

**18 July 2011**  
**[14-11]**

# **PROPOSAL P1011**

## **COUNTRY OF ORIGIN LABELLING – UNPACKAGED MEAT PRODUCTS**

### **ASSESSMENT REPORT**

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#### **Executive Summary**

The purpose of this Proposal is to consider varying Standard 1.2.11 – Country of Origin Requirements, in the *Australia New Zealand Food Standards Code* (the Code) to require country of origin labelling for unpackaged beef<sup>1</sup>, sheep<sup>2</sup> and chicken meat. The Proposal is relevant to Australia only as Standard 1.2.11 does not apply in New Zealand. This Proposal is being assessed under the General Procedure, involving one round of public comment.

On 20 October 2009, the Australian Government announced a change in Australia's Bovine Spongiform Encephalopathy (BSE) food safety policy for imported beef and beef products which sets new requirements for countries that wish to export beef and beef products to Australia. The new policy came into effect on 1 March 2010, allowing previously ineligible countries to access the Australian market for beef products, subject to these countries meeting specific animal health and food safety requirements.

The change to Australia's BSE food safety policy for imported beef has caused community concern with respect to the inability to readily identify imported unpackaged beef products, as current country of origin labelling requirements do not apply to unpackaged beef. In response to these concerns, the Australian Government asked FSANZ to consider extending country of origin labelling requirements to provide consumers the appropriate information and address the inconsistency in the application of country of origin labelling across unpackaged meat, in particular, beef.

In Standard 1.2.11, packaged foods and unpackaged pork, fish, fruit and vegetables require country of origin labelling. These requirements do not extend to unpackaged meat, such as beef, sheep and chicken meat, most commonly consumed by Australians. An amendment to Standard 1.2.11 to extend country of origin labelling to unpackaged beef, sheep and chicken meat will remove this inconsistency. It will ensure that consumers are provided with improved access to consistent information across the retail sector about the country of origin of unpackaged meat products.

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<sup>1</sup> Beef includes veal for the purpose of this report. This is reflected in the draft Standard.

<sup>2</sup> Sheep includes lamb, hogget and mutton for the purpose of this report. This is reflected in the draft Standard.

To assist the assessment of the Proposal, FSANZ commissioned a review of the relevant literature on consumer preferences, understanding, use and willingness-to-pay for country of origin labelling of food and meat. The key findings are detailed in **Supporting Document 2**.

FSANZ also commissioned the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) to examine current and potential penetration of imports of fresh, chilled and frozen beef, sheep and chicken meat into Australia. The report is provided as **Supporting Document 3**.

Additionally, FSANZ undertook preliminary targeted consultation with the peak industry bodies and the major retailers to estimate the impact that the proposed amendments would have on the meat supply chain and retail practices.

The evidence suggests that many Australian consumers prefer Australian meat. If there is an increase in the availability of non-Australian beef, sheep and chicken meat products for sale, extension of mandatory country of origin labelling will provide sufficient information to enable consumers to differentiate between their preferred meat products and less preferred meat products.

In the current situation where information asymmetry<sup>3</sup> exists, there is a potential for loss of trust and confidence in the food supply should consumers find it difficult to establish the origin of unpackaged meats. Extending mandatory country of origin labelling to beef, sheep and chicken meat will correct the information asymmetry and promote trust and confidence in the food supply.

Information received to date indicates that several major retailers are already implementing voluntary country of origin labelling for unpackaged meats. Therefore the costs related to extending mandatory country of origin labelling to unpackaged beef, sheep and chicken meat are not likely to be substantial. In general, the major supermarket retailers are also supportive of a mandatory regulatory measure to include country of origin labelling for unpackaged beef, sheep and chicken meat.

The benefits and costs associated with the proposed extension of country of origin labelling have been assessed using regulatory impact principles and the Office of Best Practice Regulation has been consulted. This analysis is detailed in **Supporting Document 1**.

FSANZ determined that there were four viable options available for this Proposal:

- Option 1(a) – abandon the Proposal, thus maintaining the *status quo*. The current country of origin labelling requirements in Standard 1.2.11 would remain.
- Option 1(b) – abandon the Proposal and adopt a non-regulatory approach such as a guidelines or a voluntary code of practice developed by the industry.
- Option 2(a) – develop a draft food regulatory measure (prepare draft variations to Standard 1.2.11 to extend current country of origin labelling requirements to unpackaged beef, sheep and chicken meat).
- Option 2(b) – develop a draft food regulatory measure (prepare a draft code of practice through the formal standard development process as prescribed in the *Food Standards Australia New Zealand Act 1991*).

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<sup>3</sup> Information asymmetry is a situation in which one party has more or better information than the other while making a decision in a transaction. In such a situation it is possible for one party to take advantage of the other party's lack of knowledge.

Option 1(a) does not impose any additional costs or benefits to stakeholders. However, it does not address the current omission of the country of origin labelling requirements for some unpackaged meats in Standard 1.2.11 and consumers will continue to receive incomplete information regarding the country of origin of unpackaged meats.

Option 1(b) provides a mechanism by which to implement extended country of origin labelling through a code of practice developed by the industry. However, overseas experience indicates that a voluntary scheme is unlikely to lead to universal adoption of country of origin labelling unless the industry is provided with sufficient incentives to do so.

Option 2(a) will provide consumers with mandatory information upon which to make purchasing decisions and the information provided will be consistent across the retail sector.

Option 2(b) provides a mechanism similar to option 1(b) by which to implement extended country of origin labelling through a code of practice developed by FSANZ. The impact of this option is likely to be similar to option 1(b)

Options 1 (b) and 2(b) will incur development costs for the Codes of Practice, although these are not likely to be substantial. Implementation costs will depend on up-take of the Codes, and the consumer benefit will vary according to the uptake.

Option 2(a) will not incur development costs but may impose additional implementation costs on industry. Information received to date indicates that these costs are not likely to be substantial, with several major retailers already implementing voluntary country of origin labelling for unpackaged meats. As a mandatory requirement, any consumer benefit will be broader and more certain.

Consumer benefits such as improved access to information, improved trust and confidence in the food supply, and satisfaction in supporting Australian producers are difficult to quantify. In contrast, the costs are more easily valued but are not expected to be substantial.

As a result, the Consultation Regulatory Impact Statement provided in **Supporting Document 1 (SD1)** supports the status quo as the other options cannot be shown to have a clearer overall benefit. FSANZ recognises that there are other relevant matters to consider including the omission of the country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats, the importance of country of origin labelling to consumers, and its impact on consumer trust and confidence in the food supply. In making its recommendation, FSANZ has taken into consideration these other relevant matters.

#### **Preferred Approach [Option 2(a)]**

**To prepare draft variations to Standard 1.2.11 to require country of origin labelling for unpackaged beef, veal, lamb, hogget, mutton and chicken.**

The draft variations are at **Attachment 1**.

#### **Reasons for Preferred Approach**

- Preparing draft variations to Standard 1.2.11 addresses the omission of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats most commonly consumed by Australians. Recent consumer concerns relating to the origin of beef products have highlighted this issue.

- Research indicates that country of origin information is important to Australian consumers. It plays a key role in the creation of trust and confidence in the food supply and is valued more in the context of fresh food products such as fresh meat.
- Mandating country of origin information will ensure that consumers are provided with improved access to consistent information across the retail sector about the country of origin of unpackaged meat products, whereas adopting a voluntary scheme is unlikely to lead to universal adoption of country of origin labelling.
- Although difficult to evaluate, there is likely to be an overall benefit to the community when improved access to information and the importance of consumer trust and confidence are balanced against industry implementation costs.

## Consultation

This Proposal is being assessed under the General Procedure in the *Food Standards Australia New Zealand Act 1991* (FSANZ Act), involving one round of public consultation. FSANZ will also consult key stakeholders through targeted consultation mechanisms.

Public submissions are now invited on this Assessment Report. Comments are specifically requested on the questions raised in the Regulatory Impact Statement, Supporting Document 1 and the information sought in this Assessment Report. Attachment 3 of this report provides a summary of the information sought from submitters.

Individuals and organisations that make submissions on this Proposal will be notified at each stage of the Proposal. If the FSANZ Board approves the draft variation to the Code, FSANZ will notify the Ministerial Council of its decision. If the Ministerial Council does not request FSANZ to review its decision, stakeholders, including the public, will be notified on the gazettal of changes to the Code in the national press and on the FSANZ website.

## Invitation for Submissions

FSANZ invites public comment on this Report and the draft variations to the Code based on regulation impact principles for the purpose of preparing an amendment to the Code for approval by the FSANZ Board.

Written submissions are invited from interested individuals and organisations to assist FSANZ in further considering this Application/Proposal. Submissions should, where possible, address the objectives of FSANZ as set out in section 18 of the FSANZ Act. Information providing details of potential costs and benefits of the proposed change to the Code from stakeholders is highly desirable. Claims made in submissions should be supported wherever possible by referencing or including relevant studies, research findings, trials, surveys etc. Technical information should be in sufficient detail to allow independent scientific assessment.

The processes of FSANZ are open to public scrutiny, and any submissions received will ordinarily be placed on our website and on the public register of FSANZ and made available for inspection. If you wish any information contained in a submission to remain confidential to FSANZ, you should clearly identify the sensitive information, separate it from your submission and provide justification for treating it as confidential commercial material. Section 114 of the FSANZ Act requires FSANZ to treat in-confidence, trade secrets relating to food and any other information relating to food, the commercial value of which would be, or could reasonably be expected to be, destroyed or diminished by disclosure.

Submissions must be made in writing and should clearly be marked with the word 'Submission' and quote the correct project number and name. While FSANZ accepts submissions in hard copy to our offices, it is more convenient and quicker to receive submissions electronically through the FSANZ website using the Changing the Code tab and then through Documents for Public Comment.

Alternatively, you may email your submission directly to the Standards Management Officer at [submissions@foodstandards.gov.au](mailto:submissions@foodstandards.gov.au). There is no need to send a hard copy of your submission if you have submitted it by email or the FSANZ website. FSANZ endeavours to formally acknowledge receipt of submissions within 3 business days.

**DEADLINE FOR PUBLIC SUBMISSIONS: 6pm (Canberra time) 29 August 2011**

**SUBMISSIONS RECEIVED AFTER THIS DEADLINE WILL NOT BE CONSIDERED**

Submissions received after this date will only be considered if agreement for an extension has been given prior to this closing date. Agreement to an extension of time will only be given if extraordinary circumstances warrant an extension to the submission period. Any agreed extension will be notified on the FSANZ website and will apply to all submitters.

Questions relating to making submissions or the application process can be directed to the Standards Management Officer at [standards.management@foodstandards.gov.au](mailto:standards.management@foodstandards.gov.au).

If you are unable to submit your submission electronically, hard copy submissions may be sent to one of the following addresses:

**Food Standards Australia New Zealand  
PO Box 7186  
Canberra BC ACT 2610  
AUSTRALIA  
Tel (02) 6271 2222**

**Food Standards Australia New Zealand  
PO Box 10559  
The Terrace WELLINGTON 6143  
NEW ZEALAND  
Tel (04) 978 5636**



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## **SUPPORTING DOCUMENTS**

The following document which was used in the preparation of this Assessment Report is available on the FSANZ website at

<http://www.foodstandards.gov.au/foodstandards/proposals/proposalp1011country4791.cfm>.

SD1: Consultation Regulatory Impact Statement

SD2: *Country of Origin Labelling (CoOL): A Review of the Relevant Literature on Consumer Preferences, Understanding, Use and Willingness-to-Pay for CoOL of Food and Meat*

SD3: The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) report - *Potential for imports of fresh meat and seafood into Australia.*



## **Introduction**

Currently, under Standard 1.2.11, packaged foods and unpackaged pork, fish, fruit and vegetables require country of origin labelling. This Standard does not include the requirement for mandatory country of origin labelling for unpackaged beef, sheep and chicken meat which are the most common types of meat consumed by Australians. Proposal P1011 has been prepared to address this omission.

Standard 1.2.11 does not apply to food sold to the public by restaurants, canteens, schools, caterers or self-catering institutions, prisons, hospitals or other similar institutions (as listed in the Table to clause 8 of Standard 1.2.1 – Application of Labelling and Other Information Requirements) where the food is offered for immediate consumption, therefore, unpackaged beef, sheep and chicken meat sold under these circumstances are outside the scope of this Proposal.

This Proposal is relevant to Australia only as Standard 1.2.11 does not apply in New Zealand.

## **1. The Issue / Problem**

### **1.1 Introduction**

On 20 October 2009, the Australian Government announced a change in Australia's BSE food safety policy for imported beef and beef products which sets new requirements for countries that wish to export beef and beef products to Australia. The new policy came into effect on 1 March 2010 allowing previously ineligible countries to access the Australian market for beef products, subject to these countries meeting specific animal health and food safety requirements.

Under this policy, certain beef and beef products may be imported from countries that apply to, and are assessed by, Australian authorities as being able to demonstrate they have in place, and appropriately monitor, controls necessary to ensure that beef and beef products exported to Australia are derived from animals free of BSE. This measure is administered by the Australian Quarantine and Inspection Service (AQIS) informed by risk assessment advice prepared by FSANZ. Currently, Australia is a large exporter of beef and a small importer. Some beef is imported into Australia from New Zealand and Vanuatu. In recent years, beef imports have accounted for around 0.5% of Australian beef consumption (Hogan 2011). Beef imports into Australia will be subject to the export country requesting market access for beef products, the outcome of a BSE food safety risk assessment by FSANZ and if seeking access for fresh/frozen product (unprocessed, non-retorted beef products), a quarantine import risk analysis by the Department of Agriculture, Fisheries and Forestry (DAFF).

The change to Australia's BSE food safety policy for imported beef has caused community concern with respect to the inability to readily identify imported unpackaged beef products, as Standard 1.2.11<sup>4</sup> does not include requirements for labelling of unpackaged beef. In response to the community concern, the Australian Government asked FSANZ in March 2010 to consider preparing a proposal to review Standard 1.2.11, with a view to removing its inconsistency in application across unpackaged meat, in particular, beef.

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<sup>4</sup> Senate Official Hansard, No. 3 2010, Tuesday, 9 March 2010, <http://www.aph.gov.au/hansard/senate/dailys/ds090310.pdf>

## **1.2 The regulatory problem**

Currently, there is an omission of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats most commonly consumed by Australians. Specifically, country of origin labelling is required only for unpackaged pork products but is not required for unpackaged beef, sheep and chicken meat products.

Australian consumers consistently consider country of origin as a valuable element of food labelling (FSANZ 2003; FSANZ 2008). Research also shows that many Australian consumers prefer Australian meat. If there is an increase in the availability of non-Australian meat for sale, consumers may be less able to differentiate between their preferred products and less preferred products, as there is no requirement and an uncertain market incentive for the retailer to correct the information asymmetry. In such a situation, there is a potential for loss of confidence in the food supply should consumers prefer to choose unpackaged meat from Australia, or any other country, but not have the information to do so.

Whilst this Proposal has been prompted by community concern about the lack of country of origin labelling for unpackaged beef, FSANZ has extended the scope of this Proposal to include unpackaged sheep and chicken meat. Beef, lamb, chicken and pork meat are the most common types of meat consumed by Australians (Spencer & Kneebone 2007). Broadening the scope to include sheep and chicken meat will promote greater consistency of country of origin labelling across unpackaged meats, while also providing greater assurance for consumers about information on the country of origin of unpackaged meats. In addition, FSANZ has made a number of structural amendments to the existing Standard 1.2.11 concurrently with the assessment of this Proposal in response to the recommendations of a legislative audit of the Code. This legislative audit was recently completed by the Office of the Legislative Drafting and Publishing.

This Proposal is not seeking to address a specific public health and safety risk.

In assessing this Proposal, the primary consideration is given to how FSANZ will meet its statutory obligations under section 18 of the FSANZ Act without industry incurring any unnecessary costs. The regulatory impact analysis also considers whether the benefits of additional consumer information arising from extending country of origin labelling to unpackaged beef, sheep and chicken meat outweigh the costs to industry of providing this information.

## **2. Background**

### **2.1 Historical background**

In December 2003, the Australia and New Zealand Food Regulation Ministerial Council (Ministerial Council) approved policy guidelines requiring FSANZ to develop regulatory principles for country of origin labelling. The Ministerial Council's guidance proposed that the country of origin of food should be mandatory, and should apply to whole foods, not individual ingredients. The policy guidelines recognised that country of origin labelling is not a public health and safety issue, but is to ensure that consumers have access to accurate information regarding the contents and production of food products and that they are not misled or deceived regarding food products.

### **2.2 Current Standard**

FSANZ undertook an assessment of country of origin labelling requirements (Proposal P292) between May 2004 and October 2005.

The resultant Standard, Standard 1.2.11, was gazetted in December 2005. Under Standard 1.2.11, country of origin labelling is required for packaged foods and some unpackaged foods. The Standard applies in Australia only because New Zealand varied from this Standard in accordance with the *Agreement between the Government of Australia and the Government of New Zealand Concerning a Joint Food Standards System*. The main rationale behind country of origin labelling is to provide consumers with adequate information concerning the country of origin of foods sold in Australia.

Packaged foods for retail sale must display a statement on the package that clearly identifies where the food was made or produced, or a statement that identifies the country where the food was made, manufactured or packaged for retail sale and to the effect that the food is constituted from imported ingredients or from local and imported ingredients.

Country of origin labelling applies to the following unpackaged foods:

- fresh fish, fish that has been mixed with one or more other foods and fish that has undergone any other processing including cooking, smoking, drying, pickling or coating with another food
- fresh pork except where the product has been mixed with food that does not require country of origin labelling under subclause 2(2) of Standard 1.2.11
- preserved pork except where the product has been mixed with food that does not require country of origin labelling under subclause 2(2) of Standard 1.2.11
- fresh fruit and vegetables
- preserved, pickled, cooked, frozen or dehydrated fruit and vegetables except where the product has been mixed with food that does not require country of origin labelling under subclause 2(2) of Standard 1.2.11 (other than with those foods used in the preservation, pickling etc).

For unpackaged foods for retail sale, a label on or in connection with the display of the food must be provided, identifying the country or countries of origin of the food, or containing a statement indicating that the foods are a mix of local and imported foods or a mix of imported foods, as the case may be. Where the label is provided in connection with the display of the food, the size of the type on the label must be at least 9 mm, or, if the food is in a refrigerated assisted service display cabinet, at least 5 mm.

Standard 1.2.11 does not apply to food sold to the public by restaurants, canteens, schools, caterers or self-catering institutions, prisons, hospitals or other similar institutions (as listed in the Table to clause 8 of Standard 1.2.1) where the food is offered for immediate consumption.

### **2.3 Provision of country of origin information for food not for retail sale and food for catering purposes**

Standard 1.2.1 contains requirements relating to the provision of country of origin and other information for food that is not for retail sale and food for catering purposes. Food not for retail sale includes food that is not sold directly to the public or requires further processing, packaging or labelling prior to sale, for example, boxed meat in the distribution chain prior to retail sale. A package of food not for retail sale must be accompanied by country of origin information in accordance with the requirements of Standard 1.2.11 where the purchaser has so requested. The information must be provided in writing if requested by the purchaser.

Food for catering purposes includes food that is supplied to catering establishments, restaurants, canteens, schools, hospitals and institutions where food is prepared or offered for immediate consumption. Food for catering purposes must bear a label (unless specifically exempt) containing certain information prescribed in the Code, including country of origin information. Where the food is exempt from bearing a label, the required information must be provided in documentation accompanying the food.

## **2.4 Rules governing country of origin statements**

On 1 January 2011, the *Competition and Consumer Act 2010* (CCA) replaced the *Trade Practices Act 1974*. The CCA incorporates the Australian Consumer Law (ACL) which replaces previous Commonwealth, state and territory consumer protection legislation in fair trading acts. The ACL is a single national law aimed at protecting consumers and promoting fair trading in Australia.

Sections 254-258 of the CCA set out conditions for country of origin representations, which provide that such representations are not false, misleading or deceptive if they meet the conditions.

In particular, the CCA provides that a 'Product of', 'Made in' or 'Grown in' representation will not be misleading or deceptive if certain conditions are met. The conditions are explained in Sections 2.4.1 – 2.4.4 of this report. The Standards in the Code should be read in conjunction with applicable laws, in particular, the CCA.

### *2.4.1 'Product of...' statements*

The first defence relates to 'Product of...' statements. In order to claim a defence for such statements, all of the significant ingredients or components must come from the country represented, and all or virtually all of the production/manufacturing processes must also have occurred in the country represented. This statement indicates to consumers that a food contains Australian ingredients and is produced in Australia.

### *2.4.2 'Made in...' statements*

The second defence is in relation to statements such as 'Made in...', or 'Manufactured in...'. In order to claim this defence the following tests must be satisfied:

- the goods must have been substantially transformed in the country represented; and
- at least 50% of the total cost of production or manufacturing processes must have occurred in the country represented.

If these requirements are met, a claim such as 'Made in Australia'; 'Australian made' or 'Manufactured/Assembled/Built in Australia' will not contravene the CCA. This approach sets a clear minimum standard for ensuring that unqualified claims of origin are not misleading and deceptive.

The CCA defines 'substantial transformation' as:

*A fundamental change...in form, appearance or nature such that the goods existing after the change are new and different goods from those existing before the change.*

### 2.4.3 'Grown in...' statements

The third defence is in relation to 'Grown in...' statements. In order to claim this defence the following tests must be satisfied:

- the goods do not make representations such as 'Made in...' or 'Product of...'; and
- each significant ingredient or significant component of the goods was grown in the country represented; and
- all, or virtually all, processes involved in the production or manufacture happened in the country represented.

The following tests must be satisfied for a representation that ingredients or components of goods are 'Grown in...':

- each ingredient or component that is claimed was grown only in the country represented; and
- each ingredient or component that is claimed was processed only in that country represented; and
- 50% or more of the total weight of the goods is comprised of ingredients or components that were grown and processed only in the country represented.

The CCA defines goods, or ingredients or components of goods, are 'Grown in...' if they:

- *are materially increased in size or materially altered in substance in that country by natural development; or*
- *germinated or otherwise arose in, or issued in, that country; or*
- *are harvested, extracted or otherwise derived from an organism that has been materially increased in size, or materially altered in substance, in that country by natural development.*

### 2.4.4 Qualified claims

A qualified claim may be made where it is not possible to make either a 'Made in...', 'Product of...' or 'Grown in...' claim. This type of claim implies a lesser connection with the country of origin than 'Product of...' 'Made in...' or 'Grown in...' claims. Examples of qualified claims include 'Packed in Australia from local and imported ingredients', or 'Made in Australia from local and imported ingredients'.

## 2.5 International requirements for country of origin labelling

A number of Australia's trading partners have country of origin labelling regulations for food, however, there is considerable variation in the requirements of individual countries, making direct comparisons difficult. The country of origin labelling regulations under the Codex Standard and those applicable in the EU, UK, USA and Canada are described below. Section 10.1 discusses the implications of the relevant international requirements with respect to Australia's obligations under the World Trade Organization Technical Barriers to Trade Agreement.

### 2.5.1 *Codex Alimentarius Commission (Codex)*

The Codex General Standard for the Labelling of pre-packaged foods states that:

- the country of origin should be declared if its omission would mislead or deceive the consumer
- when a food undergoes processing in a second country, which changes its nature, the country in which the processing is performed shall be considered to be the country of origin for the purposes of labelling.

Country of origin labelling requirements exist for specified commodities such as avocados, bananas, and baby corn.

### 2.5.2 *United Kingdom and European Union*

The country of origin labelling requirements of the United Kingdom (UK) and the European Union (EU) reflect, in general, the requirements of the provisions of the Codex General Standard for the Labelling of Pre-packaged foods.

In the EU, there are certain commodities for which there is mandatory country of origin labelling. Such commodities include beef, fruit and vegetables, fish and shellfish, olive oil, eggs, poultry meat (when imported from outside the EU), honey and certain 'regional' products – such as those from a particular production area.

For beef, there are requirements to declare the country of birth, rearing, slaughter and cutting (where applicable) whereas for poultry, it is only required that the country of origin be declared where the product originates from outside the EU. Processed beef and products containing beef are not covered by the country of origin labelling requirements.

### 2.5.3 *United States of America*

In the United States of America (USA), country of origin labelling is mandatory for imported foods under the *Tariff Act 1930*. Country of origin labelling is also mandatory at the retail level for certain covered commodities, namely, muscle cuts and ground beef (including veal), lamb, pork, chicken and goat; wild and farm-raised fish and shellfish; perishable agricultural commodities (fresh and frozen fruits and vegetables); peanuts; pecans; ginseng; and macadamia nuts. Regulations for fish and shellfish became effective in 2005, whereas the regulations for other covered commodities became effective from March 2009.

Food service establishments and ingredients in processed food items are specifically exempted from mandatory country of origin labelling.

Administration and enforcement of country of origin labelling is the responsibility of the Agricultural Marketing Service (part of the United States Department of Agriculture).

### 2.5.4 *Canada*

The Canadian system of country of origin labelling is broadly similar in structure to the EU/UK model. Country of origin is mandatory for various products on a commodity basis. Generally, few products require a country of origin statement. Country of origin means the last country in which a food product undergoes processing that changes the nature of the food product before it is offered for sale. While most foods do not require country of origin labelling, foods that are wholly imported require a supplier's name and address.

When processed fruits and vegetables are imported, the country where the product was packed must be shown clearly and conspicuously on the label, either as a part of the name and address of the foreign operator, or as a separate declaration indicating the origin of the product.

## **2.6 The Australian market for beef, sheep and chicken meat.**

As part of the assessment of this Proposal, FSANZ commissioned the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) to examine current and potential penetration of imports of fresh, chilled and frozen beef, sheep and chicken meat into Australia (Supporting Document 3).

The ABARES report indicates that the Australian beef and sheep meat industries are highly export oriented. The combined effects of domestic beef and sheep meat production significantly exceeding domestic consumption and the competitiveness of Australian product in international markets have led to only relatively small amounts of fresh beef and sheep meat imports into Australia. This is expected to remain so in the medium term to 2015-16. Fresh, chilled and frozen imports of beef and sheep meat account for only a small proportion of Australia's consumption.

In recent years, beef imports have accounted for around 0.5% (imported from New Zealand and Vanuatu) of beef consumption, while sheep imports accounted for 0.2% of Australia sheep meat consumption. The report also indicates that Australia does not import any fresh chicken meat because of quarantine restrictions, which are intended to prevent the entry of particular diseases that could affect the Australian poultry flock.

## **2.7 Country of origin information for retailers in Australia**

Currently, pork is the only unpackaged meat product which requires country of origin labelling in Australia. Pork imports account for around 64% of processed pork consumed in Australia (DAFF 2011). The availability of beef from overseas countries for retail sale in the future will be subject to a country requesting market access for beef products, the outcome of a BSE food safety risk assessment by FSANZ and if seeking access for fresh/frozen product (unprocessed, non-retorted beef products), a quarantine import risk analysis by DAFF.

Information must flow through the supply chain from origin to retailers for retailers to provide country of origin information to consumers. Country of origin information is already supplied voluntarily in some cases for Australian-origin meat products. Information systems will need to be in place should country of origin labelling become mandatory for unpackaged beef, sheep and chicken meat at retail sale. It is assumed that imported products for supply as unpackaged meat will enter the supply chain at either the processing or wholesale stage of the supply chain.

The meat supply chain for cattle and sheep meat consists of:

- production of animals
- transport between properties, to saleyards and to the abattoir
- holding the animals at the saleyards
- processing, including slaughter, boning and packing
- further processing into products (e.g. cutting, boning)
- packing (wholesale or retail ready)
- distribution to wholesalers and/or retailers

Additional transactions for beef may be conducted by agents, commission buyers and finishers (Newsome & Llewellyn 2004; Spencer & Kneebone 2007; FSANZ 2009; Meat and Livestock Australia 2010). Further information on the meat supply chain can be found in Proposal P1005 - Primary Production & Processing Standard for Meat & Meat Products: 1<sup>st</sup> Assessment Report (FSANZ 2009).

The poultry supply chain consists of:

- breeder flocks
- production of commercial broilers
- transport
- processing
- packing (wholesale or retail ready)
- distribution to wholesalers and/or retailers (FSANZ 2004; Australian Chicken Meat Federation, 2010).

Further information on the poultry industry can be found in the Final Assessment Report for Proposal P282 - Primary Production & Processing Standard for Poultry Meat (FSANZ 2010).

There are a range of systems currently in place which require transmission of information through meat supply chains. For example, businesses which pack meat for distribution, such as abattoirs and boning rooms, must have access to information on the places of production or the saleyards of the animals (Standards Australia 2007). For chicken meat, traceability requirements will commence in 2012 under Standard 4.2.2 – Primary Production and Processing Standard for Poultry Meat, in that poultry producers and processors must be able to identify the immediate recipient of poultry handled by their business.

For meat which may be imported, declaration of the country of origin of the meat is required when applying for an import permit (AQIS 2011).

Implementation of country of origin labelling requirements for unpackaged beef, sheep and chicken meat may impose record keeping requirements on businesses in the supply chain which are additional to the current systems. However, country of origin information may already be incorporated voluntarily in supply chain information systems and is already in place for pork meat which is sold unpackaged at retail.

#### *2.7.1 Retail practices related to country of origin labelling*

FSANZ has consulted with several major supermarket retailers regarding their current country of origin labelling practices for unpackaged meat. These preliminary discussions indicate that some major retailers are voluntarily providing country of origin information for unpackaged beef, lamb and chicken meat and are supportive of a mandatory regulatory measure to extend country of origin labelling. It also appears that there are some differences in retail practices with respect to the provision of country of origin information.

Two retailers advised that they are voluntarily providing country of origin information for all delicatessen items, including unpackaged beef, lamb and chicken meat. In some circumstances, a generic sign is used advising that all unpackaged meat is Australian. Conversely, another retailer advised that some, but not all their retail outlets provide country of origin information for unpackaged beef, lamb and chicken meat.

Hence, the introduction of mandatory country of origin labelling for these meats may impose additional costs associated with the procurement and maintenance of point-of-sale tags, record-keeping and labour but these costs are not likely to be substantial.



Information on the retail practices of small, independent retail outlets and butchers is not available, however, given the diverse nature of these businesses, it could be expected that the provision of country of origin information for unpackaged meat will vary across these different retail outlets. Initial consultation indicates that costs of complying with amended regulations may not be substantial if independent butchers are, for example, allowed to indicate with a single sign (potentially outside the meat cabinet to avoid the need to periodically sanitise and wash it) that all meat in the cabinet is of Australian origin unless signage is provided to the contrary.

It should, however, be noted that systems already exist for a range of products, and detailed records are already kept on the origin of meat products.

FSANZ seeks information on costs, benefits, compliance issues or any other matters which are associated with the possible use of a single sign by independent butchers to indicate that all meat in the cabinet is of a single country of origin unless signage is provided to the contrary.

## **2.8 Labelling review considerations**

On 28 January 2011, the Council of Australian Governments released the Final Report, *Labelling Logic – Review of Food Labelling Law and Policy (2011)*. The Final Report contains 61 recommendations, including the following recommendations related to CoOL.

- Recommendation 40: *That Australia's existing mandatory country-of-origin labelling requirements for food be maintained and be extended to cover all primary food products for retail sale.*
- Recommendation 41: *That mandatory requirements for country-of-origin labelling on all food products be provided for in a specific consumer product information standard for food under the Competition and Consumer Act 2010 rather than in the Food Standards Code.*
- Recommendation 42: *That for foods bearing some form of Australian claim, a consumer-friendly, food-specific country-of-origin labelling framework, based primarily on the ingoing weight of the ingredients and components (excluding water), be developed.*

A whole-of-government response to the Final Report's recommendations, including those relating to CoOL, is currently being developed and is expected to be completed by the end of 2011.

## **3. Objectives**

In developing or varying a food standard, FSANZ is required by its legislation to meet three primary objectives which are set out in section 18 of the FSANZ Act. These are:

- the protection of public health and safety; and
- the provision of adequate information relating to food to enable consumers to make informed choices; and
- the prevention of misleading or deceptive conduct.

In developing and varying standards, FSANZ must also have regard to:

- the need for standards to be based on risk analysis using the best available scientific evidence;
- the promotion of consistency between domestic and international food standards;
- the desirability of an efficient and internationally competitive food industry;
- the promotion of fair trading in food; and
- any written policy guidelines formulated by the Ministerial Council.

In relation to this Proposal, the primary consideration, having regard to any written policy guidelines formulated by the Ministerial Council, is to ensure the provision of adequate information to enable consumers to make informed choices on unpackaged beef, sheep and chicken meat products. Secondly, consideration to establish consistency in the requirement for country of origin labelling across unpackaged meat products would prevent the occurrence of any related misleading or deceptive conduct and would promote the fair trading in meat. This Proposal is not intended to address a public health and safety issue.

#### **4. Questions to be Answered**

The following questions were considered by FSANZ as part of the assessment of this Proposal:

- Do consumers value country of origin information?
- Will consumers use country of origin information in decisions about unpackaged beef, sheep and chicken meat?
- What is the importance of country of origin information relative to other product attributes?
- What is the impact of country of origin information on consumer's purchase decisions?
- What is the likely impact of mandatory country of origin labelling for unpackaged beef, sheep and chicken meat on affected parties?

#### **Risk Assessment**

A risk assessment has not been completed on the basis that there are no public health and safety risks related to this Proposal. The issues considered in this Proposal relate to the omission of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats. As such, the importance of country of origin labelling, its usage by consumers, and its impact on purchase decisions have been considered in response to questions posed in Section 4.

#### **5. Consumer Research**

Australian consumers and main grocery buyers consistently highlight country of origin information as a valuable element of labelling information for food when asked. The most recent consumer attitudes survey commissioned by FSANZ found 59% of consumers reported they looked for country of origin information when purchasing a product for the first time (FSANZ 2008).

Country of origin labelling was the third most nominated labelling element among the 32 presented, and one of six that more than 50% of respondents selected. These findings are consistent with other Australian studies on country of origin labelling (e.g. FSANZ 2003; Ware, 2006; Ware and Varigos, 2006).

To assist in responding to questions in Section 4 that relate to consumers' preferences and use of country of origin labelling for unpackaged beef, sheep and chicken meat, FSANZ commissioned a review of the literature on consumer response to country of origin labelling. The literature review is included in this report as **Supporting Document 2 (SD2)**. The following discussion draws heavily on the findings of the literature review. For brevity, references have not been included except where empirical findings are reported.

While there is an extensive existing international literature regarding consumer's response to country of origin labelling, there is limited Australian literature upon which to draw conclusions. The types of studies range from general studies on consumer's preferences and self-reported use of country of origin information for food generally or categories of foods (e.g. processed versus fresh foods), through to experimental studies seeking to place a monetary value on consumer's preferences for country of origin information for specific food items. A key finding of the literature review is that consumers differ in their preferences for food labelling information and, particularly, in how they value country of origin information.

## **5.1 Consumers' beliefs and values about country of origin information**

Consumers' food choice decisions are complex and multidimensional, and involve both conscious and unconscious processes. Consumers value country of origin information in various ways, with some aspects being more salient than others for particular individuals. The literature categorises three aspects of consumers' response to country of origin information. The *cognitive* aspects of country of origin relate to consumers' beliefs associated with value/price, quality, safety, and healthiness. Thus for some consumers the benefit of country of origin labelling is related to perceptions of higher quality or safety of food coming from a particular place. While the objective safety of the food may be regulated through various other mechanisms, origin information is none-the-less used by some consumers in their decisions regarding food choices, as a proxy for food safety.

The *affective* aspect relates to the emotional qualities that consumers link to country of origin. This includes the symbolic, traditional and cultural associations that some consumers have with food from particular countries. For example, an Australian whose parents or grandparents emigrated from Italy may have strong positive associations with food from Italy.

Finally, a *normative* aspect refers to personal and social norms that consumers apply to their food choices. Thus some consumers may choose products in support of their ethical or political values. For example, some consumers choose to purchase Australian products in order to support domestic production. Conversely, consumers may choose to actively avoid products from a particular country they don't want to support. The normative aspect also includes those who consider that they have a 'right to know' where their food originates.

The various benefits and values that accrue to consumers as a consequence of country of origin labelling cover cognitive, affective and normative aspects. The emphasis of these aspects is likely to vary across consumers, and also for a particular consumer across food products and purchase/consumption situations. Additionally, the nature of some of the benefits and values that consumers accrue from the access to country of origin information may be to greater or lesser degrees intangible, making their quantification problematic.

The food regulatory system plays a key role in the manufacture of trust and confidence in food safety. This trust and confidence enables the purchase and consumption of food products, without which consumer markets can readily deteriorate as various food scares attest. As food production becomes increasingly industrialised and involves multi-party supply chains, consumers become more distant to the sources of food.

Direct forms of trust and confidence between producers and consumers that once existed have been replaced by systems of food governance that provide assurance through regulation and reputation.

Country of origin labelling is a part of this food governance system that provides consumers with a degree of confidence in a product's provenance and in doing so, contributes to the manufacture of trust and confidence. For example, in a South Australian study, Coveney (2007) found that labelling food products with a 'Made in Australia' logo would generate significant consumer trust with respect to the food safety of the product because respondents were generally satisfied with the safety of Australian food compared to other countries.

If there is an increase in the availability of non-Australian meat for sale, consumers may not be able to differentiate between their preferred products and less preferred products, as there is no requirement and an uncertain market incentive for the retailer to correct the information asymmetry. In such a situation there is a potential for loss of confidence in the food supply should consumers purchase meat assuming it was sourced from one country, whereas the actual source was from a different country, and the consumer later becomes aware of this fact.

The lack of a regulatory response to a well-publicised gap in the country of origin labelling regime can work to diminish trust and confidence in the food supply, irrespective of whether any gap actually exists in practice due to voluntary actions. In contrast to the individual focus of consumer decisions, the less tangible aspects of trust and confidence in the food supply are less amenable to quantification.

## **5.2 Consumers' use of country of origin information in decisions about unpackaged beef, sheep and chicken meat**

There is a growing consensus of empirical studies that confirm that Australian consumers value and report their use of country of origin information in purchase decisions. For example:

- In a representative survey of Australian consumers in 2003, 49% of consumers reported they used country of origin information in food purchase decisions. A higher share of consumers used date marking (85%), the ingredients panel (66%) and nutrition information panel (66%) (FSANZ 2003).
- Another representative survey of Australian consumers in 2007 found higher levels (59%) of reported use of country of origin information in the first time purchase of food products. Only the date mark (73%) and fat content of food (62%) were reported by higher shares of consumers (FSANZ 2008).

While indicating that consumers report using country of origin information in food choices, these studies focussed on food in general rather than particular types or categories of food.

The general country of origin literature has also found that the information is valued more in the context of fresh food products and the importance of the information decreases as the food product becomes more processed.

It is possible, then, that if the studies reported above focussed on fresh foods or chicken, beef and sheep meat in particular, the share of consumers who report use of the information in their purchase decisions could well be higher.

### **5.3 Importance of country of origin information relative to other product attributes**

As noted, consumers' food decisions are complex and multidimensional. In addition to the various benefits that consumers may derive from country of origin information, consumers also draw on other information and cues in making their choices. Origin information is one product attribute among a number that consumers use. There is a growing body of literature measuring the relative importance of various product attributes in purchase decisions. Results from key Australian studies focussed on meat are summarised.

- Jocusmsen (2005, cited in SD2) conducted consumer focus groups in Brisbane, Canberra, Melbourne and Toowoomba and then surveyed 234 consumers at shopping malls in Brisbane and Toowoomba to determine the relative importance of intrinsic cues (e.g. colour, fat, marbling) versus extrinsic cues (price, label information) to consumers when formulating perceptions of beef quality. On average, consumers ranked country-of-origin after freshness, leanness, colour, marbling/fat and presentation in importance. Origin was of equal importance to price, place of purchase, quality assurance labels, and packaging. Feeding methods and brand were least important.
- In a supermarket intercept study, Miranda and Konya (2006, cited in SD2) found that awareness of country of origin was one of eight important factors impacting purchase decisions for the respondents. Brand recognition and freshness were estimated to be relatively more important than country-of-origin in consumers' food choices.
- In a supermarket intercept study focussing on unpackaged food in deli display cabinets Ware (2006) found that country of origin information was the most or second most important product attribute for 49% of Melbourne respondents.
- Umberger and Mueller (2010) asked respondents to consider a list of 22 beef attributes and to indicate the 'most important' attribute as well as any other attributes that they may also consider when purchasing a beef steak for consumption at home. Only 8% of respondents considered Australian country of origin to be the most important attribute, but 30% indicated that they did consider whether the product was Australian country of origin when they were purchasing beef steaks. A higher share of consumers indicated price (23%), cut (13%), use-by-date (9%), lean/fat content (9%), and budget /discounted price (8%) were the most important attributes. It is important to note that this study focused specifically on Australian origin and does not ask more generally about country of origin. Therefore, it is unknown if consumers are more likely to consider origin in general.

The Australian literature on relative importance of various product attributes confirms that country of origin information is important to consumers when considering meat products, though country of origin was not the most important attribute that consumers consider in purchasing meat. However, the multidimensional nature of consumers' food choices underscores the relevance that a suite of product attributes play in consumer decision-making.

### **5.4 Impact of country of origin information on consumer's purchase decisions**

The literature review has not reported on any studies that provide direct experimental evidence of the impact of country of origin information on purchase decisions.

A number of studies on various approaches to estimating consumers' 'willingness-to-pay' for country of origin information are discussed in the literature review. A brief summary of some of these studies is provided below.

A US study dealing with willingness- to-pay for local meat recorded US consumers paying a significant premium of US\$0.70 per pound for US corn-fed beef, relative to grass-fed Argentinian beef (Umberger et al. 2002). A further study found that US consumers were willing to pay premiums of 38% and 58% for 'Certified US' steak and hamburger. Moreover, this sample of consumers was willing to pay an average of \$184 per annum per household to have a mandatory country-of-origin labelling program (Loureiro and Umberger 2003).

While studies in Australia have been more limited and provide less data on consumer willingness-to-pay, the issue of the importance that consumers attach to buying Australian products was highlighted in a recent study pertaining to seafood (Mueller et al. 2009). A more recent study found that 17% of consumers placed a significant value on 'Australian Certified' beef although the premiums were less than 2% (Umberger and Mueller 2010). Importantly, the study was not designed to specifically test for the effects of country of origin labelling, but was designed to test for impacts of quality labelling. A study designed with a greater choice set applicable to country of origin labelling may confirm the higher value placed on country of origin labelling from other Australian studies.

These studies indicate that a portion of consumers are willing to pay a statistically significant premium for country of origin information. These findings suggest that if provided with information, some consumers may modify their purchase decisions in response to the additional information.

Importantly, some benefits of country of origin labelling will not manifest in changed purchase behaviour, but rather will satisfy consumer's cognitive, affective and normative associations with country of origin information. This is likely to increase general confidence and trust in the food supply assisting to reduce consumer time and cognitive load in subsequent food choices.

## **5.5 Consumer research conclusion**

In conclusion, consumers' food decisions are complex and multidimensional and the benefits that accrue from access to country of origin information vary across consumers and across different food products.

Country of origin information is important to Australian consumers, even though it may not be the most important attribute that consumers consider when purchasing meat products. It plays a key role in the manufacture of trust and confidence in the safety of the food supply and is valued more in the context of fresh food products, such as fresh meat, than other food categories. However, the nature of the benefits from having access to country of origin information is often intangible and therefore difficult to quantify.

Many Australian consumers prefer Australian meat. If there is an increase in the availability of non-Australian meat for sale, consumers may be less able to differentiate between their preferred products and less preferred products, as there is no requirement and an uncertain market incentive for the retailer to correct the information asymmetry.

In such a situation, there is a potential for loss of confidence in the food supply should consumers purchase meat assuming it was sourced from one country, whereas the actual source was from a different country, and the consumer later becomes aware of this fact. Thus, the lack of a regulatory response to a well-publicised gap in the country of origin labelling regime can work to diminish trust and confidence in the food supply.

## **Risk Management**

This section considers the various risk management options and its impacts. Information related to the proposed amendments to the existing Standard 1.2.11 as a result of the legislative audit conducted by the Office of Legislative Drafting and Publishing (OLDP) is also provided.

### **6. Options**

In order to decide on the most effective and efficient approach for achieving the objectives outlined in Section 3, FSANZ considers various risk management options. These options include the *status quo* (the situation if no action is taken) as a comparative measure against appropriate regulatory (government) and non-regulatory (industry) approaches. The Australian Government has imposed obligations on agencies that are proposing new regulation on industry or reviewing existing regulation. Agencies are required to consider self-regulation as one of the first options, in particular where there is no public health and safety concern.

FSANZ identified the following options for the assessment of this Proposal:

- Option 1(a) – abandon the Proposal, thus maintaining the *status quo*. The current country of origin labelling requirements in Standard 1.2.11 would remain.
- Option 1(b) – abandon the Proposal and adopt a non-regulatory approach such as a guidelines or a voluntary code of practice developed by the industry.
- Option 2(a) – develop a draft food regulatory measure (prepare draft variations to Standard 1.2.11 to extend current country of origin labelling requirements to unpackaged beef, sheep and chicken meat).
- Option 2(b) – develop a draft food regulatory measure (prepare a draft code of practice through the formal standard development process as prescribed in the FSANZ Act).

#### **6.1 Option 1a – abandon the Proposal – *Status quo***

Under this option, the Proposal would be abandoned and the *status quo* maintained. That is, the current requirements for country of origin labelling would be retained in Standard 1.2.11 with no mandatory requirement for country of origin labelling for unpackaged beef, sheep and chicken meat. Voluntary labelling of unpackaged meat in line with current retail practices would continue to operate.

#### **6.2 Option 1b – abandon the Proposal, but have an industry-based code of practice**

Under this option, the Proposal would be abandoned, but an industry-based code of practice would be adopted.

That is, country of origin labelling for unpackaged beef, sheep and chicken meat would not be mandatory in Standard 1.2.11 but could be implemented by way of a voluntary scheme such as a code of practice. It is envisaged that an industry body or bodies to which the majority of meat product retailers belong would develop the code of practice. The code of practice would set out the manner in which retailers should label unpackaged meat products (beef, sheep and chicken meat) with country of origin labelling information.

As a code of practice needs to cater for consumer information needs, it is envisaged that consumer associations should also have input to the development. FSANZ would provide input as required by the industry body that undertakes the development of the code of practice. A code of practice would not be enforceable.

### **6.3 Option 2a – develop a draft food regulatory measure (a draft variation to Standard 1.2.11)**

Under this option, FSANZ would prepare draft variations to Standard 1.2.11 to require country of origin labelling for unpackaged beef, sheep and chicken meat sold at retail. The labelling requirements would be consistent with the existing requirements for country of origin labelling of unpackaged pork. State and Territory government agencies would be responsible for monitoring compliance and formulating measures to enforce compliance with the Standard, as is currently the case.

### **6.4 Option 2b – develop a draft food regulatory measure (a draft code of practice).**

Under this option, FSANZ would prepare a draft code of practice which would set out the manner in which retailers should label unpackaged meat products (beef, sheep, and chicken meat) with country of origin information. Similar to Option 1b, this option would not be enforceable.

FSANZ would be required to follow the formal standard development process as prescribed in the FSANZ Act for the development of this code of practice. Due to this formal development process, it is envisaged that there may be a greater uptake and compliance compared to a code of practice developed by the industry as in option 1b.

## **7. Impact Analysis**

This Section provides information to comply with the Council of Australian Governments (COAG) requirements for regulatory impact analysis. FSANZ has consulted with the Australian Government's Office of Best Practice Regulation on meeting these requirements.

The preferred option recommended has been based on an analysis that considers:

- who is affected by the problem and the proposed options for solution
- consideration of the efficacy and practicality of the different options identified
- costs and benefits to affected parties of the interventions associated with each option.

### **7.1 Affected parties**

The parties potentially affected by this Proposal and the identified options are:

- Industry
  - post farm-gate beef, sheep and chicken meat industries, smallgoods manufacturers, retail butchers, supermarkets, delicatessens and other small businesses involved in the sale of unpackaged beef, sheep and chicken meat products;
  - Industry associations
  - Importers of meat and meat products
- Consumers of beef, sheep and chicken meat



- Government
  - State and Territory enforcement agencies
  - AQIS

## 7.2 Assessment of options

A Regulatory Impact Statement (RIS ID: 11429) has been completed for this Proposal and is provided in **Supporting Document 1 (SD1)**. The RIS assesses the impact of each risk management option proposed for each of the affected parties. The impact assessment includes a cost and benefit analysis for each of the options.

A summary of the key findings is provided below.

### 7.2.1 *Option 1a – abandon the Proposal – Status quo*

If the *status quo* is retained, there will be no additional or new costs or benefits for any sector of the community.

### 7.2.2 *Option 1b – abandon the Proposal, but have an industry-based code of practice*

Under this approach, there would be some initial costs associated with developing a code of practice. Since this process requires involvement of both industry and consumer groups, both would incur some costs under option 1b.

Voluntary country of origin labelling for unpackaged beef, sheep and chicken meat may impose implementation costs on industry, including importers, producers and retailers. It is envisaged that these costs would be similar to those incurred under a mandatory labelling scheme. It is also expected that there would be a cost associated with monitoring industry compliance with a voluntary scheme and that this cost would be borne by industry.

Overseas experience shows that a voluntary country of origin labelling scheme is unlikely to lead to universal adoption in the country of origin labelling of all unpackaged meat. It is suggested that this is because the market itself cannot be expected to provide the necessary incentives to prompt retailers to adopt voluntary labelling. Universal voluntary labelling can best be expected to occur where it has a positive attribute to industry and consumers.

If industry adopts country of origin labelling, it may benefit from additional revenue if there is an increase in consumer demand for labelled products. Conversely, those retailers selling meat products from countries that consumers would prefer to avoid, may see benefit in choosing not to label their products.

Consumers are likely to benefit from additional country of origin labelling, where adopted, noting that major retailers are already doing so. Consumer benefit arises from improved access to better and more consistent information about the country of origin of unpackaged meat.

Since this option would only involve voluntary labelling, requiring no compliance monitoring, there will be no cost burden imposed on government enforcement agencies.

### 7.2.3 *Option 2a – develop a draft food regulatory measure (a draft variation to Standard 1.2.11)*

A mandatory country of origin labelling scheme for unpackaged beef, sheep and chicken meat is likely to impose additional costs on industry.

Since some retailers have voluntarily adopted labelling, the indications are that retailers do not find the burden of additional costs on account of labelling to be substantial. Retailers who do not currently display country of origin labels for their meat products may be disadvantaged if such mandatory labelling results in adverse consumer response.

Option 2a is likely to also impose costs on businesses in the meat supply chain, as country of origin information must be transferred along the supply chain to be available to the consumer at the point of retail sale. However, as major retailers have already adopted origin labelling, these costs may not be substantial.

As with option 1b, consumers will benefit because they will have greater access to country of origin information about unpackaged meat products, that can be used to support food choices. However, unlike a voluntary scheme, mandatory country of origin labelling would ensure that consumers have consistent access to information across all retail outlets. In other words, a situation of information asymmetry and any potential loss of consumer confidence in the food supply will not occur. The benefits that accrue are often intangible and difficult to quantify. This is because consumers differ in how they use country of origin labelling and the value they place on this information.

There may be costs to consumers as a consequence of mandatory labelling, in the event that retailers pass on the cost of labelling to consumers. While there is evidence that some consumers are willing to pay for some part of the costs resulting from country of origin labelling, because the costs of labelling will be minor, it is not expected to impose a burden on those consumers who are indifferent to the presence of country of origin labelling.

Jurisdictions may incur costs arising out of compliance monitoring. Some of these costs may be recovered from retailers through licensing fees, or borne by the state governments. However, given that compliance monitoring for similar products is already in place, the additional costs associated with applying such monitoring to meats may not be great.

#### 7.2.4 Option 2b – develop a draft food regulatory measure (a draft code of practice).

The costs and benefits under this option will be similar to option 1b. The only difference would be that FSANZ (not industry) may incur some costs in preparing a code of practice for industry.

### 7.3 Comparison of options and RIS conclusion

A comparison of options is given below in Table 1.

**Table 1: Comparison of Options**

Option	Description
Status quo	No new or additional costs imposed on industry and jurisdictions. Existing inconsistency of the current country of origin labelling Standard for unpackaged foods will remain. Current information asymmetry will continue. Consumer concerns related to country of origin labelling for unpackaged meat will prevail.

Option	Description
Code of practice	<p>Will result in increased information for consumers and provide a benefit to the community.</p> <p>May fail to fully ensure consumer confidence in the food supply or address the issue of information asymmetry.</p> <p>Because voluntary labelling is already followed by some retailers, overall industry costs are not likely to be high.</p> <p>A voluntary scheme is unlikely to lead to universal adoption in the country of origin labelling of all unpackaged meat.</p>
Regulation	<p>Will meet consumers' information needs and enhance consumer satisfaction.</p> <p>Will address Information asymmetry.</p> <p>Will enhance consumer trust in the food supply.</p> <p>Could impose higher cost burden on industry, noting that because there already is some voluntary labelling, overall industry costs are not likely to be high.</p> <p>Would impose compliance monitoring costs on jurisdictions.</p>

Option 1a does not impose any additional costs or benefits to stakeholders. Neither does it address the current omission of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats. Consumers will continue to receive incomplete information regarding the country of origin of unpackaged meats.

Although Option 1b and 2b provide a mechanism by which to implement extended country of origin labelling, overseas experience indicates that a voluntary scheme is unlikely to lead to universal adoption of country of origin labelling unless the industry is provided with sufficient incentives to do so. However, the advantage of this option is that it does not impose a cost burden on jurisdictions as they will not be required to monitor compliance with a revised Standard. Nonetheless, it is expected that there would be a cost associated with monitoring industry compliance with a voluntary scheme and that this cost would be borne by industry.

Option 2a may impose additional costs on industry in terms of record keeping requirements (similar to options 1(b) and 2(b)), and the provision of country of origin information at the point of retail sale. However, information received to date indicates that these costs are not likely to be substantial, with two major retailers having implemented voluntary country of origin labelling.

Mandatory country of origin labelling can be advantageous to industry in terms of the ability to exploit consumers' preferences for food that is produced domestically.

It will also provide benefits to consumers in terms of greater access to information about the origin of unpackaged meat products which can be used to support food choices, and this information will be consistent across the retail sector. It may also promote consumer confidence in the food supply as consumers will have accurate and consistent information about the country of origin of the food they are purchasing.

Overall, there are clear consumer benefits such as improved access to information, improved trust and confidence in the food supply and satisfaction in supporting Australian producers, but these are difficult to quantify. In contrast, the costs are more easily quantified but are not expected to be substantial. As a result, the Consultation Regulatory Impact Statement provided in Supporting Document 1 supports the status quo as the other options cannot be shown to have a clearer overall economic benefit.

#### **7.4 Consultation on regulatory impact analysis.**

Public submissions are now invited on this Assessment Report. Comments are specifically requested on the questions raised in the Regulatory Impact Statement, Supporting Document 1. Attachment 3 of this report provides a summary of the information sought from submitters.

### **8. Proposed amendments to existing Standard 1.2.11**

The primary purpose of the draft variations to Standard 1.2.11 is to extend the existing country of origin labelling requirements to unpackaged beef, sheep and chicken meat.

FSANZ recently engaged the Office of Legislative Drafting and Publishing (OLDP) to conduct a legislative audit of the Code, to identify areas in the Code which are unclear and to ensure that the Code reflects best practice drafting technique.

The audit has identified areas for improvement and, while implementing all of the recommendations from the audit will take some time, FSANZ has already made some changes to the way we write and present our standards. These include:

- providing explanatory statements with standards to explain the purpose or intent of the provisions
- examining existing provisions in the Code as part of applications and proposals to make improvements to those provisions
- placing greater emphasis on the intent of standards before drafting them.

In light of the legislative audit, FSANZ has taken the opportunity to make a number of structural amendments to the existing Standard concurrently with the assessment of P1011. This includes the removal of the editorial note that makes reference to requirements of the *Trade Practices Act 1974* (now known as *Competition and Consumer Act 2010*). These amendments provide clarity around interpretation and operation of the Standard without changing the intent of the country of origin labelling requirements. The redrafted Standard and Explanatory Statement, which provide further details of the rationale for the changes, are at Attachments 1 and 2.

The user guide to Standard 1.2.11, *Country of Origin Labelling of Food*, will be updated to reflect the information in the removed editorial note, as well as any amendments to Standard 1.2.11 arising out of this Proposal. The updated user guide will be available on the FSANZ website following gazettal of the draft Standard.

FSANZ seeks information from submitters on any issues that may arise as a result of the removal of the editorial note that makes reference to requirements of the *Trade Practices Act 1974* (now known as *Competition and Consumer Act 2010*) from the current Standard.

## **Communication and Consultation Strategy**

### **9. Communication**

FSANZ previously developed and implemented communication strategies to educate consumers and industry about the new country of origin labelling provisions, including web material and a guide to the Standard for industry and enforcement agencies. This material will be updated should the Standard be amended. FSANZ also has a Code Enquiry Unit that will be primed to respond to country of origin labelling enquiries from food manufacturers and retailers.

Supporting material for this consultation, including a media release and web fact sheet along with talking points will be developed.

## **10. Consultation**

This Proposal is being assessed under the General Procedure. This means that one round of public consultation is required for the Proposal. FSANZ will also consult key stakeholders through targeted consultation mechanisms.

FSANZ seeks input from all affected parties to assist it in assessing the likely regulatory impact of this Proposal. Comments are specifically requested on the questions raised in the Regulatory Impact Statement, Supporting Document 1 and the information sought in this Assessment Report. Attachment 3 of this report provides a summary of the information sought from submitters.

Individuals and organisations who make submissions on this Proposal will be notified at each stage of the Proposal. If the FSANZ Board approves the draft variation to the Code, FSANZ will notify the Ministerial Council of its decision. If the Ministerial Council does not request FSANZ to review its decision, stakeholders, including the public, will be notified on the gazettal of changes to the Code in the national press and on the FSANZ website.

### **10.1 World Trade Organization (WTO)**

As members of the World Trade Organization (WTO), Australia and New Zealand are obligated to notify WTO member nations where proposed mandatory regulatory measures are inconsistent with any existing or imminent international standards and the proposed measure may have a significant effect on trade.

Amending the Code to require country of origin labelling for unpackaged beef, sheep and chicken meat will have possible impacts on international trade.

As Standard 1.2.11 does not apply in New Zealand notification will therefore be recommended to the Australian agency responsible in accordance with Australia's obligations under the WTO Technical Barriers to Trade (TBT) Agreement. This will enable other WTO member countries to comment on proposed changes to Standards where they may have a significant impact on them.

## **Conclusion**

### **11. Conclusion and Preferred Option**

There is evidence that Australian beef and sheep meat markets are export oriented and only a very small portion of the community consumes imported beef and sheep meat. In terms of chicken consumption, the community depends solely on local sources of meat consumption. There is also evidence to suggest there will be very little or no market penetration by imported meat and meat products in Australia in the future years as the country is more likely to depend mostly on local sources for meat consumption. Additionally, many Australian consumers prefer Australian meat.

There is an omission of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats most commonly consumed by Australians. Currently, country of origin labelling is required for unpackaged pork but not for beef, sheep or chicken meat. An amendment to Standard 1.2.11 to extend country of origin labelling for unpackaged beef, sheep and chicken meat will remove the current inconsistency across unpackaged meat.

It will ensure that consumers are provided with greater access to, and more consistent information across the retail sector about, the country of origin of unpackaged meat products.

If there is an increase in the availability of non-Australian unpackaged beef, sheep and chicken meat products for sale, extension of mandatory country of origin labelling will provide sufficient information to enable consumers to differentiate between their preferred and less preferred meat products.

In the current situation where information asymmetry exists, there is a potential for loss of trust and confidence in the food supply should consumers be unable to exercise their origin preference in purchasing unpackaged meat. Extending mandatory country of origin labelling for beef, sheep and chicken meat will correct the information asymmetry and promote trust and confidence in the food supply.

Information received to date indicates that several major retailers are already implementing voluntary country of origin labelling for unpackaged meats. Therefore, the costs related to extending mandatory country of origin labelling for unpackaged beef, sheep and chicken meat are not likely to be substantial. In general, the major supermarket retailers are also supportive of a mandatory regulatory measure to include country of origin labelling on unpackaged beef, sheep and chicken meat.

Finally, there has been community concern with respect to the inability to readily identify imported unpackaged beef products. In response to these concerns, the Australian Government asked FSANZ to consider extending country of origin labelling to provide consumers the appropriate information and to remove the inconsistency in the application of country of origin labelling across unpackaged meat. Thus, a lack of a regulatory response to this well-publicised gap in the country of origin labelling regime can work to diminish trust and confidence in the food supply.

In making a recommendation, FSANZ has taken a broad range of matters into consideration including the Regulatory Impact Statement, current industry support and a number of additional factors relating to benefits to consumers.

### **Preferred Approach**

**To prepare draft variations to Standard 1.2.11 to require country of origin labelling for unpackaged beef, veal, lamb, hogget, mutton and chicken.**

The draft variations are at **Attachment 1**.

#### **11.1 Reasons for preferred approach**

- Preparing draft variations to Standard 1.2.11 addresses the omission of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats most commonly consumed by Australians. Recent consumer concerns relating to the origin of beef products have highlighted this issue.
- Research indicates that country of origin information is important to Australian consumers. It plays a key role in the creation of trust and confidence in the food supply and is valued more in the context of fresh food products such as fresh meat.

- Mandating country of origin information will ensure that consumers are provided with improved access to consistent information across the retail sector about the country of origin of unpackaged meat products, whereas adopting a voluntary scheme is unlikely to lead to universal adoption of country of origin labelling.
- Although difficult to evaluate, there is likely to be an overall benefit to the community when improved access to information and the importance of consumer trust and confidence are balanced against industry implementation costs.

## 11.2 Transitional Arrangements

A transition period of six months is proposed for implementation of the changes to the Standard. It is anticipated that this will provide industry, particularly small businesses, with sufficient time to implement the necessary systems required to provide country of origin information for unpackaged beef, sheep and chicken meat at the retail level.

## 12. Implementation

The draft amendments to the Code would come into effect six months from the date of gazettal, subject to any request from the Ministerial Council for a review.

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## **ATTACHMENTS**

1. Draft Variations to the *Australia New Zealand Food Standards Code*
2. Explanatory statement of Variations to Standard 1.2.11
3. Information Sought from Submitters



**Draft Variations to the *Australia New Zealand Food Standards Code***



**Food Standards (Proposal P1011 – Country of Origin Labelling – Unpackaged Meat Products – Consequential) Variation**

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The Board of Food Standards Australia New Zealand gives notice of the making of this variation under section 92 of the *Food Standards Australia New Zealand Act 1991*. The Standard commences on the date specified in clause 3 of this variation.

Dated

Standards Management Officer  
Delegate of the Board of Food Standards Australia New Zealand

**1 Name**

This instrument is the *Food Standards (Proposal P1011 – Country of Origin Labelling – Unpackaged Meat Products – Consequential) Variation*.

**2 Variation to Standards in the Australia New Zealand Food Standards Code**

The Schedule varies the Standards in the *Australia New Zealand Food Standards Code*.

**3 Commencement**

These variations commence **6 months after gazettal**.

**SCHEDULE**

[1] **Standard 1.2.1** is varied by omitting clause 2(2)(g), substituting –

(g) subclause 2(2) and clause 3 of Standard 1.2.11 – Country of Origin Labelling (Australia only); and

[2] **Standard 1.2.11** of the *Australia New Zealand Food Standards Code* is repealed.

### **Standard 1.2.11 – Country of Origin Labelling**

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The Board of Food Standards Australia New Zealand gives notice of the making of this Standard under section 92 of the *Food Standards Australia New Zealand Act 1991*. The Standard commences on **6 months from gazettal**.

Dated

Standards Management Officer  
Delegate of the Board of Food Standards Australia New Zealand

# **STANDARD 1.2.11**

## **COUNTRY OF ORIGIN LABELLING**

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### **(Australia only)**

#### **Purpose and commentary**

This Standard sets out the requirements for country of origin labelling for packaged foods and certain unpackaged foods. These requirements do not apply in New Zealand.

#### **Table of Provisions**

1	Application
2	Country of origin labelling for packaged food
3	Country of origin labelling for certain unpackaged food

#### **Clauses**

##### **1 Application**

(1) This Standard does not apply to a food that is offered for immediate consumption where the food is sold by:

- (a) restaurants;
- (b) canteens;
- (c) schools;
- (d) caterers or self-catering institutions;
- (e) prisons;
- (f) hospitals; or
- (g) other similar institutions listed in the Table to clause 8 of Standard 1.2.1.

(2) Clause 1(2) of Standard 1.1.1 does not apply to this Standard.

##### **2 Country of origin labelling for packaged food**

(1) Food in a package must be labelled with –

- (a) a statement on the package that identifies the country where the food was made, produced or grown; or
- (b) a statement on the package –
  - (i) that identifies the country where the food was manufactured or packaged; and
  - (ii) to the effect that the food is constituted from ingredients imported into that country or from local and imported ingredients.

(2) Unprocessed fruit and vegetables, whether whole or cut, displayed for retail sale in a package which does not obscure the nature or quality of the fruit and vegetables must be labelled with a statement on or in connection with the display of the package which –

- (a) identifies the country or countries of origin of the fruit and vegetables;
- (b) indicates that the fruit and vegetables are a mix of local and imported foods; or
- (c) indicates that the fruit and vegetables are a mix of imported foods.

### 3 Country of origin labelling for certain unpackaged food

(1) Food listed in the Table to this subclause that is displayed for retail sale must be labelled with a statement on or in connection with the display of the food which –

- (a) identifies the country or countries of origin of that food;
- (b) indicates that the food is a mix of local and imported foods; or
- (c) indicates that the food is a mix of imported foods.

**Table to subclause 3(1)**

<b>Column 1</b>	<b>Column 2</b>
<b>Item</b>	<b>Food</b>
1	Fish, including fish that has been mixed or coated with one or more other foods
2	Pork
3	Fruit and vegetables
4	Beef
4	Veal
5	Lamb
5	Hogget
5	Mutton
6	Chicken
7	A mix of foods mentioned in this Table

(2) In this clause, a food listed in Column 2 of the Table to subclause 3(1) includes a food that has been –

- (a) cut, filleted, sliced, minced or diced;
- (b) pickled, cured, dried, smoked or frozen;
- (c) marinated; or
- (d) cooked.

(3) The statement required by subclause (1) must be at least 9 mm in height, unless the food is in a refrigerated assisted service display cabinet, in which case it must be at least 5 mm in height.

### Explanatory Statement

In 2003, the Ministerial Council issued a policy guideline (**the guideline**) on country of origin labelling of food. The objective of the guideline was to develop country of origin labelling standards which will ensure that consumers have access to accurate information regarding the contents and production of food products. The primary purpose of this variation is to extend the operation of Standard 1.2.11 – Country of Origin Requirement, to beef, veal, lamb, hogget, mutton and chicken.

In 2011 provisions for a claim that goods or ingredients were ‘Grown in’ was included in the *Competition and Consumer Act 2010*. The variation includes this new provision.

The variation will also restructure the Standard to ensure better readability. The tables under the original clause 2 have been restructured and the existing editorial note that makes reference to requirements of the *Trade Practices Act 1974* (now known as *Competition and Consumer Act 2010*) has been removed.

Some parts of the existing standard have been reviewed and amended to ensure the standard clearly reflects the objectives set out in the guideline and achieves the purpose as originally envisaged by the Ministerial Council.

### Commencement

The draft Standard is proposed to commence 6 months after it is published in the *Gazette* and registered as a legislative instrument.

### Item 1

Item 1 of the variation is a consequential amendment to Standard 1.2.1 to ensure cross reference to clauses in Standard 1.2.11 is correct.

### Item 2

Item 2 of the variation deletes the existing Standard 1.2.11 and replaces it with a new one. The explanation of each of the clauses in the new proposed Standard is below.

#### *Clause 1*

Subclause (1) provides that the Standard does not apply to food sold to the public by specifically mentioned institutions. Subclause (2) provides that the stock-in-trade provision in Standard 1.1.1 does not apply to this Standard. However, as mentioned above, the Standard will not commence until 6 months after it is gazetted.

#### *Clause 2*

The proposed clause 2 restructures the provisions for country of origin labelling for packaged foods for better readability. The amendments do not affect the current operation of the standard in relation to country of origin labelling for packaged food.

Under subclause 2(2), the words ‘fresh whole or cut fruit and vegetables’ have been replaced with ‘unprocessed fruit and vegetables, whether whole or cut’ to remove any interpretational ambiguities as to the meaning of the word ‘fresh’.

### *Clause 3*

The new clause 3 restructures the provisions relating to unpackaged foods for better readability. Subclause (1) provides that foods listed in the Table must have a country of origin labelling statement. The new standard amendments introduce beef, veal, lamb, hogget, mutton and chicken as foods that require country of origin labelling under this clause. These are in items 4, 5 and 6 of the Table to subclause 3(1).

Subclause (2) makes it clear that a food that is listed under Column 2 to the Table to subclause 3(1) that has been processed in particular ways (for example marinated or pickled) is still required to be labelled. This subclause consolidates a number of requirements which were in the previous Table to subclause 2(2) of Standard 1.2.11. The intention is to ensure that all foods listed in Column 2, with the exception of fish, have the same labelling requirements.

The standard will not apply to those foods which have undergone processing to an extent which will no longer characterise the food as one that is listed under Column 2 to the Table to subclause 3(1). This will address current anomalies where solely due to the addition of a minor ingredient or limited processing, a food becomes exempt from country of origin labelling requirements. For example, foods such as salami and sausages that contain pork will not be characterised as 'pork' for the purposes of clause 3. Marinated beef steaks will still be characterised as 'beef' for the purposes of clause 3.

Subclause (3) sets out the size requirements for a country of origin statement in accordance with clause 3.

### Information Sought from Submitters

#### *Importance of Country of Origin labelling (CoOL)*

FSANZ seeks information on the preferences, understanding, use and importance of country of origin labelling on unpackaged beef, chicken and sheep.

- Do consumers value country of origin information?
- Will consumers use country of origin information in decisions about unpackaged beef, sheep and chicken?
- What is the importance of country of origin information relative to other product attributes?
- What is the impact of country of origin information on consumer's purchase decisions?
- Are you aware of any studies or data of consumer's responses to country of origin labelling on unpackaged beef, chicken and sheep?
- Are you aware of any studies or data that explore the relative importance of country of origin attributes with other product attributes on unpackaged beef chicken and sheep?
- Are beef and sheep meat imports into Australia destined for general consumption or niche/ethnic markets?
- How do the prices of imported meats compare with domestic products?
- Are imported meats consumed at restaurants, canteens and other sources of immediate consumption which are exempt from declaring the origin of their food products?
- At the time of the BSE outbreak, was there an impact on the volume of meat imports into Australia?

#### *Supply Chain*

FSANZ seeks any further information from stakeholders on current supply chain (including the proportion of the meat sold which are voluntarily labelled and retail practices relating to the provision of country of origin information for unpackaged beef, chicken and sheep.

#### *Extension of CoOL*

FSANZ seeks further information to support the extension of the scope of this Proposal to include lamb and chicken meat? In particular we seek information on potential benefits to consumers.

#### *Options 1b & 2b*

FSANZ seeks further information from submitters in order to make a more detailed assessment of the costs and benefits arising from Option 1b and 2b.



To what extent would the meat industry/retailers voluntarily adopt country of origin labelling for unpackaged beef, chicken and sheep?

What if any are the benefits to stakeholders from the voluntary introduction of CoOL?

Option 2a

What are the benefits to stakeholders, if any, associated with mandatory country of origin labelling for unpackaged beef, chicken and sheep?

What are the likely costs to enforcement agencies associated with mandatory country of origin labelling for unpackaged beef, chicken and sheep?

What is the likely impact of mandatory country of origin labelling on unpackaged beef, sheep and chicken meat industries?

- More specifically what is the likely impact of mandatory country of origin labelling for unpackaged beef, sheep and chicken meat on retailers?
- On a national, state or individual business basis, is the introduction of mandatory country of origin labelling for unpackaged beef, chicken and sheep likely to result in consumer price changes and if so, how much?
- Will the costs of labelling increase prices of meats and impact on demand?
- Will consumers be prepared to pay additional costs if they are incurred?
- FSANZ seeks further information from submitters in order to make a more detailed assessment of the costs and benefits arising from Option 2a.

#### *The Use of a Single Sign by Independent Butchers*

FSANZ seeks information on costs, benefits, compliance issues or any other matters which are associated with the possible use of a single sign by independent butchers to indicate that all meat in the cabinet is of a single country of origin unless signage is provided to the contrary.

#### *Removal of the Editorial Note from Current Standard*

FSANZ seeks information from submitters on any issues that may arise as a result of the removal of the editorial note that makes reference to requirements of the *Trade Practices Act 1974* (now known as *Competition and Consumer Act 2010*) from the current Standard.