# Submission

By

BusinessNZ

to

## Food Standards Australia New Zealand (FSANZ)

on the

# Discussion Paper to inform the development of a Food Standard

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**COUNTRY OF ORIGIN LABELLING – A DISCUSSION PAPER TO INFORM THE DEVELOPMENT OF A FOOD STANDARD**
**SUBMISSION BY BUSINESS NEW ZEALAND[1]**

## 1.0 GENERAL COMMENTS

1.1 Business New Zealand is strongly opposed to any move towards making it mandatory for country of origin labelling standards.

1.2 Business New Zealand sees little benefit in mandatory country of origin labelling standards for specific products.[2] Moreover, Business New Zealand wishes to express its concern that Food Standards Australia New Zealand (FSANZ) continues to push for mandatory country of origin labelling to apply in both Australia and New Zealand. In earlier submissions, the only New Zealand submitters in favour were vocal but politically motivated minority groups.

1.3 Business New Zealand continues to submit that there is no sound case for mandatory country of origin labelling, on the following grounds:

- Mandatory country of origin labelling is unlikely to improve public health and safety beyond what is already provided under existing food safety standards;
- New Zealand already has in place satisfactory regulatory (e.g. food safety) and market-led mechanisms (e.g. the Buy New Zealand Made Campaign) to provide sufficient information to consumers;
- New Zealand already has in place sufficient recourse in the event of conduct that is misleading or deceptive (e.g. the generic Fair Trading Act);
- We can find little evidence of a strong broad-based consumer demand for mandatory country of origin labelling;
- Mandatory country of origin labelling is likely to add unjustifiable costs for many food producers and thereby harm the efficiency and competitiveness of the food industry;

[1] Background information on Business New Zealand is attached as Appendix 2.
[2] Business New Zealand Notes that Benefit cost analysis of Country of Origin Labelling – A Discussion draft for Food Standards Australia New Zealand, by the New Zealand Institute of Economic Research (30th August 2005) states that the benefits of CoOL are negligible (compared to the potential costs). The Executive Summary of the NZIER report as it relates to the Beneftis and Cost of CoOL is attached as Appendix 1.

- Mandatory country of origin labelling is likely to harm New Zealand's international reputation as an advocate of trade liberalisation and opponent of protectionist non-tariff barriers to trade; and

- Mandatory country of origin labelling is likely to be driven by narrow vested interest groups that wish to restrict competition and encourage protectionism for sectoral interests to the determinant of the wider economy.

## 2.0 RECOMMENDATIONS

**Business New Zealand *recommends* that:**

**there should be no mandatory of origin labelling in the Australia New Zealand Food Standards Code.**

### Without prejudice to the above recommendation

**Business New Zealand *recommends* that:**

**in the event that FSANZ proceeds with a trans-Tasman standard for country of origin labelling, the New Zealand Ministerial representative on the Foods Standards Ministerial Council should request that such a standard be required to be returned to FSANZ for review.**

**Business New Zealand *recommends* that:**

**ultimately, in the event of the FSANZ extending country of origin labelling to New Zealand, Business New Zealand would support the invocation of the 'opt out' provisions of the Joint Food Standards Agreement.**

## APPENDIX 1 BENEFITS AND COSTS OF COOL (AS OUTLINED IN THE EXECUTIVE SUMMARY OF THE NZIER PAPER (p. i and ii))

**“Benefits and costs of CoOL**

A cost benefit analysis compares the gains and losses to society at large arising with and without a proposed course of action. The social benefits and costs of he current CoOL proposals rest on the value of information they provide, and any addition of resources used up in providing it. Reviewing the arguments in favour of CoOL in general against the specific characteristics of this proposal, the benefits can be summarised as follows:

- Health and safety benefit: there are no such benefits from CoOL, as these are adequately covered by other regulatory structures already in place;

- Fundamental food system value (e.g. easier product tracking and recall); there are no such benefits from CoOL, as there are other systems in place that already better achieve this (e.g. batch numbers and use-by dates);

- Consumer trust in the food system from information revelation: benefits of this are small to negligible, as if there was an appreciable benefits from Cool, suppliers would be voluntarily applying it more than they do;

- Consumers’ right to know CoO: there is some social value in information, but the extent is unknown and likely to be small, as food retailers and producers in both Australia and New Zealand report that enquires from the public regarding origin of food are too small to register in their enquiry records, indicating there is no large latent demand for such information.

Similarly, the generic costs of CoOL applied to these proposals reduce to:

- Administrative cost for regulatory bodies: because CoOL is not a health and safety issue, food regulators are unlikely to divert much resource into enforcing CoOL, so there is little additional administrative cost, and prosecutions for non-compliance are likely to primarily piggy-back on prosecutions for other infringements, with negligible additional cost.

- Compliance costs for food processors and retailers with responsibility for meeting labelling requirements. These are primarily:

    - Additional costs of changing label design to comply: a once only issue primarily for packaged food suppliers;

    - Enhanced quality assurance on labelling systems to avoid inadvertent non-compliance, with attendant costs of non-compliant product withdrawal and risk of prosecution: low additional cost;

    - Relabelling to comply: a recurring costs for retailers and importers who need to over-label packaged produce in foreign languages;

- Allocative costs from changes in established supply patterns: producers may move to “second choice” ingredient suppliers to avoid costs of CoOL, but this is most likely to affect importers of packaged foods;

- Consumer costs: suppliers will pass additional costs on to consumers in higher prices as much as they can, and there may be reduction in choices if suppliers remove foods from the market because CoOL reduces their profitability (e.g. imported foods, small specialty food lines).

There are other, less tangible costs associated with implementing CoOL. In particular, CoOL creates apparent contradictions with other areas of trade policy, and may adversely affect relations with trading partners and the outcomes of negotiations in international trade. The extent of these different costs and benefits varies with the options considered.”

**APPENDIX 2**

## BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND

Encompassing four regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body. Together with its 57-member Affiliated Industries Group (AIG), which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.

Business New Zealand's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services). It is widely acknowledged that consistent, sustainable growth well in excess of 4% per capita per year would be required to achieve this goal in the medium term.