



# ACCI POLICY STATEMENT

## FOOD POLICY

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The increasing globalisation and vertical integration of the food manufacturing sector has exerted pressure on Australian food businesses.<sup>1</sup> To be competitive in a global market this industry has become one of the world's most efficient producers of food.

To maintain this position and indeed expand, Australia's food manufacturing sector needs a competitive industry framework and policy certainty to facilitate the necessary investment decisions that will foster future growth. ACCI believes that trade liberalisation, the removal of non-tariff barriers and ongoing competition policy reform must continue, not just here in Australia but in the rest of the world, if the benefits for the food industry and ultimately consumers are to be maximised.

The foodservice sector is also of vital importance to the Australian economy, representing almost half of all Australian retail spending.<sup>2</sup> Similar to the food industry, the foodservice sector requires a competitive industry framework and policy certainty to facilitate the necessary investment decisions that will foster future growth.

Domestically, food policy and regulation as applicable to the food manufacturing sector and foodservice sector ("the food industry") must be guided by sound science-based decision making and risk assessment. Food legislation should be nationally consistent and focused on protecting human health and public safety. While the protection of human health and safety should be the motivating force for regulation of the food industry, it must be recognised that overly prescriptive regulatory arrangements can increase compliance costs for business and can act as a disincentive to investment and innovation.

Finally, it is not the role of the food regulator to educate consumers about the nutritional aspects of food or diet. These issues are complex, multifaceted and are better addressed, where appropriate, by health departments through other mechanisms, including public health education initiatives.

### PRINCIPLES OF FOOD POLICY

Business:

- expects a food regulatory system that focuses on protecting human health and safety but which does not act as a disincentive to food industry growth and investment;
- calls on State, Territory and the Commonwealth governments to consolidate responsibility for food regulation and policy development in a single Commonwealth Department (where this Minister maintains executive responsibility for the operation of FSANZ) and single Departments at a State and Territory level to encourage a more streamlined food regulatory environment so that the food industry is not burdened with duplication, inconsistencies and competing aims;
- considers that a single Commonwealth Department has a strategic national role to play in the development of food regulation and policy settings, while the role of single Departments at a state and territory level should be to deliver nationally agreed standards and uniform food safety enforcement;
- recognises that to flourish in a global market place, Australia needs an outward looking food industry that is able to take advantage of global growth opportunities and is focused on high value added product;

- is committed to develop the human capital of the food industry including through research, education and training;
- supports the application of the principles of sustainable development to the food manufacturing industry. Environmentally sound technologies that are clean, efficient and sustainable should be utilised wherever appropriate; and
- recognises that innovation and the implementation of new technologies by the food industry will improve competitiveness.

## **POLICY OBJECTIVES**

The overarching objective of ACCI's food policy is to foster a vibrant, competitive, innovative food sector in Australia that capitalises on Australia's strengths including its natural assets, well-trained workforce and strong capabilities in research and development.

With faster transport and better communications, Australia is no longer so distant to major overseas markets. While the backbone of the agrifood industry sector is our commodity exports (grains, meat and dairy products) recent trends show that exports into a broader range of markets of processed food and beverages is becoming increasingly important.

Australia's food industry is extremely broad based, characterised by large diversity both in the size of businesses, products and degrees of value adding.

The food manufacturing sector is also a global industry and there is significant ownership by international companies of many Australian food businesses. There is also a thriving sector of locally-owned small and medium sized businesses that are increasingly exploiting export opportunities.

The diverse nature of the food manufacturing sector means that while there will be common issues affecting the industry, there will also be specific issues to the various sub sectors. ACCI believes that there are a number of fundamental objectives for any food industry policy, chief among them is the promotion of a regulatory environment that encourages innovation in the food manufacturing sector and therefore export opportunities for high value added products.

Such a focus should capitalise on Australia's strengths: a wide variety of food produce; a long growing season; freedom from diseases; well developed technological capabilities; and skilled workers.

The integration of food industry policy with regional development goals is also an extremely important element. The food industry is one of Australia's most significant employers in regional and rural Australia. ACCI believes that any food policy must encourage the promotion of increasing employment and business opportunities in regional Australia as a means of developing and maintaining a prosperous non-urban Australia.

## **THE POLICY FRAMEWORK**

### **Compliance and Regulatory Regime**

Australia has a well-deserved reputation for safe food. Consumers demand and have a right to expect that their health and safety be protected. The food industry responds by ensuring a high quality product is available for consumers. This is achieved through the food industry constantly employing the latest in technological advances and manufacturing practices to deliver quality and safety throughout the food chain. The food industry recognises that its profitability is intrinsically linked to food products that meet the necessary safety standards.

The food industry supports appropriate food regulation. It provides business with a level playing field, minimises anti-competitive behaviour and prevents false and misleading advertising. The consequences of the failure of food regulation to protect human health and safety can be devastating to the community, to individual businesses and to a nation's

reputation as a food producer and exporter.

Recent regulatory reviews have demonstrated that although some streamlining of food regulation has occurred, the food industry remains stymied by a cumbersome, complex and inefficient regulatory system.

Responsibility for food regulation and policy development remains divided between Departments of Health and Agriculture at the State, Territory and Commonwealth levels. To address this division, which greatly increases complexities and inefficiencies in the system, responsibility for food regulation should be consolidated in a single Commonwealth Department and single State and Territory Departments as a matter of priority.

The single Commonwealth Department would hold responsibility for national development of food regulation and policy settings, whilst the State and Territory Departments would deliver nationally agreed standards and uniform food safety enforcement. Executive responsibility for FSANZ would be exercised by the relevant Commonwealth Minister. This would greatly reduce existing overlaps and regulatory burdens in the sector.

Costs to business from regulatory imposts can be a major disincentive, especially to small businesses and exporters.

The streamlining of the regulatory framework and reform are important criteria for an efficient food industry and to encourage innovation. ACCI supports a transparent system to protect public health and safety, however it believes that public health and safety is best achieved through an outcomes-based approach rather than prescriptive measures.

A food regulatory system whose approach is a preventative risk-based one that will minimise regulatory costs for the food industry and government and which moves toward greater food industry self-regulation should be the goal for governments and the food industry.

The food industry including a dedicated small business representative, should be well represented on the board of the food regulator and have opportunities for input into regulatory policy development, standards development and in the implementation of the regulations.

To facilitate improved consultation with stakeholders ACCI considers that a Stakeholder Consultative Council should be established which:

- oversees the need for stakeholder consultation;
- determines the appropriate method of consultation;
- coordinates representative groups comments; and
- reports directly to the Ministerial Council and single Commonwealth Agency on the outcomes of the consultation process.

Such a Council is already provided for in the Food Regulation Agreement 6 December 2002.

The Council would be a coordinating body to determine when consultation is necessary and the most appropriate way in which to reach stakeholders. The Council would be an initial step to disseminating information to the food sector. Its role, however, principally would be as a body coordinating consultation mechanisms and providing input and viewpoints to other decision-making agencies.

Representation on this Council does not need to include representatives from all stakeholders, as all stakeholders will have the opportunity to provide their comments during the consultation processes. This may include more structured input through industry representative bodies. Representation on the Council should be limited, perhaps to 9 people, and could be comprised of:

- Five Industry representatives appointed by industry (3 Australian and 2 New Zealand);
- Two Consumer representatives;
- Two Commonwealth Agency representatives.

Combined with an Australian Government secretariat, this Council would provide a balanced and constructive approach to stakeholder consultation.

Overall, there is a pressing need for another wide-ranging review into the food regulatory system as indicated in Rethinking Regulation to follow on from the 1998 Blair Review.

### **Joint Food Standards Code**

Australia and New Zealand have a cooperative food standards system to implement uniform food standards.

Under the code, the food industry has to provide information about its products regarding nutritional status, ingredient listing, and genetically modified status to assist consumers to make informed choices.

ACCI supports the outcomes focus of the Joint Code and the removal of prescriptive measures that discourage innovation. However, the requirement for information must be in the context that it is meaningful for consumers while not imposing onerous conditions on manufacturers.

ACCI believes it is vitally important that appropriate consultation structures are put in place that recognise that the food industry is a key stakeholder in regulatory and policy developments, along with governments and the community. There should be a cooperative approach to the development and implementation of regulatory or policy changes.

### **Labelling**

ACCI supports the labelling of products that is accurate, truthful and provides consumers with confidence in making decisions. It provides an important role in providing information to consumers. However, the challenge in labelling is to find a balance between providing sufficient information to consumers whilst minimising the regulatory burden on the food manufacturing sector.

It is paramount that any proposed labelling changes are subject to a Regulatory Impact Statement including a full cost benefit analysis to ensure that the costs to the food manufacturing sector are minimised and that where appropriate a flexible approach is adopted by the regulators to allow the food manufacturing sector to meet requirements in a number of ways.

Country of origin labelling is an issue for the food manufacturing sector. ACCI advocates consistency between the treatment of country of origin claims by the food regulator under the Joint Food Standards Code and by the Australian Competition and Consumer Commission under the *Trade Practices Act 1974*.

ACCI believes the foodservice sector should continue to be expressly excluded from all labelling requirements.

### **Genetically Modified Foods**

In July 2000, Health Ministers agreed to label food containing genetically modified organisms (GMOs). Their decision was based on the desire to address perceived health and safety issues. At the time there was significant distrust of genetically modified foods and their impact on human health. This view was not assisted by the misinformation that characterised the debate. Since then, there has been better public information about what is occurring in the genetic modification process and the debate about GMO modified food has improved.

Food manufacturers are required to take all reasonable steps to determine from their suppliers whether their food or ingredients contain GMOs and to label packaged food appropriately. Consumers will have access to more information about the food they eat and be able to decide whether to consume a processed food that contains GMOs.

ACCI acknowledges that there are exemptions for GMO labelling including: highly refined foods where the refining process is likely to have removed the novel DNA; processing aids or food additives, except where it remains in the final food; and flavours where their presence in the food is less than 1 gram per kg.

However, labelling presents problems for industry especially where both genetically modified crops and non-genetically modified crops are grown. ACCI advocates a sensible workable approach to the labelling issue based on food manufacturers demonstrating due diligence in determining GMO status. We do not believe that a prescriptive regime based on constant testing is going to provide any further confidence for consumers, but it will mean significant costs to business if this approach is pursued. Ultimately those costs will be passed onto consumers.

ACCI supports a risk-based management approach to ensuring that GMOs are fully tested in a rigorous scientific manner prior to them becoming available for food manufacture. This we believe provides the best insurance for the safety of GMOs in the market place.

## Innovation

Australia spends significant resources on food-related research and the high quality of our research is internationally recognised. Public support for innovation in the food sector provides a competitive edge for Australian food exports. All State and Territory governments provide assistance with marketing and trade-related services to assist businesses find new markets overseas.

However, a significant proportion of this research funding goes toward commodity research and while there is no doubt that commodities are the mainstay of the food industry sector, exports from the manufactured foods sector are increasing rapidly.

Innovation is the cornerstone to building Australia's food industry. This has already been demonstrated in agricultural commodities with Australia's farmers amongst the most efficient and innovative in the world. ACCI believes that to ensure the continual growth of Australia's food industry, innovation is a key element for success. A strong focus for encouraging innovation in the processed food sector is warranted. Whilst the development of the National Food Industry Strategy under the generic innovation programs was a key step in this direction increased focus and support should be provided to small businesses which comprise the bulk of food businesses. Encouraging innovation in the foodservice sector must also form a focus of any revised National Food Industry Strategy.

## Education and Training

An important part of a competitive and innovative food industry is a skilled workforce and its ability to demonstrate leadership in such areas as manufacturing processes, nutritional, food presentation and foodservice issues. To sustain growth and innovation, there is an ongoing need to attract quality graduates to the food industry and ensure that tertiary and trade courses offer the skills required by the food industry and satisfaction for the students. ACCI supports a strong commitment to training people for the food industry as well as ongoing training to continue to drive the food industry forward.

## Globalisation

The trend toward globalisation is very evident in the food industry. Many of Australia's largest food companies are foreign owned and vertical integration from production to presentation is increasing. Global companies bring significant benefits to Australian industry, including leading edge technologies and practices, international networks and markets as well as providing career and employment opportunities for local employees.

However, there is also a vibrant domestic food industry sector that is built upon high value adding of local products. The globalisation of the food industry affects food processors in a number of ways. Globalisation includes the development of global sourcing and supply chains, an increased focus on consumer values and brands, contract manufacturing and increased competition from global players. In particular, the emergence of global retail chains will most likely change the structure and operation of the food industry over the next five to ten years. The long term viability of the Australian food industry will depend on its ability to capture a part of these emerging opportunities.

## Sustainable Development

The agricultural and arable lands of Australia underpin the productiveness of the food industry and their conservation from threats such as salinity and erosion is a key priority for governments and the community. Similarly with the protection of Australia's fish stocks and other natural resources. Without this conservation, Australia's ability to sustain food production would be severely compromised.

ACCI recognises that industry has a vital role to play in conserving the natural resources on which food industry products are derived. ACCI also supports government, the community and industry working closely to address those urgent environmental problems, which threaten agricultural ecosystems.

The use of water, fertilisers, herbicides and pesticides are all significant factors in agricultural production, as is the use of genetically modified crops that confer particular advantages such as pest and herbicide resistance.

ACCI supports the sustainable use of these inputs as well as agricultural practices that minimise environmental impacts. We note the potential for Australia's food industry to capitalise on a 'clean and green' image in the export of food produce to the rest of the world and in the provision of such produce domestically through the foodservice sector.

### Endnotes:

- <sup>1</sup> The Australian food processing industry for 2002-2003, recorded total sales and service income for food and beverages of \$65.8 billion. The value of Australian food exports in 2003-04 was \$22.3 billion, virtually unchanged from 2002-2003. While the value of food imports totalled \$5.8 billion, Australia maintained its position as a net exporter of food with a surplus of exports over imports of \$16.5 billion.
- <sup>2</sup> In 2003-04 total retail food and liquor turnover was \$88.7 billion, representing around 46 per cent of total Australian retail spending.

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