

Australian Pork Limited

AUSTRALIAN
Pork™

Country of Origin Labelling Review

September 2020

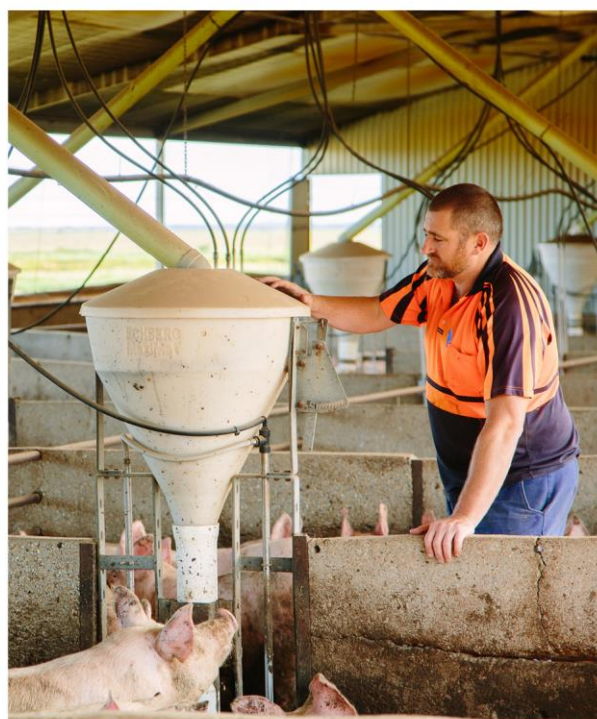
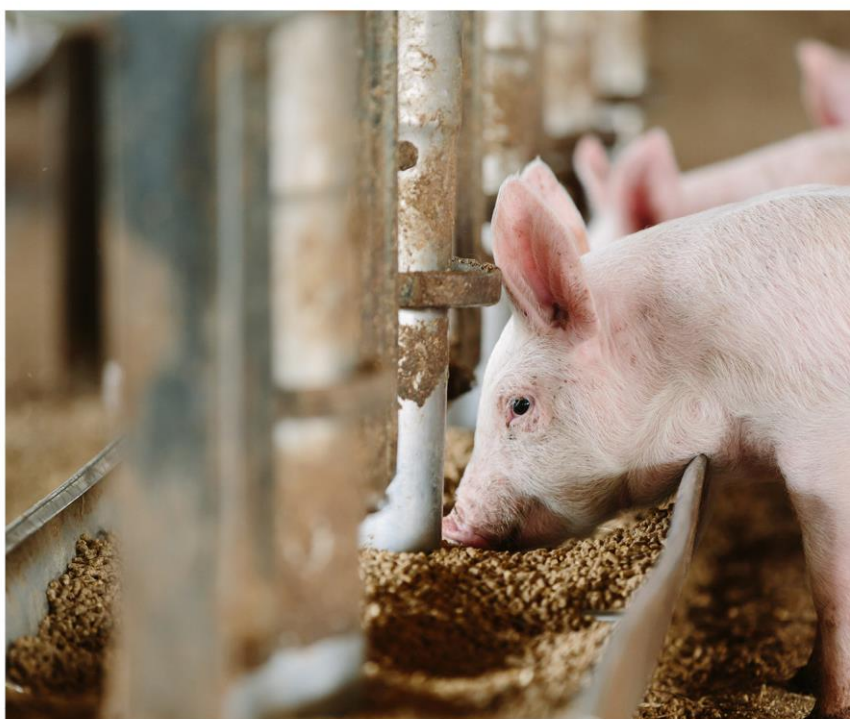


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Executive Summary

Since 1986, food retailers have affixed information about the origin of ingredients on product packaging with varying degrees of clarity and success. As such, the decision to mandate a consistent labelling scheme in Australia has been welcomed by consumers and Australian pork producers alike.

The regime brought about by the *Country of Origin Food Labelling Information Standard 2016* (“the Standard”) was a progressive step to ensure that products were clearly labelled, whether the food was raw, partially, or wholly processed. The Country of Origin Labelling (“CoOL”) policy was a welcome decision for Australian pork producers as an industry that faces significant import competition. The application of the CoOL regime provided literally thousands of grocery packages with a consistent messaging device and, for those consumers aware of how to use it, clear information that not all ham, bacon and smallgoods are made with Australian pork. APL firmly believes that with this important mechanism now in place, additional steps should be taken to build Australians awareness of CoOL and help them interpret the CoOL labelling system.

This submission will explore further opportunities to enhance the CoOL regime, and ways in which government can build on investments made by Australian pork producers to demonstrate how CoOL can be clearly and simply explained to mainstream Australians. Awareness, education, and simplification are APL’s recommended next steps to help Australians understand which foods are imported and how they can check if the product they are purchasing fits into this category. In these times of COVID-19, many Australians claim they are looking to support local businesses, CoOL is an invaluable tool that enables them to do so.

Recommendation 1 - Using mainstream mass-media advertising and education campaigns, such as the APL CoOL Advertising Campaign, inform and educate consumers:

- that they may be inadvertently buying imported goods
- how to look for CoOL and correctly interpret the CoOL labelling system

Recommendation 2 - Mandate the use of CoOL in Quick Service Restaurants (QSR’s) with more than 100 outlets nationwide.

Recommendation 3 - Replace the claim ‘Made in’ with ‘Manufactured in’ to better identify that the CoOL logo refers to the processing of a product, not that the substantial ingredients in the product are Australian.

1. Australian Pork Limited

Australian Pork Limited (“APL”) welcomes the opportunity to make a submission to the ‘Evaluation of Country of Origin Labelling for Food’ discussion paper released by the Department of Industry, Science, Energy and Resources on 31 July 2020

APL is the national representative body for Australian pork producers. APL is a producer-owned not-for-profit company combining effective marketing, impactful research, and proactive policy development to enable a thriving and sustainable Australian pork industry.

2. Contribution of the Pork Industry in Australia

As the most consumed meat globally and the second most consumed meat in Australia, pork is an important part of our diets. Australia’s domestic sow herd numbers approximately 270,000, housed in approximately 4,400 registered sites nationwide. In 2019, the Australian pork industry produced almost 400,000 metric tonnes of pork of which 9% was exported.

The domestic pork industry plays a vital role in contributing to Australia’s food security owing to the restrictions that Australia’s biosecurity laws place on the importation and sale of fresh pork from overseas. All fresh pork consumed in Australia is domestically sourced.

In a typical year, the pork industry, including pig production, primary and secondary processing, and wholesale, contributes \$5.3 billion in gross domestic product to the Australian economy and supports about 36,000 jobs nationally. The industry is largely based in regional Australia, with the largest volume of production sourced from Queensland, Victoria, and South Australia, respectively.

3. Consultation Questions

1. Did the CoOL reforms achieve the objective of improving consumer understanding about the origins of their food?

APL believes that the CoOL reforms have created a strong platform, enabling partial achievement of “improving consumer understanding about the origins of their food”. However, to gain the full benefit of this important tool, further work is required. To date, CoOL has created relatively consistent labelling on many thousands of food packages, showing the portion of the product inside that is Australian. With this important mechanism now in place, additional steps should be taken to build Australians awareness of CoOL and help them interpret CoOL labelling.

When it became clear that there was government funding for on-line communication of CoOL, but not enough for mainstream mass communication, pork producers encouraged APL in May 2018 to invest producer levies in a demonstration of what mass communication about CoOL was capable of. APL undertook consumer messaging research in several phases:

1. 8 Qualitative group discussions in September 2018 (to learn which messages to focus on)
2. 8 Qualitative group discussions in May 2019 (to learn how to explain that some pork is imported and how to explain CoOL labelling simply)

3. 1000 on-line interviews (to understand how to communicate “the majority of ham is made with imported meat”)
4. 402 on-line advertising evaluations (to make sure the actual advertisements are effective)

These research phases repeatedly confirmed that Australians were unaware that the majority of ham (and bacon) are imported. Further, that an effective method to explain this was required before Australians would check packaging for CoOL. 75% of respondents claimed that “the majority of ham is made from imported meat” was new information for them. The research also confirmed that the new cool advertising, developed by APL, was an effective method to explain “how to read” the CoOL labels.

APL then decided to invest in transferring this research to a test market. Adelaide, South Australia (SA), was chosen due to there being more Australian product available, due to a retailer trial. To ensure that communication campaign was noticed by consumers, the investment level was set at around \$7 million (if the trial was rolled out nationally). This brought the total planned APL investment to over \$1 million in the SA market.

The campaign commenced in Adelaide on 9 February 2020. Unfortunately, it was cut short by the outbreak of COVID-19 in the fourth week of March 2020. This meant that the trial conditions would not be replicable, so the trial was halted. However, initial findings from the first six weeks of the trial found that 56% of consumers recognised the campaign, with 72% finding it easy to understand. In addition, whilst shopping habits were atypical in March, April, and May 2020 (due to COVID-19), sales of ham in Adelaide increased by 5.7%-9.7% more in Adelaide than they did nationally.

The combination of CoOL existing on-packs and a demonstrably effective mainstream communication campaign appears to be potent. APL believes there would be significant value generated from further investment into the APL CoOL advertising campaign and encourages government to co-invest in this “ready-to-go” CoOL education campaign. APL estimates that this would constitute a \$5-6 million investment from government.

2. Has consumer demand for origin information changed since the introduction of the reforms?

APL has no evidence that demand for origin information is materially higher or lower nationally in 2020 than in was in July 2018 when CoOL became mandatory. However, there is still clear evidence that the green and gold kangaroo logo is associated with Australian products by 94% of Australian consumers, and 91-92% of these consumers would prefer to buy Australian, all other things being equal.

3. Is the current scope of mandatory CoOL appropriate? Should the exemption for food service be maintained?

Significant volumes of pork products are sold into food service, whether takeaway, casual dining, or high-end restaurants. Whilst many food service businesses promote provenance and country of origin where there is a positive story, many will not seek to voluntarily advise their customers of the country of origin of all foods, and particularly where there is a not a marketable interest in doing so.

APL acknowledges that CoOL for all restaurants may be impractical to implement. Many outlets are small businesses that may have changeable supplies and frequent menu changes making it difficult to accurately label their products. Mandating CoOL for food service in this way may have unintended consequences for consumer trust and understanding. However, APL believes that CoOL for Quick Service Restaurants (QSRs) would provide a benefit for the consumer, whilst having a negligible regulatory effect on these businesses. The decision by McDonalds and Dominos to undertake CoOL in a voluntary capacity supports the view that it is possible for QSR businesses to make these changes. Mandating this policy for other QSRs with over 100 outlets nationally would ensure that consumers are afforded full information, beyond the marketability of the voluntary CoOL for products that the QSR considers favourable.

It also appears wise to increase the leverage of existing labelling, to demonstrate improved understanding by consumers before significant extension of the scheme is developed, noting that changes to habitual behaviour often take repeated communication over a number of years.

4. Do the criteria for making a 'Made in' claim reflect consumer perceptions and expectations?

The Country of Origin Food Labelling Information Standard ("The Standard") describes how a 'Made in' claim can be used. The Standard says:

"Any food that can be described as grown or produced in a country can also be described as made in that country. A food can be described as made in a country if it was last substantially transformed into the final food through one or more processes that occurred in that country."

The 'Made in' claim therefore has two very different, and contradictory functions.

Figure 1 is an indication of how ham products are displayed on a packet. Both labels show the words, Australian made, Australian ingredients and show the green and gold kangaroo.

Figure 1- Comparison of 'Made In' claims



In combination with a panel of experts, Dr Neal Blewett AC was commissioned by government to deliver a comprehensive independent review of food labelling law and policy. The Blewett Report found a particular sensitivity with 'Made in' claims, and consumer understanding of the manufacturing process. Quoting a Newspoll survey from 2010, the report highlighted,

“..not only the general confusion in relation to these definitions but [demonstrates] misinterpretation of the terms. The survey reported that 63% of respondents incorrectly identified the originating source of a product where the term ‘Made in Australia’ was used.”¹

The term “Made in Australia” can have multiple possible meanings, it is recommended that the term be replaced by the more specific “Manufactured in”.

5. Does use of the Australian Made logo and bar chart reflect consumer perceptions and expectations?

To answer this question, it is helpful to understand three elements:

1. The background to the genesis of the CoOL regime that eventually informed the Standard, which is largely legal in nature.
2. The latest research APL has on what Australians believe the Australian Made logo means
3. The principles behind Nobel Prize for Economics work “Thinking Fast and Slow”, which blends cognitive psychology and behavioural economics

1. The genesis of the CoOL regime

Policy discussions preceding the regime showed universal concern that confusion and mistrust of the origins of food were perpetuating. The Blewett Report emphasised the importance of labelling food in a way that is understood by consumers. It noted,

“As food is ingested and taken into ourselves, unlike most other consumer goods that are just used, naturally consumers are primarily focused on the components and ingredients of foods and not with their substantial transformation, packaging or value adding. The confusion is compounded by the ‘Australian owned’ claim and by a flood of ‘Australian Made’ logos.”²

At the time of legislating a CoOL regime in the Australian Consumer Law, there was significant debate in the Australian Parliament. One of the Bills put before the Australian Senate proposed, in its explanatory memorandum:

“...packaged food that is substantial transformed in Australia...[and] where at least 50% of the cost of that transformation is incurred in Australia, must be labelled with “Manufactured in Australia” or “Australian Manufactured”. This replaces the current “Made in Australia” claim with a new term “Manufactured in Australia”, which is a more commonly understood term and is **not conflated in a way that conveys the origin of the food ingredients.**

This item effectively removes the ability to make qualified claims such as “Made in Australia from local and imported ingredients”. (*emphasis added*)

¹ Department of Health, *Labelling Logic: Review of Food Labelling Law and Policy*, Canberra, 2011, 109.

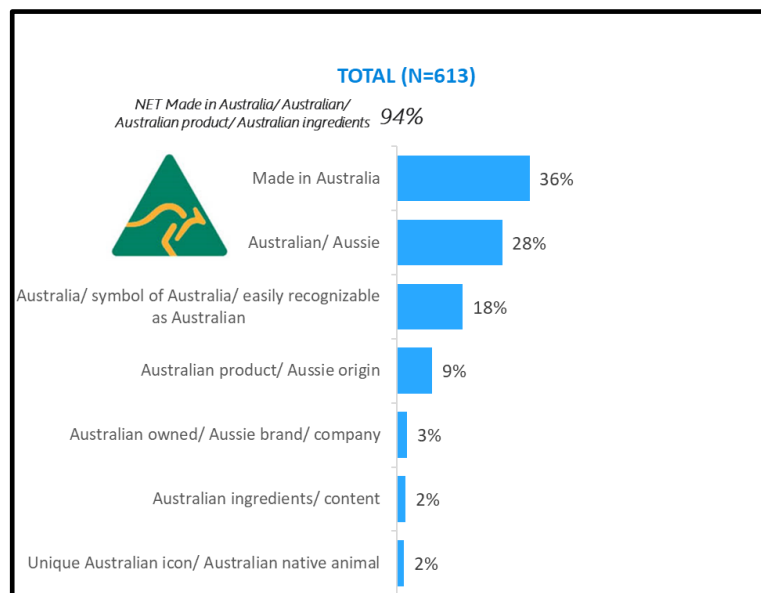
² Ibid, 110.

“...This reflects consumer research that demonstrates that consumers find the words “Made in Australia” confusing and think it refers to the origin of the content that is additional to local manufacture. “Manufactured” is a more clearly understood term that removes this confusion.”³

APL supports replacing the claim ‘Made in’ with ‘Manufactured in’ to better identify the actual processing of the goods and reduce the risk of consumers assuming ‘Made in’ to mean the substantial ingredients of the product is Australian.

2. The latest research APL has on what Australians believe the Australian Made logo means

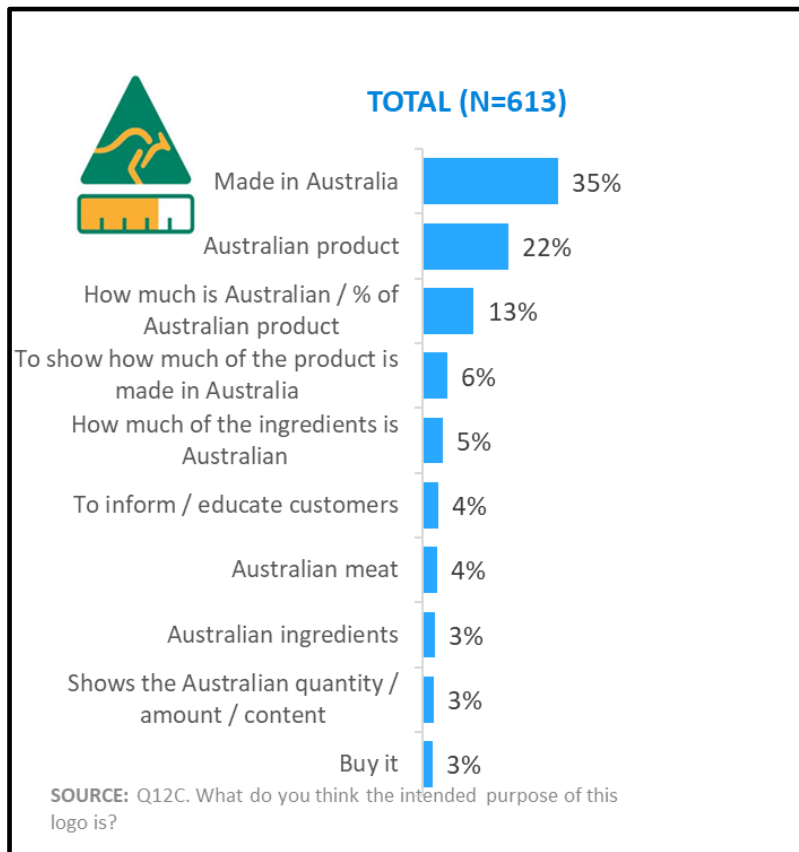
Figure 2- What Australians “think the Kangaroo means”



This research, conducted in February 2020 in South Australia, highlighted that whilst the Kangaroo symbol is almost universally understood as signifying “Australian” the understanding of the combined Kangaroo and Bar-chart logo below, is less single-minded.

³ Explanatory Memorandum, Competition and Consumer Amendment (Australian Country of Origin Food Labelling) Bill 2015 (Cth), 2.

Figure 3- What Australians “think the intended purpose of this logo is”



This combination being less single-minded again suggests that the solid base that has been created that is capable of further leverage and clearer consumer understanding.

3. The principles behind Nobel Prize for Economics winner Dr. Daniel Kahneman's book “Thinking Fast and Slow” which blends cognitive psychology and behavioural economics.

This work explains how two systems of apparent thought in your brain are constantly fighting over control of your behaviour and actions. It also outlines many ways in which this battle leads to errors in memory, judgment, and decisions. The essence of the book is that we all have two systems for thinking, one based on learned responses (system 1) which means there is almost no thought required to buy the same pack of ham as you bought last week if it met your needs last week. System 2 is conscious thought and problem solving. Humans assume most of their decisions are made in system 2, but the reality is the opposite, system 1 dominates.

The human brain is efficient at consciously thinking only when absolutely required for good reasons. For example, in a normal grocery shop an Australian might buy fifty items. If the person rationally considers 3 alternatives for each of the 50 items, evaluating them on 3 criteria each, they need to make 500 judgements. At 30 seconds per judgment that's 4 hours and ten minutes to complete a grocery shop. The average shop is less than a quarter of that. We use automated (system 1) responses most of the time to save time in familiar circumstances.

Generally new information or a changed situation is required to prompt rational, active thinking, (system 2). This logic again provides another supporting reason to upweight mainstream consumer education as recommended.

6. Have communication activities and online resources been effective in raising consumer awareness of the CoOL reforms and helping consumers to understand CoOL information?

APL has research-based evidence that there are opportunities to heighten consumer understanding and awareness of CoOL and have invested Australian pork producer funds to add to the toolkit to assist in this regard.

7. Have communication activities and online resources been effective in supporting businesses to understand, implement and manage CoOL requirements?

Clearly larger businesses with either internal or out-sourced legal advice appear to have worked through the CoOL requirements reasonably successfully, with minor exceptions.

Small businesses, with limited resources, represent the same opportunity as outlined for consumers. There is a solid base on which to build more mainstream communication.

8. Have food and beverage producers benefited from the increased provision of information to consumers?

APL has no evidence that pork producers or other food and Beverage producers have benefited from the increased provision of information to consumers.

9. Did the CoOL reforms have any unintended consequences for particular products, including non-food products? What action, if any, was taken to address the impacts of the CoOL reforms on those that were negatively affected?

Ham, bacon, and smallgoods are a relatively unique category of food, in that they contain significant levels of imported product, but are manufactured in Australia. APL supports replacing the claim 'Made in' with 'Manufactured in' to better identify the actual processing of the goods and reduce the risk of consumers assuming 'Made in' to mean the substantial ingredients of the product is Australian.

4. Testimonials

APL has received comments since CoOL was introduced regarding understanding. The below examples highlight the nature of some of the confusions that remain an opportunity for further educative communication.

(i) Example 1 – regional NSW customer

“I went to the deli section at Woolworths in Tahmoor NSW to purchase ham. I selected one and realised after that although the labelling appeared to show it was made in Australia, it was in fact made from only 10% Australian ingredients. The label stated, “Made in Australia”, then in much smaller font “from 10% Australian ingredients” – was that the water? The new Made in Australia symbol was also on the label, but so small it was impossible to see the bar graph at the bottom indicating the percentage of Australian product. Fortunately, I saw this in time and asked the Woolworths employee to put it back and swap it for something that was 97% Australian. Whilst we waited, we found a number of labels that were similar.”

(ii) Example 2 – agricultural producer educated on supply chains

“3 things gave the impression of being Australian on the front packaging

- 100% Australian Owned (and I’m sure it is)
- Smoked with AUSTRALIAN HARDWOOD (look how prevalent the writing is here)
- Made in Australia – (with the GREEN KANGAROO)



(iii) Example 3 – ABC news article: posted Thursday 2 August 2018

The "Australian ingredients" in your packaged pork might just be smoke and water, Tasmanian butchers have warned amid concerns new labelling laws are not clear enough.



(i) Example 4 – Focus groups

When presented with three ham products (one local, and two imported), consumers felt there was an opportunity for increased awareness and understanding. They also felt that the CoOL label is too small, and the kangaroo should not be used for products where the majority of ingredients are not Australian. It is also common that products with low amounts of Australian content will often place the CoOL logos on the reverse of the packet.



