



**FOOD STANDARDS**  
Australia New Zealand  
Te Mana Kounga Kai - Ahitereiria me Aotearoa

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

## **Regulation Impact Statement**



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## 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 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 response to consumer interests in country of origin of unpackaged beef. Currently, all packaged foods, and unpackaged pork, fish, fruit and vegetables require country of origin labelling (CoOL).
- 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 responses to country of origin labelling. 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. FSANZ has additionally considered the impact that the proposed amendments would have on the meat supply chain and retail practices.
- Country of origin labelling for unpackaged meat (other than pork) is currently not mandatory under Standard 1.2.11. Changes in import requirements for beef have raised the issue of a possible need for CoOL labelling on unpackaged beef, sheep and chicken meat to provide additional certainty to consumers.
- 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 indicate that Australian consumers value and report that they use country of origin information in purchase decisions.
- Some significant benefits of country of origin labelling are already being achieved through voluntary labelling by some major and other retailers.
- Consumer benefits such as the additional confidence brought to consumers regarding the origin of the unpackaged meat products are intangible and difficult to value.

- Overall, 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 a positive net present value for society as a whole. This is because imports are not expected to grow from the current low levels and voluntary labelling is already producing significant levels of compliance and hence benefits.
- 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 only for unpackaged beef.
- Option 1a does not impose any additional costs on, or benefits to stakeholders. However, it is unlikely to completely eliminate concerns in relation to Standard 1.2.11 in that a minority of 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. However, it may represent a cost effective solution given the present and potential future imports of beef, sheep and chicken meat. In order to maximise net benefit, universal adoption is not required and therefore a small increase in uptake of country of origin labelling from current levels could offset the small costs required to introduce a voluntary scheme.
- Options 2a and 2b 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. Options 2a and 2b will provide consumers with more information upon which to make purchasing decisions and this information will be similar to what is available for other fresh produce.
- As some of the benefits of option 1b, 2a and 2b are intangible, it is difficult to quantify them. They are likely to deliver a net benefit. However given the current level of imports and the current level of voluntary compliance, option 1a and 1b are likely to deliver a greater net benefit to the community. On balance, option 1a would deliver the greatest net benefit, and is the preferred option.

# 1 Background

This Proposal has been prepared to address a community concern about the lack of country of origin information pertaining to some unpackaged meats. In response to this concern, the Australian Government in March 2010 asked FSANZ to consider a proposal that would review Standard 1.2.11, with a view to addressing this issue, particularly with respect to beef. Currently, under Standard 1.2.11, 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. This could potentially result in a limited increase in the volume of beef imports.

Some fresh beef is imported into Australia from New Zealand and Vanuatu (1.3kt in 2009). Imports of sheep meat into Australia, 90 per cent of which originates from New Zealand, are negligible (0.15kt in 2009). No fresh chicken meat is currently imported. The small quantities of beef and sheep meat that are imported are not expected to enter the fresh meat market as they are subject to further processing prior to consumption.<sup>1</sup>

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 policy on imported beef has contributed to some increase in community concern arising from the inability to readily identify imported unpackaged beef products under Standard 1.2.11<sup>2</sup>.

Whilst 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. Through this proposal FSANZ will consider the amendment of Standard 1.2.11 to ensure that similar types of unpacked food products carry similar labels.

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<sup>1</sup> Communication from Australian Meat Industry Council: 27 Sept 2011

<sup>2</sup> 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/>

## 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 respectively of production exported. Other similar Australian industries are less export oriented with 20 per cent of edible seafood production, 16 per cent of pig meat production and 4 per cent of chicken meat production exported.

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's sheep meat consumption (Tables 1 and 2).

Australia does not currently import any fresh chicken meat because of quarantine restrictions which are intended to minimise the risk of 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.

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 document SD2 (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, the prevailing factors influencing meat consumption and 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.

**Table 1: Beef and veal production and consumption in Australia in Kilo tonnes <sup>3</sup>**

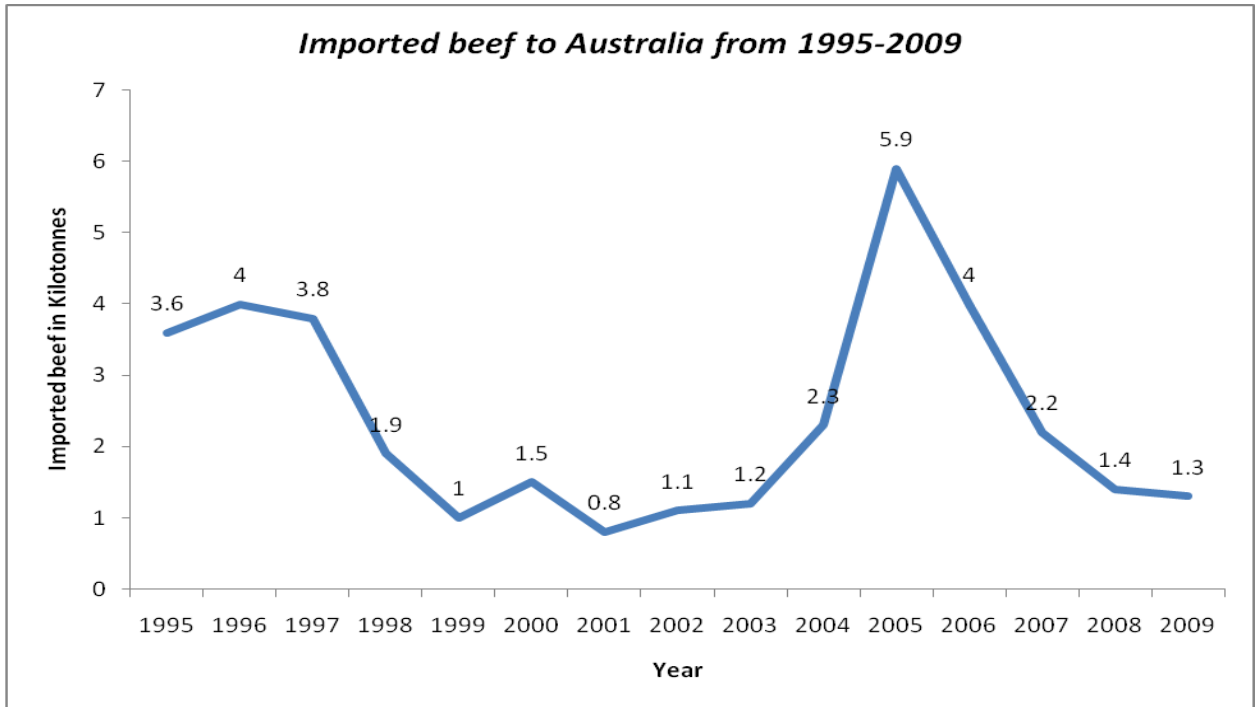
Year	Production (Kt)	Exports (Kt)	Imports (Kt)	Consumption (Kt)	Imports to consumption in percentages
1995	1,719	1,092	3.6	636	0.57
1996	1,734	1,016	4.0	723	0.55
1997	1,939	1,175	3.8	768	0.49
1998	1,987	1,268	1.9	721	0.26
1999	1,991	1,272	1.0	721	0.14
2000	2,053	1,329	1.5	726	0.21
2001	2,079	1,407	0.8	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 tonnes<sup>4</sup>**

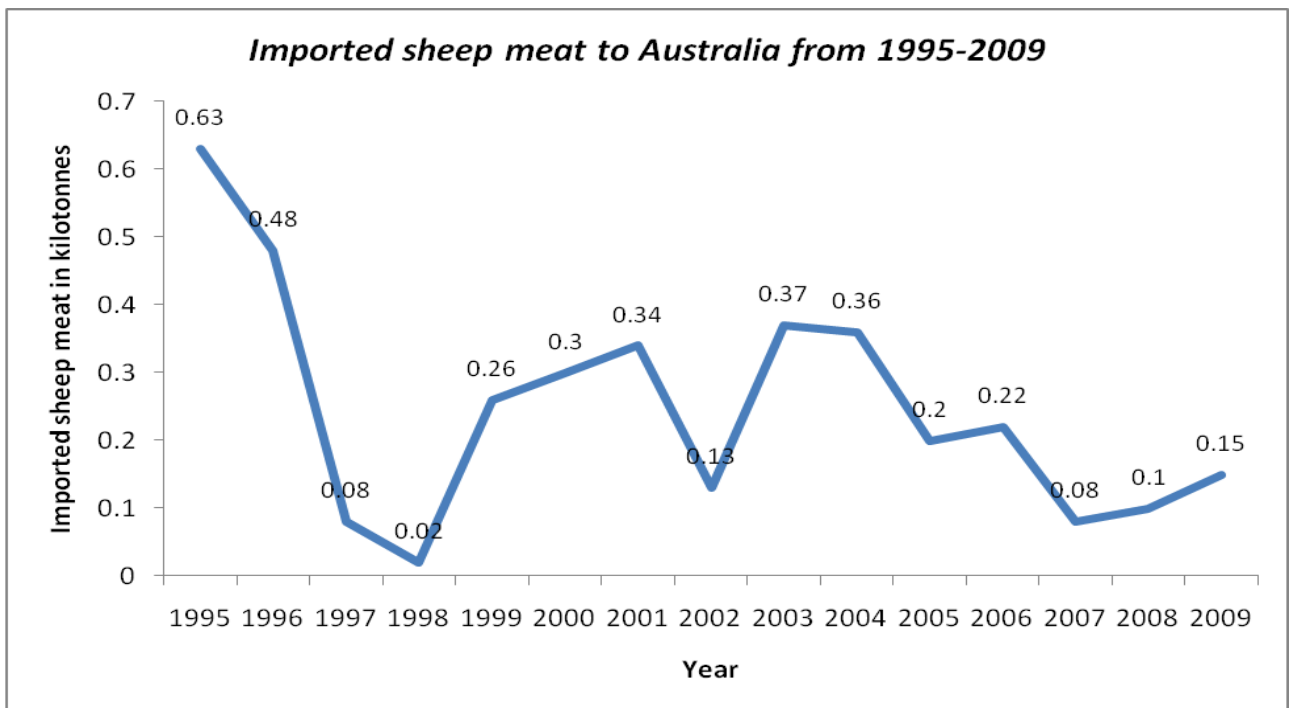
Year	Production (Kt)	Exports (Kt)	Imports (Kt)	Consumption (Kt)	Imports to consumption in percentages
1995	575.1	263.7	0.63	309.1	0.2
1996	564.9	261	0.48	305.8	0.16
1997	599.5	287.5	0.08	314.7	0.03
1998	617.0	297	0.02	320.3	0.01
1999	628.6	310.5	0.26	310.9	0.08
2000	713.9	360.7	0.30	353.2	0.08
2001	678.1	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

<sup>3</sup> 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

<sup>4</sup> 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



**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**

When asked, Australian consumers and main grocery buyers consistently highlight country of origin information as a valuable element of labelling information for food. 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).

Consumer 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.

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 uncertain market incentive for the retailer to correct the lack of information. Information deprivation occurs when 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 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. . Further details and analysis of studies in relation to consumer reaction to CoOL are contained in Supporting Document 2.

## **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 opted out of the 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 product in Australia which requires country of origin labelling. Pork imports account for around 64% of processed pork consumed in Australia (DAFF, 2010).

The availability of beef from overseas 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 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 the importing 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: 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 Proposal P282 - Primary Production and Processing Standard for Poultry Meat (FSANZ 2010).

There is 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 Code<sup>5</sup> 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 is already in place for pork meat which is sold unpackaged at retail outlets.

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<sup>5</sup> Standard 4.2.2 Primary Production and Processing Standard for Poultry Meat

## ***Retail Practices Related to Country of Origin Labelling***

FSANZ has consulted several major supermarket retailers regarding their current country of origin labelling practices for unpackaged meat. From these discussions, it appears that there are some differences in retail practices with respect to the provision of country of origin information. In some instances a generic sign is used advising that all unpackaged meat is Australian. The two major retailers reported that they are voluntarily providing country of origin information for all delicatessen items, including unpackaged beef, lamb and chicken meat. The third, the smallest chain, which services about 10 per cent of the meat market, advised that some, but not all their retail outlets provide country of origin information for unpackaged meat. Leaving allowance for independent butchers and retailers whose practices may not be uniform, it is conservatively estimated that voluntary labelling applies to about 70 per cent of retail outlets selling unpackaged meat.

Thus while the introduction of mandatory country of origin labelling for meats may impose additional costs associated with the procurement and maintenance of point-of-sale tags, record-keeping and labour, it should be noted that systems already exist for a range of products, and records are already kept on the origin of meat products.

Based on information received during consultation, it appears that small independent butchers and retail outlets, tend to deal in domestic meats, at times even sourcing it from local farms. Hence for example in NSW, they display one sign that reads 'All fresh pork sold in this shop is Australian' in order to meet state regulations.<sup>6</sup> However, it is not possible to confirm that such labelling occurs in all small butchers and retail outlets.

### **1.5 Labelling review considerations**

On 28 January 2011, a Review Panel led by Dr Neal Blewett released the Final Report, *Labelling Logic - Review of Food Labelling Law and Policy (2011)*. This independent Review of Food Labelling Law and Policy was commissioned by the Council of Australian Governments (COAG) Legislative and Governance Forum on Food Regulation (FoFR). The Report contains 61 recommendations, including the following relevant 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.*

On 9 December 2011, the FoFR released the Government response to the Final Report recommendations, including CoOL.

- Recommendation 40: *The FoFR notes recommendation 40 and will request FSANZ to continue its existing process for the proposal to extend Australia's CoOL requirements to unpackaged beef, veal, lamb, hogget, mutton and chicken and to develop a further proposal to extend CoOL to all other primary food products.*

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<sup>6</sup> Communication from Australian Meat Industry Council: 27 Sept 2011

- Recommendation 41: *The FoFR does not support proposed changes to the legislative framework for CoOL and proposes to maintain the current standard within the Food Standards Code.*

## 2 The Problem

Currently country of origin labelling is required only for unpackaged pork products but is not required for unpackaged beef, sheep and chicken meat products. While consumers have a preference for such information about their purchases, the provision of such information is not mandatory. However it is estimated that around 70 per cent of retail outlets already voluntarily label for country of origin.

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 little likelihood of any significant increase in the volume of imported unpackaged beef, sheep and chicken meat into Australia in the foreseeable future. In the unlikely situation where 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 lack the information to do so. However since approximately 70 per cent of retailers voluntarily label, retailers obviously see the importance of labelling for country of origin. Current levels of labelling may still be an issue given that survey results have indicated that a majority of Australian consumers have indicated that they are unaware of the origin of the beef that they purchase (Umberger and Mueller 2010).

According to the industry, with regard to frozen chicken products, 64 per cent of those surveyed were either unaware of the origin or felt that some or all of it was imported.<sup>7</sup> With consumers being unaware that there are quarantine restrictions currently preventing the import of chicken meat, any increase 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 also considers unpackaged chicken meat.

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 evidence that many consumers are unaware of the origin of meat and therefore, 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. It would also alleviate any consumer concerns that may arise as a result of increases in meat imports.

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 *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

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<sup>7</sup> Communication from the Australian Chicken Meat Federation: 29 August 2011

beef, lamb and chicken outweigh the costs to industry of providing this information.

The problem that the RIS is considering is:

- Do consumers receive an inherent benefit from information on country of origin of beef, sheep and chicken meat, irrespective of behavioural change?
- Does providing information on the country of origin of beef, sheep and chicken meat enhanced the perceived integrity of the regulatory system?
- Do the overall benefits of providing information on country of origin of beef, sheep and chicken meat outweigh the possible costs?

While the problem revolves around the degree to which any benefits can be quantified, it 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 and the perceived integrity of the regulatory system. Many consumers believe they have a right to information regarding the food they are purchasing and consuming, regardless of whether it is actually read or in some way changes their purchasing behaviour.

### **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*.
- **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 applying only to beef (a draft variation to Standard 1.2.11)

### 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 by government agencies.

### 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 applying only to beef (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 only unpackaged beef. 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.

## 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 regulatory 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



## **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 information discrepancy that consumers experience in relation to country of origin of meat products will continue, because all consumers may not be aware of the country of origin of what they purchase. However the market already has 70% of retail outlets voluntarily labelling, so this cost would be relatively small.
- Some consumer concerns relating to country of origin labelling for unpackaged meat will remain.

#### **5.2.1.2 Benefits**

Community benefit is likely to increase over time with the increasing take up, on a voluntary basis by retailers, of country of origin labelling. The take up is likely to be restricted to incidences where retailers believe they can increase their profits through the provision of this additional information. In particular retailers are unlikely to label imported meats unless the product is considered a niche where its imported nature would be important to secure its sale.

#### **5.2.1.3 Conclusion**

It is estimated that voluntary labelling already applies to about 70 per cent of retail outlets selling unpackaged meat. Hence under this option there is already a significant degree of labelling, and therefore a significant degree of benefit to the community arising from such labelling. While this level is likely to increase as retailers see a market advantage in further information, coverage is unlikely to reach 100 per cent. Therefore, consumer concerns relating to country of origin labelling for unpackaged meats will remain.

### **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 scheme 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, or lower than 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 to ensure incorrect

and misleading claims are not being made.

Under this option costs are not expected to be significant as take up would be between 70 and 100 per cent. Therefore, costs would be larger than the status quo option but smaller than a mandatory system.

### *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 of unpackaged meat. However, currently 70 per cent of retailers voluntarily label for country of origin so further voluntary uptake is not expected to increase significantly beyond what is expected in the base case. 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. Further uptake of voluntary labelling may also lead to retailers passing these costs on to consumers, although this is likely to be limited due to the level of existing labelling.

### *Government Enforcement Agencies*

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

#### **5.2.2.2 Benefits**

Benefits to be derived from this option are likely to be between option 1a and option 2a, the status quo and the mandatory option.

#### **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 voluntarily display 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.

It is expected that not as many retailers would be expected to take up labelling under a voluntary system as in a mandatory system. Therefore country of origin labelling is expected to increase past the status quo, but not by as much as either regulatory option, since retailers who do not already voluntarily label have decided not to do so and are unlikely to change this decision. However, in order to maximise net benefit, universal adoption is not required and therefore a small increase in uptake of country of origin labelling from current levels could offset the small costs required to introduce a voluntary scheme.

### **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.<sup>8</sup> However, this could be substantially less as discussed below.

Of the three major supermarket chains, two have introduced voluntary labelling.<sup>9</sup> The other chain, with a total of about 2100 outlets, and handling around ten per cent of the meat market, has introduced country of origin labelling in some stores. They estimate that 70% of unpackaged beef, 30% of lamb and 10% of chicken are labelled.<sup>10</sup> Based on the foregoing it can be estimated that in at least 70 per cent of supermarket stores, unpackaged meat is currently labelled for country of origin.

According to an industry source, there are about 3,000 independent butchers in Australia. Although we do not have data on the proportion of butchers displaying Country of Origin labels, a limited survey of local butchers indicated that some have introduced signage. Moreover it is unlikely that local butchers would source their meats from overseas, and if only a single external display notice may be 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.

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

A rough estimate of possible additional costs arising from mandatory country of origin labelling could be as follows:

**Supermarkets:** Two major supermarket chains already have labelling.

The third chain has 2,100 retail outlets and already labels 70% unpackaged beef, 30% lamb and 10% chicken. (see page 19 above)  
Estimating that half their unpackaged meat requires labelling, and that each store has 3 deli counters and need 3 labels

50% of 2,100 retailers X 3 labels X \$2.60 per label = \$8,190

**Independent Butchers:** Assuming that half the butchers need labels for unpackaged meat and each outlet requires one label

50% of 3,000 butchers X 1 label X \$2.60 per label = \$3,900

Total \$12,000

<sup>8</sup> Data provided by Metcash Trading Ltd 15/06/10

<sup>9</sup> FSANZ interviews with Jodi Dixon: Manager Regulatory Affairs, Coles and Alan Fagerland: National Compliance Manager, Woolworths.

<sup>10</sup> FSANZ interview with Steven Newton: General Manager Risk, Metcash Trading Ltd

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. Importers of meat into Australia 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.<sup>11</sup>

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 goes 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.<sup>12</sup>

The fresh food 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 extension specified in this proposal is not likely to be substantial.

### *Consumers*

There may be costs to consumers as a consequence of mandatory labelling. Retailers may pass on to consumers some of or all the additional costs of labelling. 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. The value of labelling to some consumers may exceed the costs.

### *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 is already in place, the additional costs associated with applying such monitoring to meats may be modest. This is consistent with FSANZ's previous experience with similar labelling proposals such as pork where we were "advised that CoOL requirements for pork products do not result in discernible costs for the government enforcement agencies, as they are able to investigate CoOL when conducting labelling checks as a whole."<sup>13</sup>

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<sup>11</sup> Data provided by Cattle Council of Australia May 2010

<sup>12</sup> Data provided by Australian Chicken Meat Federation Inc. May 2010

<sup>13</sup> [http://www.foodstandards.gov.au/\\_srcfiles/DAR\\_A583\\_Pork\\_CoOL.pdf](http://www.foodstandards.gov.au/_srcfiles/DAR_A583_Pork_CoOL.pdf)

### **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 could 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 because it enables consumers to clearly differentiate between imported and local pork products. This enhanced the demand for Australian pork over imported pork.<sup>14</sup>

In the foreseeable future the pork example would have little relevance to beef, sheep and chicken meat, 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 any significant price premium. Reference should be made to SD 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)

#### *Consumers*

A mandatory country of origin labelling scheme for unpackaged beef, sheep and chicken meat may provide benefits to consumers, although the benefits that accrue are largely intangible in nature and therefore 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 participants stated that they were probably or definitely prepared to pay a 20% premium for Australian meat.<sup>15</sup> Consumer willingness-to-pay for country of origin information has also been demonstrated in the literature. However, the volume of pork imports is high and as such may influence the behaviour of that market in a way that non-pork meats may be less likely to follow.

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

#### *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 decisions on their food choices. Mandatory country of origin labelling will ensure that consumers have access to such information across all retail

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<sup>14</sup> APL submission to FSANZ February 2008

<sup>15</sup> *ibid*

outlets. In other words, there would be less opportunity for potential 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.

*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.

### **5.2.3.3 Conclusion**

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

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, since an estimated 70 per cent of supermarket retail outlets are already labelling unpackaged meat products and the cost of complying for those who do not is likely to be very low.

## **5.2.4 Option 2b – Prepare Draft Variations to Standard 1.2.11 applying only to beef**

### **5.2.4.1 Costs**

#### *Industry*

Industry costs would be along the lines identified at option 2a above. However a mandatory country of origin labelling scheme for unpackaged beef only, would impose a lower cost on industry than option 2a, since it will exclude sheep and chicken meat sales. As argued in 5.2.3.1 above, since some voluntary compliance is already in practice, the overall cost to industry for compliance in implementing the proposal is not likely to be substantial.

#### *Consumers & Government Enforcement Agencies*

Costs to consumers as a consequence of mandatory labelling, and costs to jurisdictions arising out of compliance monitoring, would be less than option 2a.

### **5.2.4.2 Benefits**

Industry, consumers and Jurisdictions are likely to derive benefits from this option, though lower than those outlined for option 2a, since information relating to sheep and chicken meat is excluded.

### **5.2.4.3 Conclusion**

This option is likely to impose some cost on the community. The costs and benefits could be lower than for option 2a.

### **5.3 Comparison of Options**

Option 1a does not impose any additional costs or benefits on stakeholders. But it does allow complete information to be made available to all consumers and some 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 the country of origin of food to enable consumers to make informed choices may be absent, thereby putting some consumers at a disadvantage.

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.

However, the advantage of this option is that it does not impose a significant cost burden on jurisdictions. 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.

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. 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 knowing the origin of their food. 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.

Option 2b, where mandatory country of origin labelling applies only to beef, would be a more targeted option, seeking to specifically address the problem at hand, namely the consequences arising out of the possibility of an increase in beef imports. Consequently it can be expected to impose lower costs on the community than option 2a.

**Table 3: Comparison of options**

Option	Strengths	Weaknesses
<b>1a</b> <i>Abandon proposal- Status quo</i>	No change.	Some consumer concerns related to country of origin labelling of unpackaged meat will remain.
<b>1b</b> <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.  Costs are not expected to be significant since 70% of retail outlets already voluntarily label for country of origin.	There are no consequences for non-compliance.  Remaining consumer concerns relating to country of origin labelling.
<b>2a &amp; 2b</b> <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. Likely to impose the highest cost burden on industry. However not significant due to the already high voluntary uptake. Jurisdiction and state governments may incur additional or new compliance monitoring costs.

## **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, which requires one round of public consultation. In July 2011 FSANZ released the Assessment Report for public comment. Ten submissions were received within the period allowed for responses (full text can be found at Supporting Document 1 below).

Six submissions from consumer and industry stakeholders supported the option to extend



country of origin labelling. In their submissions, two jurisdictions (New South Wales Food Authority, Victoria Department of Primary Industries) did not support the preferred option on the basis of costs identified in the consultation RIS. The remaining two jurisdictions (Queensland Health, New Zealand Ministry of Agriculture and Forestry) did not specify a preferred option. Although in principle, the New Zealand Ministry of Agriculture and Forestry, supported voluntary labelling in preference to mandatory labelling.

The Australian Chicken Meat Federation (ACMF), representing 95 per cent of industry, strongly supported the regulatory option on the grounds that country of origin information is important to consumers and creates trust in the food supply chain. This view had to be taken in the context of ACMF's survey which showed that consumers believed that there was imported chicken meat in the Australian market. ACMF is also of the view that the costs of country of origin labelling are minor.

The Australian Lot Feeders Association supported mandatory labelling because they are of the opinion that the majority of Australian consumers are not aware of the origin of their beef purchases. While they agreed that imports into Australia would remain small, they believe that the new policy on imports has increased the potential for beef imports.

CHOICE, the consumer group, supported mandatory labelling on the grounds that it would bring beef, chicken and sheep in line with the country of origin requirements for fish and pork. They also believed that this information was valued by consumers.

The Food Technology Association of Australia supports mandatory labelling on grounds of uniformity and consistency.

Sharon Perin, a consumer concerned with the quality of food, supported mandatory labelling.

Coles Supermarket supported the extension of country of origin labelling because this would ensure consistent labelling across the retail industry. They already have country of origin labelling on all their unpackaged produce.

The Department of Primary Industries, Victoria, in their submission stated that since the state government is committed to reducing business costs and regulatory burdens, and because existing market incentives would address consumer needs, they did not support mandatory labelling.

The NSW Food Authority does not support mandatory labelling option because it imposes a higher cost burden in return for a largely intangible benefit.

### **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.

FSANZ determined that amending the Code to require country of origin labelling for unpackaged beef, sheep and chicken meat will have possible impacts on international trade. WTO member nations were notified of Proposal 1011 on 23 August 2011 (G/TBT/N/AUS/70) in accordance with the WTO Technical Barriers to Trade Agreement. No responses to the notification have been received.

## 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 currently no imports into Australia. All available evidence suggests there will be very little or no market penetration by imported meat and meat products into Australia in future years as the country is more likely to depend mostly on local sources for meat consumption.

When the status quo is compared with the mandatory labelling options, the conclusion is that the cost implications of the two mandatory labelling options will not be significantly different. This is because the additional cost burden on industry of regulation, compared with the current costs of some voluntary labelling, are not expected to be significantly different.

The mandatory labelling options are expected to deliver greater benefits, especially to consumers, when compared with the status quo. However, because these benefits are largely intangible, they cannot be quantified, and they cannot be established with any degree of certainty.

The RIS concludes that the cost implications of all options remain modest. While there will be benefits in regulation, we cannot express them in concrete terms. Hence we cannot make an adequately compelling case for regulation, even though we concede that it does deliver intangible benefits at modest cost.

The RIS therefore recommends that the status quo be retained, because a strong case for change, either through a non-regulatory option, or a regulatory option, cannot be sufficiently justified. On the basis of the cost benefit exercise carried out above, and having reviewed the readily available quantifiable evidence, this RIS concludes that Option 1a is the preferred option.

**The RIS indicates that the *status quo* be retained, as a strong case for change either through regulatory or non regulatory paths cannot be sufficiently justified. 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. Hence voluntary labelling of unpackaged meat in line with current retail practices would continue to operate.**

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