



1 August 2018

Hon David Bennett, MP
The Chair
Primary Production Select Committee
Parliament House
WELLINGTON 6140

Email: select.committees@parliament.govt.nz

Dear Hon David Bennett, MP

Attached are the comments that the New Zealand Food & Grocery Council wishes to present on the *Consumers' Right to Know (Country of Origin of Food) Bill: Interim Report of the Primary Production Committee*.

Yours sincerely

Katherine Rich
Chief Executive



Consumers' Right to Know (Country of Origin of Food) Bill: Interim Report of the Primary Production Committee

Submission by the New Zealand Food & Grocery Council

1 August 2018

NEW ZEALAND FOOD & GROCERY COUNCIL

1. The New Zealand Food & Grocery Council (“NZFGC”) welcomes the opportunity to comment on the ***Consumers’ Right to Know (Country of Origin of Food) Bill: Interim Report of the Primary Production Committee.***
2. NZFGC represents the major manufacturers and suppliers of food, beverage and grocery products in New Zealand. This sector generates over \$34 billion in the New Zealand domestic retail food, beverage and grocery products market, and over \$31 billion in export revenue from exports to 195 countries – some 72% of total merchandise exports. Food and beverage manufacturing is the largest manufacturing sector in New Zealand, representing 44% of total manufacturing income.

COMMENTS

3. NZFGC remains a strong supporter of voluntary country of origin labelling for fresh produce. We worked with RetailNZ and the supermarket chains over a decade ago to achieve the voluntary fruit and vegetable labelling that we are all accustomed to seeing in the fresh produce aisles of supermarkets. This covers around 70-80% of fresh fruit and vegetables sold in New Zealand. Consumers who choose to shop at farmers markets or the local fruiterer’s then accept the patchy coverage of country of origin or its absence entirely for other, higher values such as location, culture or cost.
4. NZFGC recognises that some consumers do not see country of origin in their local, small retail outlet or perhaps in their local fish and chip shop and for fresh products, this is likely to be areas of largest impact. NZFGC therefore supports the changes proposed to the scope of fresh products to be covered by a standard under the *Fair Trading Act 1986* but this support is conditional on addressing the costs that some sectors and small businesses will face on implementation as we set out below.

Scope of mandated system

5. NZFGC does not support the inclusion of frozen products since this is where the bulk of the regulatory costs will land under the proposed recommendations.
6. By the scope being clear that ‘only one type of fresh ... fruit, vegetable, meat, fish or seafood’ that was packaged or unpackaged’, the key areas for interpretation would be around ‘minimal processing’ and whether a plant product was a fruit or vegetable. An example of the latter might be lemon grass or chives which are treated as herbs but about which disputes might ensue.
7. By including the examples of what minimally processed means (‘being cut, minced, filleted or surface treated’), measurement of ingredients and overlap or conflict with the provisions of the Australia New Zealand Food Standards Code is avoided.
8. We are particularly pleased to know that a range of other single ingredient foods are excluded such as sugar, coffee, tea, eggs and flour and that dairy products are outside the scope proposed for recommendation. As NZFGC indicated in 2017, the complexities that the inclusion of such products entailed would have otherwise seen a chaotic, costly and consumer impactful situation result. We are pleased this has been avoided and that common sense has prevailed.

Exemption provision

9. The exemption provision that allows certain foods to be exempted from the scope of the foods covered by the proposed standard is a useful provision to include in a mandated

system, to cover products unexpectedly captured or unforeseen at the time of implementation. NZFGC supports the inclusion of such a provision but with amendment.

10. We believe that greater definition is needed around the criteria for exclusion.
11. It would be important for some measure of what 'unduly onerous' might mean for a food since an industry view of 'onerous' might not align with a Minister's view of 'onerous'. It is possible the body of New Zealand legislation might contain some more precise wording or supplementary provisions as to the basis for judging undue onus. We recommend factors be included as to the scope of undue onus.
12. Similarly, on what basis would a judgement be made about helping consumers make informed decisions as to origin? We wonder if, for example, this would be intended to cover New Zealand native foods which could be well known to consumers or, if not known, their marketing makes clear in order to develop a market. In this case the basis would be 'the origin of the food is understood by consumers [to be of New Zealand origin] as evidenced by a representative survey'. Even this carries with it inherent uncertainties since various species of plants are found across the Pacific. Greater thought needs to be applied to clarifying this exemption.

Costs of labelling

13. All banners (differently branded retail stores) from the two largest supermarket chains in New Zealand, Countdown (Woolworths NZ) and Foodstuffs NZ, have been labelling fruit and vegetables with country of origin for several years. This includes the Pak'nSave, New World, Four Square, Countdown, Fresh Choice and SuperValue stores. NZFGC represents suppliers to supermarkets and not supermarkets themselves so comments on additional costs from a supermarket perspective would be a matter for them.
14. The key area of cost for our membership is related to packaged and frozen products. Frozen products, by their nature have a significantly longer shelf life than fresh produce whether packaged or unpackaged. We suggest two options be considered for addressing these areas:

Option One – Exclude frozen

15. Just as fresh fruit and vegetable labelling with country of origin was preceded by a significant period of voluntary labelling, we recommend that there be an extended period (five years) of voluntary labelling of frozen products within the same scope (fruit, vegetable, meat, fish or seafood) with country or origin and an assessment of coverage at the end of that period as to whether mandatory labelling was necessary.
16. Voluntary country of origin labelling is already undertaken by some manufacturers of these frozen products and a voluntary period for other manufacturers to include such labelling addresses consumer needs over time and costs.

Option Two – Sequence transition

17. A significant cost of the recommended legislative provisions is in the area of mainly domestic production where origin has not necessarily been a significant consumer issue or the product range has not warranted origin statements in the past because consumers have not sought it.
18. The most significantly affected product is chicken. Fresh or frozen chicken is domestically produced because of biosecurity restrictions (imported cooked chicken would be excluded in any case) so consumers should be aware that the origin is New Zealand. For this reason, chicken manufacturers have not necessarily included origin statements on the label of

packaged fresh or frozen chicken other than through the inferred origin associated with the manufacturer details. Over the decades when CoOL has been publically debated, NZFGC has never seen chicken listed as one of the concerning product categories.

19. The issue arises only for packaged fresh or frozen chicken. Two options might be considered to reduce costs:
- having a longer transition period for packaged chicken of five years; or
 - accepting the statement as to manufacturer of fresh or frozen chicken is an acceptable substitute for origin.
20. Incorporating the above into a sequence of transitional arrangements for mandated labelling, costs will be smoothed.
21. A sequence of transition is very familiar in the food industry since the implementation of the entire *Food Act 2014* was sequenced over a five year period. We recommend the following sequence:

| Product | Transition period |
|---|---|
| Fruit and vegetable – fresh | Six months |
| Meat (excluding chicken), fish or seafood | Twelve months |
| Chicken fresh | Two years |
| Frozen products (except chicken) | Five years |
| Frozen chicken | Voluntary to be reviewed after five years |

Wording as to origin

22. In relation to the wording of the country of origin, flexibility will also minimise costs while allowing for accommodation in sourcing of ingredients.
23. Variability in sourcing products is a reality in New Zealand as seasonality is more distinct than in countries where size and geography provides for extended seasons across the country. This does not present the same complexities for fresh produce as for packaged products although fresh products face issues where product is sourced from two countries but are sold together because of space and other constraints eg bananas.
24. The realities of seasonality have plagued the Australian system but workarounds for New Zealand could be developed in the wording. New Zealand currently has a significant advantage over Australian produce because we have not mandated country of origin. We would want this advantage preserved to the greatest extent possible and, other than continuing with a voluntary system, flexibility in wording can greatly assist in competitive advantage. NZFGC requests involvement in the development of wording for any mandated country of origin labelling system for food.