys.
- Animals which died by strangulation, a blow to the head, headlong falls, natural causes, or were killed by another animal.
- Animals with protruding canine teeth, e.g. cats and monkeys.
- Amphibious animals, e.g. frogs and crocodiles.
- Insects such as flies, worms and cockroaches.
- Birds of prey with talons, including owls and eagles.
- Alcohol, harmful substances – any poisonous or intoxicating plants or drinks.
- Blood, urine and faeces.⁵¹

2.51 Mr Abdul Ayan, an international halal consultant based in Melbourne, provided a useful explanation of what is meant by "halal" in the contemporary context:

In Islam, halal is conceived as a universal principle, because it is based on permissibility. Some people refer to it as the principle of permissibility. It means that God's bounty is almost unlimited and that He has made everything halal except a few actions and products that are specified. The concept of halal is not unfamiliar to Judaism albeit under a different but equivalent term - Kosher. The same I understand is true of Christianity

47 Executive Council of Australian Jewry, *Submission 874*, p. 3.

48 Executive Council of Australian Jewry, *Submission 874*, p. 4.

49 Halal Certification Authority Australia, *Submission 1437*, p. 2.

50 Halal Certification Authority Australia, *Submission 1437*, p. 3.

51 See Halal Certification Authority Australia, *Submission 1437*, p. 3.

although it is no longer extant. There is one basic truth about halal food; it is overwhelmingly about products that Humanity (Muslims and non-Muslims) consumes every day. Halal therefore is not peculiar to Muslims even if the term may make it seem as if it is. What is peculiar to Muslims (& Jews) is that they do not consume products like pork etc. To say that a particular food is halal is to say that Islam places no barriers on consuming it. That in fact is the fundamental definition of halal: that everything is halal except 'A, B, C' (a small number of specified products such as pork that are prohibited). The purpose of halal certification is not in fact about halal itself, but about validating the absence of haram in the composition of the products that are sold or offered for consumption. What must be pointed out is that there should be no objection to halal at all, because to do so is to object to the very products that we all consume on a daily basis including water, bread, fruit vegetables and rice etc.⁵²

Halal certification

2.52 HCAA described a halal certificate as a 'document attesting to facts', explaining that it is directly based on Koranic requirement.⁵³

2.53 Mr Abdul Ayan offered the following description of how certification works:

There are many types of halal certification labels on products. Halal certification of raw meat is different from packaged and bottled products. Halal meat is required to have two consecutive certifications. The first is the certification of carcass by way of a stamp on carcass (for ex. VIC MS stamp in Victoria & similar ones for other states) and the other is by way of a certificate of authentication or validation which accompanies the product to its export destination or sales outlet. These are mandatory official certificates. One relates to in-house processes, the other outward validation. There is another certificate called an Interim/Transfer certificate which accompanies the movement of the product in transportation and storage. This however is not an official stamp but one intended for internal management by halal certifiers (to insure that the integrity of the halal product is not compromised).⁵⁴

2.54 Detailed information on organisations authorised to certify non-meat products in Australia is not readily available, was not supplied by any submitters, and could not be found by the committee.

Genetically modified food

2.55 The genetic make-up of food has been manipulated through traditional cross-breeding of plants and animals for generations. Today science allows us to make copies of particular genes from the cells of an animal or plant and insert these copies into the cells of another organism to produce a particular characteristic. The resultant organisms are referred to as genetically modified (GM) foods:

52 Mr Abdul Ayan, *Submission 205*, p. 3.

53 Halal Certification Authority, *Submission 1437*, p. 3.

54 Mr Abdul Ayan, *Submission 205*, p. 5.

Most of the GM foods produced so far are GM plants, for example corn plants with a gene that makes them resistant to insect attack, or soybeans with a modified fatty acid content that makes the oil better suited for frying. Plants that use less water to grow have also been developed so they are more suitable for changing climatic conditions.⁵⁵

2.56 GM foods are regulated under Standard 1.5.2 of the Food Standards Code and subject to mandatory pre-market approval and labelling requirements.⁵⁶

The cost of certification

2.57 Certification services are provided by a range of organisations for a fee. There is no common fee structure—operator's fees are individually structured and depend on the nature of the certification provided. Costs to businesses seeking certification could include:

- Changing operations, reformulating products or modifying ingredient sourcing in order to qualify for certification;
- Certification fees;
- Compliance costs such as certifier visits to facilities, auditing of processes, supply chain and ingredients; and
- Labelling costs where a logo is to be included in packaging.⁵⁷

2.58 To survive in a highly concentrated food market domestically and abroad, manufacturers and brand owners have to be price competitive. The net financial effect of certification therefore has to be beneficial or certification would not be sought.

2.59 The committee sought clarity on fees charged by various certification bodies. It is noted that while some certification authorities were more transparent and forthcoming than others in the information they provided, there is no legislative requirement for fee structures to be made public.

Organic

2.60 Australian Organic Ltd informed the committee that its certification programs cater for both small and large businesses, charging fees 'starting from \$495 per annum for small scale farm operators and capped at less than \$5,000 (ex GST) for the largest operations (farm and processing/handling)'.⁵⁸ Those costs are estimated to represent at most less than 1 per cent of the wholesale cost of certified organic products:

55 Food Standards Australia and New Zealand:
<http://www.foodstandards.gov.au/consumer/gmfood/gmoverview/Pages/default.aspx>
(accessed 11 November 2015).

56 Food Standards Australia and New Zealand:
<http://www.foodstandards.gov.au/consumer/gmfood/gmoverview/Pages/default.aspx>
(accessed 11 November 2015).

57 Australian Food and Grocery Council, *Submission 1412*, p. 8.

58 Australian Organic Ltd, *Submission 1374*, p. 3.

ACO [Australian Certified Organic] maintains its charging structure to assist smaller to medium enterprises as they develop, while also ensuring that financially it is not beholden to any large or singular commercial interests, by maintaining capped and low charges.⁵⁹

2.61 The committee understands that proceeds from organic certification are 'channelled back into assisting in regulating, testing, spot inspections, market access and trade and consumer education.'⁶⁰

Non-genetically modified

2.62 The price to certify food products as 'non-genetically modified' is based on the perceived "risk" of a product or ingredient being genetically modified.⁶¹ Fees may vary from \$1200 per annum for a "low risk" product like Tasmanian honey, to as much as \$13 000 for Manuka honey produced in Turkey, or corn grown in the United States. Fees include auditing, certification and registration with CERT ID, Europe.⁶²

2.63 Although the committee received a considerable number of submissions, a number of concerns were identified. These are set out and addressed in the next chapter.

59 Australian Organic Ltd, *Submission 1374*, p. 3.

60 Australian Organic Ltd, *Submission 1374*, p. 3.

61 GMO ID Australia, *Submission 376*, p. 2.

62 GMO ID Australia, *Submission 376*, p. 2.