

Country of Origin Labelling Taskforce

Submission by

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What information will satisfy consumers and keep costs down for business?

Food covered by the framework

1. a. Is the list of non-priority food clear?. - **Yes**
b. Are there any gaps? **Yes**
c. Do you have any other concerns about priority and non-priority food? **Yes –**

Why are there any foods excluded from these requirements? We find it difficult to reconcile the demands for greater transparency in Country of Origin labelling on Australian micro food businesses with allowing the likes of multi nationals to source ingredients from anywhere in the world and not be required to meet the same standards.

Additionally, we believe that Australian consumers are very interested to know where their water is sourced from and would be interested to see the research which supports the inclusion of water in the non-priority food list.

Easy to read labels

2. a. Is there a risk that changes to improve prominence of country of origin labels would make it harder to identify other labelling information, such as allergen warnings? **Yes**
- b. Are there any specific problems that might arise in relation to small packages?
Yes, space on the label to meet all the regulatory requirements and still remain legible. The graphic will take up more space than words.

Proportion of Australian ingredients

3. Can you provide an indication of the current number of hours spent and costs to your business from maintaining records to substantiate current origin claims being used today? **1/2 –hour per week at a cost of \$45 / hour - \$1,125 / year**
4. To allow for variations, businesses could calculate the average proportion of Australian ingredients and provide this average on the label.
 - a. How often should business need to calculate the average proportion of Australian ingredients to have the least impact on business costs, e.g. every 12 months, 24 months or 36 months? – **36 months**
 - b. Please explain the cost impacts of these options for your business. **We are a micro food business with 11 different lines that would need to be monitored.– our business could not sustain changes more frequently than every 3 years.**
 - c. Can you suggest another option?
 - d. What would be the estimated costs of your alternative option?
5. The Consultation RIS outlines estimated costs to change labels, including:
 - business processes - understanding new requirements, staff training, IT, inventory planning (\$14 000 per business)
 - initial label changes for packaged for (\$6245 per SKU)
 - initial label changes for fresh food (\$500–\$1300 per SKU)
 - regular label updates (\$2813 per SKU).
 - a. Do you agree with each of these estimated costs? **Yes**
 - b. If no, please provide your estimates.
 - c. Are there any other areas of business costs that have not been covered here? **Yes**
6. Please explain. **The research time needed to ensure compliance, has not been considered. The time needed to attend information sessions, consider feedback on consultancy and write submissions in order to gain both consistency and accuracy.**
7. a. How do you think the proposed labelling changes would affect your record keeping time and costs? **This will at least double our costs**
 - b. Can you provide an estimate of these hours/costs? **1 –hour per week at a cost of \$45 / hour - \$4,500 / year**

8. Business size has not been accounted for in the estimates (noting that most food product businesses are micro or small). What impact will business size have on costs outlined here? **Our business will struggle to manage the initial costs of changing all our labels – we currently have 29 SKUs as well as maintain the costs associated with constant changes to our 11 SKUs which use some imported ingredients**

Specific country in which key ingredients were grown

9. Can you provide an estimate of the cost to your business to provide a label that details the origin of all ingredients? **\$6245 per SKU**
10. How long do you believe the label will remain current? That is, how often would you estimate the need to update the label due to a change in the origin of ingredients? **Potentially every 3 months for 5 SKUs**
11. Can you estimate the space that a label that details the origin of all ingredients would require on your product? **10% larger label**
12. Do you believe providing such detailed origin information is a viable option the government should consider? **No**
13. As a consumer, do you want this information to be provided? **No**

How can businesses be more confident in using the safe harbour defences?

14. How many staff do you devote to interpreting, applying and establishing compliance with the current ACL safe harbour defences? **1**
15. a. What aspects of the current ACL safe harbour defences do you find the most difficult to interpret, apply and comply with?
b. Why?
16. The Consultation RIS outlines estimates time for businesses to undertake the 50 per cent production cost test, including:
- time new businesses spend learning and understanding the test (approximately nine hours per year)
- time new businesses spend applying the test for the first time (approximately 36 hours per year)
- time most businesses spend reviewing the test to ensure they remain compliant (approximately 30 minutes per year).
a. Do you agree with each of these estimated times? **Yes**
b. If no, please provide your estimates.
17. Business size has not been accounted for in the estimates (noting that most food product businesses are micro or small). What impact will business size have on savings outlined here?

How should labelling of imported food be treated?

18. Do you believe the proposed labelling requirements will be met by the international manufacturer/supplier or will the imported products need to be stickered on arrival to Australia?

19. If products are stickered in Australia:
- Will importers use a machine to apply the sticker or require people to apply the sticker?
 - If by hand, can importers estimate the number of hours that would be required to complete the process?
20. The Consultation RIs outlines estimates for label changes for imported food, including:
- initial label changes for manufactured food (\$2800-\$6200 per SKU)
 - initial label changes for fresh food (\$500-\$1300 per SKU)
 - administrative costs (\$1560 per SKU).
- Do you agree with each of these estimated costs?
 - If no, please provide your estimates.
 - Are there any other areas of business costs that have not been covered here? Please explain.
- d. Would you expect any ongoing costs for label changes or business processes for imported food?
21. Is the information on the number of countries ingredients have been sourced from readily available? If not, would there be any additional costs in seeking this information?

What is the role for digital information?

- If you are an Australian food manufacturer or producer, do you currently use digital solutions to provide additional information to your consumers? **No**
 - If so, what do you do?
- What are the costs associated with digital solutions in relation to the price of the food good?
 - Is this cost likely to be passed onto consumers?
 - Are the specific costs or solutions impacted by seasonality?

Education and awareness raising

24. Do you think a targeted education campaign on the current country of origin labelling framework would be a cost- effective solution to address consumer concerns? **Yes**

The proposed response

Proposed labels

- Are there other ways to express the proportion of Australian ingredients that are simple, clear and not confusing for consumers, yet not overly burdensome for business? **Yes – have an accurate description of the Australian content**
- What would the costs/savings of these options be?

26. a. If you are an Australian food manufacturer or producer, which of the two suggested variations for expressing the proportion of Australian ingredients on the bar chart do you find the most appropriate for your business: **Neither**
- quartile - at least 25 per cent
 - decile - at least 10 per cent?
- b. Why? **If you have a 0.01% imported ingredient – i.e. a component of wine vinegar used in olive brine the consumer would interpret that you had at best 90% Australian product instead of the actual 99.99% Australian product**
- c. How does this flexibility affect your business costs?
27. We understand that the percentage of Australian sourced ingredients in a product may be highly seasonal, or subject to large annual variations in supply.
- a. Will the proposed labelling requirements negatively impact on your business or industry? **Yes**
- b. If so, why?

This will have an enormous, detrimental impact on the Australian Extra Virgin Olive Oil (EVOO) industry.

We have been advised that the Country of Origin Labelling Taskforce considers that if EVOO processors are using talc or enzyme during the extraction of oil, and the talc or enzyme is not Australian made, then the EVOO cannot claim to be 100% Australian. The most it could say is 90% or 75% Australian.

We received clarification on this from DAFF, however, they were unaware that the olive industry used talc or enzymes. DAFF have stated that the issue of processing aids is being considered by the Taskforce.

Talc and enzymes are PROCESSING AIDS not ingredients. They are permitted under AS 5264-2011 to the extent allowed by the Australia New Zealand Food Standards Code.

These processing aids do not end up in the oil, therefore it can still be called extra virgin olive oil. They go out with the pomace as they are all about helping to separate the oil from the aqueous part of the emulsion immediately after milling – from within the aqueous part.

28. Are there any unintended consequences for Australian food producers or manufacturers exporting products with Australian country of origin information?

Yes – see above – if imported enzymes / talc used as processing aids in the extraction of extra virgin olive oil are not excluded as an ingredient (which they are not) then many in our industry will not be able to export their product as proudly 100% Australian.

The unintended consequences for Australian food producers being compelled to downgrade their product to 90% or 75% because of a processing aid that

does not end up in the ingredients in any percentile form, is a deception of the highest order.

Local producers of extra virgin olive oil are not deceiving their buyers now.

Exporters of EVOO are not deceiving any foreign countries now by describing their oil as 100% Australian made.

If the proposed changes to country of origin (100% Australian made) demand the inclusion of a non-ingredient, it is the government who is introducing a deception, not the producer.

29. Would there be benefits for consumers or food businesses if the bar chart could be used voluntarily on imported foods containing Australian ingredients?

Also see Explanatory and discussion paper for the Draft Information standard.

Safe harbour

30. Will the proposed changes to the safe harbour defences increase or decrease costs for your business? **Increase**

31. a. If you are a food business, would the proposed changes make it easier for you to determine the correct country of origin claim to use?

b. Would guidance material help? **Yes**

32. a. If you are a non-food business, are you supportive of the proposed simplification of the safe harbour defences?

b. Would you be more likely to use country of origin labels following the proposed changes?

Digital solutions

33. Should the government be helping to prepare consumers and business for more innovative technological solutions to country of origin labelling in the future? **Yes**

34. How do you think businesses will implement these new measures?

35. What barriers are there to the use of digital solutions for country of origin labelling?

Education campaign

36. Do you believe that it would be important to support any change to the country of origin labelling framework with an education campaign? Please explain. **Yes**

Implementation

Transition

37. How would a flat transition period affect implementation costs for your business?
Negatively
38. How would a phased transition arrangement affect implementation costs for your business? **Preferred option**
39. Are there alternative transitional arrangements that will encourage speedy take up of the new labels without imposing undue costs on business?
40. a. Do you order your packaging or labels in advance? **Yes**
b. If so, how would the transition periods impact on your labelling approach? **As a small producer, bulk buying of labels grants us a degree of affordability. We therefore order volumes to gain the bulk advantage. This gives us up to three years supply for each SKU. A flat transition will force non-compliance or significant costs to redesign each and every label sooner than necessary. Non-compliant labels will need to be discarded and additional borrowings considered to order new, compliant labels.**
41. a. Are there complicating or unusual factors about your business that would make either transition approach difficult to comply with?
b. If so, please provide details. **As above**
42. If you are a small business, are there alternative transitional arrangements that would better suit you? **Transitional arrangements that allow run-out of stock sequentially through a range of product to defer the impact of retooling on a set date.**
43. If you are an importer, do you have any specific preferences or concerns about transition approaches?
44. a. As a business, would you choose to adopt the new labelling ahead of the timelines highlighted in the transition periods? **No**
b. If so, please describe the regime you would employ including how you would minimise costs and ensure compliance.

Compliance

45. Do you consider an audit power is necessary for a regulator to assess compliance with the information standard? What are the associated benefits and costs?
46. What would be the expected compliance costs for a business associated with the use of an audit power?
47. What alternative arrangements could be applied to support compliance with the information standard?

Auditing and ensuring compliance will be an enormous and expensive task for all concerned, business and regulators alike.

Item 3 - Draft information standard - Explanatory and discussion paper

Part 1 – Preliminary information

Section 8

- a. Do you agree with the lists of changes and processes for food that should or should not be considered as substantial transformation set out in Attachment A to Consultation Package Item 6? Why?
- b. What other changes or processes do you think are or are not sufficiently transformative to warrant a change in the origin of a product that incorporates imported ingredients? Why?
- c. Should the lists of changes and processes that are or are not substantial transformation be included in regulations, or should they be in guidance material? Why?

Section 9

- a. We welcome feedback on whether there is sufficient clarity about the scope of non-priority foods. For example, is the difference between biscuits and snack foods and fruit and nut products, muesli bars and cakes and other bakery products sufficiently clear? **We do not believe there should be “non-priority” food – all foods should be treated the same in this instance.**

Section 12

- a. As a business, is it easier to determine the percentage of Australian ingredients using ingoing weight rather than final weight? Why? **Yes, because each ingredient is weighed at the start – this is how a Nutrition Panel is also calculated.**
- b. Is there much difference between the ingoing weight of all ingredients in your food and the final weight? If so, what accounts for this difference? **Yes, in some cooked products – the process of cooking reduces the final weight through evaporation of water present in ingredients.**
- c. We have provisions dealing with how water should be treated when calculating the percentage of Australian ingredients (see Section 13 below). Do we need to make it clear that packaging is not an ingredient in food to make sure its weight is not used in the calculation?

Part 2 – Country of origin labelling requirements

Division 3

- a. While research showed that the origin information consumers most wanted to see in relation to food was the proportion of Australian ingredients, some consumers did want to see the origin of key ingredients. Would any businesses welcome the possible alternative approach that required the labelling of all of the different countries

of origin of the food in the package instead of requiring a statement about the proportion of Australian ingredients? (but still with a bar chart reflecting the proportion of Australian ingredients). **No**

Section 18

- a. Do we need to clarify the meaning of significant ingredients? **Yes, particularly to exclude processing aids which are not present in the final food product, e.g. talc and enzymes in the production of extra virgin olive oil.**
- b. Would consumers find the use of the filled bar chart misleading if all significant ingredients are Australian, rather than all ingredients? **Yes**
- c. Do we need to make sure significant ingredients make up more than 90 or 95 per cent of the food by weight?

Section 19

- a. We would like your feedback on whether the percentage of Australian ingredients should be based on multiples of 10% or 25%. Please let us know the reasons for your preference. (See also question 25 in the Consultation RIS.)
- b. As an alternative to the 'at least' statements, should there be an option to nominate the actual percentage of Australian ingredients with a tolerance of up to five per cent – and using the bar chart filled to the 10% or 25% multiple below the claimed percentage?
e.g. 'Made in Australia from 55% Australian ingredients' with the bar chart filled to 50% – where the actual percentage could be between 50% and 60%? **Yes as long as you can use the exact proportion i.e. 99.9%**
- c. Or, as another alternative to the proposed provision, could businesses voluntarily name the single origin of ingredients that make up a significant proportion of the food (i.e. 70%, 75%, 80%, 90%, etc.)?
e.g. 'Made in Australia from Canadian pork' if the pork is only from Canada and meets the minimum percentage in a product like ham?
or
'Made in Australia from Australian milk' if the milk is only from Australia and meets the minimum percentage in a product like yoghurt?
- Noting that the bar chart partially filled to the appropriate level would still be required.

Section 20

- a. We would like to know if you would prefer an average seasonal label with a link to more batch-specific information on-line, rather than a label based on the actual ingredients in the food (see section 19) – and if so, why.
- b. Also, we would like your feedback on a formula for calculating the average that would not be misleading to consumers. Over what period do you think the average should be calculated? – and for how long should it be valid?
e.g. averages could be calculated annually (i.e. every 12 months) or perhaps over a

24 or 36 month period – and the average could then be used for a similar period after that. (See also question 4 in the Consultation RIS.)

- c. Should averages be calculated over calendar or financial years (or perhaps other periods of 12, 24 or 36 consecutive months)?
- d. Also, what other ways could consumers access the additional information on-line besides a bar code? For example, through a website address.
- e. Should the option of nominating the actual percentage of ingredients with a tolerance of up to five per cent be permitted for seasonal statements too?
- f. Are there any other situations, besides seasonality, where the proportion of Australian ingredients normally varies throughout the year, and consumers would accept the necessity for a similar approach to origin labelling?

Subsection 21

- a. We would like your feedback on whether a seasonal average label as well as a straight 'at least' label is needed for packs containing food from different countries, similar to those featured in section 20.

Part 4 - Legibility requirements, prohibitions and providing additional information

Section 26

- a. For packaged food, could the logo and bar chart appear separately from the text – e.g. the logo and bar chart on the front and the text on the back?
- b. Comments on use of the logo and bar charts in off-label situations are also invited. For example, could the logo be used with a bar chart, but without the text, in off-label situations for multiple foods that were all grown, produced or made in Australia, and that have the same proportions of Australian ingredients?
- c. Are there any situations in which the logo could be used on food without the bar chart, without misleading consumers?
 - e.g. In stores displayed over deli produce or meat, including products that are wholly Australian and those made in Australia from a mix of local and imported ingredients such as sausages and ham that might have different levels of local content?
 - e.g. In catalogues for food made, produced or grown in Australia, with local content from anywhere between 0% and 100%?
- d. The current draft does not allow the bar chart to be used to indicate the proportion of Australian ingredients in imported food. It is thought that there are other ways this information could be presented, and the use of the bar chart in this way might confuse consumers or be difficult to verify. However, we are interested in hearing your views, including whether you believe there are overriding benefits to allowing the bar chart to be used voluntarily on imported foods containing Australian ingredients. (See also question 28 in the Consultation RIS.)

Part 5 - Transitional provisions

Section 29

- a. We understand that consumers would like to see clearer origin labels on food as soon as possible. However, we also understand that having adequate transition arrangements can help to keep implementation costs down for food producers, manufacturers, importers and retailers – minimising the impact on food prices. We therefore invite views on the impact of the proposed options.
- b. We would also appreciate any practical suggestions on alternative transition arrangements that would ensure speedy adoption of the new labels, impose less cost on business and have the broad support of industry.

Dictionary

- a. Comments are invited on the definitions in the dictionary.

Item 4 - Proposed changes to the Australian Made, Australian Grown Certification Trade Mark Code of Practice

1. Are the proposed changes to the Code of Practice for the AMAG Certification Trade Mark likely to result in any significant public detriments?
2. Would they be likely to have any significant effect on competition or impact on consumers?

Item 6 - Draft safe harbour defence amendments - Explanatory and discussion paper

1. Do you agree with the list of changes and processes that should or should not be considered as substantial transformation? Why?
2. What other changes or processes do you think are or are not sufficiently transformative to warrant a change in the origin of a product that incorporates imported ingredients or components? Why?
3. Should the lists of changes and processes that are or are not substantial transformation be included in regulations, or should they be in guidance material? Why?