

SUPPORTING DOCUMENT 1

**PROPOSAL P1011
COUNTRY OF ORIGIN LABELLING – UNPACKAGED MEAT
PRODUCTS**

Regulation Impact Statement



Contents

EXECUTIVE SUMMARY	3
1 BACKGROUND	5
2 THE PROBLEM	13
3 OBJECTIVES	14
4 OPTIONS.....	15
5 IMPACT ANALYSIS	2
6 COMMUNICATION AND CONSULTATION STRATEGY	11
7 CONCLUSION AND PREFERRED OPTION	11
8 IMPLEMENTATION	12
9 SUMMARY OF QUESTIONS.....	13
REFERENCES	15

Executive Summary

- The purpose of this Proposal is to consider varying Standard 1.2.11 in the Australia New Zealand Food Standards Code (the Code) to require country of origin labelling for unpackaged beef, sheep and chicken meat. The Proposal is only relevant to Australia as Standard 1.2.11 does not apply in New Zealand. The Proposal is being assessed under the General Procedure, involving one round of public comment.
- This Proposal is not seeking to address a specific public health and safety risk. It has been prepared in light of increased consumer concerns around the country of origin of unpackaged beef arising from proposed access changes for overseas beef entering the Australian market. Currently, all packaged foods, and unpackaged pork, fish, fruit and vegetables require country of origin labelling (CoOL). Hence, there is a lack of uniformity in the Standard with respect to country of origin labelling for some unpackaged foods, in particular, meat.
- In making this assessment, FSANZ has considered available evidence on consumers' use of country of origin labelling when making purchasing decisions. FSANZ has commissioned a review of the literature on consumer response to country of origin labelling. The key findings of the review appear in a supporting document (SD2) to the assessment report. FSANZ has also commissioned a report on the current Australian meat market, particularly in regard to the current and potential penetration of imports of beef, sheep and chicken meat (SD 3). FSANZ has additionally considered the impact that the proposed amendments would have on the meat supply chain and retail practices.
- The purpose of this document is to consult stakeholders and to assist in the process of obtaining further information to improve the rigour and comprehensiveness of FSANZ's analysis.
- Country of origin labelling for unpackaged meat (other than pork) is currently not mandatory under Standard 1.2.11. Recent concerns relating to the origin of beef products have highlighted a possible need for CoOL labelling on beef, sheep and chicken meat to provide additional certainty to consumers.
- However, 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 per cent of beef consumption, while sheep imports accounted for 0.2 per cent of Australia sheep meat consumption.
- 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 chicken flock.

- Recent consumer enquiries about country of origin labelling and available consumer research indicates that Australian consumers value and report their use of country of origin information in purchase decisions. However, it is uncertain if the benefits associated with mandatory labelling would sufficiently exceed the costs (which are still likely to be relatively low) to create the largest possible net present value for society as a whole. This is because many of the perceived benefits should be achievable through voluntary labelling, imports are not expected to grow from the current low levels and difficulties exist around measuring the intangible benefits associated with this change.
- These intangible benefits include additional confidence brought to consumers regarding the origin of the unpackaged meat products. . A further intangible benefit is that many consumers believe they have a right to information in relation to the food they are purchasing and consuming, regardless of whether it is actually read or in some way changes their purchasing behaviour.
- Some of the benefits of country of origin labelling are already being achieved through voluntary labelling by some major and other retailers.
- FSANZ has determined that there are four viable options available for this Proposal:

Option 1a – Abandon the Proposal, thus maintaining the *status quo*. The current country of origin labelling requirements in Standard 1.2.11 would remain.

Option 1b – Abandon the Proposal and adopt a non-regulatory approach such as a guideline or a voluntary code of practice developed by industry.

Option 2a – Develop a draft food regulatory measure (Prepare draft variation to Standard 1.2.11 to extend country of origin labelling requirement to unpackaged beef, lamb and chicken meat).

Option 2b – 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*).
- Option 1a does not impose any additional costs or benefits to stakeholders. However, it does not address the current concerns in relation to Standard 1.2.11 that consumers will continue to receive incomplete information regarding the country of origin of unpackaged meats. Option 1b provides a mechanism by which to implement extended country of origin labelling. 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. For example, retailers may be less likely to provide country of origin information where the provision of that information may be perceived negatively by consumers. This may lead to less than optimal purchasing from a consumer’s perspective. However, it may represent a cost effective solution given the present and potential future importation of beef, sheep and chicken meat.

- Option 2a may impose additional costs on industry, however, information received to date indicates that these costs are not likely to be substantial, with several major retailers and many smaller retailers already implementing voluntary country of origin labelling for unpackaged meats. These costs would be lowered if for example compliance could be achieved with a single sign outside a meat counter indicating that all meat is from Australia unless marked otherwise. Option 2a will provide consumers with more information upon which to make purchasing decisions and this information will be consistent with other fresh produce. Uniform labelling will also support the legitimacy of an overall labelling regime by ensuring it is appropriately comprehensive. Additionally many consumers believe they have a right to information in relation to the food they are purchasing and consuming, regardless of whether it is actually read or in some way changes their purchasing behaviour.
- Option 2b provides a mechanism similar to option 1b 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 1b.
- However, this analysis, on balance, after conducting some limited economic analysis and reviewing the readily available quantifiable evidence, concludes that Option 1a is the preferred option as none of the alternatives can be shown to have a clearer overall benefit. There are strong policy arguments existing for extending country of origin labelling to beef, sheep and chicken. But there are difficulties in measuring the intangible benefits of such an option.

1 Background

This Proposal has been prepared to address a concern in relation to Standard 1.2.11 with respect to country of origin labelling for some unpackaged foods. Currently, under this Standard, packaged foods, and unpackaged pork, fish, fruit and vegetables require country of origin labelling. This Proposal is considering an extension of the country of origin labelling requirements in Standard 1.2.11 to include unpackaged beef, sheep and chicken meat. Standard 1.2.11 does not apply to food sold to the public by restaurants, canteens, schools, caterers or self-catering institutions where the food is offered for immediate consumption, therefore, unpackaged beef, sheep and chicken 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.

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 access to the 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 but only a small importer of beef. Some fresh beef is imported into Australia from New Zealand and Vanuatu (1.3kt in 2009). Both exporters were unaffected by BSE. Imports of sheep meat into Australia is negligible (0.15kt in 2009), 90 per cent of which originates from New Zealand. No fresh chicken meat is imported. It is not known if these small quantities of imported beef and

sheep meat are for general consumption or for some niche market as the ABARE study commissioned by FSANZ does not provide this level of detail. There is no evidence indicating that changes in the exchange rate impact on the volume of meat imports into Australia. When the Australian Dollar was depressed in 2008, while beef imports increased, sheep meat imports decreased.

The change to Australia's BSE food safety policy for imported beef has contributed to community concern with respect to the inability to readily identify imported unpackaged beef products under Standard 1.2.11¹. This could be due to perceived health concerns, rather than actual health risks.

Whilst some voluntary labelling exists, the increased consumer concern and enquiries about country of origin labelling for unpackaged beef may indicate that consumers are not provided with enough information on the unpacked beef, sheep and chicken meat products at the point of purchase in the market. Unpackaged pork, fish, fruit and vegetables require country of origin labelling information, but the unpackaged meat products considered in this proposal do not. In regard to this, FSANZ is considering amending Standard 1.2.11 to ensure that similar types of unpacked products are labelled in a uniform manner.

1.1 The Australian market for beef, sheep and chicken meat

The Australian beef and sheep meat industries are highly export oriented with around 65 per cent and 60 per cent of production exported, respectively. Other similar Australian industries are less export oriented with 20 per cent of edible seafood production exported, 16 per cent of pig meat production and 4 per cent of chicken meat production.

Imports of fresh, chilled and frozen 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 per cent of beef consumption, while sheep imports accounted for 0.2 per cent of Australia sheep meat consumption (Tables 1 and 2).

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 chicken flock.

The trends of annual imported beef and sheep meat into Australia for the period 1995 to 2009 are shown graphically in Figures 1 and 2 respectively.

Based on the movement of the trends presented in Figures 1 and 2, there is no reason to expect a significant change in the import pattern of meat and meat products over time. The combined effects of Australian beef production significantly exceeding domestic consumption and the competitiveness of Australian beef in overseas markets (including in markets such as Japan and the United States) has meant that beef and beef product imports into Australia to-date have been minimal.

To be able to compete on price against Australian products in the Australian domestic market, beef importers would have to, at a minimum, overcome the additional costs involved in handling, insurance and freight across the Pacific Ocean. As a result, there is likely to be very little or no market penetration by imported meat and meat products. For further details please see supporting SD3 (Hogan, J 2011, *Potential for imports of fresh meat and seafood into Australia*, ABARES report to client for Food Standards Australia New Zealand, Canberra, March.)

¹ Senate Official Hansard, No. 3 2010, Tuesday, 9 March 2010, <http://www.aph.gov.au/hansard/senate/dailys/ds090310.pdf><http://www.aph.gov.au/hansard/senate/>

Table 1: Beef and veal production and consumption in Australia in Kilo tonnes ²

Year	Production (Kt)	Exports (Kt)	Imports (Kt)	Consumption (Kt)	Imports to consumption in percentages
1995	1,719	1,092	3.6	636	0.57
1996	1,734	1,016	4.0	723	0.55
1997	1,939	1,175	3.8	768	0.49
1998	1,987	1,268	1.9	721	0.26
1999	1,991	1,272	1.0	721	0.14
2000	2,053	1,329	1.5	726	0.21
2001	2,079	1,407	0.8	674	0.12
2002	2,090	1,362	1.1	729	0.15
2003	1,998	1,246	1.2	754	0.16
2004	2,113	1,357	2.3	762	0.3
2005	2,090	1,343	5.9	755	0.78
2006	2,188	1,408	4.0	786	0.51
2007	2,180	1,387	2.2	797	0.28
2008	2,161	1,411	1.4	752	0.19
2009	2,122	1,370	1.3	756	0.17

Table 2: Sheep meat production and consumption in Australia in Kilo tonnes³

Year	Production (Kt)	Exports (Kt)	Imports (Kt)	Consumption (Kt)	Imports to consumption in percentages
1995	575.1	263.7	0.63	309.1	0.2
1996	564.9	261	0.48	305.8	0.16
1997	599.5	287.5	0.08	314.7	0.03
1998	617.0	297	0.02	320.3	0.01
1999	628.6	310.5	0.26	310.9	0.08
2000	713.9	360.7	0.30	353.2	0.08
2001	678.1	351.5	0.34	326.7	0.1
2002	634.3	333.7	0.13	303.8	0.04
2003	543.5	272.9	0.37	271	0.14
2004	573.2	301.0	0.36	262.3	0.14
2005	615.9	349.8	0.20	266.1	0.08
2006	669.2	380.6	0.22	288.5	0.08
2007	680.8	381.6	0.08	299.2	0.03
2008	646.7	380.2	0.1	266.5	0.04
2009	624.3	368.8	0.15	255.4	0.06

² Hogan, J, *Potential for imports of fresh meat and seafood into Australia*, ABARES report to client for Food Standards Australia New Zealand, Canberra, March 2011

³ Hogan, J, *Potential for imports of fresh meat and seafood into Australia*, ABARES report to client for Food Standards Australia New Zealand, Canberra, March 2011

Having considered the historic evidence, having examined the prevailing factors influencing meat consumption, and having identified the cost disincentives affecting imports, there is a small likelihood of any significant increase in the volume of unpackaged beef, sheep and chicken meat into Australia in the foreseeable future.

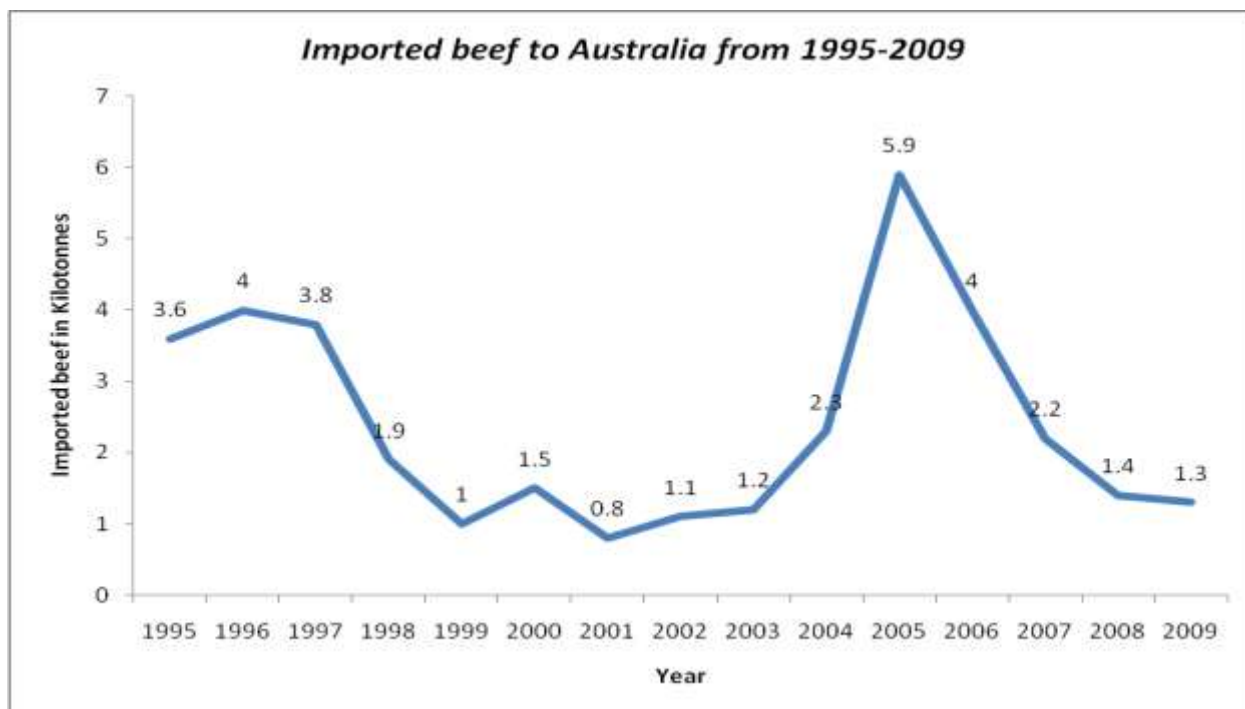


Figure 1: imported beef to Australia from 1995-2009 in kilo tonnes

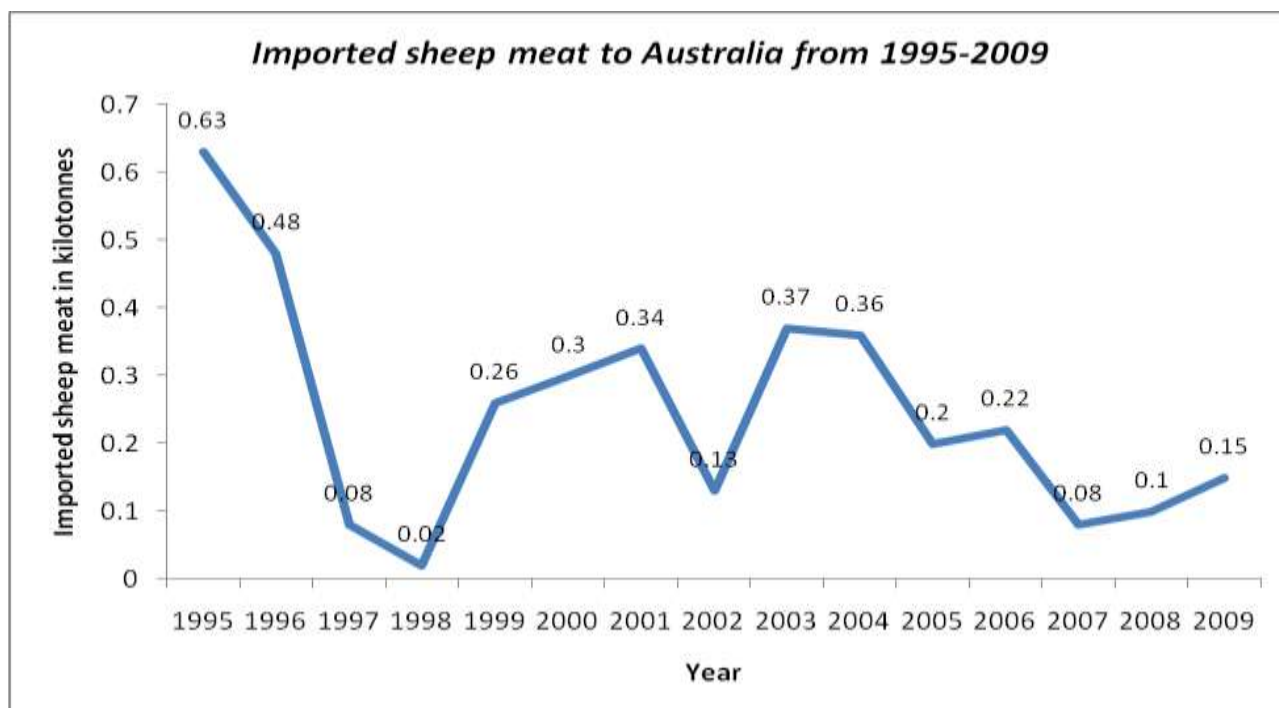


Figure 2: imported sheep meat to Australia from 1995-2009 in kilo tonnes

1.2 The Role of Country of Origin Labelling & 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).

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 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.

Australian consumers generally 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 lack of information. Information deprivation occurs when the one party in a relationship, in this case the seller, has information regarding the product, which the other party, namely the buyer is ignorant of. In such a situation there is a potential for loss of confidence in the food regulatory system should consumers purchase meat assuming it is sourced from a particular country, but subsequently discover that it is in fact sourced from elsewhere. 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 from 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.

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. However, only small price premiums for Australian Meat seem to exist for some consumers. Further details and analysis of studies in relation to consumer reaction to CoOL are contained in Supporting Document 3.

- a) FSANZ seeks any information from submitters on the preferences, understanding, use and importance of country of origin labelling on unpackaged beef, chicken and sheep.
- b) Are you aware of any studies or data of consumer's responses to country of origin labelling on unpackaged beef, chicken and sheep?
- c) 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?
- d) Are you aware of any studies or data that explore the impact of country of origin labelling on consumers purchase decisions for unpackaged beef, chicken and sheep?
- e) Are beef and sheep meat imports into Australia destined for general consumption or niche/ethnic markets?
- f) How do the prices of imported meats compare with domestic products?
- g) Are imported meats consumed at restaurants, canteens and other sources of immediate consumption which are exempt from declaring the origin of their food products?

1.3 Current Standard and legislative requirements

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.).

Unpackaged foods for retail sale must provide a label on or in connection with the display of the food, 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 where the food is offered for immediate consumption.

1.4 Country of Origin Information for Retailers in Australia

Currently, pork is the only unpackaged meat products which requires country of origin labelling in Australia. Pork imports account for around 64% of processed pork consumed in Australia (DAFF, 2010).

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 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 products (see below). Information systems will need to be in place if importation of beef, lamb and chicken for unpackaged retail sale commences. 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 sale yards and to the abattoir
- holding the animals at the sale yards
- 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: 1st 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 Initial Assessment Report for Proposal P282 - Primary Production and Processing Standard for Poultry Meat (FSANZ, 2004).

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 sale yards of the animals (Standards Australia, 2007). For chicken meat, traceability requirements will commence in 2012 under Standard 4.2.2 of the Code⁴ 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, 2010).

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 requirements.

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.

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. From these preliminary discussions, it appears that there are some differences in retail practices with respect to the provision of country of origin information. Two major 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, sheep 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.

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.

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

⁴ Standard 4.2.2 Primary Production and Processing Standard for Poultry Meat

1.5 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.

2 The Problem

Currently, there is a lack of uniformity in the requirement for country of origin labelling across unpackaged meat products. Specifically, country of origin labelling is required only for unpackaged pork products but is not required for unpackaged beef, sheep and chicken meat products. And while consumers have a preference for such information about their purchases, the provision of such information is not mandatory.

Australian consumers consistently consider country of origin as a valuable element of food labelling (FSANZ 2003; FSANZ 2008). Research shows that many Australian consumers prefer Australian meat. Research also indicates there is a small likelihood of any significant increase in the volume of imported unpackaged beef, sheep and chicken meat into Australia in the foreseeable future. However if there is an increase in the availability of imported meat 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 this denial of information to consumers. 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 country of origin labelling for unpackaged beef, FSANZ has extended the scope of this Proposal to include unpackaged lamb and chicken to provide additional certainty to consumers. Beef, sheep, 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 was prompted by the assumption that a relaxation of some meat imports would prompt consumers to scrutinise labels of all unpackaged meat. Addressing the issue of country of origin labelling across unpackaged meats, would provide greater assurance for consumers about information on the country of origin of unpackaged meats. Since consumers may not be aware that there are quarantine restrictions preventing the import of chicken meat, a

relaxation of meat imports could lead to concerns and interests on the part of consumers about the country of origin of unpackaged chicken meat purchased. This proposal therefore covers unpackaged chicken meat.

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 10 of the *Food Standards Australia New Zealand Act 1991* without making industry incur 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, lamb and chicken outweigh the costs to industry of providing this information.

The problem that the RIS is considering is:

- Does information on the country of origin of beef, sheep and chicken meat provide consumers with the ability to change their consumption in order to increase their welfare.
- Do consumers also receive inherent benefit from information on country of origin of beef, sheep and chicken meat, irrespective of behavioural change.

The problem revolves around the degree to which the benefits can be quantified and whether they exceed the possible cost (although most likely small) of extending CoOL to further meat species.

However, this analysis is complicated by the possible existence of the intangible benefits associated with this change. These intangible benefits include additional confidence brought to consumers regarding the origin of the unpackaged meat products. A further intangible benefit is that many consumers believing they have a right to information in relation to the food they are purchasing and consuming, regardless of whether it is actually read or in some way changes their purchasing behaviour.

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.

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;
- 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. While it is possible that uniformity in requirements for country of origin labelling across unpackaged meat products may prevent the occurrence of misleading or deceptive conduct, promote fair trading in meat and promote trust in the overall labelling regime; there is no evidence that misleading or deceptive information is being provided to consumers. This Proposal is not intended to address a public health and safety issue.

4 Options

In order to decide on the most effective and efficient approach for achieving the objectives, FSANZ is required to consider both the regulatory and non- regulatory options. The following 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.

FSANZ has identified the following options to progress the assessment of this Proposal:

- **Option 1a.** Abandon the Proposal and maintain *status quo* i.e. nothing is done
- **Option 1b.** Abandon the Proposal but have an industry-based Code of Practice (CoP)
- **Option 2a.** Develop a draft food regulatory measure (a draft variation to Standard 1.2.11)
- **Option 2b.** Develop a draft food regulatory measure (a draft Code of Practice)

4.1 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 CoOL would be retained in Standard 1.2.11 with no mandatory requirement for CoOL for unpackaged beef, sheep and chicken meat. Voluntary labelling of unpackaged meat in line with current retail practices would continue to operate.

4.2 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 (CoP) would be adopted. That is, CoOL 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 CoP. It is envisaged that an industry body or bodies to which the majority of meat product retailers belong would develop the CoP. The CoP would set out the manner in which retailers should label unpackaged meat products (beef, sheep, chicken) with CoOL information.

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

4.3 Option 2a – Develop a draft food regulatory measure (a draft variation to Std 1.2.11)

Under this option, FSANZ would prepare draft variations to Standard 1.2.11 to require CoOL for unpackaged beef, sheep and chicken meat sold at retail. The labelling requirements would be consistent with the existing requirements for CoOL 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.

4.4 Option 2b - Develop a draft food regulatory measure (a draft Code of Practice).

Under this option, FSANZ would prepare a draft CoP which would set out the manner in which retailers should label unpackaged meat products (beef, sheep, chicken) 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 *Food Standards Australia New Zealand Act 1991* for the development of this CoP. Due to this formal development process it is envisaged that there may be a greater uptake and compliance compared to a CoP developed by the industry as in option 1a.

Table 3: Comparison of options

Option	Description
Status quo	<ul style="list-style-type: none"> • No new or additional costs imposed on industry and jurisdictions. • Existing inconsistency of the current CoOL Standard for unpackaged foods will remain. • Inconsistent with recommendation 40 of the labelling review report which recommends that existing CoOL requirements be extended to cover all primary food products for retail sale. • Current information deprivation will continue, with consumers not being privy to the information retailers possess, and the latter at times having no incentive to provide such information to consumers; propensity for market failure will prevail.
Code of Practice	<ul style="list-style-type: none"> • Will increase information for consumers and provide a net benefit to the community. • Will not impose consequences for non-compliance by industry and may fail to fully ensure consumer confidence in the industry or address the issue of market failure. • Because voluntary labelling is already followed by some retailers, overall industry costs are not likely to be high.
Regulation	<ul style="list-style-type: none"> • Will meet consumers' information needs and enhance consumer satisfaction. • Will address market failure. • Will enhance consumer trust in the industry • Could impose higher cost burden on industry, noting that because some retailers already practice voluntary labelling, overall industry costs are not likely to be high. • Would impose compliance monitoring costs on jurisdictions

5 Impact Analysis

This report endeavours to provide the information necessary to comply with the Council of Australian Governments (COAG) requirements for regulatory impact analysis. FSANZ has consulted the Australian Government's Office of Best Practice Regulation (OBPR) in order to meet these requirements.

There are ***assumptions and limitations underpinning the impact analysis including:***

- The conclusions of the analysis must be regarded as indicative, rather than as definitive.
- The *status quo* or 'do nothing' option is the base case against which other options are compared. It represents the prevailing situation and does not imply any changes.
- Wherever possible, impacts have been discussed and quantified. In absence of specific information, FSANZ has drawn on the best available evidence, such as secondary studies and other general information.
- Due to lack of Australian data, FSANZ has made use of international data pertaining to countries with comparable behaviour patterns.

5.1 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
 - Australian Quarantine and Inspection Service

FSANZ invites further comment and information in relation to the parties that may be affected by this proposal.

5.2 Impacts

5.2.1 Option 1a – Abandon the Proposal - Status Quo

5.2.1.1 Costs

If the *status quo* is retained:

- The prevailing deprivation that consumers experience in relation to country of origin of meat products will continue, because consumers may not be aware of the country of

origin of what they purchase. Since the market will not encourage retailers to rectify this information, there is a likelihood of market failure.

- May not prevent potential misleading or deceptive conduct which could distort the promotion of fair trading in food.
- Consumers may lose confidence in the food regulatory system and may feel that the present regulation does not meet their perceived right for this information to be available.

5.2.1.2 Benefits

There are no potential benefits to be derived by the community from this option apart from the fact that no additional or new costs will be incurred.

5.2.1.3 Conclusion

The status quo option is not likely to give the community any benefits or impose any costs.

It may also not conform with the recommendation of the 28 January 2011, the Council of Australian Governments released the Final Report, *Labelling Logic - Review of Food Labelling Law and Policy (2011)* where it states:

- 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.*

5.2.2 Option 1b – Abandon the Proposal – Non-regulatory approach

5.2.2.1 Costs

Industry

This option calls for the development by industry of a voluntary code of practice. It is expected that industry groups to which retailers belong, will undertake the preparation of such a code. The process of consulting with retailers and arriving at such a code will impose a cost on industry.

A voluntary country of origin labelling for unpackaged beef, sheep and chicken meat may also impose other 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, as discussed under section 5.2.3.

Further, it is also expected that there will be a cost associated with monitoring industry compliance (as with the present voluntary labelling) to ensure incorrect and misleading claims are not being made.

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

Consumers

To the extent that voluntary country of origin labelling is adopted, consumers will benefit because they will have access to better information about the country of origin on unpackaged meat. If country of origin labelling is not universally adopted by retailers, consumers will continue to be denied information with respect to some purchases. This would amount to market failure. Consumers may be more confused if country of origin information is provided in some retail outlets for some types of meats and not in others.

In the absence of mandatory country of origin labelling, consumers may inadvertently believe that the meat they are purchasing is Australian when it is not. In such a situation there is a potential for loss of confidence in the food regulatory system should consumers eventually discover the meat they thought was Australian was in fact imported.

Government Enforcement Agencies

Since this option only involves voluntary labelling which requires no compulsory compliance monitoring, there would only be a modest cost burden imposed on government enforcement agencies.

5.2.2.2 Benefits

Benefits to be derived from this option are likely to be similar to those of option 2a discussed later in Section 5.2.3.2, but on a lesser scale due to the fact that all products are unlikely to be labelled.

5.2.2.3 Conclusion

Overseas experience shows that a voluntary country of origin labelling scheme is unlikely to result in the labelling of all unpackaged meat. In the USA, the 2002 Farm Bill directed the Department of Agriculture to issue guidelines for voluntary country of origin labelling; however, these voluntary guidelines were not adopted universally. The failure was attributed to the fact that the market itself cannot be expected to provide the necessary incentives to prompt retailers to adopt voluntary labelling.

Universal voluntary labelling can only be expected to occur where it is communicating a positive attribute to consumers. Retailers can be expected to employ a 'Product of Australia' label when this information may contribute to increased sales or consumers are willing to pay a premium price for the product.

Based on available consumer research which suggests that many Australian consumers prefer Australian meat, there may be little incentive for all retailers to voluntarily adopt country of origin labelling where the product is not from Australia.

In addition, many believe that the Government has an obligation to ensure that adequate information relating to food is provided to consumers to enable them to make informed choices and also to prevent misleading information or deceptive conduct in the food market. They believe Government needs to promote fair trading in food, of which unpackaged beef, sheep and chicken meat are a part, and that it is not certain that an industry managed voluntary CoP can achieve this.

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

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

What costs are likely to be incurred nationally?

Would price increases arise and if so how much?

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

5.2.3 Option 2a – Prepare Draft Variations to Standard 1.2.11

5.2.3.1 Costs

Industry

A mandatory country of origin labelling scheme for unpackaged beef, sheep and chicken meat is likely to impose additional costs on industry. Available data on costs is limited to the major supermarket chains. The data received from one retailer indicates that the initial set up cost to retailers of introducing country of origin labels, where these are not currently provided, is about \$2.60 per label and the annual costs of cleaning/maintenance is around \$160 per annum per label.⁵ However, this could be substantially less as discussed below.

Of the three major supermarket chains, two have introduced voluntary labelling. The other chain, with a total of about 2100 outlets, has introduced country of origin labelling in some outlets. During industry consultation, the major supermarkets were unable to indicate what percentage of unpackaged meat is currently labelled. Our estimation is that it will be well over 50 per cent.

According to an industry source, there are about 3,000 independent butchers in Australia. Being small businesses it is unlikely that they would source their meats from overseas. If only a single external display notice is required of them, it is likely that they will incur little additional cost if mandatory country of origin labelling is introduced for beef, sheep and chicken. More specific information will be gathered from small and independent retailers and butchers during the consultation process.

Since some retailers have already voluntarily adopted labelling, they are unlikely to incur any significant burden of additional costs on account of labelling. The remaining retailers may incur some additional costs as a result of the proposal.

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, these costs may not be substantial. Exporters of meat must provide country of origin information in order to apply for an import permit and there are a range of systems currently in place which require transmission of information through meat supply chains. Advice received from peak bodies representing the cattle and chicken producers indicates these systems can be readily modified to accommodate country of origin information and therefore, minimising the cost significantly.⁶

⁵ Data provided by Metcash Trading Ltd 15/06/10

⁶ Data provided by Cattle Council of Australia May 2010

With respect to beef, the National Vendor Declaration document, in combination with the National Livestock Identification System can be used to trace livestock from the property of birth to slaughter. From post-slaughter to the point of retail sale, country of origin information could be captured via a modification to the AUS-MEAT Domestic Retail Beef Register. This register provides a reference source of the available descriptors of beef for use in consumer retail sale. Approximately 92% of beef and lamb go through an AUS-MEAT accredited plant. Additionally, processors that are AUS-MEAT accredited are required to label boxed beef as 'Product of Australia'. Hence, there should be minimal additional cost or certification required to enable processors to provide country of origin information.

Currently, all unpackaged chicken meat sold in Australia is of local origin due to quarantine requirements. Based on advice received from the peak body representing the chicken meat producers and processors, modification of the delivery dockets (involving IT labour or a change to printed forms) would be required to accommodate country of origin information. This would involve a relatively small initial effort and costs could be absorbed in the normal administrative work, providing the requirements were introduced over a six month period.⁷

Industry is already complying with the Country of Origin Labelling requirements for unpackaged pork and seafood and has most of the requirements for the proposal in place. As a result, the overall cost to industry for compliance in implementing the proposal is not likely to be substantial.

Consumers

There may be costs to consumers as a consequence of mandatory labelling. Retailers are likely to pass on to the consumers some of or all the cost of labelling they may incur. However, there is evidence that some consumers are willing to pay for some part of the costs resulting from country of origin labelling as noted above.

Government Enforcement Agencies

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 are already in place, the additional costs associated with applying such monitoring to meats may be modest.

5.2.3.2 Benefits

Industry, consumers and Jurisdictions are likely to derive benefit from compliance with the proposal. These are discussed below.

Industry

There may be benefits to industry arising from mandatory country of origin labelling of unpackaged meat, as shown by the experience of the pork industry. Country of origin labelling for unpackaged fresh and processed pork came into effect in December 2006. When an Application was made to FSANZ in 2006 to remove country of origin labelling for unpackaged processed pork products, the industry peak body, Australian Pork Limited (APL), representing 92% of Australian pork production, opposed the Application.

In its submission, APL noted that country of origin information benefits the Australian industry in terms of the ability to clearly differentiate between imported and local pork

⁷ Data provided by Australian Chicken Meat Federation Inc. May 2010

products. This is an important consideration in light of increasing volumes of pork imports as a percentage of overall apparent consumption over the previous five years (APL 2008) and may be relevant in terms of the potential for greater imports of beef in the future.⁸ The evidence for beef, sheep and chicken meat is not as strong, since these imports are minor when compared to the volume of pork imports. In fact the present dominance of locally produced meat in the local market makes it difficult to demonstrate a significant price premium. Reference should be made to SD 3 (Hogan, J 2011, *Potential for imports of fresh meat and seafood into Australia*, ABARES report to client for Food Standards Australia New Zealand, Canberra, March.)

Consumers

A mandatory country of origin labelling scheme for unpackaged beef, sheep and chicken meat is likely to provide some benefits to consumers, although the benefits that accrue are often largely intangible in nature and very difficult to quantify. This is because consumers are heterogeneous in how they use country of origin labelling and the value they place on this information. For example, consumers may have perceptions of higher quality, safety and healthiness associated with food originating from a particular country, while others use country of origin information to support domestic production.

From the perspective of the pork industry, country of origin labelling is important to Australian consumers, with research indicating that 70-80% of consumers prefer to buy Australian pork. The APL's research also indicates that 85% of Australians are probably or definitely prepared to pay a 20% premium for Australian meat. Consumer willingness-to-pay for country of origin information has also been demonstrated in the literature.

These findings suggest that if provided with information, some consumers may modify their purchase decisions in response to the additional information.

As shown by the Primo case⁹, even under a mandatory country of origin labelling scheme, there is potential for misleading and deceptive labelling, although enforcement action was subsequently taken in this situation.

Greater access to country of origin information:

Consumers will have greater access to country of origin information, about unpackaged meat products, that can be used to make decision on their food choices. The mandatory country of origin labelling will ensure that consumers have consistent access to information across all retail outlets. In other words, there would be less opportunity for market failure.

While lack of information regarding the country of origin of meat products may not impose an actual monetary cost burden on consumers, a perception of information deprivation may leave some consumers feeling disadvantaged or confused, in terms of why some products are labelled and others are not. Mandatory labelling will therefore promote fair trading in the food industry.

Gain in confidence in the food regulatory system:

Provision of greater information in the market may lead to a potential increase in confidence in the food regulatory system by consumers.

⁸ APL submission to FSANZ February 2008

⁹ <http://www.foodauthority.nsw.gov.au/news/media-releases/mr-09-Jun-10-primo-prosecuted-over-pork-labelling/>

Jurisdictions

Adequate information relating to food:

Jurisdictions will be able to make sure adequate information relating to unpackaged beef, sheep and chicken is provided to consumers to enable them to make informed choices.

Misleading information or deceptive conduct which may distort fair trading in food:

Jurisdictions and state governments may be able to reduce misleading information or deceptive conduct in the food market.

5.2.3.2 Conclusion

This option is likely to impose the highest cost on the community but is likely to offer the highest benefits as well, though most are potentially intangible. The question is would a positive net present value be created.

Moreover its application is likely to promote fair trading, enable Jurisdictions to make sure adequate information relating to unpackaged beef, sheep and chicken is provided to consumers and prevent misleading information or deceptive conduct in the food market. Its application would enhance consumer confidence in the food regulatory system.

It should be noted that there appears to be general industry support and acceptance of the Country of Origin Labelling Standard which is demonstrated by the support for unpackaged pork labelling and the level of voluntary uptake for CoOL labelling of unpackaged meats. Moreover, there is little industry concern about cost. However since on estimation over 50 per cent of unpackaged meat products are already labelled, this reduces the benefits of mandatory labelling.

A generic proposal to extend country of origin labelling to among others, processed and packaged fruits and vegetables has also been introduced (P292). These changes have been well received. The concerns raised by the media that in some states (eg WA) that this information is not always made available to consumers indicates that consumer interest is strong. However the supply chain operating in these sectors are different from what would apply to unpackaged meats, nor do we have specific figures regarding costs of fruit and vegetable labelling.

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

On a national, state or individual business basis, what are the likely costs to the meat industry and retailers associated with mandatory country of origin labelling for unpackaged beef, chicken and sheep?

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?

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

What impacts if any will apply specifically to small and independent retailers and butchers?

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

5.2.4 Option 2b – Draft food regulatory measure - a Code of Practice

The costs and benefits under this option will be similar to those listed in section 5.2.2 above. The only difference would be that industry and FSANZ may incur some costs in preparing a Code of Practice for industry.

5.3 Comparison of Options

Option 1a does not impose any additional costs or benefits on stakeholders. But it also does not address the lack of information being made available to consumers and they may continue to receive incomplete information regarding the country of origin of unpackaged beef, sheep and chicken meats. Under Option 1a, adequate information relating to food to enable consumers to make informed choices may be absent, thereby putting some consumers at a disadvantage. There is the likelihood of market failure under this option. Option 1a may not prevent misleading or deceptive conduct and hinder the promotion of fair trading in food which is likely to result in market failure.

Although Option 1b provides 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.

For example, retailers may be less likely to provide country of origin information for imported unpackaged meats, given Australian consumers' preference for Australian meat. This creates a situation where consumers are denied information, leading to a potential for significant loss of consumer confidence in the food regulatory system and potential for market failure.

It is likely that Option 1b may not help prevent misleading or deceptive conduct which may hinder promotion of fair trading in food. However, the advantage of this option is that it does not impose a significant cost burden on jurisdictions. Nonetheless, it is expected that there would be a cost associated with monitoring industry compliance even with a voluntary scheme. Option 1b will not impose a compliance cost burden on those retailers who may opt not to label the country of origin of their unpackaged meat products. There are no consequences for non-compliance under this option and no cost will be incurred in revising the Standard in the future.

Option 2a may impose additional costs on industry in terms of record keeping requirements 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.

Option 2a is likely to impose a cost burden on jurisdictions as they will be required to monitor compliance and evaluate the success of the revised Standard. Costs will also be incurred in revising the standard in the future. There are consequences for non-compliance with the requirements of the Standard.

Mandatory country of origin labelling can be advantageous to industry in terms of the ability to take advantage of consumers' preferences for food that is grown domestically. Option 2a will 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 regulatory system as consumers will have accurate and consistent information about the country of origin of the food they are purchasing. It is likely to prevent misleading or deceptive conduct, thereby promoting fair trading in food as information on all food products are made available to consumers. This option may avoid the occurrence of market failure in the food industry. However, due to the uncertainties about the quantum of benefits mandatory labelling will deliver, the status quo option may represent the option that achieves the best total outcome for the community as a whole when all costs and benefits are taken into account.

Table 4: Comparison of options

Option	Strengths	Weaknesses
1a <i>Abandon proposal- Status quo</i>	Industry may not have any new or additional costs. Jurisdiction and state governments may not incur any additional or new compliance monitoring costs.	A possibility that consumers may lose confidence in the food regulation system as their information expectations are not met. May not prevent misleading or deceptive conduct, thereby distorting the promotion of fair trading in food.
1b <i>Abandon proposal- Non-regulatory approach Industry prepared CoP</i>	Jurisdiction and state governments unlikely to incur significant additional or new compliance monitoring costs. May achieve some of the objectives of the proposal.	May not necessarily provide adequate information relating to food to enable consumers to make informed choices. May not necessarily prevent consumers from being at a disadvantage. May not be consistent in achieving all the objectives of the proposal. May not consistently prevent misleading or deceptive conduct thereby distorting the promotion of fair trading in food. There are no consequences for non-compliance.
2a <i>Prepare Draft Variation to Standard 1.2.11</i>	Likely to provide adequate information relating to food to enable consumers to make informed choices. Likely to achieve all the objectives of the proposal. May prevent misleading or deceptive conduct and promote fair trading in food. May prevent consumers from being put to disadvantage. Consumers may gain confidence in the food regulation system.	Inability to quantify benefits. Needs to be revised and the success of compliance evaluated regularly. Likely to impose the highest cost burden on industry. Jurisdiction and state governments may incur additional or new compliance monitoring costs.
2b <i>Abandon proposal- Non-regulatory approach FSANZ prepared CoP</i>	No costs imposed on jurisdictions. Some objectives of the proposal may be achieved.	FSANZ will incur some costs arising out of industry consultation and the preparation of a code of practice. Industry groups will also incur some costs during this process. May not provide adequate information to consumers, or achieve the objectives.

The costs and benefits of option 2b will be similar to those for option 1b, with the possibility that under 2b FSANZ may incur some costs in preparing a Code of Practice for industry.

6 Communication and Consultation Strategy

6.1. Communication

FSANZ previously developed and implemented communication strategies for the education of 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 ready to respond to country of origin labelling enquiries from food manufacturers and retailers.

6.2. Consultation

This Proposal is being assessed under General Procedure. It requires one round of public consultation. 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. Information is specifically sought on the questions raised throughout the report, which are summarised at 9 below.

Individuals and organisations making 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.

6.3 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. Notification will therefore be recommended to the agencies responsible in accordance with Australia's and New Zealand'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.

7 Conclusion and Preferred Option

Australia produces sufficient quantities of beef and sheep meat to meet the requirements of the domestic market at competitive rates. Hence the volume of imports of these products is negligible, and likely to remain so in the foreseeable future. With respect to chicken, there are no imports into Australia. All available evidence suggests there will be very little or no market penetration by imported meat and meat products in Australia in future years as the country is more likely to depend mostly on local sources for meat consumption.

On the basis of the cost benefit exercise carried out above, and having reviewed the readily available quantifiable evidence, this Consultation RIS concludes that Option 1a is the preferred option. None of the other options considered can be shown to have a clearer overall benefit. This is despite the existence of strong policy arguments for extending country of origin labelling to beef, sheep and chicken meats. As set out above however, there are difficulties in measuring the intangible benefits of approaches that extend country of origin labelling.

Preferred Approach:

The Consultation RIS recommends that this proposal be abandoned, and that the *status quo* be maintained. That is, the current requirements for CoOL would be retained in Standard 1.2.11 with no mandatory requirement for CoOL for unpackaged beef, sheep and chicken meat. Voluntary labelling of unpackaged meat in line with current retail practices would continue to operate.

8 Implementation

Following the consultation period for this Assessment Report, the Approval Report will be completed and considered by the FSANZ Board.

9 Summary of Questions

Importance of 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.**

References

- AQIS (2010) *How to complete an application to import biological materials*. Australian Quarantine and Inspection Service. <http://www.daff.gov.au/aqis/import/application/how-to/biological-materials>. Accessed on 6 July 2010.
- Australian Chicken Meat Federation (2010) *Production and Processing*. Australian Chicken Meat Federation Inc. <http://www.chicken.org.au/page.php?id=8>. Accessed on 6 July 2010.
- Australian Pork Limited (2008) *Submission to FSANZ Application A583 – Country of Origin Labelling Requirements for Unpackaged Pork Products*.
- Biosecurity Australia (2008) *Generic Import Risk Analysis Report for Chicken Meat. Final Report*, Biosecurity Australia, Canberra, Australia.
- Caswell, J.A (1998) How Labelling of safety and process attributes affects markets for food. *Agricultural and Resource Economics Review*, 27 (October), pg. 151-158
- Caswell, J.A & Mojduszda, E.M. (1996) Using informational labelling to influence the market for Quality in food products. *American Journal of Agricultural Economics*. 78(5), pg. 1248-1253.
- Coveney, J. (2007) Food and Trust in Australia: Building a Picture *Public Health Nutrition*, 11(3):237-245.
- DAFF (2010) *Pork*. Australian Government Department of Agriculture, Fisheries and Forestry. <http://www.daff.gov.au/agriculture-food/meat-wool-dairy/ilg/industries/pork>. Accessed on 14 July 2010.
- Darby, M.R. & Karni, E. (1973) Free competition and optimal amount of Fraud. *Journal of Law and Economics* 16(1), pg. 67-68.
- FSANZ (2003) *Food Labelling Issues: Quantitative Research with Consumers. Evaluation Report Series No. 4*. Report prepared by NFO Donovan Research. <http://www.foodstandards.gov.au/scienceandeducation/publications/evaluationreportseries/foodlabellingissuesquantitativeveresearchconsumersjune2003/>. Accessed on 6 July 2010.
- FSANZ (2004) *Initial Assessment Report for Proposal P282 - Primary Production and Processing Standard for Poultry Meat*. Food Standards Australia New Zealand. http://www.foodstandards.gov.au/srcfiles/P282_Poultry_PPPS_IAR_Final.pdf. Accessed on 6 July 2010.
- FSANZ (2008) *Consumer Attitudes Survey 2007: A benchmark survey of consumers' attitudes to food issues*. Food Standards Australia New Zealand, <http://www.foodstandards.gov.au/scienceandeducation/publications/consumerattitudes/>. Accessed on 6 July 2010.
- FSANZ (2009) *Proposal P1005: Primary Production & Processing Standard for Meat & Meat Products: 1st Assessment Report*. Food Standards Australia New Zealand, <http://www.foodstandards.gov.au/foodstandards/proposals/proposalp1005primary4220.cfm>. Accessed on 6 July 2010.
- Loureiro, M.L. and Umberger, W.J. (2003) Estimating Consumer Willingness to Pay for Country-of-Origin Labeling. *Journal of Agricultural and Resource Economics*, 28(2): 287-301.
- McCluskey, J.J. (2000) A Game theoretic approach to organic foods: Analysis of asymmetric information and policy. *Agricultural and Resource Economic Review* 29(1), pg. 1-9.
- Meat and Livestock Australia (2010) *Livestock Identification*. Meat and Livestock Australia <http://www.mla.com.au/Meat-safety-and-traceability/Livestock-identification>. Accessed on 6 July 2010.

Mueller, S., Danenberg, N. and Remaud, H. (2009) Are health or environmental claims important to Australian prawn consumers? *Global Aquaculture Advocate*, Sep/Oct: 28-29.

Newsome, T and Llewelyn, D. (2004) *Steps in the beef marketing chain*. NSW Department of Primary Industries. http://www.dpi.nsw.gov.au/data/assets/pdf_file/0019/174700/beef-marketing-chain.pdf. Accessed on 26 May 2010.

Spencer, S and Kneebone, M. (2007) *FoodMap: A comparative analysis of Australian food distribution channels*, Australian Government Department of Agriculture, Fisheries and Forestry, Canberra.

Standards Australia (2007) *Australian Standard for the Hygienic Production and Transportation of Meat and Meat Products for Human Consumption: AS 4696-2007*.

Umberger, W.J. (2004) Will consumers pay a premium for Country-of-Origin Labelled Meat? *Choices* 19(4), pg. 15-20.

Umberger, W.J., Feuz, D.M., Calkin, C.R. and Killinger, K. (2002) U.S. consumer preference and willingness-to-pay for domestic corn-fed beef versus international grass-fed beef measured through an experimental auction. *Agribusiness: an International Journal*, 18:491–504.

Umberger, W.J. and Mueller, S.C. (2010) *Is Presentation Everything? Using Visual Presentation of Attributes in Discrete Choice Experiments to Measure the Relative Importance of Intrinsic and Extrinsic Beef Attributes*. Selected Paper for the 2010 American Agricultural Economics Association Meetings, Denver, USA.

Ware, J. (2006) *A study of consumer responses to the legibility and importance of country of origin labelling – Phase 1*. Food Standards Australia New Zealand. <http://www.foodstandards.gov.au/srcfiles/A579%20CoOL%20Print%20Size%20Phase%201%20consumer%20research.pdf>. Accessed on 6 July 2010.

Ware, J. and Varigos, P. (2006) *A study of consumer responses to the legibility and importance of country of origin labelling – Phase 2*. Food Standards Australia New Zealand. <http://www.foodstandards.gov.au/srcfiles/A579%20CoOL%20Print%20Size%20Phase%202%20consumer%20research.pdf>. Accessed on 6 July 2010.