FOOD STANDARDS
Australia • New Zealand
Te Mana Kounga Kai - Ahitereiria me Aotearoa

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Supporting document 6

Preliminary consideration of costs and benefits

P1067 – Health Star Rating System

Executive summary

This supporting document outlines assumptions of the costs and benefits of P1067 – Health Star Rating System, along with a break-even analysis of the estimated label change costs against the cost of overweight and obesity in Australia and New Zealand.

As stated in the 1st call for submissions (CFS), the main benefits that are expected to be associated with changing the Australia New Zealand Food Standards Code (the Code) to require the Health Star Rating (HSR) symbol on most packaged foods for retail sale in Australia and New Zealand are:

- consistent nutrition information to support consumers to make informed healthier food choices
- improved health outcomes from:
  - consumers choosing healthier products by comparing packaged food products using the HSR symbol
  - a healthier food supply if food manufacturers choose to formulate or reformulate some of their products to improve their HSR.

The costs that are associated with changing the Code are likely to include:

- costs related to labelling changes for food businesses
- strengthened monitoring and enforcement by government agencies
- providing consumer education
- costs related to reformulating packaged foods, where a manufacturer chooses to.

The proposed approach presented in the CFS could require changes to labelling of around 70% of the packaged food supply in Australia and New Zealand.

Over 10 years, the overweight and obesity-related health costs in Australia and New Zealand would need to be reduced by 0.03-0.06% to offset the cost of label change to display the HSR symbol, depending on the transition period implemented. This means that mandating the HSR system in the Code is likely to achieve a net benefit.

A more comprehensive consideration of costs and benefits will be presented at the 2nd CFS in the form of a consultation Regulation Impact Statement, if, after consideration of submissions received in response to this 1st CFS, FSANZ prepares a draft variation. FSANZ strongly encourages stakeholders to submit information at this 1st CFS to improve the level of analysis that FSANZ can achieve at a 2nd CFS.

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1. Introduction

FSANZ has considered the costs and benefits that may arise from the measures proposed in the 1st call for submissions (CFS) for Proposal P1067 – Health Star Rating System.

Proposal P1067 proposes amending the Australia New Zealand Food Standards Code (the Code) to require the Health Star Rating system (HSR) to be displayed on most packaged foods for retail sale in Australia and New Zealand.

The *Food Standards Australia New Zealand Act 1991* (FSANZ Act) requires FSANZ to have regard to whether costs that would arise from the proposed measures outweigh the direct and indirect benefits to the community, government or industry that would arise from the proposed measures (paragraph 59(2)(a)).

This SD summarises FSANZ's consideration of the above.

The purpose of this consideration is to determine if the community, government, and industry as a whole is likely to benefit, on balance, from a move from the status quo.

FSANZ is in the initial stage of this proposal and therefore has made several assumptions, which are explained below, along with a break-even analysis of the estimated label change costs against the cost of overweight and obesity in Australia and New Zealand. While there are limitations to conducting a break-even analysis, the analysis can provide an indication as to whether an intervention is likely to achieve a net benefit.

The consideration of the costs and benefits in this SD is not intended to be an exhaustive, quantitative economic analysis of the proposed measures and, in fact, most of the effects that were considered, particularly benefits, cannot easily be assigned a dollar value.

Submitter feedback from this 1st CFS will inform FSANZ's decision on whether to amend the Code and how. A consultation Regulation Impact Statement (CRIS) and a more comprehensive consideration of costs and benefits will be prepared if, after consideration of submissions received in response to this 1st CFS, FSANZ decides to proceed and prepare a draft variation. The Office of Impact Analysis (OIA) will be consulted to confirm the adequacy of the analysis for consultation purposes.

2. What is the likely net benefit of the options?

FSANZ considered two options to address the problem:

1. Maintaining status quo
2. Amending the Code to mandate the HSR system.

2.1. Option 1: Status quo

When considering any changes to regulation, FSANZ includes the status quo to compare other options against. For this proposal, the status quo is for the HSR system to remain voluntary.

This option would not address public health risks identified above and would not impose any costs on industry.

Some public health stakeholders oppose mandating the system as it is, believing targeted improvements are needed to better align it with the current food supply and recent evidence.

Others believe a different front-of-pack labelling system might be more effective. Industry stakeholders generally prefer a voluntary approach.

2.2. Option 2: Amend the Code to mandate the HSR system

Under this option, the Code would be amended to mandate the HSR system for foods for retail sale in Australia and New Zealand. This would enable consumers to use the system to make healthier food choices across most packaged foods.

This is the option proposed in the CFS. The CFS also details proposed regulatory approaches on how the Code could be changed to require the HSR symbol on packaged foods for retail sale.

Most public health, academic, government and consumer stakeholders support mandating the system. Some industry stakeholders consider mandating would provide regulatory certainty and an even playing field.

Table 1 presents the potential impacts on stakeholder groups by a potential shift away from status quo to the proposed regulatory approaches presented in the CFS. Table 2 presents whether FSANZ expects these impacts to be quantifiable and which impacts are expected to be qualitatively analysed.

Table 1. Impact on different stakeholder groups arising from the proposed regulatory approach

Stakeholder group	Impact
Consumers	Consumers are supported to make informed healthier food choices. Improved health outcomes in Australia and New Zealand. Contributions to improved health outcomes are from: • consumers who choose healthier products by comparing products using the HSR symbol • a healthier food supply if food manufacturers decide to formulate or reformulate a product to improve its HSR.
Food businesses (i.e. food producers, manufacturers, and importers)	Costs related to label changes for food businesses who either haven't voluntarily adopted the HSR system or that require updates to their existing HSR. Some food importers may incur a cost of over-stickering in order to comply with the mandate. Transfers that might occur between industry participants where some businesses sell more and others sell less. As a result of having to display the HSR symbol, a food business may choose to reformulate their product to increase its appeal, or formulate new products to gain a higher HSR.
Government	Health system cost savings. Costs related to consumer education. Costs related to providing guidance and enforcement.

Table 2. Quantified and unquantified impacts arising from the proposed regulatory approach

	Stakeholder group	Impact
Quantified cost	Food businesses	Costs related to label changes. Cost of over-stickering.
Unquantified cost	Food businesses	Costs related to reformulation, if a business decides to do so, or formulating new products to gain a higher HSR. Transfers that might occur within the industry (please note these will be benefits for some industry participants if their sales increase).
	Government	Costs related to consumer education. Costs related to providing guidance and enforcement.
Quantified benefit	Consumers	Improved health outcomes in Australia and New Zealand.
	Government	Health system cost savings.
Unquantified benefit	Consumers	Consumers are supported to make informed healthier food choices.

Questions for submitters:

Have all the major impacts to industry, consumers and government from the proposed options been identified in Table 2 of SD6? Please provide evidence (where possible) to support the inclusion and magnitude of other impacts.

Do you have information to provide to assist FSANZ in quantifying the costs and benefits currently identified as unquantified in Table 2 of SD6? Please provide data and evidence to support the inclusion of such information.

The following sections outline the assumptions used in the consideration of the costs and benefits associated with amending the Code to mandate the HSR system for foods for sale in Australia and New Zealand. Subject to feedback in submissions, these are the assumptions FSANZ propose to use to inform any CRIS and a more comprehensive consideration of costs and benefits if, after this first round of public consultation, FSANZ decides to proceed with the proposal and prepare a draft variation.

2.2.1 Impacts on consumers

Australian and New Zealand consumers will be impacted by:

- consistent front-of-package nutrition information on most packaged food products for retail sale in Australia and New Zealand to enable informed healthier food decisions
- improved health outcomes from:
  - consumers who choose healthier products by comparing products using the HSR symbol
  - a healthier food supply if food manufacturers choose to formulate or reformulate some of their products to improve their HSR.

Requiring the HSR symbol on most packaged foods for retail sale in Australia and New Zealand will support consumers to make informed healthier choices.

FSANZ undertook a systematic literature review, consumer monitoring surveys and commissioned qualitative research to explore, among other things, consumer use, understanding and trust of the HSR system. For more information about this research refer to section 3.1 of the CFS document.

Seven out of 10 consumers were found to use the HSR symbol at least sometimes when shopping, and most consumer agree that the HSR symbol makes it easier to identify healthier products. Most consumers understand that more stars indicate a healthier product relative to a product with fewer stars. The low prevalence of the HSR symbol on food products may be a barrier to use.

However, two-thirds of consumers do not understand that the HSR system should only be used to compare similar products. Consumers' level of trust in the HSR system also influences their use of it. Limited knowledge about how the HSR is calculated, believing the food industry can manipulate or purchase star ratings, or the presence of nutrition content or health claims alongside low star ratings reduced trust.

FSANZ's consumer research found broad support for mandating the HSR system, with consumers suggesting that doing so would increase their trust and use of the HSR system. However, consumers suggest mandating of the HSR system also needs to be accompanied by education on how to correctly use the HSR system and to provide certainty that it is overseen by a trusted regulator.

As a result of consistent front-of-package nutrition information across most packaged foods, over the long term, consumers may benefit from improved health outcomes from comparing similar foods products and making healthier choices.

The nutritional content of the packaged food supply may also become healthier over the long term if food businesses are motivated to reformulate food products to gain a higher HSR. This is discussed in section 2.2.6.

The potential improved health outcomes have not been quantified in this preliminary consideration of cost and benefits. FSANZ is investigating the use of intervention modelling to quantify this benefit and it is intended that this information would be provided in any future iteration of the consideration of costs and benefits for this proposal.

2.2.2 Impacts on food businesses

Australian and New Zealand food businesses will be impacted by:

- requiring the HSR symbol and other information on most packaged food products for retail sale in Australia and New Zealand
- updates made to the HSR system for products already displaying the HSR symbol.

As of November 2025, 39% of intended foods in Australia and 36% of intended foods in New Zealand displayed the HSR symbol.[1] Table 3 presents these results.

[1] Foods that are intended to display the HSR symbol in the current system and are counted towards the HSR system uptake monitoring figures.

Table 3. Intended foods displaying the HSR symbol

	Products displaying an HSR symbol (% total intended)	Products that have not voluntarily displayed the HSR symbol
Australia	10,764 (39%)	17,175
New Zealand	6,834 (36%)	12,187

Source: Health Star Rating System (2026)

In FSANZ's proposed approach, a food required to be labelled with a NIP under the Code must display the HSR symbol (unless specifically prohibited). This captures foods such as those that do not vary in nutritional composition (e.g. eggs, sugar) which differs from the intended foods reported in Table 3.

To capture packaged foods available in both Australia and New Zealand, including packaged foods not identified in the HSR uptake reporting, FSANZ estimated a total of 30,000 stock keeping units (SKUs; differently packaged products with unique barcodes) are yet to display the HSR symbol.

FSANZ's proposed approach might impact packaged foods already displaying the HSR symbol. For simplicity, when changes are expected to impact most of the Australian and New Zealand packaged food supply, an assumption of 50,000 SKUs is proposed to be used. This figure conservatively rounds up the total intended foods that are captured in HSR uptake reports (Health Star Rating System 2026).

A general impact of requiring the HSR on most packaged food products is the transfers that might occur between industry participants where some businesses sell more and others sell less from the transparency of consistent front-of-pack nutrition information and allowing easy comparisons between packaged foods.

2.2.3 Cost of label change

Food businesses will incur costs to update labels on packaged foods to display the HSR and potentially other information under the proposed approach presented in the CFS.

As mentioned, some packaged foods that already display the HSR may also need to update their labels to be consistent with changes to the HSR under the proposed regulatory approach, such as:

- not permitting the HSR symbol with energy and nutrients to be used
- declaring dietary fibre, calcium and fruit, vegetable, nut and legume content on the label if used in the HSR algorithm
- prohibition of the use of a HSR on formulated supplementary foods.

Around 70% of SKUs in the Australian and New Zealand food supply are estimated to be impacted by these proposed changes. This includes packaged foods that do not yet display the HSR and packaged foods that already display the HSR that will need to make changes based on FSANZ's proposed approach.

Required label changes are assumed to be a one-off cost. Where a business chooses to reformulate their product (section 2.2.6), they may incur additional label change costs to maintain an accurate HSR.

FSANZ is currently in the process of updating its cost of label change model. In the break-even analysis found in section 2.10, estimated costs are from FSANZ's 2023 Cost of

Labelling Model (adjusted to 2025).[2] Updated costing figures are expected to be available in the CRIS accompanying a 2nd CFS.

2.2.4 Imported foods

Industry and government stakeholders highlighted issues relating to the application of a mandated HSR system to imported foods, including increased cost from label changes.

HSR uptake monitoring undertaken by FSANZ in 2025[3] identified about a third of foods were imported (32%; n=6,021).[4]

Where an imported food is re-labelled, meaning a new label is place over incorrect information (i.e. over-sticker), the HSR symbol could be included on this new label along with other required information. In such cases, it would not be necessary to display the HSR symbol separately on the front of the package. This approach removes the need for an additional label or over-sticker solely for the HSR symbol on the front of the package.

Some food importers may incur an increase in over-stickering costs for packaged food products. However, these products would already be over-stickered to comply with the current Code requirements and would not be a new cost. Rather, food importers may incur costs to update over-stickering labels and using larger stickers to display an HSR.

2.2.5 Administrative costs

Food businesses that do not already display the HSR on their products and other businesses that may be impacted by algorithm changes may incur administrative costs related to calculating or re-calculating the HSR for their products.

An online calculator and guidance are available for the food industry to determine their rating. Information required to determine the HSR will be accessible to food businesses.

FSANZ estimates around 1 hour would be spent calculating a HSR per SKU. The OIA recommends a default hourly labour cost of $85.17 be used where labour rates are unknown (OIA 2024).

2.2.6 Reformulation

As a result of displaying the HSR symbol, a food business may be motivated to reformulate their product to improve a product's HSR. This is not a requirement of the proposal and a business will only reformulate a product where they see the benefits for their business outweigh the costs of doing so.

A number of studies have been conducted to investigate the effect of front-of-pack nutrition labels on the reformulation of packaged foods. Specifically, on the HSR, Bablani et al. (2020) found that products that voluntarily adopted the HSR were 6.5% and 10.7% more likely to increase their HSR rating by ≥0.5 stars in Australia and New Zealand, respectively. The greatest effects were found for changes in sodium and sugar. While this might not reflect the rate of reformulation that may occur under a scenario where the HSR is mandatory, it provides evidence that some food businesses are willing to reformulate to gain an improved

[2] Based on a survey and cost model delivered to FSANZ by Marsden Jacob Associates.
[3] Includes all foods collected in-store by FSANZ regardless of whether they displayed a HSR or not.
[4] Foods were identified as imported if they displayed a 'made in', 'product of' or 'packed in' statement referring to a country other than Australia or New Zealand. Foods with statements such as *Packed in Australia with ingredients from [other countries]* and *Product of [other countries], packed in Australia* were not considered an imported product for this exercise.

HSR.

FSANZ commissioned a report from FoodSouth (2025) to expand its evidence base and provide an improved understanding of the reformulation process, including the factors influencing the effort, timelines and cost of reformulation.

FSANZ understands that only a small proportion of new SKUs that are brought to market remain in the long term, and that a significant proportion of SKUs are stable products. However, mandating the HSR in the Code may incentivise food businesses to formulate new products to receive a higher HSR than they otherwise would have.

2.2.7 Business processes

Proposed changes are likely to impact individual businesses in different ways.

Smaller businesses may not have the same resources available to them as larger businesses to easily implement a regulatory change. Costs of this proposal may be proportionately higher for a smaller business compared to revenue and/or profits than the costs may be for a larger business.

In Australia, 97-98% of all Australian businesses were classified as a small business in 2025 (ASBFEO 2025). In New Zealand, 97% were classified as a small business (MBIE 2022).[5]

For specifically food and beverage manufacturers, 86 and 88% of businesses in Australia and New Zealand, respectively, were classified as small in 2025 (ABS 2025; MBIE 2025).

FSANZ does not have data available to determine the number of SKUs manufactured by small businesses. FSANZ welcomes evidence that could assist with estimating this assumption.

Submissions received will inform FSANZ's decision on whether to proceed with the Proposal by preparing a draft variation to amend the Code and the nature of any such amendments. If a draft variation is prepared, a transition period would be provided for food businesses to make required changes and be compliant with the Code if amended. Providing a transition period will give businesses time to coordinate a regulatory labelling change with routine labelling updates.

Question for submitters:

Do you agree with the assumptions proposed to be used to estimate the costs to industry in SD6? Please provide data and evidence to support the inclusion of alternative assumptions.

2.2.8 Impacts on government

Government is likely to benefit from mandating the HSR by way of improved health outcomes and subsequent health system cost savings.

The potential health system cost savings have not been quantified in this preliminary consideration of cost and benefits. As mentioned, FSANZ is investigating the potential use of intervention modelling to quantify possible benefits. It is intended this information would be provided in any future iteration of the consideration of costs and benefits for this proposal.

[5] The ABS defines a small business as those with less than 20 employees, whereas a common definition of small businesses by the ATO are businesses with a turnover of less than $10 million. In New Zealand, there is no official definition, but also commonly refers to businesses with fewer than 20 employees as a small business.

Stakeholders across all groups agreed that government-led education programs are essential to support implementation of a mandatory HSR system and to build consumer trust. Food ministers have also highlighted the need for increased education.[6] If the HSR system were mandated, FSANZ's contribution would be focused on developing explanatory materials to support understanding of the regulatory framework and requirements under the Code. Broad education campaigns is an area for discussion across relevant agencies in Australia and New Zealand.

To support food businesses in providing consistent and accurate front-of-package nutrition information, government may incur costs in preparing new guidance to support Code requirements.

Requiring the HSR to be displayed on most packaged foods will further impact government via enforcement related costs. Enforcement is necessary to ensure consumers can have trust that the system provides accurate and reliable nutrition information.

2.2.9 Break-even analysis

FSANZ conducted a breakeven analysis to compare the magnitude of the costs and the class of benefit that can be quantified. As mentioned in sections 2.3 and 2.10, FSANZ cannot quantify health outcomes that may result from mandating the HSR in the Code at the 1st CFS. Rather, the cost of overweight and obesity in Australia and New Zealand has been used to put into context the costs against the benefits that might be associated with the proposed approach.

The amount of overweight and obesity-related health cost reductions that would offset label change costs has been derived by dividing the preliminary label change cost of the proposed approach by a 10-year estimate of overweight and obesity-related health costs (PwC 2015; Sapere 2021).

Over 10 years, the overweight and obesity-related health costs would need to be reduced by 0.03-0.06% to offset the cost of label change to display the HSR, depending on the transition period implemented. This is presented in Table 4.

Table 4. Break-even analysis ($AUD)

Average cost per SKU for a medium label change	3,120-5,866
Number of SKUs impacted	34,466
Total cost	108-202 million
Estimated cost of overweight and obesity over ten-years (discounted at 7%)	341 billion
Percent reduction required to breakeven	0.03-0.06%

Note: A 12-month and 5-year transition period has been used to provide a range of label change costs. Estimated costs are from FSANZ's 2023 Cost of Labelling Model (adjusted to 2025). Updated costing figures are expected to be available in the CRIS accompanying a 2nd CFS.

The break-even analysis indicates that mandating the HSR system in the Code is likely to achieve a net benefit. However, this analysis is limited given the assumptions made, such as the number of SKUs impacted under the proposed approach at the 1st CFS. The break-even analysis also does not consider other costs and benefits that might arise from the proposal that have been discussed in this SD.

[6] https://www.foodregulation.gov.au/food-ministers-meeting-communique-25-july-2025#health-star-rating-system-and-nutrition-labelling

3. Next steps

Aspects of FSANZ's proposed approach to changing the Code to require the HSR on most packaged foods for retail sale in Australia and New Zealand provided in this SD may change at a 2nd CFS.

Submissions received will be used to inform the CRIS and a more comprehensive consideration of costs and benefits if, after consideration of submissions received in response to this 1st CFS, FSANZ decides to proceed with the proposal and prepare a draft variation.

The level of analysis that FSANZ can achieve at a 2nd CFS can be greatly improved by data, evidence and additional information from stakeholders that will be impacted by proposed changes to the Code. FSANZ strongly encourages stakeholders to submit information at this 1st CFS if they are able to do so.

References

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