

**2 May 2012**  
**[9-12]**

## **Approval Report – Proposal P1011**

### **Country of Origin Labelling – Unpackaged Meat Products**

Food Standards Australia New Zealand (FSANZ) has assessed a proposal prepared by FSANZ to consider extending Australia only requirements for country of origin labelling to include unpackaged beef<sup>1</sup>, sheep<sup>2</sup> and chicken meat.

On 18 July 2011, FSANZ sought submissions on draft variations to Standards 1.2.1 and 1.2.11 and published an associated Report. FSANZ received 10 submissions.

The FSANZ Board approved the draft variations on 18 April 2012. The COAG Legislative and Governance Forum on Food Regulation<sup>3</sup> (Forum) was notified of the FSANZ Board's decision on 30 April 2012.

This Report is provided pursuant to paragraph 63(1)(b) of the *Food Standards Australia New Zealand Act 1991* (the FSANZ Act).

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

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

<sup>3</sup> Previously known as the Australia and New Zealand Food Regulation Ministerial Council

## Table of Contents

<b>1. EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>2. INTRODUCTION .....</b>	<b>4</b>
2.1 THE PROPOSAL .....	4
2.2 THE CURRENT STANDARD .....	4
2.3 REASONS FOR PREPARING THE PROPOSAL .....	4
2.4 PROCEDURE FOR ASSESSMENT.....	4
2.5 DECISION.....	4
<b>3. SUMMARY OF THE FINDINGS.....</b>	<b>5</b>
3.1 RISK ASSESSMENT .....	5
3.1.1 <i>Consumer preferences and use of country of origin labelling</i> .....	5
3.1.2 <i>The Australian market for beef, sheep and chicken meat</i> .....	5
3.2 RISK MANAGEMENT.....	6
3.2.1 <i>Labelling review considerations</i> .....	6
3.2.2 <i>Summary of submissions</i> .....	6
3.3 RISK COMMUNICATION .....	7
3.3.1 <i>World Trade Organization (WTO)</i> .....	7
<b>4. REASONS FOR DECISION .....</b>	<b>8</b>
4.1 SECTION 59 .....	8
4.1.1 <i>Addressing consumer concerns</i> .....	8
4.1.2 <i>Consistency across the retail sector</i> .....	9
4.1.3 <i>Policy guidance</i> .....	10
4.2 ADDRESSING FSANZ’S OBJECTIVES FOR STANDARDS-SETTING.....	10
4.2.1 <i>Protection of public health and safety</i> .....	10
4.2.2 <i>The provision of adequate information relating to food to enable consumers to make informed choices</i> .....	10
4.2.3 <i>The prevention of misleading or deceptive conduct</i> .....	10
4.2.4 <i>Subsection 18(2) considerations</i> .....	10
4.3 IMPLEMENTATION .....	11
<b>5. REFERENCES .....</b>	<b>11</b>
ATTACHMENT A – APPROVED VARIATIONS TO THE AUSTRALIA NEW ZEALAND FOOD STANDARDS CODE.....	12
ATTACHMENT B – EXPLANATORY STATEMENTS.....	12
EXPLANATORY STATEMENT – STANDARD 1.2.11 – COUNTRY OF ORIGIN LABELLING .....	17
FOOD STANDARDS (PROPOSAL P1011 – COUNTRY OF ORIGIN LABELLING – UNPACKAGED MEAT PRODUCTS - CONSEQUENTIAL) VARIATION .....	20
ATTACHMENT C – DRAFT VARIATIONS TO THE AUSTRALIA NEW ZEALAND FOOD STANDARDS CODE.....	22
ATTACHMENT D – REGULATION IMPACT STATEMENT (OBPR ID: 11429) .....	28

### Supporting documents

The following documents used to prepare this Report are available on the FSANZ website at <http://www.foodstandards.gov.au/foodstandards/proposals/proposalp1011country4791.cfm>.

- SD1 *Country of Origin Labelling (CoOL): A Review of the Relevant Literature on Consumer Preferences, Understanding, Use and Willingness-to-Pay for CoOL of Food and Meat*
- SD2 The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) report – *Potential for imports of fresh meat and seafood into Australia.*

# 1. Executive summary

Food Standards Australia New Zealand (FSANZ) prepared Proposal P1011 to consider varying Standard 1.2.11 – Country of Origin Requirements, in the *Australia New Zealand Food Standards Code* (the Code) to extend country of origin labelling to include unpackaged beef, sheep and chicken meat.

The Proposal is relevant to Australia only as Standard 1.2.11 does not apply in New Zealand. This Proposal was assessed under the General Procedure.

In recent years, there has been community concern about the lack of country of origin information pertaining to some unpackaged meats, in particular beef. In response, in March 2010, the Australian Government asked FSANZ to consider extending country of origin labelling to provide consumers with appropriate information and to remove the inconsistency in applying country of origin labelling across unpackaged meat, in particular beef. An Assessment Report, including draft variations to the Standard, was issued for public comment in July 2011.

Country of origin labelling was also the subject of public comment in the Review of Food Labelling Law and Policy (the Blewett Review). On 9 December 2011, the Legislative and Governance Forum on Food Regulation (the Forum) released a *Response to the Recommendations of Labelling Logic - Review of Food Labelling Law and Policy (2011)*<sup>4</sup>. In its response, the Forum asked FSANZ to continue its existing process for the proposal to extend Australia's country of origin labelling 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.

The FSANZ Board has finalised its consideration of this Proposal having considered all relevant matters, and has approved the draft variations to Standard 1.2.11 to require country of origin labelling for unpackaged beef, veal, lamb, hogget, mutton and chicken.

In making this decision, the FSANZ Board recognised that:

- It is uncertain if the benefits associated with mandatory labelling (which are largely intangible) would sufficiently exceed the costs (which are likely to be relatively low) to create a positive net present value for society as a whole, because:
  - imports are not expected to grow from the current low levels
  - there are already significant levels of voluntary labelling and hence benefits.
- The Regulation Impact Statement (RIS) concluded that the status quo should be retained (i.e. the current requirements for country of origin labelling be retained in Standard 1.2.11 with no mandatory requirement for country of origin labelling for unpackaged beef, sheep and chicken meat).

Notwithstanding the relevance of these matters, the FSANZ Board reasoned that there is sufficient likelihood of an overall benefit to the community when improved access to information and the importance of consumer trust and confidence are balanced against the relatively small industry implementation costs. Moreover, the Board considered the following other matters to be of relevance in approving an extension of country of origin labelling to include unpackaged beef, sheep and chicken meat:

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<sup>4</sup> <http://www.foodlabellingreview.gov.au/internet/foodlabelling/publishing.nsf/content/home>

- Community concern about the inability to readily identify the origin of unpackaged beef products and the request from the Australian Government for FSANZ to raise a proposal with a view to extending country of origin labelling; as a result of this concern.
- Research that indicated country of origin information is important to Australian consumers and is valued more in the context of fresh food products such as fresh meat than other food categories.
- Mandating the additional country of origin labelling requirements would:
  - ensure consumers are provided with improved access to this information consistently across the retail sector, providing less opportunity for market failure
  - correct a perceived anomaly in the Code whereby unpackaged fish and pork are required to have country of origin labelling while the other major meat staples – beef, sheep and chicken meat – are not required to have country of origin labelling.
- Several major retailers are already implementing voluntary country of origin labelling for unpackaged meats, therefore, the costs related to extending mandatory country of origin labelling are not likely to be substantial.
- Information available indicates that industry, governments and related agencies, non-government organisations and consumers in Australia are generally supportive of mandatory country of origin labelling.
- In its response to the Final Report, *Labelling Logic*, the Forum agreed to ask FSANZ to continue with this proposal to extend country of origin labelling.

## **2. Introduction**

### **2.1 The Proposal**

Proposal P1011 was prepared by FSANZ to consider varying Standard 1.2.11 – Country of Origin Requirements to extend the requirement for country of origin labelling to include unpackaged beef, sheep and chicken meat.

### **2.2 The current Standard**

In December 2003, the then Australia and New Zealand Food Regulation Ministerial Council (now known as the Forum) approved a policy guideline requiring FSANZ to develop regulation for country of origin labelling. The guideline proposed that labelling of food with the country of origin should be mandatory for the purpose of enabling consumers to make informed choices, and should apply to whole foods, not individual ingredients. The policy guideline recognised that country of origin labelling was not a public health and safety issue.

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

The resulting Standard, 1.2.11, was gazetted in December 2005 and mandated country of origin labelling for packaged foods and some unpackaged foods. The Standard applies in Australia only because New Zealand varied from this Standard in accordance with the *Agreement between the Government of Australia and the Government of New Zealand Concerning a Joint Food Standards System*.

Standard 1.2.11 requires country of origin labelling of packaged foods and unpackaged pork, fish, fruit and vegetables. It does not currently include the requirement for mandatory country of origin labelling for unpackaged beef, sheep and chicken meat, the most common types of meat consumed by Australians.

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

### **2.3 Reasons for preparing the Proposal**

In March 2010, the Australian Government asked FSANZ to review Standard 1.2.11, with a view to addressing community concern about the lack of country of origin information pertaining to some unpackaged meats, particularly beef. This Proposal was subsequently prepared. FSANZ extended the scope of the Proposal to include unpackaged sheep and chicken meat, to provide additional certainty to consumers.

### **2.4 Procedure for assessment**

The Proposal was assessed under the General Procedure.

### **2.5 Decision**

The draft variations as proposed following assessment were approved with minor amendments to improve clarity.

The draft variations, as varied after submissions were received, are at Attachment A.

The draft variations on which submissions were sought are at Attachment C.

### **3. Summary of the findings**

#### **3.1 Risk assessment**

##### **3.1.1 Consumer preferences and use of country of origin labelling**

The issues considered in this Proposal relate to the lack of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats. As such, the importance of country of origin labelling, its use by consumers and its effect on purchase decisions were considered.

Consumers' food decisions are complex and multi-dimensional 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 (FSANZ 2003; FSANZ 2008, Ware 2006; Ware and Varigos, 2006), even though it may not be the most important attribute that consumers consider when purchasing meat products (Jocumsen 2005 cited in SD1). Country of origin labelling provides consumers with a degree of confidence in a product's provenance and in doing so, contributes to the manufacture of trust and confidence in the safety of the food supply. It is valued more in the context of fresh food products, such as fresh meat, than other food categories.

The lack of country of origin labelling requirements in Standard 1.2.11 for some unpackaged meats means there is a potential for loss of confidence in the food regulatory system if consumers purchase meat assuming it is sourced from a particular country, but subsequently discover that it is in fact sourced from elsewhere. However, the benefits from having access to country of origin information are largely intangible (that is, difficult to quantify).

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 and in the food regulatory system itself. Further details and analysis of studies in relation to consumer reaction to country of origin labelling are contained in SD1.

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

FSANZ commissioned the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) to examine current and potential penetration of imports of fresh, chilled and frozen beef, sheep and chicken meat into Australia (SD2).

The ABARES report indicated that the Australian beef and sheep meat industries were highly export-oriented. Relatively small amounts of fresh beef and sheep meat are imported into Australia because domestic beef and sheep meat production significantly exceeds domestic consumption and Australian product is competitive in international markets. This is expected to remain so in the medium term to 2015-16.

Fresh, chilled and frozen imports of beef and sheep meat currently account for only a small proportion of Australia's beef and sheep meat consumption. In recent years, beef imports have accounted for around 0.5% (imported from New Zealand and Vanuatu) of beef consumption, while sheep imports accounted for 0.2% of Australia's sheep meat consumption.

The ABARES report also indicated that Australia does not currently import any fresh chicken meat because of quarantine restrictions, which are intended to prevent the entry of particular diseases that could affect the Australian poultry flock.

## **3.2 Risk management**

### **3.2.1 Labelling review considerations**

On 28 January 2011, a review panel led by Dr Neal Blewett released *Labelling Logic – Review of Food Labelling Law and Policy (2011)*. This independent review of food labelling law and policy was commissioned by the Forum. The Report contains 61 recommendations, including the following recommendations related to country of origin labelling.

- 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 Forum agreed to the Government response to the Report's recommendations, which included the following proposed actions:

- Recommendation 40: *The Forum notes recommendation 40 and will request FSANZ to continue its existing process for the proposal to extend Australia's country of origin labelling 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.*
- Recommendation 41: *The Forum does not support proposed changes to the legislative framework for country of origin labelling and proposes to maintain the current standard within the Food Standards Code.*

### **3.2.2 Summary of submissions**

Consultation is a key part of FSANZ's standards development process. FSANZ acknowledges the time taken by individuals and organisations to make submissions.

Every submission on an application or proposal is reviewed by FSANZ staff, who examine the issues identified and prepare a response to those issues. While not all comments can be taken on board during the process, they are valued and all contribute to the rigour of our assessment. In July 2011, FSANZ released draft variations to Standard 1.2.1 and Standard 1.2.11 (Attachment C) to extend mandatory country of origin labelling to unpackaged beef, sheep and chicken meat, along with an associated Assessment Report, for public comment. Ten submissions were received.

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 government submitters (Queensland Government, New Zealand Ministry of Agriculture and Forestry) did not specify a preferred option, although the New Zealand Ministry of Agriculture and Forestry supported voluntary labelling in-principle, in preference to mandatory labelling.

**Table 1: Summary of issues raised in submissions**

Issue	Raised by	FSANZ Response (including any amendments to drafting)
<p><b>A further amendment to Standard 1.2.11 to make it clear that the labelling options for unpackaged foods of mixed origin apply only to those mixed foods that are displayed as a mix and sold as a mix and not to a mix of foods displayed as a mix but available for purchase individually.</b></p>	<p>New South Wales Food Authority</p>	<p>FSANZ was unable to address this issue without further consultation with stakeholders on the likely impact. As further stakeholder consultation was not possible, FSANZ will use other avenues to consult on this issue.</p>
<p><b>The current requirements are onerous and do not meet the minimum effective regulation test as the Standard specifies a print size for the label and requires each unpackaged food to have a label.</b></p>	<p>Department of Primary Industries Victoria</p>	<p>As the print size issue was considered and addressed as part of P292, including extensive consultation, there is no justification to revisit this issue. For unpackaged foods, the Standard specifies that the food must be labelled with a country of origin statement on or in connection with the display of the food and thus provides some flexibility.</p>
<p><b>FSANZ should consult with state and territory enforcement agencies on compliance issues that may arise from the use of a single sign by independent butchers.</b></p>	<p>CHOICE</p>	<p>Enforcement and compliance issues are the responsibility of the jurisdictions. The Implementation Sub-Committee is responsible for developing and overseeing a consistent approach across jurisdictions to the implementation and enforcement of the Code. FSANZ has raised the issue with jurisdictions.</p>

### 3.3 Risk communication

FSANZ will develop and implement communication strategies to educate consumers and industry about the new country of origin labelling provisions including a media release and updated information on the FSANZ website. FSANZ also has a Code Inquiry Unit that can respond to country of origin labelling enquiries from food manufacturers and retailers.

#### 3.3.1 World Trade Organization (WTO)

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

FSANZ made a notification to the WTO for this Proposal on 23 August 2011 (G/TBT/N/AUS/70) in accordance with the WTO Agreement on the Technical Barriers to Trade. No WTO member nation provided comment on this Proposal.



## **4. Reasons for decision**

The variations to Standard 1.2.11 to require country of origin labelling for unpackaged beef, veal, lamb, hogget, mutton and chicken were approved taking into consideration a broad range of matters as detailed below.

### **4.1 Section 59**

The FSANZ Board had regard to the following matters under section 59 of the FSANZ Act:

- whether costs that would arise from a food regulatory measure developed or varied as a result of the Proposal outweighed the direct and indirect benefits to the community, Government or industry that would arise from the development or variation of the food regulatory measure
- there were no other measures that would be more cost-effective than a variation to Standard that could achieve the same end
- any relevant New Zealand standards
- any other relevant matters.

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

The OBPR has considered the RIS for this Proposal (RIS ID 11429) and considers it adequate.

The RIS (Attachment D) indicated the status quo be retained, as a strong case for change either through regulatory or non-regulatory paths cannot be sufficiently demonstrated. Overall, it is uncertain if the benefits associated with mandatory labelling (which are largely intangible) would sufficiently exceed the costs (which are 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 there are already significant levels of voluntary labelling and hence benefits. Given this uncertainty, the RIS concluded that the current requirements for country of origin labelling should be retained in Standard 1.2.11, with no mandatory requirement for country of origin labelling for unpackaged beef, sheep and chicken meat.

However, the FSANZ Board recognises that there are other relevant matters to consider, including the value and importance of country of origin labelling to consumers and its impact on consumer trust and confidence in the food supply. In making its decision to amend the Standard, the FSANZ Board has taken into consideration a broad range of matters, as outlined below.

#### **4.1.1 Addressing consumer concerns**

There has been community concern about the inability to readily identify the origin of unpackaged beef products should there be an increase in the amount of imported beef and beef products being sold in Australia. In response to this concern, the Australian Government asked FSANZ to raise a proposal with a view to extending country of origin labelling to provide consumers with appropriate information in order for them to make informed choices about the origin of the fresh beef they are buying, and to remove the inconsistency in applying country of origin labelling across unpackaged meat.

Research indicates country of origin information is important to Australian consumers and is valued more in the context of fresh food products such as fresh meat than other food categories. Country of origin information is a part of the 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 in the safety of the food supply.

The FSANZ Consumer Attitudes Survey (2008) found that country of origin had the third highest proportion of Australian respondents indicating usage, with 59% of consumers indicating they used country of origin information when purchasing a food product for the first time, however this study did not compare relevant product attributes such as price or quality which could impact on the results.

The public profile of country of origin labelling has been raised via the media, for example by the consumer organisation CHOICE. A CHOICE member survey (2011) found:

- 66% of survey participants stated that it was very important that they could confidently identify whether a product was manufactured or produced in Australia.
- Almost half of the survey respondents always tried to buy Australian products when they're available.
- 83% of respondents said that supporting Australian-owned companies and that keeping profits in Australia was important to them.

Recently, in response to *Labelling Logic*, the Forum agreed to ask FSANZ to continue with this Proposal to extend country of origin labelling and to consider developing a further proposal to extend country of origin labelling to all other primary produce. A lack of a regulatory response to this well-publicised gap in the country of origin labelling regime can work to diminish trust and confidence in the food supply and in the food regulatory system itself.

#### **4.1.2 Consistency across the retail sector**

Information received indicates that several major retailers and many smaller retailers have introduced voluntary country of origin labelling for unpackaged meats. Mandating the additional country of origin labelling requirements would ensure that the remaining meat retailers also provide country of origin information for unpackaged beef, sheep and chicken meat. Consumers would therefore be provided with improved access to this information consistently across the retail sector.

*Labelling Logic* states:

*The Panel proposes that market failure is the principal argument that should be advanced for any prescriptive intervention in food labelling in the area of consumer values issues. There are mutual market benefits (to buyer and seller) of promoting food with positive/aspirational origins (e.g., chocolate from Switzerland), yet non-reciprocal benefits from withholding such information when it relates to origins with perceived negative connotations (e.g., food products from countries with poor human rights records). This situation constitutes market failure and the reason for government intervention on the issue of CoOL.*

Mandatory country of origin labelling for unpackaged beef, sheep and chicken meat will ensure that consumers have access to such information across all retail outlets. In other words, there would be less opportunity for potential market failure. It would also correct a perceived anomaly in the Code whereby unpackaged fish and pork are required to have country of origin labelling while the other major meat staples – beef, sheep and chicken meat – are not required to have country of origin labelling.

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

#### **4.1.3 Policy guidance**

The Ministerial Council (now the Forum) policy guidance on country of origin labelling proposed that labelling of food with the country of origin should be mandatory for the purpose of enabling consumers to make informed choices, and should apply to whole foods, not individual ingredients. The policy guideline recognised that country of origin labelling was not a public health and safety issue. The policy guideline includes the following specific order policy principle: *Balance the benefit to consumers of country of origin labelling with the cost to industry and consumers of providing it.*

## **4.2 Addressing FSANZ's objectives for standards-setting**

The FSANZ Board has considered the three objectives in subsection 18(1) of the FSANZ Act during the assessment of this Proposal as follows.

#### **4.2.1 Protection of public health and safety**

There were no public health and safety issues related to this Proposal.

#### **4.2.2 The provision of adequate information relating to food to enable consumers to make informed choices**

In relation to this Proposal, the primary consideration, having regard to written policy guidance, was the provision of adequate country of origin information to enable consumers to make informed purchasing decisions.

#### **4.2.3 The prevention of misleading or deceptive conduct**

In considering this Proposal, FSANZ has not established evidence that the absence of country of origin labelling of unpackaged beef, sheep and chicken meat has led to consumers being misled or deceived.

#### **4.2.4 Subsection 18(2) considerations**

The FSANZ Board has also had regard to the objectives set out in subsection 18(2):

(a) *the need for standards to be based on risk analysis using the best available scientific evidence*

This Application was assessed using the best available scientific evidence. To assist the analysis, FSANZ commissioned a literature review, by an academic expert, on consumer responses to country of origin labelling.

(b) *the promotion of consistency between domestic and international food standards*

A number of Australia's trading partners have country of origin labelling regulations for food, however, there is considerable variation in the requirements of individual countries, making direct comparisons difficult. No specific issues have been identified and as noted in section 3.3.1 above, no WTO member nation provided comment in response to the notification to the WTO.

- (c) *the desirability of an efficient and internationally competitive food industry*  
The proposed variation is not expected to have a negative impact on the efficiency or international competitiveness of the food industry.
- (d) *the promotion of fair trading in food*  
The current exemption from country of origin labelling of unpackaged beef, sheep and chicken meat has not been raised as an issue for fair trading in food and therefore this matter has not been considered in this instance.
- (e) *any written policy guidelines formulated by the Ministerial Council*  
FSANZ has had regard to the guideline on Country of Origin Labelling of Food.

### 4.3 Implementation

The amendments to the Code will come into effect six months from the date of gazettal. This will provide industry, particularly small businesses, with sufficient time to implement the necessary systems required to provide country of origin information for unpackaged beef, sheep and chicken meat at the retail level.

## 5. References

Choice (2011) Country of Origin Labelling. <http://www.choice.com.au/reviews-and-tests/food-and-health/labelling-and-advertising/nutritional-labelling/country-of-origin-labelling-survey-results.aspx>. Accessed on 22 March 2012.

FSANZ (2003) Food Labelling Issues: Quantitative Research with Consumers. Evaluation Report Series No. 4, NFO Donovan Research report to Food Standards Australia New Zealand, Canberra. <http://www.foodstandards.gov.au/scienceandeducation/publications/evaluationreportseries/foodlabellingissuesquantitativerearchconsumersjune2003/>. Accessed on 6 January 2012.

FSANZ (2008) Consumer Attitudes Survey 2007: A benchmark survey of consumers' attitudes to food issues. Food Standards Australia New Zealand, Canberra. <http://www.foodstandards.gov.au/scienceandeducation/publications/consumerattitudes/>. Accessed on 6 January 2012.

Ware J (2006) A study of consumer responses to the legibility and importance of country of origin labelling – Phase 1. <http://www.foodstandards.gov.au/srcfiles/A579%20CoOL%20Print%20Size%20Phase%201%20consumer%20research.pdf>. Accessed on 6 January 2012.

Ware J, Varigos P (2006) A study of consumer responses to the legibility and importance of country of origin labelling – Phase 2. <http://www.foodstandards.gov.au/srcfiles/A579%20CoOL%20Print%20Size%20Phase%202%20consumer%20research.pdf>. Accessed on 6 January 2012.

## Attachments

- A. Approved variations to the *Australia New Zealand Food Standards Code*
- B. Explanatory Statement
- C. Draft variations to the *Australia New Zealand Food Standards Code*
- D. Regulation Impact Statement

## Attachment A – Approved variations to the *Australia New Zealand Food Standards Code*



### Standard 1.2.11 – Country of Origin Labelling

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

Dated TO BE COMPLETED

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

# **STANDARD 1.2.11**

## **COUNTRY OF ORIGIN LABELLING**

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### **(Australia only)**

#### **Purpose and commentary**

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

#### **Table of Provisions**

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

#### **Clauses**

##### **1 Application**

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

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

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

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

(1) Subclause (2) applies to food in a package.

(2) The food must be labelled with –

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

(3) However, subclause (4) applies to food in a package if –

- (a) the food is unprocessed fruit and vegetables, whether whole or cut; and
- (b) the food is displayed for retail sale; and
- (c) the package does not obscure the nature or quality of the food.

(4) The food must be labelled with a statement on the package or in connection with the display of the package which –

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

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

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

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

**Table to subclause 3(1)**

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

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

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

(3) In addition to the requirements of Standard 1.2.9, the statement required by subclause (1) must be at least 9 mm in height, unless the food is in a refrigerated assisted service display cabinet, in which case it must be at least 5 mm in height.

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

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

Dated TO BE COMPLETED

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



**1 Name**

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

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

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

**3 Commencement**

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

**SCHEDULE**

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

(g) subclauses 2(3) and 2(4), and clause 3 of Standard 1.2.11 – Country of Origin Labelling; and

[2] **Standard 1.2.11** is repealed.

## **Attachment B – Explanatory Statements**

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

#### **1. Authority**

Section 13 of the *Food Standards Australia New Zealand Act 1991* (the FSANZ Act) provides that the functions of Food Standards Australia New Zealand (the Authority) include the development of standards and variations of standards for inclusion in the *Australia New Zealand Food Standards Code* (the Code).

Division 2 of Part 3 of the FSANZ Act specifies that the Authority may prepare a proposal for the development or variation of food regulatory measures, including standards. This Division also stipulates the procedure for considering a proposal for developing or varying food regulatory measures.

FSANZ prepared Proposal P1011 to consider varying Standard 1.2.11 to extend country of origin labelling to include unpackaged beef (includes veal), sheep (lamb, hogget and mutton) and chicken meat. The Authority considered the Proposal in accordance with Division 2 of Part 3 and has approved a draft variation.

Following consideration by the COAG Legislative and Governance Forum on Food Regulation<sup>5</sup>, (Forum) section 92 of the FSANZ Act stipulates that the Authority must publish a notice about the standard or draft variation of a standard.

Section 94 of the FSANZ Act specifies that a standard, or a variation of a standard, in relation to which a notice is published under section 92 is a legislative instrument, but is not subject to parliamentary disallowance or sunseting under the *Legislative Instruments Act 2003*.

#### **2. Purpose and operation**

Standard 1.2.11 requires packaged foods and unpackaged pork, fish, fruit and vegetables to be labelled with country of origin information. The purpose of the variation is to extend the application of the country of origin labelling requirements to unpackaged beef, sheep and chicken meat, which are the most common types of meat consumed by Australians. This will be done by inserting a replacement Standard 1.2.11 into the Code.

The replacement standard will commence 6 months after gazettal.

#### **3. Consultation**

In accordance with the procedure in Division 2 of Part 3 of the FSANZ Act, the Authority's consideration of Proposal P1011 included one round of public consultation following an assessment and preparation of a draft replacement standard. An Assessment Report that included the draft replacement standard was released on 18 July 2011 for a six-week consultation period.

A Regulation Impact Statement was required because the variations to Standard 1.2.11 are likely to have an impact on business and individuals.

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<sup>5</sup> Previously known as the Australia and New Zealand Food Regulation Ministerial Council

#### **4. Statement of compatibility with human rights**

This instrument is exempt from the requirements for a statement of compatibility with human rights as it is a non-disallowable instrument under section 94 of the FSNZ Act.

#### **5. Variations**

In addition to extending country of origin labelling requirements to unpackaged beef, sheep and chicken meat, the replacement standard also introduces a new option to label a packaged food with a statement identifying the country where the food is grown. This option was included for consistency with provisions contained in the *Competition and Consumer Act 2010* dealing with country of origin representations.

The replacement standard has been structured to improve readability and an editorial note which contained outdated references to the *Trade Practices Act 1974* has been removed.

##### **5.1 Clause 1**

Clause 1 makes it clear that food sold to the public for immediate consumption by a number of specifically mentioned institutions will not be required to comply with the standard. Clause 1 also provides that subclause 1(2) of Standard 1.1.1 does not apply to the standard.

##### **5.2 Clause 2**

Clause 2 contains the country of origin labelling requirement for packaged food. It provides the option of labelling a package of food with a statement identifying the country where the food was made, produced or grown, or with a statement identifying the country where the food was manufactured or packaged. If the label identifies the country where the food was manufactured or packaged, the label must also contain a statement to the effect that the food is constituted from ingredients imported into that country or from local and imported ingredients.

In subclause 2(3), the words 'unprocessed fruit and vegetables, whether whole or cut' replace the previous wording of 'fresh whole or cut fruit and vegetables' to remove any interpretational ambiguities as to the meaning of the word 'fresh'. 'Fruit and vegetables' is defined in Standard 2.3.1.

The options are different for unprocessed fruit and vegetables which are displayed for retail sale in a package which does not obscure the nature or quality of the fruit and vegetables. In this case, subclause 2(4) requires the package to be labelled with a statement on the package, or in connection with the display of the package, which either identifies the country or countries of origin of the fruit and vegetables, or indicates that the fruit and vegetables are a mix of local and imported foods, or a mix of imported foods.

##### **5.3 Clause 3**

Clause 3 contains the country of origin labelling requirement for unpackaged foods, and extends the requirement to beef, veal, lamb, hogget, mutton and chicken.

Subclause 3(1) consolidates a number of requirements previously contained within the Table to subclause 2(2) of Standard 1.2.11.

Subclause 3(2) makes it clear that all unpackaged food listed in Column 2 of the Table to subclause 3(1) must be labelled with the required country of origin statement, even if the food has been processed in one of a number of specified ways.

The requirement to label a food in accordance with subclause 3(1) is not intended to apply to a food which has undergone such a degree of processing that the food is no longer capable of being characterised as one of the foods listed under Column 2 to the Table. For example, foods such as salami and sausages that contain pork should not be characterised as 'pork'. However, subclause 3(2) makes it clear that marinated beef steaks should be characterised as 'beef' for the purposes of clause 3.

Subclause 3(3) specifies the required size of the country of origin statement required by subclause 3(1).

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

## 1. Authority

Section 13 of the *Food Standards Australia New Zealand Act 1991* (the FSANZ Act) provides that the functions of Food Standards Australia New Zealand (the Authority) include the development of standards and variations of standards for inclusion in the *Australia New Zealand Food Standards Code* (the Code).

Division 2 of Part 3 of the FSANZ Act specifies that the Authority may prepare a proposal for the development or variation of food regulatory measures, including standards. This Division also stipulates the procedure for considering a proposal for developing or varying food regulatory measures.

FSANZ prepared Proposal P1011 to consider varying Standard 1.2.11 to extend country of origin labelling to include unpackaged beef (includes veal), sheep (lamb, hogget and mutton) and chicken meat. The Authority considered the Proposal in accordance with Division 2 of Part 3 and has approved a draft variation.

Following consideration by the COAG Legislative and Governance Forum on Food Regulation<sup>6</sup>, section 92 of the FSANZ Act stipulates that the Authority must publish a notice about the standard or draft variation of a standard.

Section 94 of the FSANZ Act specifies that a standard, or a variation of a standard, in relation to which a notice is published under section 92 is a legislative instrument, but is not subject to parliamentary disallowance or sunseting under the *Legislative Instruments Act 2003*.

## 2. Purpose and operation

The purpose of this variation is to repeal current Standard 1.2.11 so that it can be replaced with a new Standard. The variation also makes a consequential change to Standard 1.2.1.

## 3. Consultation

In accordance with the procedure in Division 2 of Part 3 of the FSANZ Act, the Authority's consideration of Proposal P1011 included one round of public consultation following an assessment and preparation of a draft variation. An Assessment Report that included the draft variation was released on 18 July 2011 for a six-week consultation period.

A Regulation Impact Statement was required because the variations to Standard 1.2.11 are likely to have an impact on business and individuals.

## 4. Statement of compatibility with human rights

This instrument is exempt from the requirements for a statement of compatibility with human rights as it is a non-disallowable instrument under section 94 of the FSANZ Act.

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<sup>6</sup> Previously known as the Australia and New Zealand Food Regulation Ministerial Council

## **5. Variations**

Item [1] is a consequential amendment to Standard 1.2.1 to ensure the cross references to Standard 1.2.11, which relate to the labelling requirements for certain foods exempt from the general requirement to bear a label setting out the information prescribed in the Code, are correct.

Item [2] deletes the existing Standard 1.2.11, which will be replaced 6 months after gazettal.

## Attachment C – Draft variations to the *Australia New Zealand Food Standards Code*



### Standard 1.2.11 – Country of Origin Labelling

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

Dated TO BE COMPLETED

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

# **STANDARD 1.2.11**

## **COUNTRY OF ORIGIN LABELLING**

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### **(Australia only)**

#### **Purpose and commentary**

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

#### **Table of Provisions**

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

#### **Clauses**

##### **1 Application**

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

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

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

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

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

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

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

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



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

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

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

**Table to subclause 3(1)**

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

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

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

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

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

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

Dated TO BE COMPLETED

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

**1 Name**

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

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

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

**3 Commencement**

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

**SCHEDULE– VARIATIONS TO THE AUSTRALIA NEW ZEALAND FOOD STANDARDS CODE**

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

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

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



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

**Regulation Impact Statement**



# Contents

<b>Executive Summary</b> .....	<b>3</b>
<b>1 Background</b> .....	<b>5</b>
<b>2 The Problem</b> .....	<b>13</b>
<b>3 Objectives</b> .....	<b>14</b>
<b>4 Options</b> .....	<b>15</b>
<b>5 Impact Analysis</b> .....	<b>16</b>
<b>6 Communication and consultation strategy</b> .....	<b>24</b>
<b>7 Conclusion and preferred option</b> .....	<b>26</b>
<b>References</b> .....	<b>26</b>

## 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% of beef consumption, while sheep imports accounted for 0.2% 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.
- Following an assessment, FSANZ determined that there were 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% 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>7</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>8</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>7</sup> Communication from Australian Meat Industry Council: 27 Sept 2011

<sup>8</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/>



## 1.2 The Australian market for beef, sheep and chicken meat

The Australian beef and sheep meat industries are highly export oriented with around 65% and 60% respectively of production exported. Other similar Australian industries are less export oriented with 20% of edible seafood production, 16% of pig meat production and 4% 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% of beef consumption, while sheep imports accounted for 0.2% 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 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>9</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

<sup>9</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

Year	Production (Kt)	Exports (Kt)	Imports (Kt)	Consumption (Kt)	Imports to consumption in percentages
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>10</sup>**

Year	Production (Kt)	Exports (Kt)	Imports (Kt)	Consumption (Kt)	Imports 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>10</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

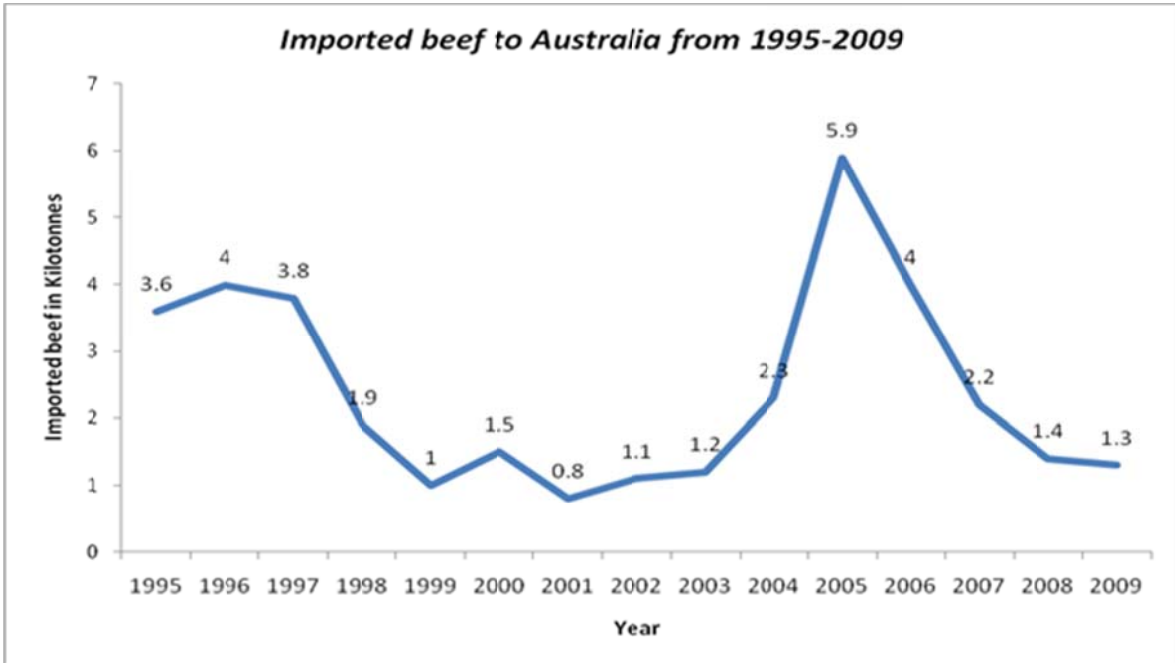


Figure 1: imported beef to Australia from 1995-2009 in kilo tonnes

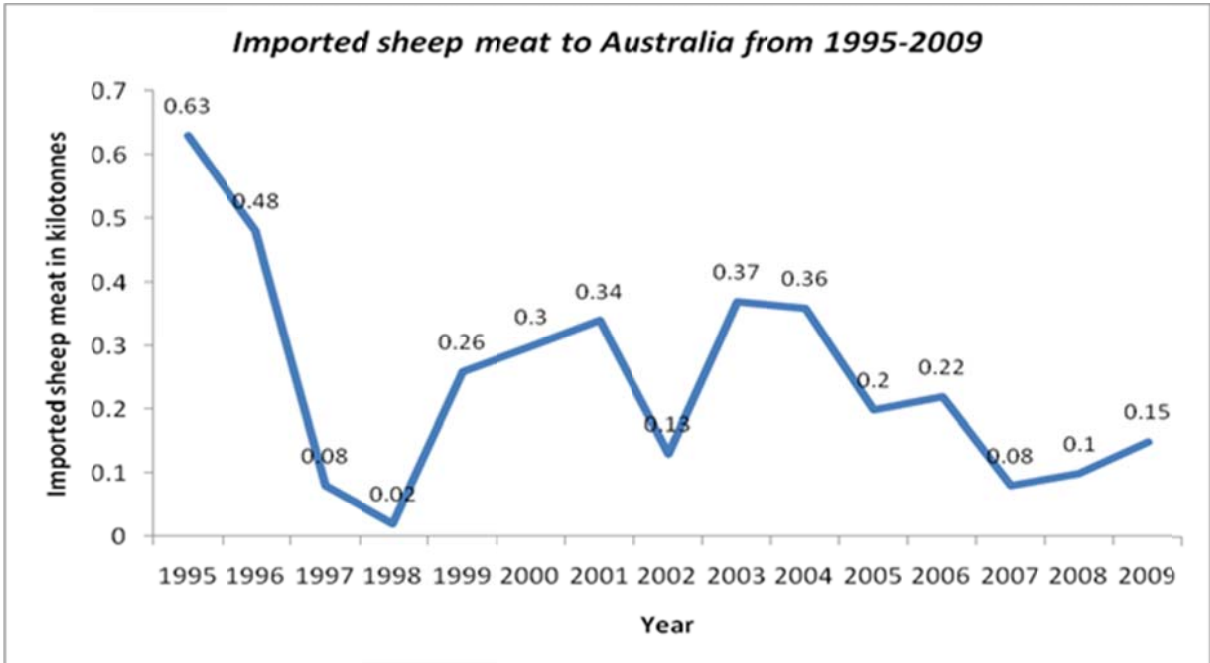


Figure 2: imported sheep meat to Australia from 1995-2009 in kilo tonnes

## **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 SD 1.

## **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>11</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>11</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 unpackaged beef, lamb and chicken meat. The third, the smallest chain, which services about 10% 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% 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>12</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>12</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% 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% 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% of those surveyed were either unaware of the origin or felt that some or all of it was imported.<sup>13</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 beef, lamb and chicken outweigh the costs to industry of providing this information.

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<sup>13</sup> Communication from the Australian Chicken Meat Federation: 29 August 2011



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 enhance 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.

Following an assessment, FSANZ identified the following options to progress the 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% 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%. 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%. 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% 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>14</sup> However, this could be substantially less as discussed below.

Of the three major supermarket chains, two have introduced voluntary labelling.<sup>15</sup> The other chain, with a total of about 2100 outlets, and handling around 10% 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>16</sup> Based on the foregoing it can be estimated that in at least 70% of supermarket stores, unpackaged meat is currently labelled for country of origin.

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<sup>14</sup> Data provided by Metcash Trading Ltd 15/06/10

<sup>15</sup> FSANZ interviews with Jodi Dixon: Manager Regulatory Affairs, Coles and Alan Fagerland: National Compliance Manager, Woolworths.

<sup>16</sup> FSANZ interview with Steven Newton: General Manager Risk, Metcash Trading Ltd

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:

<u>Supermarkets:</u>	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 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

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>17</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.

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<sup>17</sup> Data provided by Cattle Council of Australia May 2010

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>18</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>19</sup>

#### **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>20</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 2 (Hogan, J *Potential for imports of fresh meat and seafood into Australia*, ABARES report to client for Food Standards Australia New Zealand, Canberra, March 2011).

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<sup>18</sup> Data provided by Australian Chicken Meat Federation Inc. May 2010

<sup>19</sup> [http://www.foodstandards.gov.au/\\_srcfiles/DAR\\_A583\\_Pork\\_CoOL.pdf](http://www.foodstandards.gov.au/_srcfiles/DAR_A583_Pork_CoOL.pdf)

<sup>20</sup> APL submission to FSANZ February 2008

## *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>21</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 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% 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.

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<sup>21</sup> *ibid*



## **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**

<b>Option</b>	<b>Strengths</b>	<b>Weaknesses</b>
<b>1a Abandon proposal- Status quo</b>	No change.	Some consumer concerns related to country of origin labelling of unpackaged meat will remain.
<b>1b Abandon proposal- Non- regulatory approach Industry prepared CoP</b>	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 Prepare Draft Variation to Standard 1.2.11</b>	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.

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 (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% 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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