

29 January 2016

Country of Origin Labelling
Department of Industry, Innovation and Science

Via email: originlabelling@industry.gov.au

Dear Country of Origin Labelling Taskforce,

Response – Country of Origin Labelling Consultation Package

The Australian Beverages Council (Beverages Council) is the peak body representing the \$7 billion non-alcoholic beverage industry. The Beverages Council provides a single, united industry voice to a range of stakeholders including government, non-government organisations, media and the general public.

Membership of the Beverages Council comprises over 95% of the non-alcoholic industry's production volume and is comprised of multi-national companies as well as many small and medium-sized businesses. A list of members can be found [here](#). The Beverages Council has two dedicated category divisions – Fruit Juice Australia and the Australasian Bottled Water Institute, which represents the unique interests of members manufacturing juice and bottled water products respectively.

A synopsis of our members' main areas of concern are:

- Definition of priority and non-priority foods unclear in the definition of fruit and vegetable juice category content in relationship to minimum content of juice that extends into the drink range of cordial, fruit drinks and soft drinks.
- Label space on many cans and bottles is limited and the requirement to impose the complete proposed graphic is not the most practical nor effective means of conveying information to consumers. Consideration must be given to the present trend to reduce packaging/portion sizing for the benefit of consumer health, means greater growth in the smaller single serve packaging segment with vastly reduced label area.
- Preferred alternative digital technology options to convey information to consumers such as website referral or QR code should be considered as this prioritizes label space and allows more effective and cost efficient communication.
- Increments of 10% and not 25% for local content on slide bar allows more innovation in favour of Australian content.
- A staggered implementation period dependent upon shelf life of product is



impractical. A minimum 24 month transition with a stock in-trade provision is the industry's preferred option.

Consultation RIS questions

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?
- b. Are there any gaps?
- c. Do you have any other concerns about priority and non-priority food?

Response: The Beverages Council believes that it is not clear where some products fit into based on current definitions. For example, do beverages with small amounts of juice (<5%) fall under priority foods. Similarly where do cordials with juice fit into? The Beverages Council believes these products should be classified as non-priority foods as they are closer to soft drinks in their consumption by consumers. Reference to the Food Standards Code should be made for category definitions of juice and fruit drinks.

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?
- b. Are there any specific problems that might arise in relation to small packages?

Response: The Beverages Council considers that label space on many cans and bottles is very limited and the requirement to potentially impose the complete proposed graphic is not the most effective nor efficient means of conveying information to consumers.

By requiring specific text, formatting and 'boxing' of information relating to the non-health and safety information, the consumer is getting mixed and confused messages about the relative importance of the information.

With the trend by manufacturers to reduce portion and package sizing for the benefit of consumer health, this means greater growth in the smaller single serve packaging segment with vastly reduced label area. A preferred alternative digital technology option such as website referral or QR code prioritizes label space and allows more effective and cost effective communication of product information to the consumer.

In relation to small packages, the obvious problem, recognised in several variations and exemptions by the Food Standards Code, relates to the area available for labelling. This includes 'boxing' the country of origin statement for imports. Space on the label to box information may mean changes in font size and placement simply to fit the box onto the label. Should the proposals proceed, it would be important to exempt small packages in the same way as the Food Standards Code for consistency reasons.

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?
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?



- b. Please explain the cost impacts of these options for your business.
- c. Can you suggest another option?
- d. What would be the estimated costs of your alternative option?

Response: The complexity of supply especially with seasonal raw materials does not allow for ready forecasting to accurate blending of local and imported ingredients. A minimum Australian content claim would be more accurate and reliable. Use of digital technology reference would be more reliable communication source.

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?
 - b. If no, please provide your estimates.
 - c. Are there any other areas of business costs that have not been covered here? Please explain.

Response: It is not possible to determine the level of agreement with the estimated costs because the basis is not clear. In addition, costs vary between manufacturers depending on their size and bargaining power with suppliers eg label and ink suppliers.

6. a. How do you think the proposed labelling changes would affect your record keeping time and costs?
- b. Can you provide an estimate of these hours/costs?

Response: This will vary depending on the size of the manufacturer. It is, however, expected that small and medium size manufacturers may find an increase in time and cost to maintain more accurate records.

7. 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?

Response: This is a complicated question as larger businesses will typically have a larger number of SKUs and comparatively large write-off costs if correct transition periods are not implemented. Smaller business often have a higher percentage of cost percentage in such items as printing plates etc. Normal costs of economy would be likely but not predictable. Small businesses will have proportionally greater costs for effecting change in their product range because most/all technical expertise is contracted out. Therefore, as with a significant proportion of economic policy development, those businesses facing the greatest impost are the least able to bear the cost. Since the Consultation RIS states that the vast majority of businesses affected are small, the impact can be expected to be substantial. In the food supply area, this is complicated by the product range of each business and the value of the products

Specific country in which key ingredients were grown

8. Can you provide an estimate of the cost to your business to provide a label that details the origin of all ingredients?

Response: The Beverages Council is not able to estimate of the cost to business to provide a label that details the origin of all ingredients. However, we would consider the costs be



substantial and prohibitive for the business and the consumer (through the passing on of costs).

9. 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?

Response: There is very little commonality in label currency across businesses. Some products won't see a label change for years while others might change 2-3 times within a year for a range of reasons (most commonly due to promotions or a legislative reason such as has occurred with claims). Most recently there has been an increase in label changes to accommodate the Health Star Rating (HSR) system and the integrated approach for beverages as per the HSR Style Guide. For the proposed country of origin changes, add to that the seasonality of ingredients and the changing sources of ingredients depending on Australian/global supplies, costs and availability and the lack of commonality multiplies as does the cost.

10. Can you estimate the space that a label that details the origin of all ingredients would require on your product?

Response: The Beverages Council response is that to accommodate the full proposed graphics, space equivalent at least the equivalent to the Nutritional Information Panel would be required.

11. Do you believe providing such detailed origin information is a viable option the government should consider?

Response: No, even via digital technology, maintenance of accurate information would take a large degree of effort and cost

12. As a consumer, do you want this information to be provided?

Response: The industry's understanding of consumer behaviour is most would prefer to rely on reputable brands and safe food manufacturing associated with that brand and manufacturers reputation. Also, unless information is directly relevant to safety, then consumers should generally receive information voluntarily supplied by manufacturers. There are other channels for delivering information to consumers, most notably company website

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

13. How many staff do you devote to interpreting, applying and establishing compliance with the current ACL safe harbour defences?

Response: Not applicable

14. a. What aspects of the current ACL safe harbour defences do you find the most difficult to interpret, apply and comply with?
b. Why?

15. 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?

- b. If no, please provide your estimates.



Response: It is difficult to estimate costs associated for businesses to undertake the 50% production cost test. This will vary depending on size of manufacturer and interpretation.

16. 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?

Response: Smaller businesses have proportionally greater costs for assessing and implementing change in their product range because most/all technical expertise is contracted out. Therefore, as with a significant proportion of economic policy development, the manufacturers facing the greatest impost are the least able to bear the cost. In the food supply area, this is complicated by the product range of each business and the value of the products to that business.

How should labelling of imported food be treated?

17. 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?

Response: This is dependent upon size of operation. There is significantly higher risk with small and medium sized businesses. Products imported by Australia that have a history of import and therefore an ongoing place in the market are likely to be subject to a label change and therefore to carry a cost with them. For products currently 'over-stickered' (process of importers placing a sticker over the original label), this would add costs and complexity to the over-sticker particularly if the additional requirement (boxing) of country of origin expanded the area required for over-sticking. Unless this is effectively regulated companies that do the right thing and over sticker are potentially put at a disadvantage.

18. If products are stickered in Australia:

- a. Will importers use a machine to apply the sticker or require people to apply the sticker?
- b. If by hand, can importers estimate the number of hours that would be required to complete the process?

Response: Dependent upon on size of operation. The risk of over-sticking important information such as allergen warning is high.

19. 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).

- a. Do you agree with each of these estimated costs?
- b. If no, please provide your estimates.
- c. 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?

20. 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?

Response: Extremely variable on complexity of product formulation ingredients. Many ingredients may be sourced for from sources / countries to ensure continuity of supply. There would be additional costs in gathering information on the number of countries ingredients have been sourced from and ongoing costs to maintain currency. This is because the information is not comprehensive and may change over time as suppliers/ ingredients manufacturers change etc.



What is the role for digital information?

21. a. If you are an Australian food manufacturer or producer, do you currently use digital solutions to provide additional information to your consumers?
b. If so, what do you do?

Response: All manufacturers, whether Australian or not, use digital solutions of some sort to provide additional information to consumers. Most commonly this is via their business website however, there is expansion into other areas such as mobile apps.

22. a. What are the costs associated with digital solutions in relation to the price of the food good?
b. Is this cost likely to be passed onto consumers?
c. Are the specific costs or solutions impacted by seasonality?

Response: Maintenance cost of such systems are additional to present traditional labelling but could be off-set by other advantages in light of trends previously mentioned with smaller pack sizes and marketing opportunities. Whether costs of any manufacturing activity are passed on to consumers is a complex commercial decision made on the basis of a range of factors including seasonality and the extent of seasonal supply impacts. There would be seasonal costs if information had to be changed to reflect changing supplies and ingredient sources

Education and awareness raising

23. 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?

Response: No. Consumers are concerned about food safety. This scheme does not address this issue. In our view, funding for country of origin labelling campaigns would be more effectively spent on educating consumers about elements that have a health and safety impact such as storage arrangements for perishable foods, date marking, Health Star Rating, fresh produce separation/cross contamination and washing fresh fruit and vegetables

The proposed response

Proposed labels

24. a. 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?
b. What would the costs/savings of these options be?

Response: The Beverages Council believes that the proposed bar graph (no colour definition) is still confusing and not an effective use of label space to accurately convey information.

25. 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:
- quartile - at least 25 per cent
- decile - at least 10 per cent?
b. Why?
c. How does this flexibility affect your business costs?

Response: The Beverages Council believes that decile –at least 10 percent (in wording) not as bar chart as previously explained.

26. 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?
b. If so, why?

Response: There is a material chance that the overall content of Australian ingredients could decrease, which is contrary to the effort of this campaign.

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

Response: Difficult to say at this point in time. Advertising the Australian content will have differing impacts in different markets, the consequences not always intended.

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

Response: Bar chart not a preferred option. However, a voluntary uptake would have commercial imperatives as to return for investment in changing the label.

Safe harbour

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

Response: Decrease, although it is unclear at this time.

30. 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?

Response: Yes and guidance material will always be helpful, in particular, for small to medium businesses.

31. 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

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

Response: Yes but recognition that this option is a regulatory option rather than traditional additional labelling. Government has a role in education and awareness of consumers and industry, but whether it is necessary in relation to 'innovative technological solutions' is uncertain unless Government is developing some of the solutions

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

Response: Dependent upon size of business, budget and transition period. The longer the transition period the easier for businesses to implement.

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

Response: Definite consideration for future. Barriers to the use of digital solutions for country of origin labelling are the same as for the use of digital solutions for any labelling and cover a range of factors including development, utility, ease of application, acceptance, familiarity and cost etc.



Education campaign

35. 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.

Response: Yes. Any labelling change should be accompanied by an education campaign

Implementation

Transition

36. How would a flat transition period affect implementation costs for your business?

Response: Flat transition periods allow businesses to spread costs over time and align changes with other cyclic changes, thus minimising costs. The Beverages Council recommends a minimum transition period of 24 months.

37. How would a phased transition arrangement affect implementation costs for your business?

Response: A phased transition based on shelf life makes no sense in terms of the logistics of supply and execution of packaging. It would have a major impact with high chance of non-conformity and major cost impacts.

38. Are there alternative transitional arrangements that will encourage speedy take up of the new labels without imposing undue costs on business?

Response: Minimal impact would be 2-3yr period as normal label refresh routine.

39. a. Do you order your packaging or labels in advance?

b. If so, how would the transition periods impact on your labelling approach?

Response: Yes. The shorter the transition period, greater the write-off costs for labelling and packaging.

40. 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.

41. If you are a small business, are there alternative transitional arrangements that would better suit you?

Response: The Beverages Council suggests that the longer the transition, the lesser the impact on small business.

42. If you are an importer, do you have any specific preferences or concerns about transition approaches?

Response: Business dependent but would expect similar to above.

43. a. As a business, would you choose to adopt the new labelling ahead of the timelines highlighted in the transition periods?

b. If so, please describe the regime you would employ including how you would minimise costs and ensure compliance.

Response: Business would be expected to start adopting new labelling early on in the transition period. However, this would depend on planned artwork changes, label stocks etc.

Compliance

44. 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?



Response: The Beverages Council considers that since regulators have powers relating to labelling (eg ACCC), powers should already exist.

45. What would be the expected compliance costs for a business associated with the use of an audit power?

Response: Businesses are already subject to multiple audits and every additional audit adds costs. If audits are required, then using existing regulators ('warranting' them to add additional aspects to existing audits) would be a more cost-effective approach. ACCC existing powers should be sufficient to cover this without extra burden.

46. What alternative arrangements could be applied to support compliance with the information standard?

Response: ACCC should be sufficient.

The Beverages Council and its members thank the Country of Origin Labelling Taskforce for the opportunity to provide comment on this important issue. If you wish to discuss any aspect of this correspondence in more detail I invite you to contact me directly on 02 9698 1122 or colin.felder@australianbeverages.org.

Yours sincerely,



Colin Felder

Technical and Regulatory Affairs Manager

