

12 December 2007  
[8-07]

## **INITIAL ASSESSMENT REPORT**

### **APPLICATION A583**

## **COUNTRY OF ORIGIN LABELLING REQUIREMENTS FOR UNPACKAGED PORK PRODUCTS**

**DEADLINE FOR PUBLIC SUBMISSIONS: 6pm (Canberra time) 6 February 2008**  
**SUBMISSIONS RECEIVED AFTER THIS DEADLINE  
WILL NOT BE CONSIDERED**

*(See 'Invitation for Public Submissions' for details)*

For Information on matters relating to this Assessment Report or the assessment process generally, please refer to <http://www.foodstandards.gov.au/standardsdevelopment/>

## **Executive Summary**

On 8 December 2005, a new country of origin labelling (CoOL) Standard (Standard 1.2.11) was gazetted as part of the *Australia New Zealand Food Standards Code* (the Code). This Standard applies in Australia only. Among other things, the Standard mandates that certain unpackaged pork products must contain a country of origin statement (from 8 December 2006). In particular, the following types of pork must display a country of origin label when sold unpackaged:

- fresh pork, whole or cut, except where the product has been mixed with other food not regulated by the country of origin standard; and
- pork, whole or cut, that has been preserved by curing, drying, smoking or by other means, except where that product has been mixed with food not regulated by the country of origin standard (other than those foods used in the preserving).

Any of the types of pork detailed above must have a label on, or in connection with, the display of the food that:

- identifies the country or countries of origin of the food; or
- contains a statement indicating that the foods are a mix of local and/or imported foods as the case may be.

In April 2006, FSANZ received an Application from the Australian Meat Industry Council seeking to amend the Standard to remove the CoOL requirement for unpackaged pork, whole or cut, that has been preserved by curing, drying, smoking or by other means (also referred to in this Initial Assessment Report as 'processed pork products'). The Applicant does not seek to remove the requirements for labelling of unpackaged fresh pork.

In accordance with the *Food Standards Australia New Zealand Act 1991* (FSANZ Act), FSANZ is required to prepare an Initial Assessment Report. Should the Initial Assessment not support the removal of CoOL requirements from unpackaged processed pork products, then FSANZ will present the rationale for this outcome in the Draft Assessment Report.

In order to undertake the Initial Assessment, FSANZ needed to assess the evidence that investigates consumers' understanding of CoOL requirements and their ability to make informed decisions when purchasing processed pork products. Further, the data available on the cost savings to the post-farm gate pork industry that may result from changes in the labelling requirements, and on the current labelling of pork products sold to the public will be considered when making an assessment. Finally, data on the country of origin of processed pork products currently available in the marketplace and any relevant material available on the nature of the processed pork product supply chain will form part of the evidence base.

Should the initial process indicate that further data is needed to complete the Draft Assessment, FSANZ will undertake a benefit-cost analysis of removing CoOL requirements for processed pork and additional consumer research that specifically investigates the value Australian consumers place on CoOL of pork.

In order to support an amendment of labelling requirements for unpackaged pork products there must be a clear direct or indirect benefit and this benefit must outweigh the costs, in particular regarding consumers' ability to make informed choices. In addition, it must be clear that removing the labelling requirements actually addresses the issue and that no other non-regulatory measures are in place that prevent any potential benefit from being realised.

### **Purpose**

The purpose of the Application is to amend Standard 1.2.11 – Country of Origin Requirements to remove country of origin labelling requirement for unpackaged pork, whole or cut, that has been preserved by curing, drying, smoking or by other means (processed pork products).

### **Reasons for Assessment**

After considering the matters for Initial Assessment as prescribed in subsection 13(2) of the FSANZ Act, FSANZ has decided to accept the Application because there are no other measures than a variation to the Code that could achieve the same end.

### **Regulatory Options**

FSANZ has identified two options that are available for proceeding with assessment of Application A583:

#### ***Option one – Maintain the status quo***

Under this option, the *status quo* would be maintained by not amending the Code to change the CoOL requirements for processed pork products.

#### ***Option two – Remove the requirement for unpackaged processed pork products to be labelled with their country of origin***

Under this option, Standard 1.2.11 of the Code would be amended to remove the CoOL requirement for pork, whole or cut, that has been preserved by curing, drying, smoking or by other means (processed pork products).

Preliminary consideration of the impacts of these two options has been included under Section 7 of this Initial Assessment Report.

### **Consultation**

The purpose of this Initial Assessment Report is to seek input from stakeholders in relation to the Application. At this stage, FSANZ is seeking public comment to assist in assessing this Application. FSANZ is particularly interested in receiving further information on the key assessment questions, which are presented in Section 4 of the Report.

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## **INVITATION FOR PUBLIC SUBMISSIONS**

FSANZ invites public comment on this Initial Assessment Report for the purpose of preparing an amendment to the Code for approval by the FSANZ Board.

Written submissions are invited from interested individuals and organisations to assist FSANZ in preparing the Draft Assessment of this Application. Submissions should, where possible, address the objectives of FSANZ as set out in section 18 of the FSANZ Act. Information providing details of potential costs and benefits of the proposed change to the Code from stakeholders is highly desirable. Claims made in submissions should be supported wherever possible by referencing or including relevant studies, research findings, trials, surveys etc. Technical information should be in sufficient detail to allow independent scientific assessment.

The processes of FSANZ are open to public scrutiny, and any submissions received will ordinarily be placed on the public register of FSANZ and made available for inspection. If you wish any information contained in a submission to remain confidential to FSANZ, you should clearly identify the sensitive information and provide justification for treating it as confidential commercial information. Section 114 of the FSANZ Act requires FSANZ to treat in-confidence, trade secrets relating to food and any other information relating to food, the commercial value of which would be, or could reasonably be expected to be, destroyed or diminished by disclosure.

Submissions must be made in writing and should clearly be marked with the word 'Submission' and quote the correct project number and name. Submissions may be sent to one of the following addresses:

**Food Standards Australia New Zealand**  
**PO Box 7186**  
**Canberra BC ACT 2610**  
**AUSTRALIA**  
**Tel (02) 6271 2222**  
**[www.foodstandards.gov.au](http://www.foodstandards.gov.au)**

**Food Standards Australia New Zealand**  
**PO Box 10559**  
**The Terrace WELLINGTON 6036**  
**NEW ZEALAND**  
**Tel (04) 473 9942**  
**[www.foodstandards.govt.nz](http://www.foodstandards.govt.nz)**

**Submissions need to be received by FSANZ by 6pm (Canberra time) 6 February 2008.**

Submissions received after this date will not be considered, unless agreement for an extension has been given prior to this closing date. Agreement to an extension of time will only be given if extraordinary circumstances warrant an extension to the submission period. Any agreed extension will be notified on the FSANZ website and will apply to all submitters.

While FSANZ accepts submissions in hard copy to our offices, it is more convenient and quicker to receive submissions electronically through the FSANZ website using the Standards Development tab and then through Documents for Public Comment. Questions relating to making submissions or the application process can be directed to the Standards Management Officer at the above address or by emailing [standards.management@foodstandards.gov.au](mailto:standards.management@foodstandards.gov.au).

Assessment reports are available for viewing and downloading from the FSANZ website. Alternatively, requests for paper copies of reports or other general inquiries can be directed to FSANZ's Information Officer at either of the above addresses or by emailing [info@foodstandards.gov.au](mailto:info@foodstandards.gov.au).

## **INTRODUCTION**

FSANZ received an Application from the Australian Meat Industry Council on 12 April 2006 seeking to amend Standard 1.2.11 – Country of Origin Requirements.

The Applicant seeks to modify subclause 2(2) of the Standard to remove the country or origin labelling requirement for unpackaged whole or cut pork preserved by curing, drying, smoking or by other means.

The Applicant does not seek to change the country of origin labelling requirement for whole or cut fresh pork.

### **1. Background**

Part 1.2 of the Code specifies the general labelling requirements for food. In most circumstances, food for retail sale or catering purposes is required to carry a label setting out all the information prescribed in the Code. The label on a package of food for retail sale or for catering purposes must generally include the following core information:

- prescribed name or, where no name is prescribed, a name or a description of the food sufficient to indicate the true nature of the food;
- lot identification;
- name and business address in Australia or New Zealand of the supplier;
- mandatory warning and advisory statements and declarations specified in Standard 1.2.3 – Mandatory Warning and Advisory Statements and Declarations, as well as any other warning and advisory statements specified elsewhere in the Code;
- list of ingredients;
- date marking;
- nutrition information panel;
- percentage labelling (characterising ingredient/s and component/s);
- directions for use or storage where, for reasons of public health and safety, consumers need appropriate directions for use or storage of the food; and
- country of origin (Australia only).

#### **1.1 Current Standard**

On 8 December 2005, a new Standard was gazetted for CoOL. Standard 1.2.11 applies in Australia only. Under the *Agreement between the Government of Australia and the Government of New Zealand Concerning a Joint Food Standards System*, New Zealand has varied from this Standard. Accordingly, this Standard does not apply in New Zealand.

Standard 1.2.11 sets out the requirements for CoOL of packaged foods (*see section 1.1.1 below*) and certain unpackaged foods including fish, fruit and vegetables and pork (*see section 1.1.2 below*).

The Standard does not apply to unpackaged cereals, meat other than pork, eggs, edible oils, dairy products, sugar and honey, vinegar and related products, and salt.

It applies to food sold to catering establishments in catering packs, but not to food sold to the public by restaurants, canteens, schools, caterers or self-catering institutions where the food is offered for immediate consumption.

The labelling requirements for unpackaged fruits and vegetables and fish came into force on 8 June 2006. The labelling requirements for unpackaged fresh pork and pork products came into effect on 8 December 2006. The Standard for packaged food is being phased in over a two-year period following gazettal.

#### *1.1.1 CoOL requirements for packaged foods*

- Label packaged foods with a statement on the package that clearly identifies where the food was made or produced, or a statement on the package 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.
- In this context ‘ingredients’ should be understood to include any food component or substance used in the preparation, manufacture or handling of a food.

#### *1.1.2 CoOL requirements for unpackaged foods*

- Label unpackaged fresh pork with the country or countries of origin of the pork, or a statement indicating that the pork is a mix of local and imported foods or a mix of imported foods, as the case may be.
- Label unpackaged preserved pork that has not been mixed with food not regulated by country of origin labelling of unpackaged foods with the country or countries of origin of the pork, or a statement indicating that the pork is a mix of local and imported foods or a mix of imported foods, as the case may be.
- Label unpackaged fresh and preserved fish with the country or countries of origin of the fish, or a statement indicating that the fish is a mix of local and imported foods or a mix of imported foods, as the case may be.
- Label unpackaged fresh vegetables or fruit with the country or countries of origin of the vegetables or fruit, or a statement indicating that the vegetables or fruit are a mix of local and imported foods or a mix of imported foods, as the case may be.
- Label unpackaged preserved vegetables or fruit that have not been mixed with food not regulated by country of origin labelling of unpackaged foods with the country or countries of origin of the vegetables and fruit; or a statement indicating that the vegetables or fruit are a mix of local and imported foods or a mix of imported foods, as

the case may be.

## **1.2 Country of Origin labelling of pork**

### *1.2.1 Assessment and decision*

During the thorough assessment of CoOL requirements of a range of foods in Proposal P292 – Country of Origin Labelling of Food, FSANZ found broad agreement that CoOL of unpackaged food was required to assist consumers with making informed purchasing decisions. At Final Assessment, FSANZ determined that unpackaged fresh or processed pork must meet the same requirements as unpackaged fruit and vegetables. The Australia and New Zealand Food Regulation Ministerial Council (Ministerial Council) accepted FSANZ's assessment. Since 8 December 2006, declaring the country of origin of unpackaged processed pork is a mandatory requirement.

### *1.2.2 Nature of the marketplace*

Fish and pork imports have a significant presence in the Australian marketplace. In the case of pork, it has been said that the pork industry operates in a growing and dynamic international market. The industry is demonstrating rapid growth, with an increase of imports from 10,000 metric tonnes in 1999 to 80,000 metric tonnes in July 2005. Most of the imports come from Canada, Denmark and the USA. The vast majority of imports (97%) are in the form of frozen unprepared meat of swine. Imports count for between 40% and 45% of the processed pork market in Australia. In 2004, Australians consumed more than 22 kg of pigmeat per person. Submissions to Proposal P292 and regular enquiries to the FSANZ advice line provide evidence that, with the quantity of imported pork increasing, consumers value country of origin information to assist their purchasing decision.

Unpackaged poultry and red meat have a very limited presence in Australia. No poultry meat has been imported into Australia during 2003 or 2004, and imports of fresh red meat (beef and sheep) during the 2004-05 financial year were minimal with only 0.27% of fresh beef meat and only 0.05% of fresh sheep meat imported.

## **1.3 Historical Background**

### *1.3.1 Ministerial Council Policy Guidelines*

In December 2003, the Ministerial Council referred Policy Guidelines for CoOL to FSANZ to guide the review of the transitional Standard. The Council's guidance proposed that the country of origin of food should be mandatory and should apply to whole foods, not individual ingredients. In addition, FSANZ should have regard to fair-trading and industry competitiveness issues, to be cost effective overall and to comply with Australia and New Zealand's international trade obligations. FSANZ should also endeavour to ensure that domestic and imported food products received consistent treatment. The Ministerial Council emphasised that CoOL is not a public health and safety issue.

The Policy Guidelines (as endorsed by the Ministerial Council in August 2003) require that FSANZ have regard to the following high order and specific principles:

#### 1.3.1.1 High Order Principles

- Ensure that consumers have access to accurate information regarding the contents and production of food products.
- Ensure that consumers are not misled or deceived regarding food products.
- Be consistent with, and complement, Australia and New Zealand national policies and legislation including those relating to fair-trading and industry competitiveness.
- Be cost-effective overall, and comply with Australia and New Zealand obligations under international agreements while not being more trade restrictive than necessary.

#### 1.3.1.2 Specific Principles

- Balance the benefit to consumers of CoOL with the cost to industry and consumers of providing it.
- Ensure consistent treatment of domestic and imported food products with regard to country of origin requirements.

#### 1.3.1.3 Policy Guidance

In developing a new Standard for CoOL in the Code, FSANZ should ensure that:

- the standard is consistent with the High Order and Specific Principles;
- CoOL of food is mandatory for the purpose of enabling consumers to make informed choices;
- CoOL applies to the whole food, not individual ingredients; and
- consideration is given to the existing temporary Australian standard (Standard 1.1A.3).

#### *1.3.2 Standards development*

Prior to the existing CoOL provisions, a transitional Standard for CoOL requirements came into effect in December 2002. These were only transitional measures and were the subject of the review that led to the gazettal of the current Standard under Proposal P292. In Australia, the transitional Standard required: mandatory CoOL on all packaged foods; mandatory CoOL on or near certain unpackaged foods – fish, vegetables, fruit and nuts (with some exceptions). For unpackaged foods, the use of the term ‘imported’, as well as the use of the specific country of origin was allowed.

Following policy guidance by the Ministerial Council (*see section 1.3.1 above*), between May 2004 and October 2005, FSANZ undertook an assessment of Proposal P292 in relation to CoOL. This involved three rounds of public consultation. In October 2005, FSANZ completed the Final Assessment of Proposal P292, which was accepted by the Ministerial Council (see above).

On 28 October 2005, the Ministerial Council considered the proposed draft standard for CoOL and found that the standard would result in comprehensive consumer information relating to CoOL on unpackaged foods. The resulting Standard was gazetted as an 'Australia only' Standard in December 2005.

Following the gazettal of Standard 1.2.11, an Application was received from Food Liaison Pty Ltd on the 10 March 2006 seeking to amend the requirements of the Code. The Applicant wanted to modify subclause 2(3) of the Standard to reduce the prescribed size of type from at least 9 mm to at least 3 mm for labels or signs displayed in connection with unpackaged food, when presented for sale in an enclosed display cabinet.

FSANZ found that where foods are displayed in an enclosed cabinet, a 5 mm type size is effective at ensuring that consumers are able to see clearly the product, the country of origin, and other important information. FSANZ also found that a reduction in the type size has the potential to lower the average costs of compliance by around \$34 million a year.

Consequently, FSANZ prepared a draft variation to change the size of type requirements for CoOL in connection with unpackaged food in enclosed display cabinets from at 'least 9 mm' to 'at least 5 mm'. The draft variations were gazetted on 7 December 2006.

#### **1.4 The International Experience**

A number of Australia's trading partners have CoOL regulations for foods, but there is considerable variation in the requirements of individual countries, making direct comparison difficult.

CoOL applies across a greater range of products on a vertical commodity basis in other countries, than it does in Australia. Those requirements differ from commodity to commodity, and, as is the case with some commodities in the UK, are not mandatory. CoOL is not yet mandatory for all foods in the USA. In Canada, labelling requirements vary on a case-by-case basis, however, CoOL is generally required for imported products.

##### *1.4.1 Codex Alimentarius Commission (Codex)*

The Codex General Standard for the Labelling of pre-packaged foods states that:

- the country of origin should be declared if its omission would mislead or deceive the consumer;
- when a food undergoes processing in a second country, which changes its nature, the country in which the processing is performed shall be considered to be the country of origin for the purposes of labelling.

Vertical commodity based standards exist for specified commodities such as avocados, bananas, baby corn and so forth.

##### *1.4.2 United Kingdom and European Union*

The CoOL requirements of the UK and the EU reflect, in general, the requirements of the provisions of the Codex General Standard for the Labelling of Pre-packaged foods.

There are certain commodities for the EU for which there is mandatory CoOL, on a vertical or commodity basis. Such commodities include beef, fruit and vegetables, fish, olive oil, eggs, poultry meat, honey and certain 'regional' products – such as those from a particular production area.

For beef, there are requirements to declare the country of birth, rearing, slaughter and cutting (where applicable) whereas for poultry, it is only required that CoOL be declared where the product originates from outside the EU.

#### *1.4.3 United States of America*

In the USA, CoOL is only mandatory for imported foods under the *Tariff Act 1930*. Country of origin claims are regulated by the Federal Trade Commission and the US Customs Service as part of the general trade regulation, rather than by the Food and Drug Administration as part of general food regulation. As described in the relevant legislation, program implementation is the responsibility of USDA's Agricultural Marketing Service.

In May 2002, the Farm Security and Rural Investment Act of 2002, more commonly known as the 2002 Farm Bill, was signed into law. The Act requires CoOL for beef, lamb, pork, fish, perishable agricultural commodities and peanuts. However, in January 2004, a law was passed which delayed the implementation of mandatory CoOL for all commodities except wild and farm-raised fish and shellfish until 30 September 2006. In November 2005, the implementation of CoOL for all commodities covered, except wild and farm-raised finfish and shellfish, was further delayed until 30 September 2008.

In the USA, beef, pork, and seafood producers associations along with some food retailers and wholesalers vehemently oppose the mandatory labelling, citing its burdensome cost and logistical complications. They are joining forces to design a cost-effective voluntary program that would provide consumers with CoOL information.

#### *1.4.4 Canada*

The Canadian system of CoOL is broadly similar in structure to the EU/UK model. Country of origin is mandatory for various products on a commodity basis i.e. a 'vertical' standard. Generally, few products require a country of origin statement. Country of origin means the last country in which a food product undergoes processing that changes the nature of the food product before it is offered for sale. While most foods do not require CoOL, foods that are wholly imported require a supplier's name and address. When processed fruits and vegetables are imported, the country where the product was packed must be shown clearly and conspicuously on the label, either as a part of the name and address of the foreign operator, or as a separate declaration indicating the origin of the product.

### **1.5 Approach to Assessment of the Application**

In order to evaluate the merits of this Application, FSANZ must take account of certain factors. The initial process will involve an assessment of the outcomes resulting from the following evidence:

- the evidence available which investigates consumers' understanding of CoOL requirements and their ability to make informed decisions when purchasing processed pork products;
- data available on the potential cost savings that might become available to the post-farm gate pork industry from changed labelling requirements;
- data on the current labelling of pork products sold to the public;
- data on the country of origin of unpackaged processed pork products currently available in the marketplace; and
- material available on the nature of the processed pork product supply chain.

Should the initial investigation of these issues indicate that further data is needed to complete the Draft Assessment; further information will be obtained on:

- a benefit-cost analysis of removing CoOL requirements for unpackaged processed pork; and
- consumer research investigating the value Australian consumers place on CoOL of unpackaged pork products.

## **1.6 Issues Raised by the Applicant**

The Applicant has raised a number of issues regarding mandatory CoOL requirements on unpackaged processed pork products. The Applicant argues that:

- there is no identified market failure that justifies government intervention;
- there are no public health and safety issues since public health and safety is addressed by quarantine permits to import pork;
- the requirements are excessively trade-restrictive;
- the requirements impose significant costs on producers, importers and Australian manufacturers;
- the requirements of the Code cannot be enforced for imported products due to lack of international agreements on traceability and certification; and
- Standard 1.2.11 discriminates against processors of imported pork.

## **2. The Problem / Issue**

The Code requires certain unpackaged food products, including certain pork products, to be labelled with their country of origin. The main rationale for this requirement is the asymmetric information flow:

Consumers cannot perceive the country of origin of unpackaged pork products at the time and place of purchase and hence the adequacy of the information supporting their choice of product is compromised.

Before the new requirements were introduced, the market did not provide adequate information on the country of origin of these products. In October 2005, the Ministerial Council decided to introduce CoOL to achieve more balanced information flows so consumers can make better-informed purchasing decisions when purchasing unpackaged foods. This allows consumers to take account of country of origin information and make purchasing decisions that better match what they want, leading to improved consumer welfare.

The problem in terms of market failure is whether the information asymmetry in relation to the origin of unpackaged pork products, or the value that consumers place on this information in relation to unpackaged pork products, is significantly less than for other products prescribed in the CoOL Standard.

### **3. Objectives**

In relation to this particular Application, the primary consideration is providing adequate information to enable consumers to make informed choices on processed pork products, including country of origin information as valued by consumers. In meeting its statutory obligations, FSANZ recognises that CoOL is not a public health and safety issue.

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.

## 4. Key Assessment Questions

There are six key assessment questions requiring investigation as part of FSANZ's consideration of this Application:

1. How will the retailers of processed pork product be affected by removing the labelling requirements?
  - (a) Will retailers change their current labelling practices?
  - (b) Do retailers currently provide voluntary CoOL on unpackaged foods that are not required to be labelled under the Code?
  - (c) Will retailers retain CoOL regardless of legislation? If yes, how will this impact on potential benefits to manufacturers?
  - (d) Will there be significant cost savings to retailers?
  - (e) Will these savings benefit consumers and manufacturers?
2. How will removing CoOL requirements for processed pork products affect consumers' ability to make informed purchasing decisions? How many consumers value CoOL of processed pork differently to other products prescribed in the CoOL standard? To what extent is CoOL information on unpackaged pork products valued compared to other products prescribed in the CoOL Standard?
3. Will the removal of the labelling confuse consumers and lead to a loss of consumers' confidence in the regulatory system?
4. What are the potential benefits of reduced labelling requirements for the post farm-gate pork industry, including processors?
5. Who will benefit from the potential cost savings by the post farm-gate pork industry? Will the cost saving be passed onto consumers and/or pig producers and the broader pork industry?
6. What is the impact of removing labelling requirements on the broader pork industry?

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## **RISK ASSESSMENT**

### 5. Risk Assessment Summary

The questions posed in the Application could result in a variety of research findings for understanding consumer behaviour and needs regarding CoOL of processed pork products. The Applicant has provided some data to address these questions, and the assessment may draw on the benefit cost analyses carried out during the development of the CoOL Standard and a variety of other sources.

Australia's major retailers have invested considerable effort to meet the new labelling requirements for unpackaged foods, including pork. Some retailers have made the decision to provide CoOL on most delicatessen foods, even where the Code does not require labelling. There could be a number of research outcomes from the assessment of the impact of the proposed amendments on retailers. It is possible that retailers would benefit from the proposed amendment, or they might incur costs due to the proposed changes.

It might also be possible that retailers will make a commercial decision to retain CoOL on pork voluntarily, which would require manufacturers to provide this information, even if the Code was amended. This in turn might limit the potential benefit that can be obtained by the manufacturers of processed pork products from the proposed amendment.

If consumers value CoOL on processed pork products, removal of CoOL might reduce consumers' ability to make informed choices. If, on the other hand, consumers do not value CoOL on pork products, removing the requirements might have little impact on consumers. The CoOL requirements for pork have been in force since December 2006, and therefore have only recently had a significant presence in the marketplace. If consumers have become aware of, and place value on, the new labelling requirements, their removal might cause consumer confusion and affect consumers' confidence in the regulatory system.

The assessment will draw on material supplied by the Applicant and on existing data regarding consumer behaviour available from previous Applications and Proposals. Additional data with a focus on consumer behaviour when purchasing processed pork products may be necessary for a complete assessment.

There also could be a variety of outcomes regarding potential benefits to the post farm-gate pork industry from amending the Code. If the CoOL labelling requirements have placed a substantial cost burden on the post farm-gate pork industry, amending the Code to remove mandatory labelling might lead to significant cost savings to the industry. However, if the cost burden placed on the industry were low, benefits from removing the requirements would also be low. If significant benefits are incurred by the industry because of the proposed amendment, cost savings might be passed on to consumers in the form of reduced prices or to primary producers in the form of increased purchasing prices for unprocessed pork. Alternatively, any benefits might be retained by the post farm-gate pork industry. It also might be possible that the proposed amendment might either result in benefits or cost to the broader pork industry.

## **RISK MANAGEMENT**

### **6. Options**

FSANZ is required to consider the impact of various regulatory (and non-regulatory) options on all sections of the community, including consumers, food industries and governments. FSANZ has identified two options that are available for proceeding with assessment of Application A583. The regulatory options available for this Application are as follows:

#### **6.1 Option one – Maintain the *status quo***

Under this option, the *status quo* would be maintained by not amending the Code to change the CoOL requirements for processed pork products.

#### **6.2 Option two – Remove the requirement for unpackaged processed pork products to be labelled with their country of origin**

Under this option, the Standard 1.2.11 would be amended to remove the CoOL requirement for pork, whole or cut, that has been preserved by curing, drying, smoking or by other means (processed pork products).

## 7. Impact Analysis

FSANZ is required, in the course of developing regulations suitable for adoption in Australia and New Zealand, to consider the impact of various options on all sectors of the community, including consumers, the food industry and governments in both countries. Where medium to significant competitive impacts or compliance costs are likely, FSANZ will use the Office of Best Practice Regulation Business Cost Calculator (BCC) to calculate the change in compliance cost of regulatory options. The regulatory impact assessment identifies and evaluates the advantages and disadvantages of amendments to the standards, and their economic impacts.

### 7.1 Affected Parties

The potentially affected parties are:

- | ● post farm-gate pork industry, including smallgoods manufacturers, retail butchers, supermarkets, delicatessen and other small business involved in the sale of unpackaged pork products;
- | ● primary producers, in particular pig producers and the broader pork industry;
- | ● consumers; and
- | ● government, including State and Territory enforcement agencies.

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### 7.2 Benefit Cost Analysis

FSANZ will collect information following the release of the Initial Assessment Report that will be used to develop a regulatory impact analysis for the Draft Assessment Report. Stakeholders are encouraged to present data in response to the key issues of this Application, considering all affected parties wherever possible.

### 7.3 Comparison of Options

A comparison of options will be presented following the completion of the impact analysis.

## **COMMUNICATION AND CONSULTATION STRATEGY**

## 8. Communication

A user guide on CoOL for food manufacturers and retailers and State and Territory enforcement agencies was published in March 2006. A CoOL brochure for consumers was launched when the new requirements for fruit vegetables, nuts and seafood came into force on 8 June 2006. These publications will be updated if this should become necessary.

## **9. Consultation**

During the assessment process, FSANZ will carry out intensive consultation of key stakeholders. FSANZ will seek public comment following Initial Assessment in order to proceed to Draft Assessment of this Application.

### **9.1 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.

This issue will be fully considered at Draft Assessment and, if necessary, notification will be recommended to the agencies responsible in accordance with Australia's and New Zealand's obligations under the WTO Technical Barriers to Trade (TBT) or Sanitary and Phytosanitary Measures (SPS) Agreements. This will enable other WTO member countries to comment on proposed changes to standards where they may have a significant impact on them.

## **CONCLUSION**

### **10. Conclusion and Preferred Approach**

Subsection 13(2) of the FSANZ Act prescribes those matters that FSANZ must have regard to in making an Initial Assessment. FSANZ has considered these matters and has accepted the Application.