

Australian Dairy Industry

Represented by the
Australian Dairy Industry Council Inc.

A submission to:

**House of Representatives Standing Committee on
Agriculture and Industry**

In response to

Inquiry into Country of Origin Labelling

Contacts

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1. Introduction

The Australian Dairy Industry Council (ADIC) is the dairy industry's peak policy organisation that provides whole of industry policy. It represents both dairy farmers, through the Australian Dairy Farmers (ADF), and dairy companies, through the Australian Dairy Products Federation (ADPF). The ADIC is supported by Dairy Australia (DA), the dairy industry-owned service body.

ADIC welcomes the opportunity to provide comment to the House of Representatives Standing Committee on Agriculture and Industry inquiry into Country of Origin Labelling.

2. Background

The dairy industry is one of Australia's major rural industries. Based on farm gate value of production, it is ranked third behind the beef and wheat industries. There are approximately 6,400 farmers producing over 9 billion litres of milk annually.

The dairy industry is the largest value added food industry contributing \$13 billion at wholesale to the economy. It is estimated that more than 40,000 people are directly employed in this industry on farms, manufacturing, transport, distribution and research and development. As a major regional employer, the industry adds value through the processing of milk to produce drinking milk, cheese, butter, cream, yoghurts and a range of specialty products. The estimated value of farm production is \$4 billion annually and total value added production (ex factory) is \$13 billion.

The dairy industry is also one of Australia's leading agrifood industries in terms of adding value to Australia's primary produce. Much of this processing occurs in rural areas, thus generating significant employment and economic activity in country Australia.

The dairy industry exports approximately 45% of manufactured or further processed product, to over 100 countries and this makes Australia the seventh largest trader of dairy products on the world market.

Our export markets are concentrated in the Asia/East Asia regions, with Japan being our largest customer, followed by Singapore, Malaysia, Indonesia and China. In terms of our major export products, they are, cheese, milk powders (includes infant formula), butter, milk, and other dairy ingredients such as casein and whey products.

3. Australian Dairy Products

The dairy industry is one of the most effective and efficient agrifood sectors at value-adding a primary commodity within Australia. It embraces and supports innovation. It produces icon products using icon brands that are consumed both domestically and internationally including:

- Cheeses of all types
- Yogurts
- Long life milks
- Modified milks
- Flavoured milks
- Dairy desserts including custards, rice desserts
- Butter
- Milk powders, used as ingredients in a range of products including infant formulas

Whilst milk is the defining component of all of these products, conversion of milk into the variety of dairy products developed in Australia requires a wide range of ingredients. Many of these are included at low amounts to facilitate functional transformations in the milk during processing, and are not produced in Australia either because the raw materials are not available, or they cannot be economically and sustainably manufactured here. These include:

- Hydrocolloids and stabilisers (e.g. pectin, carrageenan, guar gum, locust bean gum, some modified starches)
- Flavours and colours
- Vitamins and minerals
- Animal and microbial rennets
- Cultures for fermented products such as yogurts and cheeses
- Enzymes
- Yeasts and moulds

A number of other raw ingredient materials are imported either because of seasonality, lack of suitable climatic conditions for agriculture in Australia or inability to provide continuity of supply. These usually undergo further processing in Australia prior to inclusion in the finished dairy products. Some common examples include:

- Fruits and fruit juices that are processed into stabilised fruit preparations that are used as ingredients in yogurts, flavoured milks and dairy desserts
- Cocoa that is processed to chocolate
- Coffee beans that are processed to coffee powders

Country of Origin Labelling laws as they are currently applied, allow for Australian dairy products to differentiate themselves from their international competitors on domestic and overseas shelves through use of either the “Product of Australia” or “Made in Australia” claim depending on whichever is applicable to the particular product.

The current Country of Origin Labelling laws allow for Australian milk to be processed into dairy products using minor ingredients as identified above, in Australian manufacturing plants using Australian labour, and then be labelled as either Made in Australia or Product of Australia. If consideration is given to amending the current

Country of Origin Labelling requirements as they relate to food, it is essential that these changes do not unduly restrict the use of these minor ingredients.

For example, imposing requirements that the use of the term “Australian” can only apply to 100% Australian content and 100% Australian production is more prescriptive than the current requirements described in the “Food and Beverage Industry – Country of Origin Guidelines to the Trade Practices Act” and Standard 1.2.11 –Country of Origin Requirements. The implications for the dairy industry are that only some white milks will be able to carry the Product of Australia label. It will effectively exclude all cheeses, natural/unflavoured yogurts and most dairy desserts that can currently make the claim. **This would mean that most dairy products containing milk produced in Australia by Australian dairy farmers and converted into Australian dairy products in Australian factories employing Australian workers would not be able to claim Australian origin.**

4. Impact on Consumers

One of the principles for best practice regulation adopted by COAG is that “Government action should be effective and proportional to the issue being addressed”. There has not been regulatory failure in the marketplace indicating that consumers are being misled as to the true nature of country of origin of foods.

Consumers buying habits suggest that purchases are primarily influenced by price, quality and habit with country of origin a secondary consideration¹. Evidence from the retail sector indicates that few consumers will pay a premium price for Australian products over imported products given equivalence in quality.

That said, a majority of consumers want to support local manufacturing. Underlying this interest in country of manufacture are concerns over health and safety, and wanting to support Australian businesses, producers and employment.

The differences between “made in Australia” and “product of Australia” are not always well understood by many consumers, as is the relationship between the manufacture of products through the processing of local and imported ingredients and job creation, particularly in rural areas. Although products that are made in Australia from local and imported products create jobs for Australians, frequently in rural areas, this is not always well understood.

Publicity campaigns that use the “Australian made” logo assist in clarifying consumer knowledge about these issues. Such logos are often controlled by agencies outside of the food regulatory jurisdictions. These campaigns would be undermined by introduction of a prescriptive regulatory environment that provides little if any benefits to consumers.

¹ Country of Manufacture Labelling Study Research Report, Catalyst Consultancy and Research, April 2014

5. Conclusion

Country of Origin food labelling is a complex area that has seen a number of inquiries and reviews in recent years. It is important that policy in this area ensures labelling laws that are practical to implement, provide consumers with an understanding of where products come from (taking into account the complexity of consumer views on the issue), does not impose unreasonable costs, provides the needed flexibility in incorporating important ingredients and does not lead to adverse trade implications.