



## Evaluation of Country of Origin Labelling reforms

Department of Industry, Science, Energy and Resources

Final Report July 2021

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# Glossary

Acronym	Full name
ABF	Australian Border Force
ABS	Australian Bureau of Statistics
ABARES	Australian Bureau of Agricultural and Resource Economics
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
AFGC	Australian Food and Grocery Council
AMAG	Australian Made Australian Grown
AMCL	Australian Made Campaign Limited
AMIC	Australian Meat Industry Council
APL	Australian Pork Limited
BCR	Benefit cost ratio
CAF	Consumer Affairs Forum
CAGR	Constant annual growth rate
CALD	Culturally and linguistically diverse
CBA	Cost benefit analysis
CFA	Consumers' Federation of Australia
CoOL	Country of Origin Labelling
DAWE	Department of Agriculture, Water and the Environment
DISER	Department of Industry, Science, Energy and Resources
FBIA	Food and Beverage Importers Association
FRDC	Fisheries Research and Development Corporation
FY	Financial year
GST	Goods and services tax
IT	Information technology
MoU	Memorandum of Understanding
NFC	Not from concentrate
NFF	National Farmers' Federation
NMI	National Measurement Institute
NPV	Net Present Value
NRA	National Retail Association
NSW	New South Wales
NT	Northern Territory
QR	Quick Response
RIS	Regulatory Impact Statement
SKU	Stock keeping unit
WTO	World Trade Organisation
WTP	Willingness to pay

## Summary of recommendations

In July 2016, the Australian Government made changes to the Country of Origin Labelling (CoOL) scheme, which came into effect in July 2018, following a 2-year transition period. The CoOL scheme was enacted by the *Competition and Consumer Amendment (Country of Origin) Act 2017*, and the *Country of Origin Food Labelling Information Standard 2016* (the Information Standard). The Department of Industry, Science, Energy and Resources (DISER) commissioned Deloitte to conduct this evaluation of the CoOL scheme.

This evaluation has found that the CoOL reforms were well planned and implemented. Consumers appear to desire information about the origin of food. For the scheme to reach its potential, further effort is required to ensure the scheme is well understood. Similarly, while businesses are generally now accustomed to the scheme, there remain some areas of uncertainty in their understanding. As the scheme has been in place for a relatively brief period of time and as the initial cost imposed by any changes in the scheme is quite high, it is prudent to ensure a strong evidence base and case for change exist before making any significant modifications to the scheme. Consequently, the recommendations and findings described below focus on increasing awareness and understanding of the scheme, coupled with steps to ensure robust monitoring of outcomes over a longer period of time, along with adequate compliance activities to ensure the scheme can fully realise its objectives.

Recommendations from the evaluation are outlined below.

**Recommendation 1:** Retain the scheme in its current form for at least a further 2 years due to its current efficiency. This additional retention period will also enable further monitoring of performance and impact. This includes retaining the non-priority list, voluntary application to online sales and current exemption for foodservice.

**Recommendation 2:** Retain the scheme for food and beverages only and consider any non-food items outside of this scheme.

**Recommendation 3:** Increase awareness and understanding of CoOL among consumers and businesses at risk of low compliance through a time-limited information campaign that utilises social media along with other methods of communication, as appropriate.

**Recommendation 4:** DISER ensures data collection and monitoring occurs where it relates to: a) scheme awareness to determine if consumers are more correctly and completely interpreting CoOL labels over time; and b) assessing the impact of the scheme with respect to consumer expectations and scope at appropriate intervals.

**Recommendation 5:** Support the regulator to conduct proactive primary research on industry compliance to inform targeting of compliance activities and ensure trust in the scheme is retained.

**Recommendation 6:** Complete a review of wording and definitions in the Information Standard to ensure they are as clear as possible for industry and other stakeholders.

# Executive summary

## Introduction

In July 2016, the Australian Government<sup>1</sup> made changes to the Country of Origin Labelling (CoOL) scheme. The changes included the introduction of visual elements to CoOL in seeking to provide consumers with clearer information.<sup>2</sup> The CoOL reforms came into effect in July 2018, following a 2-year transition period, and were enacted by the *Competition and Consumer Amendment (Country of Origin) Act 2017*, and the *Country of Origin Food Labelling Information Standard 2016* (the Information Standard). In line with the commitment made to review the CoOL scheme (the scheme) 2 years after commencement, the Department of Industry, Science, Energy and Resources (DISER) has commissioned this evaluation of the CoOL scheme.

This evaluation has considered whether the CoOL reforms improved consumer access to information about the origin of food, and clarified the origin claims businesses can make about their products, without imposing excessive costs on those businesses.

The evaluation has considered 24 evaluation questions organised by the following four pillars:

- Design and implementation (Pillar 1)
- Outcomes, including:
  - Consumer understanding and impact: consumers access to origin information (Pillar 2)
  - Business understanding: the ability of businesses to make origin claims (Pillar 3)
  - Impact on business (Pillar 4)
- Lessons learned from the scheme and potential for improvement

The evaluation featured a range of methods that utilised both qualitative and quantitative data derived from both primary and secondary sources, including a review of background documents and industry submissions, interviews with industry members, Commonwealth and State Government departments and agencies, a consumer survey, business survey, consumer focus groups, shopper interviews and a cost benefit analysis (CBA).

## Design and implementation

### Rationale and evidence for the 2016 CoOL reforms

The 2016 reforms introduced changes to safe harbour defences and brought in visual indicators (i.e. allowing the use of the Australian Made, Australian Grown [AMAG] logo and a bar chart and text identifying the proportion of Australian content), designed to better communicate country of origin information at the point of purchase. The design of the reforms was based on Colmar Brunton research, which found the visual tools (i.e. the AMAG logo and bar chart) to be most effective in conveying country of origin information to consumers.

While DISER and other Australian Government agencies considered alternative approaches, it is unlikely these would have provided a more cost-effective solution than the option that was selected and ultimately implemented.

### Implementation of the CoOL reforms

Overall, most stakeholders consider that the reforms were well implemented. Within the Australian Government, the reforms are considered to be an exemplar of good implementation.

Within industry, some stakeholders would have preferred more time or more information to assist them in transitioning to the revised arrangements. In particular, larger retailers, food and beverage manufacturers and the meat and dairy industries indicated that a phasing in period of

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<sup>1</sup> Unless otherwise stated, "government" refers to all Australian government agencies.

<sup>2</sup> Department of Industry, Innovation and Science, (2016). *Decision Regulation Impact Statement Consumer Affairs Australia New Zealand*. Accessed October 2020.

<https://ris.pmc.gov.au/sites/default/files/posts/2016/04/Country-of-Origin-Labeling-Decision-RIS-1.pdf>



longer than 2 years would have been desirable given the significant scale of change required by the new scheme.

### **Communication and online resources**

Stakeholders from industry peak bodies indicated that the material and tools that were developed were helpful to understand, implement and manage CoOL requirements. However, survey responses from consumers and businesses suggested that not many recalled seeing information about the changes to CoOL when they were being introduced.

The online tool that was developed to assist businesses in complying with CoOL requirements was well received. Industry stakeholders indicated that many businesses utilised the tool to assist in the design of CoOL compliant labels.

## **Consumer understanding and impact**

### **CoOL impact on quality of information**

CoOL reform has resulted in the provision of more information about food origin that is of greater quality and consistency than was provided previously. The consumer survey indicates that overall, most consumers are satisfied with the amount of information they receive from CoOL.

### **Consumer understanding of origin information**

While shopper interviews, focus groups and the consumer survey suggest that the labels are generally able to be understood by consumers, there is some misunderstanding of the 'Made in' statement. With the additional information now provided, consumers can see that a product making this claim is not necessarily wholly or predominantly composed of Australian ingredients. This sometimes leads to a gap in a consumer's mind between perceived and actual understanding of what 'Made in' means.

### **Consumer attitudes to origin information**

While the scheme has provided consumers with more country of origin information, and most consumers are satisfied with this, there remains a subset of consumers who would like even more information about the origin of non-Australian ingredients. This group of consumers appear motivated by concerns about food provenance and safety. However, the CoOL scheme is not a food safety initiative and, therefore, increased country of origin information would not necessarily meet the requirements of those people seeking more information about the origin of ingredients.

## **Business understanding and impact**

### **Business understanding of claims**

Some businesses are uncertain about certain claims, particularly 'Made in', which involves interpreting the meaning of substantial transformation. Engagement with industry stakeholders and business survey responses indicated that the current examples provided by the Australian Competition and Consumer Commission (ACCC) accompanying the definition are somewhat simplistic, particularly for businesses with complex and diverse food supply chains.

More detailed examples from the ACCC could assist in increasing businesses understanding of these safe harbour defences and increase ease of compliance. Equally, it is recognised that examples cannot cover every eventuality. It may be necessary to tighten the wording of the definition in the Information Standard itself to improve clarity.

### **Safe harbour defences**

The issues regarding business understanding illustrate why the safe harbour defences are essential for the effective functioning of the scheme. They ensure that a business will not be unreasonably penalised for an incorrect claim, noting that incorrect claims may be inadvertent. Engagement with industry stakeholders indicated support for the safe harbour provisions.

### **Compliance with CoOL requirements**

Across major supermarkets, the 2016 CoOL reforms have generally achieved a high level of compliance for a substantively new scheme. The ACCC advised that under this scheme there have been significantly fewer misleading claims made. In total, the trade measurement inspections (targeting areas of potential non-compliance) conducted by the National Measurement Institute (NMI) found 21% of all product lines inspected in 2018-19 were non-compliant. This non-

compliance does not highlight the differences in compliance between major supermarkets and other business types, and between the compliance for prepacked and non-prepacked product lines. For major supermarkets, 2.4% of non-prepacked products were found to be non-compliant and 5.5% of prepacked products were found to be non-compliant. This was in comparison to independent supermarkets who had non-compliance rates of 19.4% for non-prepacked products and 14.1% for prepacked products. Other business types had non-compliance rates of 43% for non-prepacked products and 25% for prepacked products. Other broader research found general rates of non-compliance to be lower - at approximately 9%. The main area of non-compliance is related to failure to display a label.

### **Flexibility of the reforms**

Business survey responses and engagement with industry stakeholders indicates that most businesses have found CoOL sufficiently flexible under business-as-usual circumstances. However, some businesses have found CoOL difficult to comply with when supply chains are disrupted, particularly during the COVID-19 pandemic. This is because such disruption makes ingredient sourcing less predictable.

### **Costs to business**

In examining the costs and benefits of the scheme so far, it is apparent that most costs were associated with the introduction of the scheme. For most businesses, the ongoing cost of CoOL is reportedly very low. Overall, the design of the scheme was sensitive to the potential cost to Australian businesses and the economy overall – even though the implementation cost for some businesses was significant, particularly those with a high number of stock keeping units (SKUs). A similar pattern would be observed if the scheme were to be modified – most of the cost relates to the up-front changes required to adopt the new or modified requirements.

## **Considerations in changing the scope of CoOL**

### **Cost benefit analysis**

To inform the implications of any change in the design or coverage of the scheme, a CBA was undertaken, to understand the potential impact to government, consumers and businesses.

The benefits of the scheme can mainly be understood in terms of consumer willingness to pay (WTP) for CoOL. This allows a monetary value of country of origin information to be estimated. It is important to note that there are limitations associated with measuring consumer utility through WTP studies. There is often a difference between what consumers say they are willing to pay (i.e. stated preferences) and what they are actually willing to pay when observed in real purchasing situations (i.e. revealed preferences). To account for this known level of bias, the modelling incorporates an adjustment factor to attempt to reduce the difference between stated and revealed preferences. Nonetheless, caution should still be applied when assessing the reported WTP benefits.

CBA of the scheme to date identified that for every \$1 of costs incurred, the current CoOL scheme is estimated to generate \$3.30 in benefits, taking into account the benefits consumers receive, based on their WTP for CoOL. When benefits realised are considered relative to scheme cost, the scheme is expected to 'break even' in financial year (FY) 2022. That is, in FY22, the estimated benefits will be equivalent to the estimated cost of the scheme.

Additionally, the CBA considered 6 future-state options (with impacts assessed for the period FY2022 to FY2041). A summary of these options and the direction (positive, low or neutral) of their benefit cost ratio (BCR) is provided in Table i.<sup>3</sup>

The implications of this analysis for the future development of the scheme is outlined on the subsequent pages, drawing on both the CBA and related analysis.

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<sup>3</sup> For instance, a positive BCR indicates that the option is expected to deliver a positive Net Present Value (that potential benefits are expected to be greater than the costs to the Australian community) when costs and benefits are discounted over the period (FY2016 to FY2040). A negative BCR indicates the opposite is true – costs are expected to outweigh the benefits.

Table i: Prospective analysis summary results

No	Option	Description	BCR
1	Education and awareness	Status quo with education and awareness campaign to increase understanding of CoOL.	Positive
2	Reduced regulatory burden	Reducing regulatory requirements by providing an option for businesses to provide CoOL information online, while retaining instructions on their labelling for how to access this information.	Negative
3	Online shopping platforms	Extend CoOL information to online shopping platforms for those retailers who already have to comply with CoOL regulation.	Negative
4	Remove non-priority exemption	Remove the distinction between priority and non-priority food products so that CoOL regulations apply uniformly to all food products.	Positive
5	Increase information	Including more information about ingredients from outside Australia.	Neutral
6	Expand to foodservice	Expand the current CoOL regulations to all businesses in the foodservice sector.	Negative

### Increased education and awareness

The CBA results and broader evaluation provide a clear rationale for a well-targeted awareness and education campaign to be beneficial. A renewed approach to awareness raising and education about CoOL appears warranted. This would primarily target consumers, but would also be of use to industry, especially for businesses that have been identified as being at a higher risk of non-compliance. Any short-term campaign needs to be accompanied by an ongoing communication strategy that is engaging and has meaningful reach.

### Priority and non-priority foods

Forty percent of businesses in the national business survey and consumers in focus groups indicated an interest in CoOL being extended to all food and beverages, including those that are currently non-priority products (interest in country of origin information varies considerably by product category).

While the CBA indicates that a positive net benefit would be realised by expanding the scheme, it should be noted that expanding CoOL to all foods and beverages would also impose a significant cost on business due to the need to re-label or develop new labels.

### Foodservice

Foodservice – including all food sales in cafes and restaurants – is currently exempt from CoOL. A majority of consumer survey respondents (62%) expressed support for expanding CoOL to foodservices and similar sentiments were expressed in consumer focus groups.

However, CBA results indicate that expanding CoOL to foodservices would impose a significant cost on the foodservice sector due to the large number of small businesses in that sector that deliver unique food products, which cannot achieve the same labelling scale as can the retail food sector which is already covered by CoOL. The benefits are expected to be less than the costs to the Australian community, overall.

Additional CBA analysis was conducted specifically in relation to CoOL applying to seafood and meat products sold at foodservices. Several sub-options were examined as part of this, all yielding a similar result in that the costs of imposing this additional regulatory burden on the vast number of Australian foodservices exceeds the benefits of additional information provided to consumers.

### **Online sales**

The two major supermarket chains now provide all country of origin information online for each product, representing a significant proportion of all food sold online. If regulations were to require the provision of this information for food sold online, this would disproportionately affect smaller sellers as large retailers have already made the change. CBA results indicate that mandating the provision of CoOL information online would impose a net cost on the Australian economy.

### **Inclusion of non-food products in CoOL**

Based on survey results and consumer focus groups, there was minimal interest in requiring country of origin information for non-food products. However, there is currently a debate within the Australian cut flower industry regarding the merits of CoOL being required for cut flowers.

A section of the cut flower industry has argued that there is imperfect information in the sector (i.e. that consumers incorrectly assume many flowers, especially natives, are grown in Australia) and raised issues around pest and chemical residue on imported cut flowers. The same stakeholders were unconvinced that an industry-led voluntary scheme would be sufficient to entice industry participation and effectively manage the risk to consumers associated with not being informed about the origin of their flowers.

While consumers engaged through the survey and focus groups did not volunteer cut flowers as a product that would benefit from CoOL, this may reflect that consumers are not aware that many cut flowers are imported.

It is suggested that the use of a voluntary mechanism (i.e. voluntary certification or a trademark arrangement) has the potential to more cost-effectively deliver origin information to consumers, as it would be more targeted (to interested consumers and businesses) compared to a regulatory (mandatory) extension of CoOL to cut flowers. A regulatory extension to cut flowers would be complex and costly, given the cut flower supply chain and the practice of selling flowers with different origins in a single bunch. A voluntary scheme could be monitored and, if warranted, the mandating of country of origin information for cut flowers could be reconsidered at a later time. The concern regarding the chemical residue from imported flowers to fresh foods and vegetables in the supermarket is a matter for the Department of Agriculture, Water and the Environment (DAWE) to consider.

### **Potential for CoOL to utilise digital technology**

CoOL is a physical label-based scheme. The evaluation has considered if developments in retail technology could support the increased provision of this information digitally, rather than through labels. This could involve providing more information online (such as via a Quick Response (QR) code). At the present time, this is not considered a viable alternative. It will, however, be important for developments in digital retailing to be monitored as dependence on physical labelling is expected to reduce as technology and acceptance by retailers and consumers evolve.

## **Conclusion**

CoOL reforms were well planned and implemented. Consumers appear to desire information about the origin of food. For the scheme to reach its potential, further effort is required to ensure the scheme is well understood. Similarly, while businesses are generally now accustomed to the scheme, there remain some areas of uncertainty in their understanding. As the scheme has been in place for a relatively brief period of time and as the initial cost imposed by any changes in the scheme is quite high, it is prudent to ensure a strong evidence base and case for change exist before making any significant modifications to the scheme. Consequently, the recommendations and findings described below focus on increasing awareness and understanding of the scheme, coupled with steps to ensure robust monitoring of outcomes over a longer period of time, along with adequate compliance activities to ensure the scheme can fully realise its objectives.

# Recommendations, findings and justifications

The evaluation has made six recommendations, which are summarised in Table ii to Table vii. In framing the recommendations, it has been recognised that the scheme has operated for just over 2 years, at the commencement of this evaluation. The cost of any change in the scheme would be potentially significant. There would need to be a clear net public benefit to justify any change, based on high-quality data, particularly as the Australian economy is in a recovery phase from the COVID-19 pandemic. This also provides time for further monitoring of scheme impact and the evolution of consumer expectations and retail labelling trends, including those involving the provision of digital information.

Any major changes to the scheme would also need to give regard to other labelling requirements and pressures on the food sector. In addition, changes to current CoOL requirements may take time; for instance, as changes to Australian Consumer Law (ACL) regulations require the agreement of states and territories.

## Recommendation 1: Scope of the scheme

Table ii: Recommendation 1

<b>Recommendation</b> <b>Retain the scheme in its current form for at least a further 2 years due to its current efficiency. This additional retention period will also enable further monitoring of performance and impact. This includes retaining the non-priority list, voluntary application to online sales and current exemption for foodservice.</b>	
Background	The scheme commenced operation in 2016 and following a 2-year transition period became fully operational from 2018.
Rationale for the recommendation	<p>This recommendation reflects findings that the scheme has been well implemented and, overall, is operating efficiently. As any change would have significant implications, any changes to the scope of the scheme require careful consideration.</p> <p>There is consumer support for extending the scope of CoOL through removing the distinction for non-priority products, making mandatory the application to information for online purchases, removing the current exemption for foodservice and/or increasing the provision of information on labels.</p> <p>Only one of the proposed changes to scope returned a positive BCR in CBA modelling<sup>4</sup>: the removal of the non-priority list. As WTP estimates are subject to various biases, and taking into consideration broader evidence, more time is required for ongoing monitoring of consumer demand and scheme impact.</p>
<b>Key Findings</b>	

<sup>4</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Table 4.2..

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**Recommendation Retain the scheme in its current form for at least a further 2 years due to its current efficiency. This additional retention period will also enable further monitoring of performance and impact. This includes retaining the non-priority list, voluntary application to online sales and current exemption for foodservice.**

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Australian Government stakeholders stated the CoOL reforms were widely considered to be a well-implemented reform and in many respects is considered an implementation exemplar. (Key finding 8, Section 3.2)

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In general, CoOL requirements do provide adequate flexibility for food and beverage producers to manage variations in the supply of ingredients when those variations are within a normal business-as-usual range. (Key finding 48, Section 5.3)

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The current CoOL scheme is an improvement on the previous scheme, as it provides consumers with more information on the country of origin of their foods. However, there is still a subset of consumers who want more information on non-Australian ingredients. (Key finding 11, Section 3.3)

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There is mixed evidence about whether consumer demands for (greater) origin information are changing. It appears most likely that for the wider population, any change is incremental and difficult to detect in the period of time since the scheme was introduced. (Key finding 39, Section 4.8)

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A subset of consumers are more highly engaged about country of origin and are seeking more extensive and detailed information about the origin of all ingredients. (Key finding 40, Section 4.8)

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A range of potential improvements have been identified. However, any improvements need to be considered in the context of the scheme's duration and with regard to overall benefit and cost. Changes to the scheme can be costly – particularly when first introduced – as they typically affect many products, businesses and consumers. (Key finding 61, Section 6.5)

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### **Differentiation between priority and non-priority foods**

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While there is some support from both business and consumers to remove the non-priority foods category, there are different drivers. Industry has regard to the logic of non-priority foods and whether this is sound and aligned with how business (across manufacturing and retail) understands product categories. Consumers appear to be mainly referring to the desire for consistency across all food products. (Key finding 19, Section 4.2)

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There is insufficient evidence at the present time to support the removal of the non-priority list, given the cost of change and relatively low interest from consumers. (Key finding 20, Section 4.2)

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There could be a case for better aligning CoOL with established product categories if this were to ease the compliance burden while being aligned with consumer needs. (Key finding 21, Section 4.2)

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**Recommendation Retain the scheme in its current form for at least a further 2 years due to its current efficiency. This additional retention period will also enable further monitoring of performance and impact. This includes retaining the non-priority list, voluntary application to online sales and current exemption for foodservice.**

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Any change to CoOL is likely to have significant cost implications. At this time, the net benefit of removing the non-priority list is likely to be marginal at best. (Key finding 22, Section 4.2)

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#### **CoOL requirements for online sales**

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There is now significant information about food being provided online, about country of origin and other aspects of food. The two major retailers now provide country of origin information online for many products. This represents a significant proportion of all food sold online in Australia. Consequently, the scheme has increased the information provided online, despite it not being mandated by regulation. (Key finding 31, Section 4.5)

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If regulations were to require the provision of this information for all food sold online, this would impose a disproportionately high cost on smaller sellers because large retailers have economies of scale and generally have already made the change. (Key finding 32, Section 4.5)

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Any expansion of the regulation to more online sales would need to provide a clear net benefit to consumers, taking account of the cost this would impose on business. (Key finding 33, Section 4.5)

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#### **Appropriateness of the exemption for foodservice**

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While there may be some consumer and business benefit in providing increased country of origin information in foodservice settings (e.g. restaurants and cafes), any such proposal must be sensitive to the distinct sectors comprising foodservices. (Key finding 23, Section 4.3)

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It is likely that the practical and cost considerations associated with expanding CoOL in the wider foodservices sector make it more amenable to use in the fast-food sector, particularly in those businesses with a fairly standard menu across restaurants. However, it would be challenging to mandate CoOL only in certain types of foodservice businesses. (Key finding 22, Section 4.2)

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The mandating of CoOL would not be practical in individual cafes and restaurants if applied at the individual dish or ingredient level. (Key finding 25, Section 4.3)

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Allowing an alternative claim indicating the commitment of an individual foodservice business to sourcing Australian ingredients might be possible, but could run the risk of not conveying accurate and useful information to consumers. (Key finding 26, Section 4.3)

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Evidence	<i>The CBA report<sup>5</sup> forms one part of the evidence base evaluated in making this recommendation. In addition, other research considered is in Section 4.2</i>
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<sup>5</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Chapter 4.



**Recommendation Retain the scheme in its current form for at least a further 2 years due to its current efficiency. This additional retention period will also enable further monitoring of performance and impact. This includes retaining the non-priority list, voluntary application to online sales and current exemption for foodservice.**

*(Differentiation between priority and non-priority foods), Section 4.5 (CoOL requirements for online sales), Section 4.3 (Foodservice exemption from the current scope of mandatory CoOL) and Section 4.8 (Change in consumer demand for origin information).*

Source: Deloitte Access Economics.

## Recommendation 2: Scope of the scheme

Table iii: Recommendation 2

**Recommendation Retain the scheme for food and beverages only and consider any non-food items outside of this scheme.**

Background	Since its introduction in 1994, the Australian CoOL scheme has only ever covered food and beverages. Recently, there has been considerable interest from the cut flowers industry and some departmental officials in relation to the inclusion of cut flowers (not food or beverage) into the scheme.
Rationale for the recommendation	<p>The majority of consumers did not seek country of origin information for other product types. However, there was some interest in additional information for clothing and footwear (12%), electronics (8%), kitchenware and household goods (8%), medication and hygiene products (6%), and beauty and cosmetic products (6%).</p> <p>The consumer survey and consumer focus groups did not indicate that consumers sought country of origin information on cut flowers. However, the cut flower industry has argued that there is imperfect information in the sector. This may explain the results of the survey and indicates a need for the sector to address the current information failure. It does not, however, mean that a food-based regulatory scheme should be expanded to address it.</p>

### Key Findings

The majority of consumers did not seek country of origin information for other product types. However, there was some interest in additional information for clothing and footwear, electronics, kitchenware and household goods, medication and hygiene products, and beauty and cosmetic products. (Key finding 35, Section 4.7)

The consumer survey and consumer focus groups did not indicate that consumers sought country of origin information on cut flowers. However, the cut flower industry has argued that there is imperfect information in the sector. (Key finding 36, Section 4.7)

There may be a need for the sector to address issues associated with pest and chemical residue on imported cut flowers. However, the existing CoOL scheme is unlikely to be the best instrument to address these issues, and inclusion of cut



<b>Recommendation Retain the scheme for food and beverages only and consider any non-food items outside of this scheme.</b>	
	flowers in the existing CoOL scheme could impose significant costs on the industry. Instead, the issues of pest and chemical residue should be managed directly through DAWE. (Key finding 37, Section 4.7)
	In relation to origin information, the Australian Government should note the potential use of a voluntary industry-based scheme, such as voluntary certification or a trademark arrangement similar to the NSW Flower Growers Group trademark as a possible lower cost alternative to mandatory regulation. (Key finding 38, Section 4.7)
Evidence	<i>The evidence for this recommendation is contained in Section 4.7 and discussed in detail in the CBA report<sup>6</sup>.</i>

Source: Deloitte Access Economics.

## Recommendation 3: Understanding and impact

Table iv: Recommendation 3

<b>Recommendation Increase awareness and understanding of CoOL among consumers and businesses at risk of low compliance through a time -limited information campaign that utilises social media along with other methods of communication, as appropriate.</b>	
Background	Various communication activities were undertaken in 2016 when the changes to the CoOL requirements were introduced, including TV campaigns, radio campaigns, print campaigns and in-store demonstrations, as well as various online resources on CoOL.
Rationale for the recommendation	The CoOL reforms are almost certain to have improved consumer understanding about the origins of their food to some degree. However, significant areas of uncertainty remain, driven in part by factors that are a legacy of the previous scheme and partly by the variability in consumer preferences and interpretation of the information provided. CBA results <sup>7</sup> indicate a strong return on investment for a consumer education and awareness campaign. Independent supermarkets and meat and seafood retailers have lower compliance rates, and may benefit from increased awareness and understanding of CoOL requirements.
<b>Key Findings</b>	
<b>Consumer understanding of the origin of their foods</b>	
	The CoOL reforms are almost certain to have improved consumer understanding about the origins of their food to some degree. This is because the scheme now provides more information, which is of higher quality (less prone to misleading

<sup>6</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Chapter 5.

<sup>7</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources Section 4.2.

<b>Recommendation</b>	<b>Increase awareness and understanding of CoOL among consumers and businesses at risk of low compliance through a time -limited information campaign that utilises social media along with other methods of communication, as appropriate.</b>
	claims) in a more consistent manner across a wide range of products. (Key finding 16, Section 4.1)
	Significant areas of uncertainty remain driven, in part by factors that are a legacy of the previous scheme and partly by the variability in consumer preferences and interpretation of the information provided. (Key finding 17, Section 4.1)
	While many consumers report to understand the labels, there is in fact widespread misinterpretation of the information presented. (Key finding 18, Section 4.1)
	<b>Made in claim, AMAG logo and bar chart</b>
	The use of the AMAG logo combined with the bar chart does provide consumers with more information that is more accurate than the previous scheme. (Key finding 28, Section 4.4)
	Despite this, there is an ongoing issue regarding consumer understanding of the 'Made in' claim. This issue predates the current scheme. It is likely that the current scheme is surfacing this issue because consumers can see that a product making this claim is not necessarily wholly or predominantly sourced from Australian ingredients. (Key finding 29, Section 4.4)
	It may be appropriate to limit misunderstanding in this area by providing additional communication, including possibly a refreshed awareness campaign. (Key finding 30, Section 4.4)
	<b>Communication activities and online resources</b>
	There appears to be a case for a refreshed CoOL awareness campaign. It is likely that any short-term campaign needs to be accompanied by an ongoing communication strategy that is engaging and has meaningful reach. This campaign would aim to improve consumer understanding of the different elements of CoOL. The design, funding and delivery of this campaign would need to be considered further. (Key finding 34, Section 4.6)
Evidence	<i>Evidence for this recommendation is contained in Section 4.1 (Impact of CoOL reforms on consumer understanding of food origin), Section 4.4 (Consumer perceptions and expectations of the 'Made in' claim, Australian Made logo and bar chart) and Section 4.6 (Effectiveness of communication activities and online resources for consumers). A summary of the CBA results and recommended approach for the education campaign is provided in 'Lessons to improve future initiatives', Section 6.5.3.</i>

Source: Deloitte Access Economics.

## Recommendation 4: Consumer understanding and impact

Table v: Recommendation 4

<b>Recommendation</b> DISER ensures data collection and monitoring occurs where it relates to: <b>a) scheme awareness to determine if consumers are more correctly and completely interpreting CoOL labels over time; and</b> <b>b) assessing the impact of the scheme with respect to consumer expectations and scope at appropriate intervals.</b>	
Background	The benefits of the scheme are largely derived by consumer utility and the time saving for consumers in making purchasing decisions that align with their preferences. Consumer inquiries have been monitored by DISER, while compliance data has been collected via the NMI inspections - these are not sufficient to monitor consumers' understanding of, use/value and expectations from CoOL.
Rationale	If whole-scale changes to the scheme are to be made, there would need to be a stronger evidence base of the scheme's impact and consumer expectations over time.
<b>Key Findings</b>	
	The current CoOL scheme is an improvement on the previous scheme, as it provides consumers with more information on the country of origin of their foods. However, there is still a subset of consumers who want more information on non-Australian ingredients. (Key finding 11, Section 3.3)
	If it becomes faster and more seamless for consumers to access information about food digitally (which may be a technology that supersedes QR codes), then there could be implications for the current scheme. However, neither of these factors are sufficiently present at this time to necessitate significant change in terms of the information being provided on label versus digitally. Both consumer preference and technology require careful monitoring as the scheme develops. (Key finding 13, Section 3.3)
	While many consumers report to understand the labels, there is in fact widespread misinterpretation of the information presented. (Key finding 18, Section 4.1)
	There is mixed evidence about whether consumer demands for origin information is changing. It appears most likely that for the wider population, any change is incremental and difficult to detect in the period of time since the scheme was introduced. (Key finding 39, Section 4.8)
	A subset of consumers are more highly engaged about country of origin and are seeking more extensive and detailed information about the origin of all ingredients. (Key finding 40, Section 4.8)
Evidence	<i>Evidence for the above key findings is provided in Section 3.3, Section 4.1 and Section 4.8.</i>

Source: Deloitte Access Economics.

## Recommendation 5: Scheme compliance

Table vi: Recommendation 5

<b>Recommendation Support the regulator<sup>8</sup> to conduct pro-active primary research on industry compliance to inform targeting of compliance activities and ensure trust in the scheme is retained.</b>	
Background	The 2016 reforms distilled the role of government monitoring and enforcement of CoOL from multiple agencies down to a single regulator (i.e. the ACCC). The ACCC had engaged the NMI to undertake market surveillance for country of origin food labelling, which commenced in September 2018. This was due to continue until June 2020, but was interrupted by the COVID-19 pandemic. The ACCC does not currently receive funding for compliance activities, and future funding for compliance activities is unclear.
Rationale	The monitoring and compliance activities of the regulator have provided satisfactory outcomes; these must continue to ensure ongoing integrity of the scheme. Unless the Australian Government knows whether the scheme is being complied with, then it cannot be clear that the scheme is being effective. This recommendation is about ensuring that the scheme is operating as intended in the future.
<b>Key Findings</b>	
<b>Compliance with CoOL requirements</b>	
	Despite initial difficulties in implementing and complying with CoOL requirements in the transition period, there is reportedly a generally high level of business compliance with CoOL requirements for major supermarkets. (Key finding 46, Section 5.2)
	However, there were some areas identified (in work undertaken by the NMI for the ACCC across 2018-19 and 2019-20) as having higher non-compliance rates. These include independent supermarkets and meat and seafood retailers. (Key finding 47, Section 5.2)
<b>Communication and online resources</b>	
	In general, businesses have indicated that communication activities and online resources were effective in supporting businesses in understanding, implementing and managing CoOL requirements. Continued education and communication to businesses and consumers are important. More recently, communication material has not been prominent. (Key finding 54, Section 6.1)
	The examples provided by the regulator on the definition of 'substantial transformation' could be more detailed as a means of providing further guidance

<sup>8</sup> The ACCC is an independent Commonwealth statutory authority whose role is to enforce the *Competition and Consumer Act 2010* and a range of additional legislation, promoting competition, fair trading and regulating national infrastructure for the benefit of all Australians. In addition, there are local state and territory consumer protection agencies. In the context of this report, references to the regulator refer to the national regulator i.e. the ACCC. It is noted that state and territory protection agencies also contribute to protection consumer affairs.

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**Recommendation** Support the regulator<sup>8</sup> to conduct pro-active primary research on industry compliance to inform targeting of compliance activities and ensure trust in the scheme is retained.

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to industry, noting this is currently predominantly based on legislative and/or regulatory instruments. (Key finding 55, Section 6.1)

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Evidence *Evidence for the key findings is provided in Section 5.2 and Section 6.1.*

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Source: Deloitte Access Economics.

## Recommendation 6: Business understanding and impact

Table vii: Recommendation 6

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**Recommendation** Complete a review of wording and definitions in the Information Standard to ensure they are as clear as possible for industry and other stakeholders.<sup>9</sup>

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**Background** The Country of Origin Food Labelling Information Standard 2016 was last compiled in August 2017. As with any relatively new regulation, it is to be expected that upon the regulation having been used for a period of time, there may be further revisions needed to ensure stakeholders have a consistent understanding with regard to its interpretation. It was not within the scope of the evaluation to undertake a review of legal terms.

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**Rationale** Industry groups that are working closely with the regulations have reported several issues regarding wording and definitions that warrant a broader review.

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### Key Findings

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#### Made in claim, AMAG logo and bar chart

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There may be an opportunity to further refine definition(s) and explanations of this and other claims through the regulations and accompanying explanatory material. This should address aspects of the labelling consumers have identified as confusing to interpret or misleading, such as the symbol being associated with Australian ingredients, as well as manufacturing, and explaining the criteria for a product to be 'Made in Australia' to better reflect consumer perceptions. (Key finding 27, Section 4.4)

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There is an ongoing issue regarding consumer understanding of the 'Made in' claim, including how to interpret the label and the extent to which consumers' understanding is consistent with the 'Made in' claims, particularly where the share of Australian ingredients is low. This issue predates the current scheme. It is likely that the current scheme is surfacing this issue because consumers can see that a product making this claim is not necessarily wholly or predominantly sourced from Australian ingredients. (Key finding 29, Section 4.4)

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#### Safe harbour defences

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<sup>9</sup> It is noted that any change to the Information Standard can be an arduous process.

<b>Recommendation</b>	<b>Complete a review of wording and definitions in the Information Standard to ensure they are as clear as possible for industry and other stakeholders.<sup>9</sup></b>
	The inclusion of the safe harbour defences within the scheme is desirable and appropriate. The safe harbour defences are generally supported by industry stakeholders. (Key finding 41, Section 5.1)
	Some industry stakeholders consider there is a need to revise some definitions associated with the safe harbour defences (in particular, substantial transformation) to ensure clarity and support ease of compliance. (Key finding 42, Section 5.1)
	Clearer guidance and more detailed examples from the ACCC could assist in increasing businesses understanding of the safe harbour defences and support ease of compliance. However, the ACCC considers their guidance material already goes as far as it can based on the Information Standard and current case law. A stakeholder forum to ensure a shared understanding of the definition and interpretation of substantial transformation could be beneficial, particularly if changes to the definition were to be pursued. (Key finding 43, Section 5.1)
	The definition of fruit and vegetable juice in the Information Standard is unclear and requires revision. (Key finding 44, Section 5.1)
	The definition of origin claims related to fishing in the Information Standard is unclear and requires revision. (Key finding 45, Section 5.1)
Evidence	<i>Evidence for the key findings listed above are provided in Section 4.4 and Section 5.1.</i>

Source: Deloitte Access Economics.

# 1 Introduction

This chapter outlines the context for this evaluation, the regulatory framework brought about through the 2016 reforms and the evaluation questions to be answered through this review.

## 1.1 Background to this review

Deloitte Australia was commissioned by the Department of Industry, Science, Energy and Resources (DISER)<sup>10</sup> to undertake an evaluation of the impact of the 2016 reforms to the Country of Origin Labelling (CoOL) scheme. The reforms, which came into effect in July 2018 following a 2-year transition period, were implemented through the *Competition and Consumer Amendment (Country of Origin) Act 2017* and the *Country of Origin Food Labelling Information Standard 2016* (the Information Standard).

The intent of the reforms was to provide clear, consistent, informative and easy to find country of origin labels for food, so consumers can make more informed choices about the food they buy, in line with their personal preferences. The reforms responded to a 2014 House of Representatives Standing Committee inquiry into country of origin food labelling and consumer research by Colmar Brunton, which indicated that country of origin information was hard to find, confusing and did not provide enough information.

## 1.2 Purpose of food labelling regulation

Globally, national governments across comparable advanced economies commonly regulate food labelling to increase consumers' access to information.<sup>11</sup> Clear, consistent and achievable food labelling standards are created and enforced to verify the validity of labelling claims<sup>12</sup>, reduce risks to individual consumer health and safety<sup>13</sup> and rectify any flow on impacts from food production and consumption, such as to population health or the environment.<sup>14</sup> Examples of labelling schemes for several comparable countries are in Appendix A.

The absence of regulation can result in information asymmetry, where food producers know more about their products than do consumers and are able to select which information consumers receive<sup>15</sup>. As profit-maximising entities may decide to only include information that would generate a profit, consumers may be prevented from making consumption choices that align with their preferences.<sup>16</sup> Furthermore, without any standardisation of food labelling claims, consumers are

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<sup>10</sup> Under the Administrative Arrangement Orders of 5 December 2019 that took effect from 1 February 2020, the Department has policy responsibility for CoOL.

<sup>11</sup> Henneberry SR and Walter, JA (2003) 'Emerging Roles for Food Labels: Inform, Protect, Persuade', *Journal of Food Distribution Research*, 34, 3.

<sup>12</sup> Golan E, Kuchler F and Mitchell L (2000) *Economics of food labelling*, Economic Research Service, U.S. Department of Agriculture, Agricultural Economic Report No. 793.

<sup>13</sup> Hadden, SG (1986) 'Read the label: Reducing risk by providing information', Westview Press as cited in Henneberry, SR and Walter JA (2003) 'Emerging Roles for Food Labels: Inform, Protect, Persuade'. *Journal of Food Distribution Research*, 34, 3.

<sup>14</sup> Golan E, Kuchler F and Mitchell, L (2000).

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

likely to be confused by, mislead by or misinterpret information on food labels<sup>17</sup> and may not be convinced of the validity of labelled information.<sup>18</sup>

Food labels are designed to provide consumers with information that:

- Communicates important health and safety information about products (e.g. use by dates, allergens or storage and preparation instructions)<sup>19</sup>
- Assists them in making consumption choices that align with their preferences (e.g. information on nutrition, health claims and ingredients)<sup>20</sup>
- Differentiates products in the market by marketing certain aspects/attributes of products (e.g. whether a product is organic or outlining the country of origin).<sup>21</sup>

As most Australians have minimal engagement with food production processes, consumers use labelling to help identify the composition, source and nutritional quality of ingredients.<sup>22</sup> Australian governments have recognised that effective regulation of food labelling is important, and Australia has had CoOL regulations since 1994.<sup>23</sup>

### 1.3 Purpose of country of origin labels

The aim of the CoOL reforms was to provide clearer, more consistent, informative and easy to find labels to assist consumers in making more informed choices about the food they buy, in line with their personal preferences. They were not intended to encourage consumers to buy Australian-made products in preference to imported products, which ensures Australia meets its World Trade Organisation (WTO) obligations and potentially other obligations under existing free trade agreements.

### 1.4 Changes to CoOL implemented in 2016

In July 2016, the Australian Government made changes to the CoOL scheme by removing it from the Food Standards Code and regulating it through ACL instead. This change distilled the role of government monitoring and enforcement from multiple agencies down to a single regulator (ACCC).<sup>24</sup> In addition, the Australian Government introduced visual elements into CoOL information to help make the information easier to find and read for consumers.<sup>25</sup> The safe harbour provisions were also amended to introduce the substantial transformation test and remove the 50% production cost test.

The 2016 reforms to the CoOL framework were designed to:

- Better communicate country of origin information at the point of purchase
- Provide consumers with reliable, more informative, easier to find and less ambiguous origin information
- Provide business with greater certainty and clarity about the claims they can make

<sup>17</sup> Hughes C, Wellard L, Lin J, Suen K and Chapman K (2013) 'Regulating health claims on food labels using nutrient profiling: what will the proposed standard mean in the Australian supermarket?' *Journal of Public Health Nutrition*, 16, 12.

<sup>18</sup> Golan E, Kuchler F and Mitchell L (2000). *Economics of Food Labelling*. Agricultural Economic Report 793. U.S. Department of Agriculture, Economic Research Service.

<sup>19</sup> Food Standards Australia and New Zealand (2019). 'Labelling'. FSANZ website, cited January 2021. <https://www.foodstandards.gov.au/industry/labelling/pages/default.aspx>

<sup>20</sup> Henneberry, SR and Walter JA (2003) 'Emerging Roles for Food Labels: Inform, Protect, Persuade', *Journal of Food Distribution Research*, 34, 3.

<sup>21</sup> Ibid.

<sup>22</sup> Tonkin E, Coveney J, Meyer SB and Wilson AM, and Webb T (2016) 'Managing uncertainty about food risks: Consumer use of food labelling', *Appetite*, 107.

<sup>23</sup> Australia and New Zealand Food Regulation Ministerial Council (2011). *Response to the recommendations of Labelling Logic: Review of Food Labelling Law and Policy (2011)*, accessed online in October 2020.

<sup>24</sup> The ACCC is an independent Commonwealth statutory authority whose role is to enforce the *Competition and Consumer Act 2010* and a range of additional legislation, promoting competition, fair trading and regulating national infrastructure for the benefit of all Australians. In addition, there are local state and territory consumer protection agencies. In the context of this report, references to the regulator refer to the national regulator i.e. the ACCC. It is noted that state and territory protection agencies also contribute to protecting consumer affairs.

<sup>25</sup> Department of Industry, Innovation and Science (2016), Decision Regulation Impact Statement.



The Australian Government supported the implementation of CoOL with a public information and awareness campaign targeting businesses and consumers, and development of an online tool to assist businesses to generate appropriate product labels.

Further details on the reforms are provided in the relevant section of this evaluation report.

## 1.5 Evaluation framework overview

Overall, the objective of this evaluation was to evaluate the impact of the CoOL reforms, as expressed in the following question:

*Have the Country of Origin Labelling reforms improved consumer access to information about the origin of food, and clarified the origin claims businesses can make about their products, without imposing excessive costs on those businesses?*

In doing so, the evaluation sought to answer a wide range of evaluation questions listed in Table 1.1 within the following areas:

- Design and implementation (Pillar 1)
- Outcomes, including:
  - Consumers access to origin information (Pillar 2)
  - Clarifying business' ability to make origin claims (Pillar 3)
  - Impact on business (Pillar 4)
- Lessons learned from the scheme and potential for improvement

Accordingly, the report is organised according to these 4 pillars.

Table 1.1: Evaluation questions

Q	Pillar One Design and implementation	Q	Pillar 2 Consumer access to origin information
1	What were the problems that the CoOL reforms were designed to address?	7	Did the CoOL reforms achieve the objective of improving consumer understanding about the origins of their food?
2	Did clear, evidence-based links exist between the CoOL reforms and the expected outcomes?	8	Does the differentiation between priority and non-priority foods continue to meet consumer expectations?
3	Were there alternative labelling models which could have more effectively addressed the issues?	9	Is the current scope of mandatory CoOL appropriate? Should the exemption for foodservice be maintained?
4	Have the reforms been flexible enough to accommodate new consumer, industry and technology developments?	10	Do the criteria for making a 'Made in' claim reflect consumer perceptions and expectations?
5	How cost-effective was the provision of information to consumers and businesses?	11	Does use of the Australian Made logo and bar chart reflect consumer perceptions and expectations?
6	Were the CoOL reforms delivered within their original scope, budget and timeframe?	12	Do the CoOL requirements for online sales provide consumers with adequate origin information about products prior to making their purchase?
		13	Have communication activities and online resources been effective in raising consumer awareness of the CoOL reforms and helping consumers to understand CoOL information?

<b>Q Pillar One Design and implementation</b>		<b>Q Pillar 2 Consumer access to origin information</b>	
		14	Are there any other product types for which consumers seek greater access to origin information?
		15	Has consumer demand for origin information changed since the introduction of the reforms?
<b>Q Pillar 3 Clarifying business' ability to make origin claims</b>		<b>Q Pillar 4 Impact on business</b>	
16	Has the introduction of safe-harbour defences clarified business' ability to securely make origin claims?	20	Have communication activities and online resources been effective in supporting businesses to understand, implement and manage CoOL requirements?
17	How well have businesses complied with CoOL requirements?	21	Did the transition period enable businesses to implement the reforms in an efficient manner, and minimise implementation costs?
18	Do the current CoOL requirements provide adequate flexibility for food and beverage producers to manage variations in the supply of ingredients?	22	What were the realised costs to business associated with meeting the new CoOL requirements?
19	Did the CoOL reforms have any unintended consequences on businesses for particular products, including non-food products? What action, if any, was taken to address the impacts of the CoOL reforms on those businesses that were negatively affected?	23	Have food and beverage producers benefited from the increased provision of information to consumers?
		24	Part a) What lessons can be drawn from business to improve the efficiency or effectiveness of future initiatives? Part b) question extended to consumers

Source: Deloitte Access Economics project plan.

## 1.6 Cost benefit analysis

A CBA was undertaken to evaluate the cost-effectiveness of the provision of information to consumers and businesses (Appendix C). It considered the net benefit of the current CoOL scheme compared with the scheme that was in place prior to June 2016. This economic modelling was previously undertaken by Arup in 2016, which (then) prospectively considered the value of adopting the scheme in its current format. The modelling at this point was undertaken to inform the implementation of the CoOL scheme. The CBA was also used to assess the net benefit of potential future reforms to the CoOL scheme as shown in Table 1.2.

Table 1.2: CBA options

Options subject to CBA review	Description	CBA report section
1 Education	The current CoOL reforms are in place with consumer education campaign	Section 4.3
2 Reduced regulatory burden	Reduce regulatory requirements by providing an option for businesses to provide CoOL information online while retaining instructions on their labelling for how to access this information	Section 4.4
3 Online shopping platforms	Extend CoOL information to online shopping platforms for those retailers who already have to comply with CoOL regulation	Section 4.5
4 Remove non-priority exemption	Remove the distinction between priority and non-priority food products so that CoOL regulations apply uniformly to all food products	Section 4.6
5 Increased information	Include more information about ingredients from outside Australia	Section 4.7
6 Expand to foodservice	Expand the current CoOL regulations to all businesses in the foodservice sector	Section 4.8

Source: Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources.

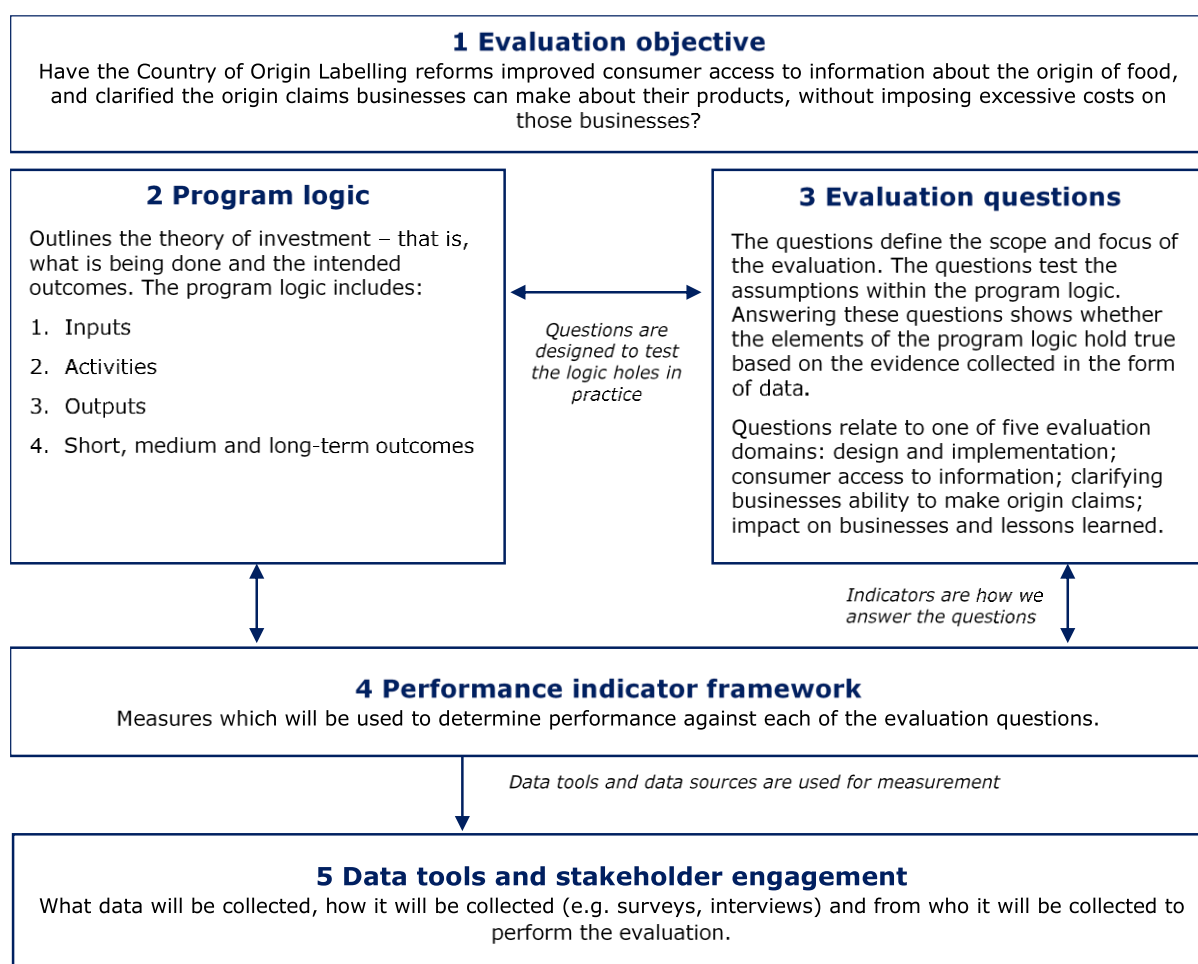
## 2 Approach

Multiple methods were used to collect evidence to answer the evaluation questions. These included: a review of documents and data; consultations with industry, businesses, consumers and government; and a cost benefit analysis.

### 2.1 Overview of the evaluation framework

An evaluation framework was developed to support the systematic evaluation of the recent CoOL reforms, identify key findings and develop recommendations for possible future reform. The structure of the evaluation framework (Figure 2.1) illustrates how the overarching evaluation objective and evaluation questions link to the performance indicator framework (Appendix B).

Figure 2.1: Structure of evaluation framework



Source: Deloitte Access Economics project plan.

### 2.2 Overview of research undertaken for this evaluation

Multiple methods were used to collect evidence to respond to the evaluation questions. The literature, documents, submissions and other data were reviewed and extensive stakeholder consultation was undertaken with consumers, businesses, industry and governments, as well as

completing a CBA. Further information on the methodology for this evaluation is provided in Appendix C.

### **2.2.1 Document and submissions review**

Literature, data and documents reviewed include (but are not limited to):

- Country of Origin Labelling Information Standard (2016)
- Competition and Consumer Amendment Bill (2017)
- Inquiry report titled *A clearer message for consumers* (2014)
- Inquiry into Australia's food processing sector (2012)
- Current requirements for labelling of seafood and seafood products (2014)
- Country of Origin Regulatory Impact Statement (RIS) (2016)
- Colmar Brunton research
- DISER Evaluation of CoOL for Food Discussion Paper, including written submissions and consumer and businesses survey responses (2020) and supplementary submissions to Deloitte
- Stakeholder submitted responses to the CoOL Decision RIS
- Australian Bureau of Statistics (ABS) and Australian Bureau of Agricultural and Resource Economics (ABARES) data
- Supplementary submissions provided by stakeholders in the course of the evaluation
- The Program Logic for the reforms
- An origin labelling inbox enquiry analysis
- Imported food inspection data reports and several research reports
- An extensive list of publicly available evaluations and reports preceding this evaluation.

### **2.2.2 Industry and government interviews**

Semi-structured interviews were undertaken with industry members and Commonwealth and State Government departments and agencies. The Australian Government consultations focused on gaining an understanding of the policy context of the CoOL reforms, how they have been implemented and enforced, consumer and business impacts of the framework and possible options for reform. Industry interviews focused on the impacts to business of the reforms.

### **2.2.3 Consumer survey**

The purpose of the consumer survey was to seek information about consumers' understanding of CoOL, the benefits of the current scheme and the information campaign associated with it. Consumers were asked about their understanding of, information requirements and WTP related to CoOL information.

A statistically significant sample of the Australian population (n=1,010) was taken, including with regard to locational distribution, age and gender. While the use of an existing general panel was undertaken to reduce some types of bias, analysis of consumer survey results also took into account the propensity for bias in surveys. The consumer survey was not relied on to determine the extent of correct label interpretation in practice.

### **2.2.4 Business survey**

The purpose of the business survey was to seek information on business costs and benefits associated with the CoOL program and provide insights for the evaluation questions and CBA related to the costs incurred in implementing the CoOL reforms. Approximately 632 businesses participated.

### **2.2.5 Consumer focus groups**

Fifteen online consumer focus group sessions were conducted with 6 to 10 participants in each. The purpose of the consumer focus groups was to understand how important CoOL is for consumers, and whether the labelling provides clear and adequate information to consumers in making their purchasing decisions. As a part of the discussion, consumers were also shown various country of origin labels and asked to interpret them. Results from the consumer focus groups were analysed with the propensity for bias taken into consideration (Appendix C).

### **2.2.6 Shopper interviews**

To undertake real-time market research on consumer behaviour, shoppers were surveyed as they exited supermarkets across Australia. Across 13 different supermarkets in Melbourne, Brisbane,

Perth and Hobart, there were 295 responses. The interviews aimed to reveal the extent to which consumers paid attention to CoOL on their food and beverage products when purchasing their groceries and the extent to which they interpreted country of origin information correctly. Questions were focused around a single product in the consumer's shopping basket.

# 3 Design and implementation of the reforms

## Summary of findings

The reforms to Country of Origin Labelling (CoOL) introduced in 2016 aimed to address problems of the previous scheme, by providing greater clarity of origin information to consumers and clarifying the origin claims that businesses can make. While 2 main alternative labelling models were considered in the 2016 CoOL RIS, evidence collected at that time suggested that the introduction of visual indicators and changes to the safe harbour defences together were likely to be the most effective at addressing these problems.

Representatives from the Australian Government have stated that the CoOL reforms were widely considered as an extremely well-implemented reform. This was confirmed by industry groups and businesses who acknowledged that the reforms were delivered within their original scope, budget and timeframe.

Most businesses agree that the CoOL reforms provided some flexibility to accommodate consumer, industry and technological developments since the implementation of the CoOL reforms. They generally find that the CoOL reforms are sufficiently flexible under business-as-usual circumstances, though a significant minority of business disagree and have found it difficult to comply with and/or do not consider it sufficiently flexible.

While the reforms have provided consumers with more information on the country of origin of their foods, there is still a subset of consumers who want more information on non-Australian ingredients. There could be implications for the current scheme if consumers are able to access digital information about their food more seamlessly. However, there is not currently sufficient evidence to move away from on-package labels or to a hybrid scheme with less on-package labelling and more information online.

The detailed findings related to this pillar can be found at the end of each section.

## 3.1 Rationale and evidence for the 2016 CoOL reforms

The evaluation has considered the rationale and evidence for the 2016 CoOL reforms. This includes the policy problem(s) that the CoOL reforms were intended to address, whether the design of the reforms was based on clear evidence-based links and if alternative labelling models may have been superior.

### 3.1.1 A demonstrated need for improved transparency around origin of food

The objective of the CoOL framework is to ensure consumers are provided with the information they want in order to make purchasing decisions in line with their preferences.<sup>26</sup> However, as outlined in the *Country of Origin Labelling: Decision Regulatory Impact Statement* (CoOL RIS),<sup>27</sup> a common theme across research and inquiries was that consumers were dissatisfied with the framework (prior to the 2016 reforms) and found origin labels difficult to understand or find.

Previous 'Made in' and 'Product of' claims did not clearly indicate the source of ingredients to consumers who found that the labels were not providing them with the information they sought,

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<sup>26</sup> Competition and Consumer Amendment (Country of Origin) Bill 2017.

<sup>27</sup> Department of Industry, Innovation and Science (2016). *Country of origin labelling: Decision Regulation Impact Statement Consumer Affairs Australia New Zealand* (March 2016).

particularly the percentage of ingredients grown in Australia.<sup>28</sup> Consumers were also interested in whether the food was processed in Australia. The research documented in the RIS<sup>29</sup> found that not having access to this information can affect consumer understanding of origin, and the time spent attempting to find and understand it. These problems limited the effectiveness of the previous country of origin framework.

The RIS<sup>30</sup> specified that feedback received from consumers, industries and food manufacturers indicated that improvements could be made to the CoOL framework to increase the transparency around the origin of ingredients to improve decision-making at the time of purchase.

The RIS also highlighted that meeting the safe harbour defences criteria for claims related to 'Made in' was particularly challenging for some businesses. The 2014 inquiry identified the safe harbour criteria as a source of compliance challenges for industry. To state 'Made in Australia', the business must have met the cost of production test<sup>31</sup> and be able to demonstrate that its product was substantially transformed in Australia.

Colmar Brunton research outlined that a few businesses thought the 50% cost of production test on packaging was difficult, complicated and confusing. The RIS stated that, where compliance with the production test was uncertain, businesses often resorted to claims like 'Made in Australia' from local and imported ingredients', which consumers found confusing and unhelpful.

As a part of the CoOL RIS, consultation with stakeholders indicated it would be useful to clarify substantial transformation for 'Made in' related claims, and stakeholders generally agreed the 50% production cost test would be unnecessary if substantial transformation was clarified.

### **3.1.2 Evidence and research into CoOL's future design, guiding the reforms**

In 2015, Colmar Brunton market research with consumers and businesses tested 6 future concepts, some of which included demonstrating that a product was at least partially made in Australia and demonstrating the proportion of Australian ingredients.<sup>32</sup> According to the research, which was conducted on a representative sample of 1,220 people, 28% of consumers ranked percentage of Australian ingredients as the CoOL element being most important to them, while 60% ranked it in their top 3 factors. This was compared to other factors considered when purchasing food, such as convenience, price, quality or health and safety.<sup>33</sup>

Additionally, the research supported the inclusion of icons and/or graphics in CoOL (by 64% of survey respondents), as one of the top 3 ways to simplify and improve CoOL regulations. It found that the 'Kangaroo concept', where the AMAG logo is used to communicate CoOL information, was most preferred by consumers. The 2014 inquiry recommended a visual descriptor that reflects the safe harbour thresholds of Australian ingredients in the content of a product.

The reforms introduced changes to the CoOL framework based on the Colmar Brunton research, including visual indicators on the label, which included the AMAG logo and a bar chart and text. Improving consumer understanding (and reduced time to establish understanding) was expected to lead to purchasing decisions that better reflected consumer values.

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<sup>28</sup> Colmar Brunton (2015) *Country of Origin Food Labelling Research*, Report to the Australian Government Department of Industry and Science, accessed October 2020. [https://www.industry.gov.au/sites/default/files/May%202018/document/pdf/country\\_of\\_origin\\_labelling\\_research\\_report\\_2015.pdf?acsf\\_files\\_redirect](https://www.industry.gov.au/sites/default/files/May%202018/document/pdf/country_of_origin_labelling_research_report_2015.pdf?acsf_files_redirect)

<sup>29</sup> Department of Industry, Innovation and Science (2016) *Country of origin labelling: Decision Regulation Impact Statement Consumer Affairs Australia New Zealand*, March 2016.

<sup>30</sup> Ibid.

<sup>31</sup> The cost of production test specifies that 50% or more of the production costs must have been incurred in the claimed country of origin. Costs incurred are calculated by adding expenditure on materials, labour and overheads. Material expenditures include purchase price, overseas freight and insurance, port and clearance charges, inward transport to store and retail packing for sale.

<sup>32</sup> Colmar Brunton (2015).

<sup>33</sup> However, this may be subject to some level of overstatement due to well-documented biases in stated preference studies when compared to revealed preferences.



### 3.1.3 Alternatives unlikely to have delivered more favourable outcomes

Good public policy development requires the comparison and assessment of options in response to a defined problem. There were alternative labelling models identified in the 2016 Decision RIS. Option 1 was a continuation of the CoOL framework that was in place up until June 2016. Option 2 was the introduction of visual elements (bar chart and kangaroo logo) to communicate CoOL and changes to the safe harbour defences. Option 2 is now the current CoOL framework. Option 3 was similar to Option 2, but included a text-only approach without visual indicators.

Overall, it appears unlikely that alternative labelling models considered in the RIS would have addressed the issues outlined above more effectively. This is supported by the CBA modelling<sup>34</sup>, which found that the CoOL regulations, which are currently in place, provide consumers with time-saving benefits related to the introduction of visual elements and greater consumer satisfaction, relative to the CoOL regulations which were in effect prior to June 2016.

The benefits derived from the CBA modelling were predominantly from time savings because of the visual elements introduced on the label (70%) and the increase in consumer WTP (utility) due to an increase in the people that understand and utilise CoOL (as measured by WTP). Hence, Option 3 of the RIS (text-only option) was unlikely to have derived a higher BCR as it is unlikely to have delivered the same benefits from the scheme.

### 3.1.4 Key findings: Rationale and evidence for the 2016 CoOL reforms

Ref	What were the problems that the CoOL reforms were designed to address? Did clear, evidence-based links exist between the CoOL reforms and the expected outcomes? Were there alternative labelling models which could have more effectively addressed the issues?
1	There were several problems with the CoOL regulations that were in place prior to the 2016 reforms, many of which were outlined in the 2014 inquiry and the Colmar Brunton research. These indicated that country of origin information was vague and difficult to understand and, therefore, prone to misleading claims.
2	The 2016 reforms introduced changes to safe harbour defences and brought in visual indicators (i.e. allowing the use of the Australian Made, Australian Grown (AMAG) logo and a bar chart and text identifying the proportion of Australian content), designed to better communicate country of origin information at the point of purchase.
3	There are evidence-based links between the CoOL reforms and expected outcomes of the scheme.
4	There was evidence that the introduction of visual elements with an accompanying awareness campaign would likely assist the achievement of increased consumer understanding of the new labels.
5	The provision of updated information and resources on known issues with the scheme, and development of resources for businesses to assist in scheme compliance, was guided by evidence.
6	There were 2 main alternative labelling models considered in the 2016 Decision RIS: the previous CoOL framework (Option 1) and the current CoOL framework (Option 2). A third option was considered, which was similar to Option 2, except with a text-only approach to labelling rather than visual indicators.

<sup>34</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Chapter 3.

Ref	What were the problems that the CoOL reforms were designed to address? Did clear, evidence-based links exist between the CoOL reforms and the expected outcomes? Were there alternative labelling models which could have more effectively addressed the issues?
7	It appears unlikely that alternative labelling models considered in the 2016 Decision RIS would have addressed the issues outlined in evaluation question one more effectively.

## 3.2 Implementation of reforms relative to original scope, budget and timeframe

The evaluation has considered whether the CoOL reforms were delivered within their original scope, budget and timeframe.

### 3.2.1 Intended scope, budget and timeframe

The 2016 Decision RIS describes the scope of the preferred option (Option 2) as:

*"...using the logo of a kangaroo in a triangle on food made, produced or grown in Australia; displaying the proportion of local ingredients on Australian food; simplifying the rules for using certain origin statements and placing country of origin statements on imported food in a box and clarifying claims."*<sup>35</sup>

The Decision RIS estimated the cost of this change would be around \$492.0 million and benefits were expected to be in the order of around \$558.0 million (in present value terms). Together, the Decision RIS estimated a positive Net Present Value (NPV) of \$66.0 million, which means that the RIS expected \$66.0 million in additional benefits to the Australian community from the scheme.

The RIS also outlined the change to commence as specified in the legislation (which was expected to be July 2016), which marked the start of a 24-month transition period, before the scheme commenced in its entirety. The Country of Origin Food Labelling Information Standard 2016 came into force on 1 July 2016, before the scheme commenced in its entirety on 1 July 2018.

### 3.2.2 The CoOL scheme was broadly delivered within the intended scope and timeframes

It was expressed in almost all government consultations that the CoOL scheme was delivered within the intended scope, as previously detailed in Section 3.1. An Australian Government stakeholder further highlighted that the distinction between priority and non-priority products was driven by consumers who valued country of origin information on less processed foods, such as fresh fruits and vegetables.

Its implementation is broadly in line with the original timeframes, as evidenced by government groups that indicated industry groups were able to deliver the CoOL scheme within the intended timeframe. Further details on the response of industry to the transition period is detailed in Section 6.2.

### 3.2.3 Cost of CoOL to industry was higher than original modelling

Modelling conducted in 2016 indicated that the CoOL scheme may cost \$597.5 million (present value terms) between FY2016 and FY2041. The CBA modelling by Deloitte Australia suggests the scheme costed \$1.7 billion over the same period.<sup>35</sup> Key reasons for the difference between results relate to the additional costs likely borne by industry that were not factored in, including:

- Previous modelling assumed very few costs of an ongoing nature post 2017, whereas the modelling for this evaluation incorporated both large up-front costs as well as ongoing costs as reflected by the business survey.
- Previous modelling excluded the up-front and ongoing costs to egg and poultry businesses, which understated the cost.

<sup>35</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 3.3.

- Previous modelling assumed the number of businesses subject to CoOL information regulations remained the same over time. For this evaluation, a constant annual growth rate was estimated for the number of businesses impacted by CoOL.

### 3.2.4 Key findings: Implementation of the CoOL reforms

Ref	Were the CoOL reforms delivered within their original scope, budget and timeframe?
8	Australian Government stakeholders stated the CoOL reforms were widely considered to be a well-implemented reform and in many respects are considered an implementation exemplar.
9	Industry groups and businesses generally acknowledged that the reforms were delivered within their original scope, budget and timeframe.
10	Some businesses suggested a longer transition period than 2 years would have been appropriate.

## 3.3 Flexibility of the reforms

Several consumer, industry and technological developments that have taken place since the CoOL reforms have tested the flexibility of the scheme. These include developments in supply chains and the broader production process due to the COVID-19 pandemic, and the availability of technological solutions, such as QR codes, particularly following their use in hospitality settings during the pandemic.

### 3.3.1 Most businesses agree that the reforms are flexible; however, a significant minority find it not sufficiently flexible or challenging to comply with

The 2016 CoOL reforms sought to provide some flexibility for businesses with measures, such as variations in the text, sizing, location and colour options with respect to labels. There is also flexibility with regard to displaying graphical elements (i.e. logo and/or bar chart) for priority foods sold in small packages and an exemption on food destined for export.

Most business survey respondents “agree” or “strongly agree” that the current CoOL regulations are flexible enough to accommodate consumer preferences (63%), industry developments (59%) and technological developments (56%). However, a significant minority find it not sufficiently flexible to accommodate consumer preferences (37%), industry developments (41%) and technological developments (44%). Industry interviewees reported that some businesses have required additional flexibility due to supply chain disruptions from COVID-19.

Business sentiment on the ease of complying with CoOL regulations for individual businesses was similarly distributed. About a fifth (22%) of business survey respondents report that complying with CoOL regulations is either “very easy” or “easy”, with very small businesses (31%) more likely than medium or large businesses (20% and 20%, respectively) to report this. A further two-fifths (42%) report that it is “neither easy nor challenging”. The remaining 36% of respondents, however, report it to be “challenging” or “very challenging”, with medium-size businesses most likely to report it to be (very) challenging (44%, compared to 36% overall).

### 3.3.2 Greater adaptation to technological developments not universally sought

Overall, the reforms appear to have been flexible to keep up with technological developments. While technological adaptation and behavioural change has occurred, leading to an increase in online shopping and use of QR codes particularly to support contact tracing related to the response to the COVID-19 pandemic, it has not yet reached a point where digital information could replace physical labelling. Monitoring of technological adaptation in future, including (but not be limited to) the use of SmartLabel or QR codes, is needed. The adoption of QR codes could be characterised as modest at best.

Some businesses and industry groups are already trialling QR codes on labels to trace the supply chain of ingredients and include additional information on country of origin. However, this is in its initial phases and some businesses suggest that a future desirable state would be to provide consumers information in a hybrid model.

Several industry submissions recommended the option to use SmartLabel or QR codes to provide additional and consistent information on country of origin and reduce the cost of relabelling of products. An example of this is listing all the countries of origin for complex products that have ingredients sourced worldwide - which might be difficult on a small label, but easy to display on a web interface accessed by a QR code. While the replacement of physical labels by QR codes is not (yet) supported widely, the use of QR codes in addition to basic on-package labelling to assist with registering and monitoring ingredient origin in foodservices and retail outlets is supported by representatives of several industry groups. However, a range of organisations did not support the introduction of QR codes, suggesting that it is laborious to use particularly for consumers in older age brackets, and that shopping decisions are mostly made quickly, such that consumers would not tolerate the additional time to scan the codes.

Another significant change in technology and consumer behaviour since the introduction of the reforms has been the adoption by consumers of online shopping, and subsequent improvement to online grocery shopping platforms. Coles and Woolworths, which represent over 66% of the current market share across supermarkets and grocery stores in Australia<sup>36</sup>, are already providing country of origin information online.

### 3.3.3 Technological progress is still occurring

There are examples of where the current scheme is already supporting technological progress. The CoOL scheme has seen the continuation of (already occurring) advancements in the use of novel techniques to determine the source of origin, quality authentication and product branding of agricultural products. A major operator of a large part of Australia's research infrastructure, ANSTO, has developed nuclear techniques in the area of seafood provenance. In particular, for Barramundi and Giant Tiger Prawns, ANSTO has investigated its capacity to assess where the seafood lived and whether they were farmed or wild-caught, providing insight into the quality and source of origin of the seafood. The techniques have the potential to be applied to terrestrial agriculture in future, where origin is not currently identifiable.

At least 2 major peak industry bodies state that improving technology will allow for information to be supplemented in the label in the case of supply chain changes/disruptions. However, the current regulatory framework does not allow for that.

### 3.3.4 Key findings: Flexibility of the reforms

Ref	Have the reforms been flexible enough to accommodate new consumer, industry and technology developments?
11	The current CoOL scheme is an improvement on the previous scheme, as it provides consumers with more information on the country of origin of their foods. However, there is still a subset of consumers who want more information on non-Australian ingredients.
12	Businesses are generally finding CoOL sufficiently flexible under business-as-usual conditions. However, there is a significant minority of businesses who either find CoOL difficult to comply with and/or do not consider it sufficiently flexible.
13	If it becomes faster and more seamless for consumers to access information about food digitally (which may be a technology that supersedes QR codes), then there could be implications for the current scheme. However, neither of these factors are sufficiently present at this time to necessitate significant change in terms of the information being

<sup>36</sup> IBIS World (2020) *Supermarkets and Grocery Stores in Australia*, November 2020.

Ref	Have the reforms been flexible enough to accommodate new consumer, industry and technology developments?
	provided on label versus digitally. However, both consumer preference and technology require careful monitoring as the scheme develops.

### 3.4 Scheme cost-effectiveness

The cost-effectiveness of the reforms in the provision of information to consumers and businesses considers whether the scheme has achieved its objective of improving consumer access to information about the origin of food, and clarifying the origin claims businesses can make about their products, without imposing excessive costs on those businesses. This is evaluated through measuring the benefits (to consumers and business), and costs to businesses and government, over time, in a net sense.

#### 3.4.1 2016 reforms expected to deliver a net benefit to the Australian community

The CBA model estimates the present value of the costs<sup>37</sup> of the current CoOL scheme to be \$1.7 billion more costly, relative to the scheme that was in place prior to 2016.<sup>38</sup> It also estimates that the current CoOL scheme generates \$5.7 billion more in benefits<sup>39</sup>, relative to the scheme that was in place prior to 2016. Compared to the previous scheme, the current scheme benefits include the avoided AMAG licencing costs and time saving for no longer applying the 50% production test.

Overall, between FY2016 to FY2041, the scheme is expected to result in an NPV of \$4.0 billion, relative to the previous scheme. Since the NPV exceeds zero, the benefits of the current CoOL scheme are expected to exceed the costs, such that the current CoOL scheme is considered more cost-effective than the previous scheme.

Considering that for every \$1 of costs incurred, the current CoOL scheme generates \$3.3 in benefits, the CBA modelling indicates that the current CoOL scheme is justified. The current scheme is expected to break even in FY2022 – meaning the modelled benefits would then have exceeded the scheme costs.

#### 3.4.2 Key findings: Cost-effectiveness of the reforms

Ref	How cost-effective was the provision of information to consumers and businesses?
14	The scheme was sensitive to cost in its design.
15	While the cost of introducing the scheme was relatively significant for some businesses, the cost impact appears to have been largely a one-off, with ongoing costs of the scheme reportedly relatively minor.

<sup>37</sup> The costs included in the model are IT and record-keeping systems; staff time; external advice and assurance; packaging/labelling wastage; time to determine the proportion of Australian ingredients; labelling costs; Government education campaign costs; Government training costs; and Government monitoring and enforcement costs.

<sup>38</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 3.2.3.

<sup>39</sup> The benefits included in the model are avoided licencing fees, time saving for no longer applying the 50% production test; consumer time savings from visual elements and willingness to pay for CoOL information.

# 4 Consumer access to origin information

## Summary of findings

The CoOL reforms have achieved the objective of informing consumers about the origin of their food to some degree. The scheme now provides more information, which is of higher quality (less prone to misleading claims) in a more consistent manner across a wide range of products. However, areas of consumer uncertainty remain, driven in part by factors that are a legacy of the previous scheme and partly by the variability in consumer preferences and interpretation of the information provided. There is evidence to suggest that many consumers have an incomplete level of understanding or awareness of key elements of the CoOL scheme.

There is an ongoing issue regarding consumer understanding of the 'Made in' claim; however, this issue predates the current scheme. It is likely that the current scheme is surfacing this issue because consumers can see that a product making this claim is not necessarily wholly or predominantly sourced from Australian ingredients. Further effort could be directed to improving consumer understanding of the meaning of this and associated claims. There may also be an opportunity to further refine definition(s) and explanations of this and other claims through the regulations and accompanying explanatory material.

There appears to be a case for a refreshed CoOL awareness campaign of some form. There are several important questions regarding such a campaign, including its timing, duration and intensity. Any short-term campaign needs to be accompanied by an ongoing communication strategy that is engaging and has meaningful reach.

While there is feedback from business and consumers in support of removing the non-priority food list, this appears to mainly reflect the desire for consistency. There is insufficient evidence at the present time to support the removal of the non-priority list, given the cost of change and relatively low interest from consumers.

The mandating of CoOL in foodservice settings is not likely to be practical or deliver a net benefit to the Australian community in individual cafes and restaurants.

The detailed findings related to this pillar can be found at the end of each section.

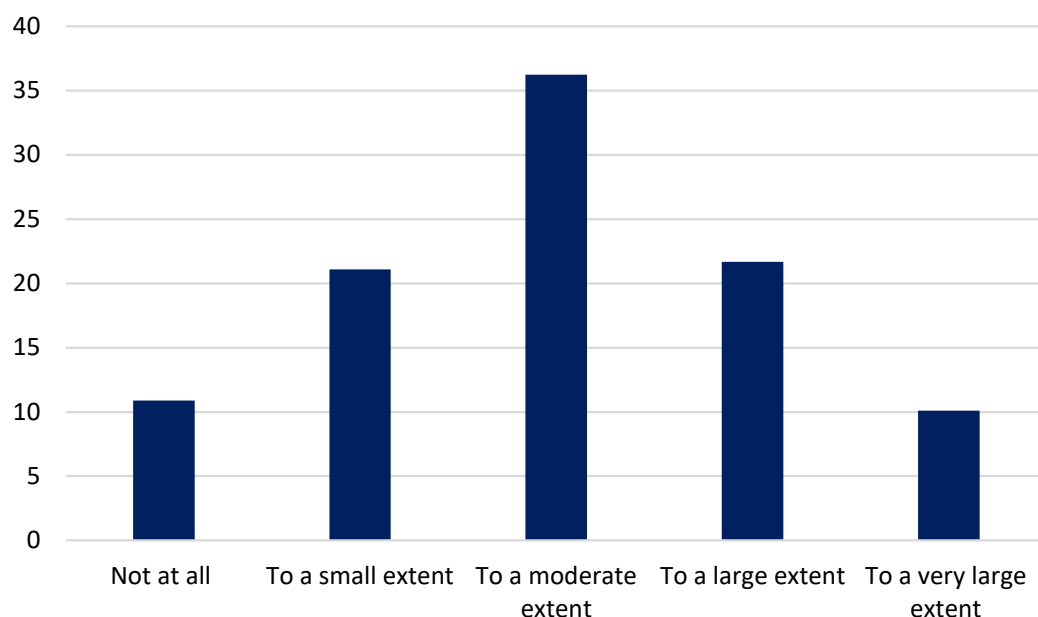
## 4.1 Impact of CoOL reforms on consumer understanding of food origin

A key question of this evaluation is the extent to which the reforms improved consumer understanding about the origins of their food (evaluation question 7). Consumer understanding of the origin of their food is associated with a capacity to make purchasing decisions in line with their preferences and, therefore, consumer empowerment. In evaluating consumer understanding of the origin of their food, the reported use of and satisfaction with CoOL information was considered, as well as observations around actual use and interpretation of key elements of the labels.

### 4.1.1 Self-reported understanding and use of CoOL is high, but lower in practice

Consumers report an improved understanding of the origin of food following the CoOL reforms, with 68% of consumers surveyed in the consumer survey reporting improved understanding to a "moderate," "large" or "very large" extent (see Chart 4.1). Only 11% of consumers participating in the consumer survey reported that their understanding has "not at all" improved through the reforms.

Chart 4.1: Reported improvement in consumer understanding about the origin of food following CoOL reforms



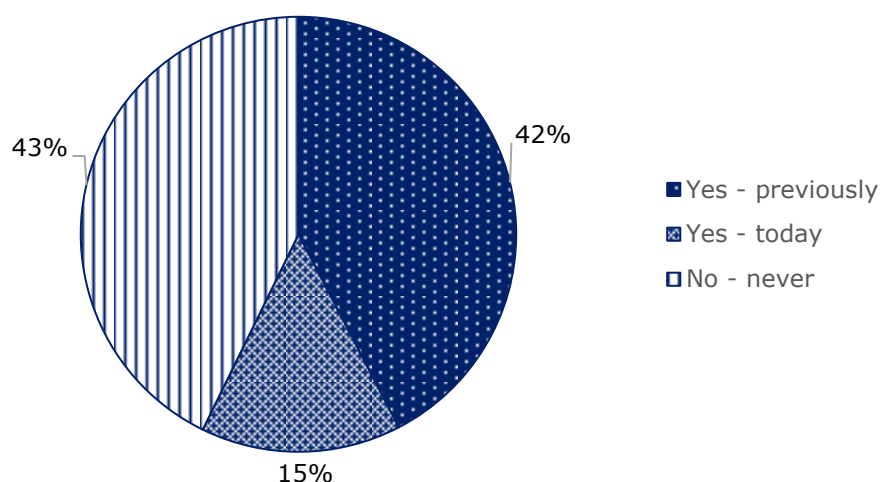
Source: Deloitte Access Economics' national consumer survey (2020).

When purchasing food and beverage products, 77% of survey participants asserted that they refer to country of origin information "sometimes," "often" or "always".

In shopper interviews, where consumers had limited awareness of the purpose of the evaluation, 69% reported that they pay attention to *any* labelling on food to a "moderate", "large" or "very large" extent.

In practice, the shopper interviews identified that a majority of consumers (58%) had noticed the country of origin information on a packaged product, either on that day or previously (see Chart 4.2). This is nearly 20% less than consumers stated in the surveys, where the question was more general with regard to the use of origin labelling.

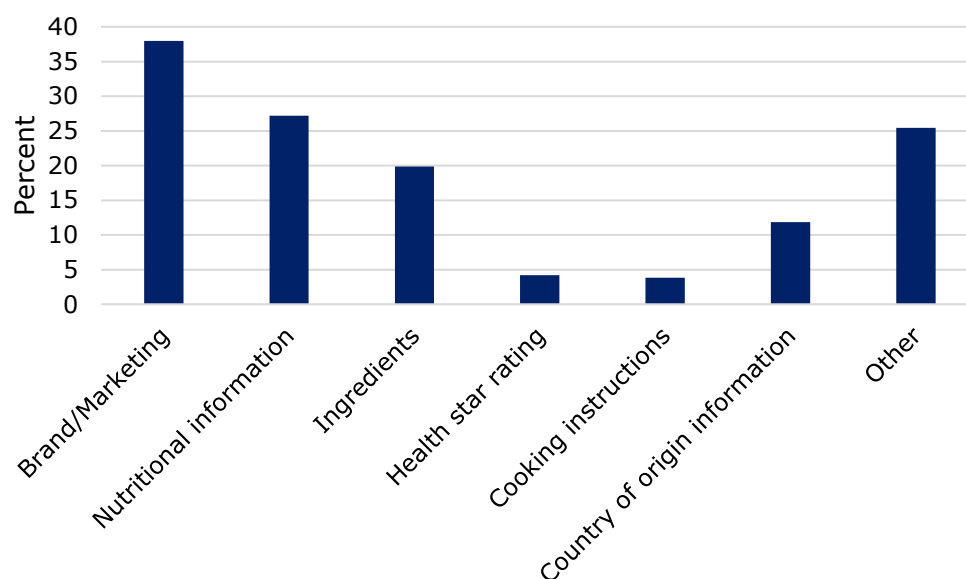
Chart 4.2: Share of consumers that had noticed country of origin information today or previously



Source: Deloitte Access Economics' shopper interview analysis (2021).

The regularity of use of CoOL labels will vary significantly between product categories and the extent of familiarity that consumers have with particular products. While 58% shoppers surveyed in the shopper interviews report having paid attention to the label, most did not refer to it on the date of purchase. The shopper interviews indicated that only 12% of consumers report having looked at country of origin information on the selected packaged product when asked "What part of the labelling did you look at?" (see Chart 4.3). Many more (approximately 43%), however, report having used the CoOL information to establish trust around the particular purchases over time.

Chart 4.3: Part of the label that consumers report having looked at when unprompted



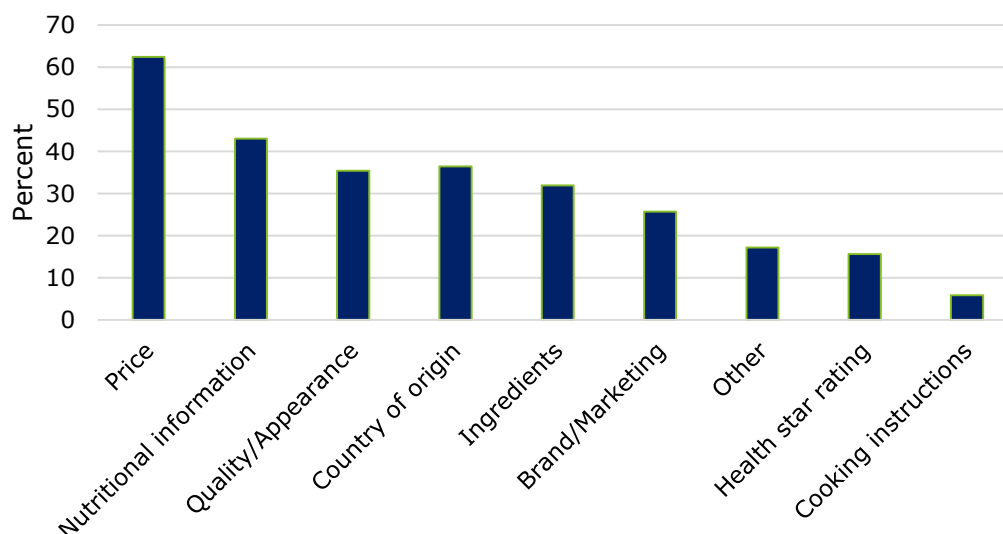
Source: Deloitte Access Economics' shopper interview analysis (2021).

Consumers use country of origin information in addition to other information on price, taste, brand, food safety and nutritional information in a complex way.<sup>40</sup> Country of origin information is more likely to be reported as important when a consumer is directly asked (or prompted) about country of origin. When unprompted about factors most important to their food and beverage product purchases, 35% of consumers report that country of origin information is a significant factor (see Chart 4.4). The rank of these factors changes when the single most important factor is considered. For example, country of origin becomes the second most important factor to consumers (20%) behind price (34%).

<sup>40</sup> Pelly FE, Swanepoel L, Rinella J, Cooper S (2020). 'Consumers' Perceptions of the Australian Health Star Rating Labelling scheme'. *Journal of Nutrients* 12(3), accessed January 2021. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7146475/#>



Chart 4.4: Factors consumers report as most important when shopping for food and beverages: unprompted, multiple factors may be selected



Source: Deloitte Access Economics' national consumer survey analysis (2020).

In contrast, the consumer survey indicated that - when prompted - 74% of consumers reported information relating to country of origin as "moderately important," "important" or "very important" in deciding between similar food and beverage products. Nearly half (48%) of consumer survey respondents indicate it is either their first, second or third most important factor.

Consumers also report a variety of factors that were important to them, with price usually the most important factor, followed by nutritional information, quality/appearance and country of origin. The level of interest in country of origin information varies by product category and the country of origin. In comparing the results of the national consumer survey with the shopper interviews, it seems that consumers also have a tendency to overstate the importance of country of origin (and preference for Australian-produced products).

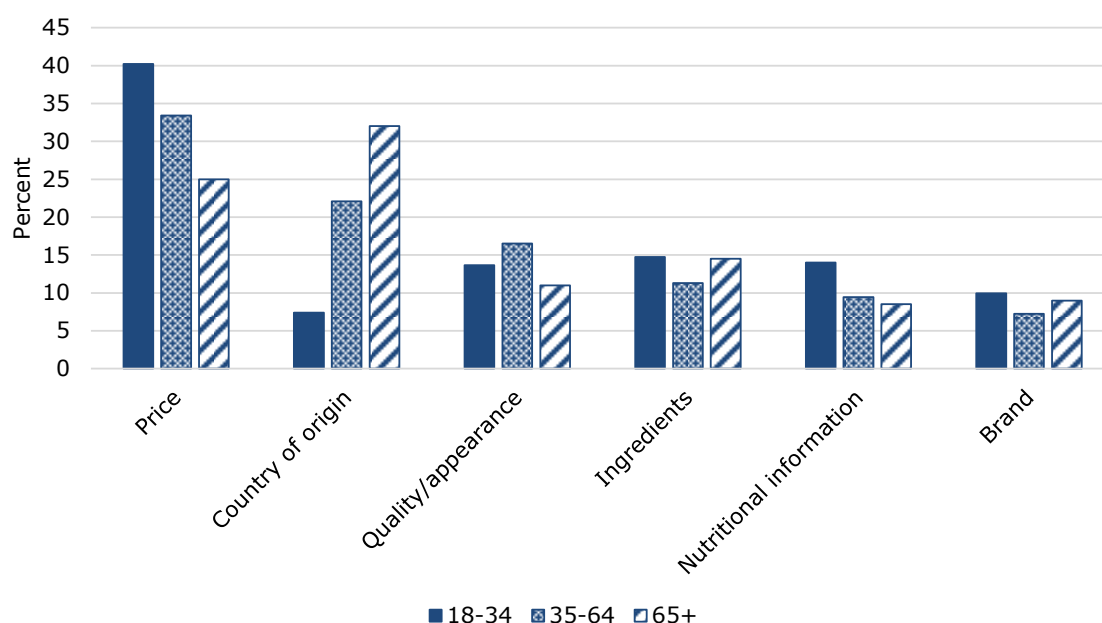
Many consumers consider it impractical to check the country of origin information of every product during every shopping trip. Consequently, they are relying on their perception of a product's attributes (where country of origin may vary in its relative importance). However, this is complicated by significant variability among consumers and across product categories, as well as individual products. Products often cited as being those where consumers consider country of origin a major factor in their purchasing decision are seafood, meat, fresh fruits and vegetables and frozen berries.

Thus, while CoOL information could be important to up to 74% of consumers in theory, a much lower share appears to use this information regularly as a prominent part of their decision-making (ranging between 35% and 48%).

#### 4.1.2 Age plays a significant role in the use of CoOL

The consumer survey results indicate country of origin information is more frequently important to older consumers above 65 years of age (where 37% consider it to be very important) than younger consumers between 18 and 34 years of age (where 20% consider it to be very important). This is similarly reflected in the factors most important to consumers when purchasing food and beverages, by age bracket (see Chart 4.5).

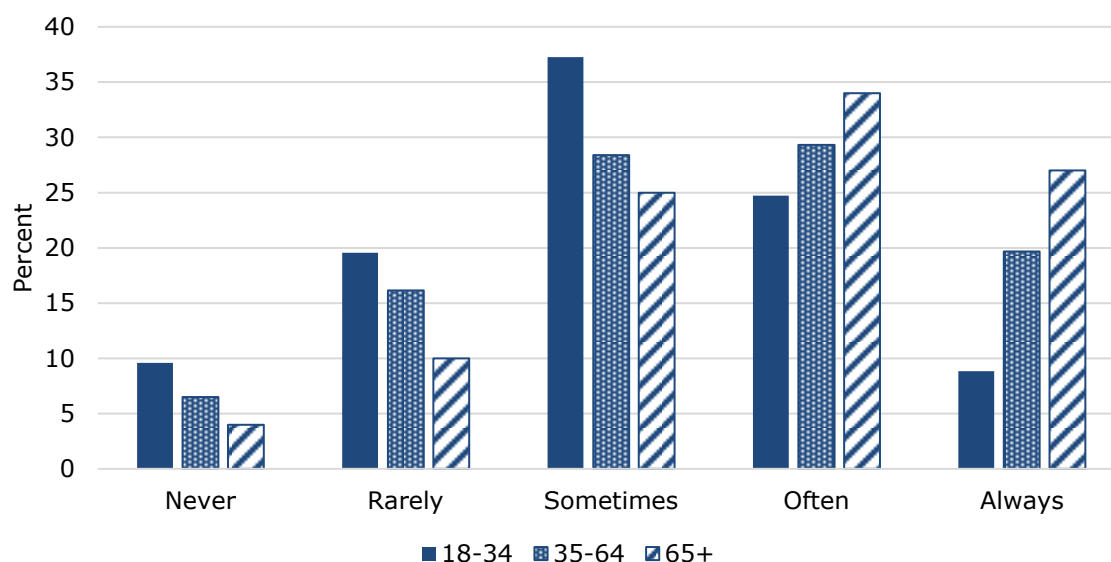
Chart 4.5: Consumers: most important factor when purchasing food and beverages, by age



Source: Deloitte Access Economics' national consumer survey (2020).

Mirroring the level of importance of results, the consumer survey indicates that consumers aged 65 years and above were more likely to refer to CoOL than consumers aged between 18 and 34 years (see Chart 4.6). The 65 years and over age group is more likely than the 18 to 34 years age group to "always" refer to country of origin information (27% of respondents, compared to 9%). The youngest age bracket (18 to 34 years) is more likely to "never" or "rarely" refer to CoOL. The 35-year-old to 64-year-old age bracket falls neatly in between regarding stated frequency of use.

Chart 4.6: How often consumers refer to CoOL, by age



Source: Deloitte Access Economics' national consumer survey (2020).

#### 4.1.3 Varying satisfaction with information when ingredients are not Australian and overstated confidence of label interpretation by consumers

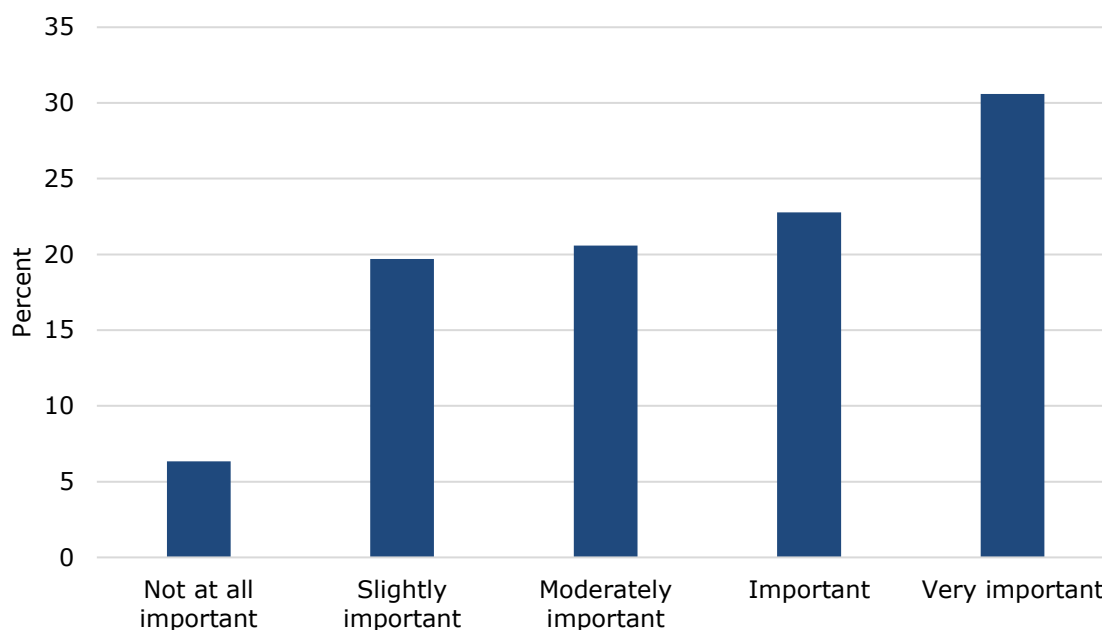
The majority of opinions from stakeholder consultations revealed that the CoOL reforms achieved the objective of improving consumer understanding about the origins of their foods only to some extent.

The ACCC believes that the recent CoOL reforms were an improvement to the scheme prior to 2016. It reports that consumers are becoming accustomed to the new country of origin labels and it has provided consumers with the necessary information on the origin of their food purchases. Both DISER and the ACCC advised that they receive a relatively low volume of enquiries about CoOL from both consumers and businesses. The ACCC advised there has been a reduced incidence of deliberately misleading information on labels compared to the previous scheme.

While the percentage of Australian ingredients is now displayed, there is still a lack of clarity around the origin of non-Australian ingredients. Austrade stated that because the intention of the CoOL reforms was to better inform consumers on the origin of their foods, this should include which markets their ingredients have come from, in particular for ingredients which are not Australian.

Around 59% of respondents to the consumer survey regard receiving origin information of ingredients from countries other than Australia as either “important” or “very important”, with an additional 20% considering it to be “moderately important” (see Chart 4.7).

Chart 4.7: Importance to consumers of having information about the origin of ingredients from countries other than Australia

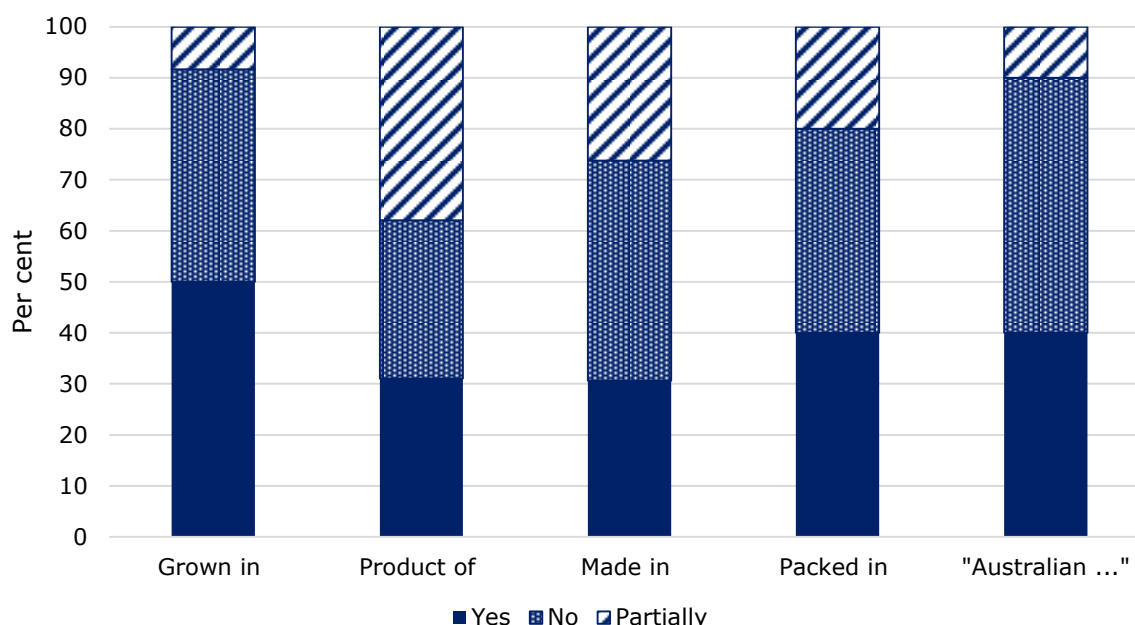


Source: Deloitte Access Economics' national consumer survey (2020).

Consumers are generally confident in their understanding of how to interpret country of origin information, with 72% indicating that they understand how to interpret the information. However, as discussed, this confidence is to a degree misplaced.

Analysis of the shopper interviews suggests that consumers do not widely understand all aspects of CoOL (see Chart 4.8). Overall, less than one-third (31%) of consumers correctly interpreted country of origin labels presented on a product selected at random. Less than half (44%) of consumers could partially identify the label information. One-quarter (25%) did not interpret the labels correctly at all.

Chart 4.8: Share of consumers that interpreted labels correctly: Grown in, Product of, Made in, Packed in and "Australian..."



Source: Deloitte Access Economics' shopper interview survey (2021).

In this context, however, it is important to note that consumers predominantly report being satisfied with the amount of information they receive from CoOL labels about where their food is grown, produced, made and packed. This satisfaction rating was provided at the same time the information was presented to consumers. Overall, roughly 60% of consumers indicate that they "agree" or "strongly agree" with the amount of information received.

Other research suggests there is a lack of clarity around the terminology used in the labels, such as the differences between 'Made in' and 'Product of'.<sup>41</sup> Consumers participating in the focus groups had widely varying interpretations of whether the labels were sufficient and clear. Most consumers sought more information in relation to the source of non-Australian ingredients, the interpretation of terminology, such as 'Product of' and 'Made in', and/or the concordance between symbols claiming a product was Australian and the large proportion of overseas ingredients.

While consumers generally report that information on the Australian-sourced ingredient component is clear, it was confusing to see the kangaroo logo alongside an empty bar chart (e.g. a 'Made in Australia' claim with a large proportion of imported ingredients).<sup>42</sup> Consumers perceive the kangaroo logo as being indicative of the fact that a product is entirely Australian, despite this not necessarily being the case.

#### 4.1.4 Key findings: Consumer understanding of the origin of their foods

Ref	Did the CoOL reforms achieve the objective of improving consumer understanding about the origins of their food?
16	The CoOL reforms are almost certain to have improved consumer understanding about the origins of their food to some degree. This is because the scheme now provides more information, which is of higher quality (less prone to misleading claims) in a more consistent manner across a wide range of products.

<sup>41</sup> Deloitte consumer focus groups (2020).

<sup>42</sup> This was also noted in the submissions to DISER that were made by consumer groups.

Ref	Did the CoOL reforms achieve the objective of improving consumer understanding about the origins of their food?
17	Significant areas of uncertainty remain, driven in part by factors that are a legacy of the previous scheme and partly by the variability in consumer preferences and interpretation of the information provided.
18	While many consumers report to understand the labels, there is in fact widespread misinterpretation of the information presented.

## 4.2 Differentiation between priority and non-priority foods

The distinction between priority and non-priority foods was introduced to reduce regulatory burden in relation to products where consumers have less interest in CoOL information. Non-priority foods are not exempt, but have fewer labelling requirements. Our examination of evaluation question 8 considers whether this distinction continues to meet consumer needs.

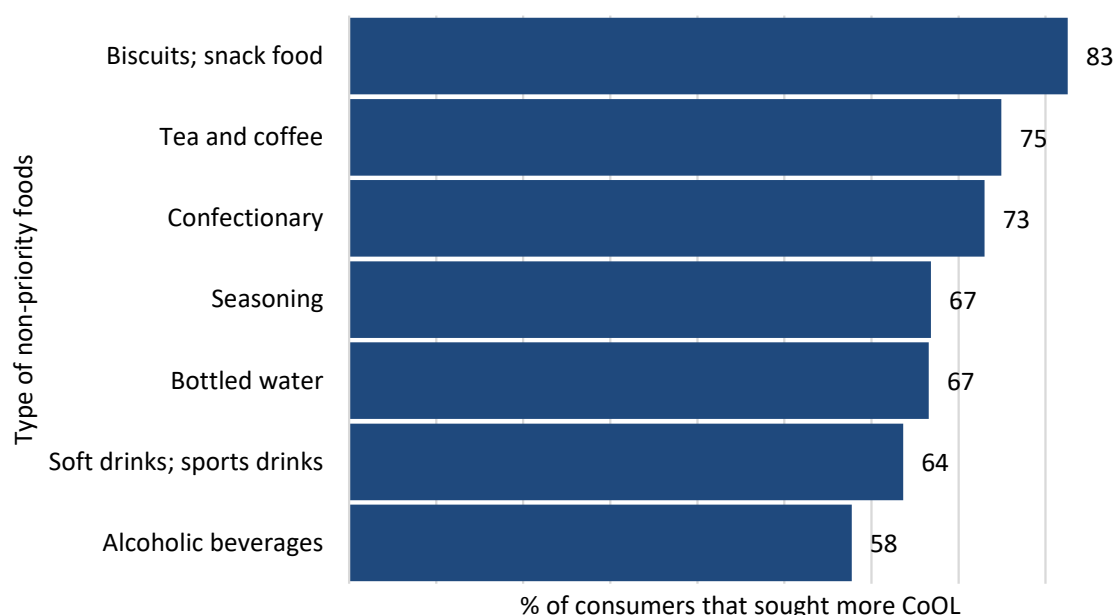
### 4.2.1 Two-fifths of consumers sought more origin information on non-priority products

Submissions by consumer peak bodies and groups, such as CHOICE and the Consumers' Federation of Australia (CFA), suggest that consumers support removing the non-priority classification in order to provide improved information and consistency. Forty per cent of respondents to the consumer survey reported that the differentiation between priority and non-priority foods does not continue to meet their expectations, where those consumers identified at least one type of non-priority food for which they would like more country of origin information.

Consumer support for non-priority origin information is due to a variety of reasons, with the most common being the desire for consistency. Of all consumers who would prefer a change to the distinction of priority products, the most common reason for this (as identified by 33% of these consumers) was that there should be no differentiation between non-priority products and all consumable products should have (the same) CoOL information. For another 17% of these consumers, the reason provided was greater transparency relating to the origin of all products. Other consumers indicated that they sought the information for non-priority products to enable them to support Australian products or avoid products from other countries.

Consumer support for greater origin information on non-priority products is strongest for non-beverage products, such as biscuits and snack food, tea and coffee, and confectionary. One non-priority product category which was notably different was alcohol, for which consumers were least likely to want more information (see Chart 4.9). Businesses noted that alcohol is already subject to substantial labelling regulations, and some information on origin labelling is already provided as part of its own industry standards.

Chart 4.9: Level of consumer support for more country of origin information on non-priority products, by product type



Source: Deloitte Access Economics' national consumer survey (2020).

#### 4.2.2 Minimal consumer-initiated discussion on origin labelling of non-priority foods

In the consumer focus groups, consumer-initiated discussion about the extension of the scheme to non-priority foods was minimal, suggesting that (when unprompted by a direct question) the desire for more information on non-priority products was not strong. However, when asked about the removal of the distinction, consumers tended to respond in favour of the extension, although consumers often appeared to be influenced by previous respondents.

Many consumer focus group participants stated that there were certain products where they had little or no interest in country of origin information. Often these seemed to align with products currently deemed non-priority (e.g. confectionary and processed snack foods).

#### 4.2.3 Stakeholders including consumers unclear about rationale for categories

The sentiment of businesses as expressed in submissions was that they were unclear on the logic of non-priority foods. The National Retail Association (NRA) state that the Australian regulations are unique in making the distinction between the two groups, and that other countries such as New Zealand do not do so. Other industry groups echo the confusion of consumers around the rationale for the distinction, such as the Australian Meat Industry Council (AMIC), who stated that the difference between priority and non-priority foods had not been communicated well. Groups including Australian Industry Group (Ai Group) and the Australian Made Campaign Limited (AMCL) indicate that all foods should be subject to the CoOL regulations and abide by the requirements set on priority foods.

Consumers also seemed to be unclear about the nuances of the distinction, such as why biscuits and snack foods are non-priority products, while cakes are considered a priority product. Another example of ambiguity provided in the submissions to DISER is confectionary items that might have fresh ingredients, such as chocolate ice-cream topping.

#### 4.2.4 Clearer or lower burden distinction of non-priority items may reduce regulatory burden

While some stakeholders report that consumer research initially underpinned the differentiation between priority and non-priority foods, these stakeholders also report there has been ambiguity in the categorisation of priority and non-priority foods to work through. Some peak bodies representing primary producers and industry suggest that if the current distinction between

priority and non-priority foods were to remain, an assessment of the types of foods under each category was needed as this is often confusing for both industry members and consumers.

A major food retailer has reported that the definition of non-priority foods remains ambiguous and inconsistent. As an example, the stakeholder pointed to the subjective nature of whether chocolate ice-cream topping fits within the definition of confectionary or elsewhere within the Information Standard. The stakeholder suggests that it is similarly hard to communicate to customers why biscuits and snack foods are non-priority items, for instance, while cakes are considered priority items. The AMIC stated that the definitions for priority and non-priority foods are not clear.

A manufacturer of snacks pointed out the difficulties experienced in distinguishing certain products as priority or non-priority products. This included trail mixes, which had both chocolate and nut content, chocolate-coated fruit bars and chocolate-coated nuts. For these products, they had to be conservative and classify them as priority products because one of the components (e.g. the nuts or the fruit) was classified as a priority product. They emphasised the uncertainty in this process and thought there should be more guidance, explanations and complex examples provided to industry. An alternative approach suggested was to have specific percentages outlined in the regulations.

#### **4.2.5 Businesses that would be affected are not supportive of removing the distinction**

Given that the scheme now currently has the priority and non-priority distinction, businesses with a focus on non-priority foods are not supportive of the removal of its distinction. Groups that have opposed the extension include fast-moving consumer goods groups and producer groups, such as those representing the meat and dairy industries, as well as the State Agriculture Departments. Australian Dairy Farmers have supported the operation in the current format, while the Australian Dairy Industry Council indicated they have not seen any feedback from consumers supporting extension of the full CoOL regulations to these items.

#### **4.2.6 Possible net benefit from removal of distinction using consumer survey results**

An option of the prospective CBA analysis<sup>43</sup> was to remove the distinction between priority and non-priority food products, so that CoOL regulations apply uniformly to all food products. Using the WTP estimates of the consumer survey demonstrates the potential for the removal of the non-priority list to deliver a net benefit to the Australian community. However, other data sources suggest consumers place a lower priority on the removal of this non-priority distinction and that careful attention to this WTP is needed as modelling generates positive values from its application to a wide number of products. Considering this, and that the scheme has only been operational since mid-2018, the evaluation finds that further monitoring of this issue is needed.

#### **4.2.7 Key findings: Differentiation between priority and non-priority foods**

<b>Ref</b>	<b>Does the differentiation between priority and non-priority foods continues to meet consumer expectations?</b>
19	While there is some support from both business and consumers to remove the non-priority foods category, there are different drivers. Industry has regard to (across manufacturing and retail) and understands product categories. Consumers appear to be mainly referring to the desire for consistency across all food products.
20	There is insufficient evidence at the present time to support the removal of the non-priority list, given the cost of change and relatively low interest from consumers.
21	There could be a case for better aligning CoOL with established product categories if this were to ease the compliance burden while being aligned with consumer needs.

<sup>43</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 4.6.

Ref	Does the differentiation between priority and non-priority foods continues to meet consumer expectations?
22	Any change to CoOL is likely to have significant cost implications. At this time, the net benefit of removing the non-priority list is likely to be marginal at best.

### 4.3 Foodservice exemption from the current scope of mandatory CoOL

Businesses preparing food for immediate public consumption (foodservice) have long been exempt from mandatory origin labelling. The exemption of foodservice has existed in the Australia New Zealand Food Standards Code since 2005 and it was maintained when the current scheme was introduced.<sup>44</sup>

Evaluation question 9 considers the appropriateness of exemptions for the foodservice sector. In addressing this question, it is important to understand the diversity of the foodservice sector. It includes individually owned or operated restaurants, cafes and takeaways, and farmers market stalls, as well as chain stores with a standard or near-standard menu. As such, we analyse the appropriateness of the current scope with regard to the type of foodservice establishment; however, the CBA examines the impact of extension of CoOL requirements to the entire foodservice sector.

#### 4.3.1 Consumer desire for extension to the foodservice sector

Consumers' opinions regarding the appropriateness of the current scope of CoOL varies. According to the consumer survey, 49% of consumers are satisfied with the current CoOL scope, while 28% are unsure about their level of satisfaction. However, 62% of consumers indicated their support for the extension of CoOL requirements to the foodservice sector.

Consumers who supported the extension of CoOL requirements did so for a variety of foodservice business types with between 60% and 70% support in each case. The support for extension to fast-food and takeaway establishments was marginally higher, at 69% of all consumers surveyed, than other foodservice business types.

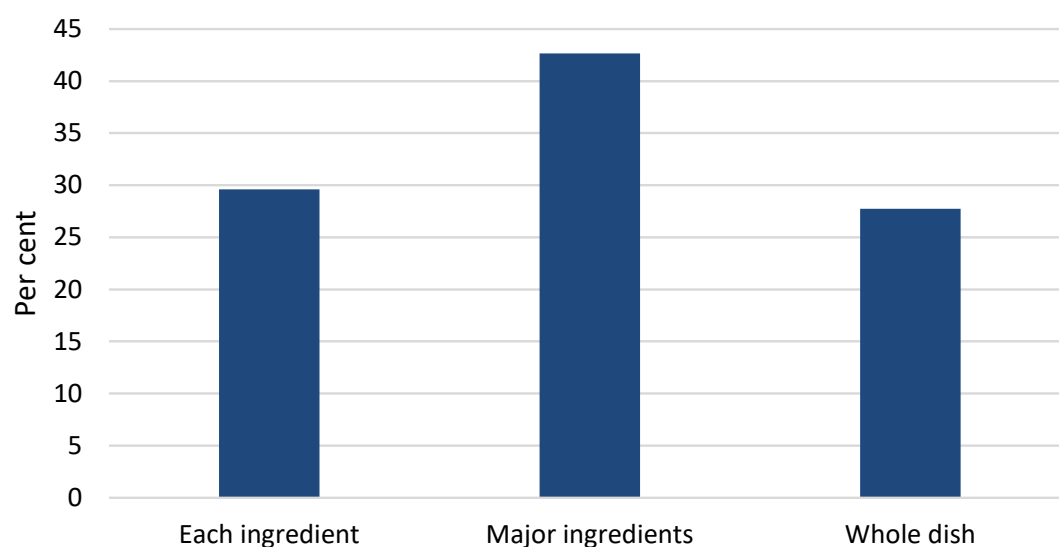
Of respondents who supported an extension to the foodservice sector, 43% would like information relating to the major ingredients in a dish, 28% would like information for the whole dish and 30% would like information relating to each specific ingredient (see Chart 4.10).

The value to consumers (as articulated in consumer focus groups) from extension to foodservice varied, based on the type of foodservice establishment being discussed and individual preferences regarding the importance of country of origin information. Some consumers felt it would be desirable for the menu to indicate country of origin of each dish. Many consumers acknowledged the practical difficulties of doing this. Some consumers suggested an overarching statement could be provided to indicate that a foodservice business prefers Australian ingredients.

<sup>44</sup> Australian Government Department of Industry, Science, Energy and Resources (2010). *Ministerial statement: Consumer access to seafood origin information in foodservice*. <https://www.industry.gov.au/publications/ministerial-statement-consumer-access-to-seafood-origin-information-in-foodservice#footnote-5>



Chart 4.10: Type of country of origin information consumers seek for the foodservice sector

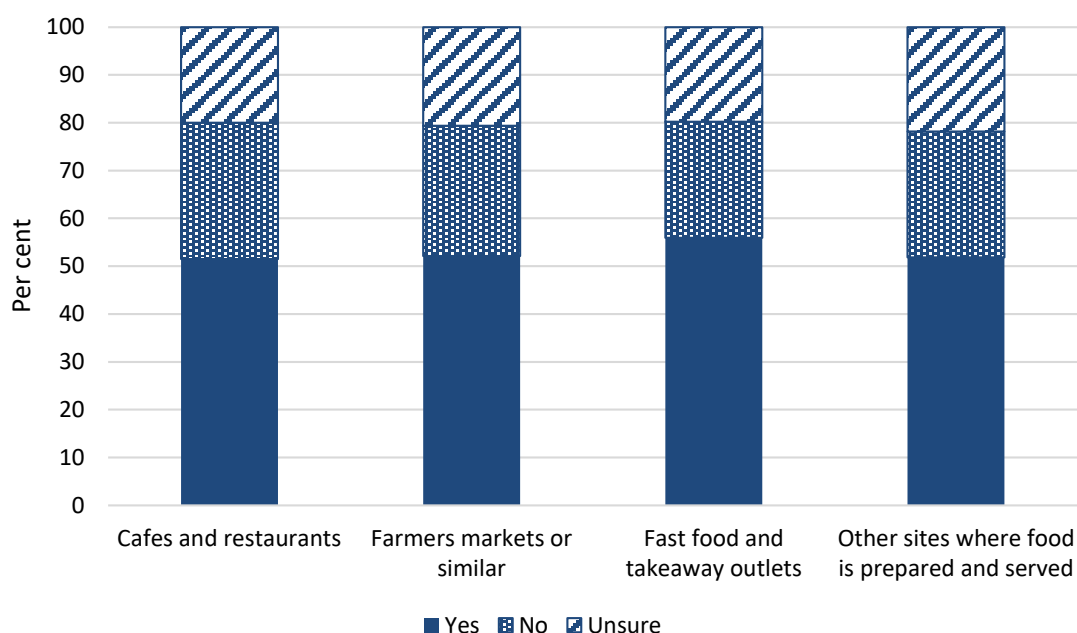


Source: Deloitte Access Economics' national consumer survey (2020).

#### 4.3.2 Less widespread support from industry and the regulator for extension to foodservice settings

The business survey indicated divided views on the extension of CoOL requirements to the foodservice sector. Roughly, half of respondents supported the extension, while the other half was opposed or unsure (see Chart 4.11). There was marginally more support (56%) for an extension to fast-food and takeaway outlets than the other business types (52%).

Chart 4.11: Level of business support for extension of CoOL requirements to foodservice sector, by business type



Source: Deloitte Access Economics' national business survey (2020).

Stakeholder consultations suggested support for or against the extension of CoOL to foodservice varies across industry groups. There is a general reticence to see any expansion, unless there will

be clear benefits to consumers that inform decision-making. However, some industry representatives support the extension in certain settings (as discussed below), on the basis of consumer expectations for origin information being the same for foodservice products.

Some industry groups that are in support of expanding to foodservice have expressed that the exemption was based on presumptuous factors, such as the cost of implementation that might not be as burdensome for *most fast-food businesses*. Industry group members, including the Australian Chicken Meat Federation, Australian Pork Limited (APL) and the National Farmers' Federation (NFF) supported expanding CoOL regulations to part of the foodservice sector, to fast-food settings, where there exists a fairly stable menu and ingredients.

Convenient foods sector stakeholders suggested that exemptions should be maintained due to practical reasons, such as consumer information overload on menu cards. For complex food items that are assembled using a variety of ingredients sourced from multiple countries, the expansion might pose additional difficulties and costs to display every piece of origin information.<sup>45</sup> In addition, it was noted that some fast-food chains were already implementing CoOL voluntarily.

Austrade and several industry group members argue that the current scope of mandatory CoOL is not appropriate and should be expanded to the foodservice sector. Austrade's view was that consumers would expect the same or similar information on country of origin for food purchased in restaurants, cafes or takeaway settings.

On the other hand, representatives of the ACCC, Australian Food and Grocery Council (AFGC) and Department of Health and International Chamber of Commerce indicated there is no desire to expand the CoOL reforms, particularly to the foodservice sector. The ACCC has seen almost no demand from consumers to expand CoOL to the foodservice sector. The Department of Health commented that the cost of expanding CoOL reforms to the foodservice sector would be too costly, in particular for small businesses.

Concerns were raised by a representative of a peak body for a specific foodservices business type about the impacts of the expansion being widely different for foodservice entities of different sizes. Small cafes and restaurants might face costs that are more burdensome than those faced by larger groups, such as fast-food chains.<sup>46</sup> There were additional concerns of its extension, given the multitude of hardships experienced by the foodservice sector, such as bushfires, droughts and COVID-19 would make it impractical (and unaffordable) to consider at this point in time. It was argued that in many cases staff working in dine-in settings should have origin information to provide to consumers as needed.

#### **4.3.3 Seafood sold in foodservice settings**

Some representatives of the seafood industry consider that it has a somewhat unique case for the extension of CoOL to foodservice settings due to the 'far higher' levels of consumer interest in seafood than other food types, and the common misconception that fish sold in Australian venues for immediate consumption is sourced locally, despite the majority being imported.<sup>47</sup> As previously mentioned in Section 4.1.4, seafood is one of several categories where consumers consider country of origin a major factor in their purchasing decision. In addition, it was argued that the standards in sustainability, safety and hygiene in Australia place additional cost on the Australian industry, without consumers (or producers) being able to observe or signal this value.

This will become an increasingly important issue in Australia and as forecast by IBISWorld,<sup>48</sup> consumers will become increasingly conscious of how their fish and other seafood products are sourced over the next 5 years. This rising consciousness is projected to negatively affect consumption of imported products over the period, as consumers will not be certain of overseas sustainability measures, particularly in countries with fewer regulations.

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<sup>45</sup> Industry submissions to DISER (2020).

<sup>46</sup> Industry submissions to DISER (2020).

<sup>47</sup> NT Seafood Council (2014) *Submission – Country of origin food labelling*, May 2014.

<sup>48</sup> IbisWorld (2020) *Seafood Retailing in Australia: Fish out of water: The outbreak of COVID-19 has reduced industry demand and revenue*, November 2020.

In a survey conducted by Fisheries Research and Development Corporation (FRDC) in 2019, consumers indicated that for seafood, it is not always stated where it is from, how fresh it is or whether it is sustainable. They raised that having access to this information would be beneficial.<sup>49</sup> In this survey, consumers also rated the importance of sustainability in their seafood purchases at 6.5/10, putting the issue tenth on a list of 14 considerations. The study did not explain a direct link between those most important considerations and (perceptions around) origin. The most important considerations were product freshness and that the seafood was safe to eat – both of which were rated at 8.3/10 and found to be more important than price.

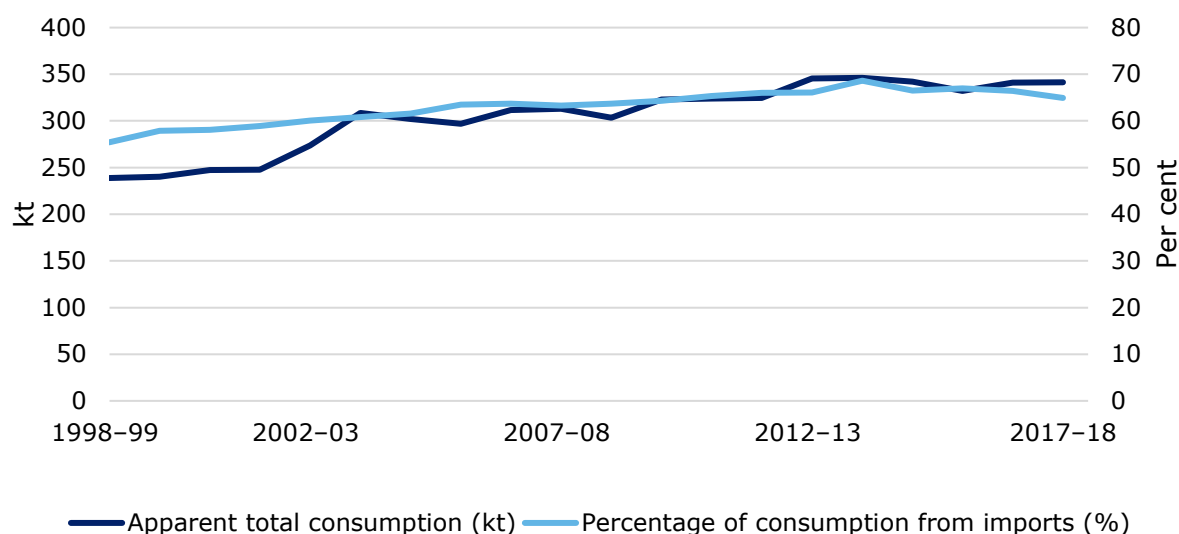
#### 4.3.4 Size and characteristics of Australian seafood industry

Australia's total apparent consumption of seafood is estimated to have been 341 kt in 2017-18 on a processed edible basis.<sup>50</sup> Per capita consumption of seafood is trending downwards over time, from a peak of 15.5 kg in 2003-04 to 13.7 kg in 2017-18. However, the overall consumption of meat (including seafood) has remained relatively stable for the 10 years to 2017-18 and increased alongside population growth.

Despite falling per capita consumption, the proportion of seafood consumed from imports has consistently increased from 55.4% in 1998-99 to a peak of 68.6% in 2013-14.<sup>51</sup> The latest data (2017-18) suggests that imports have decreased to 64.9%. This corresponds with a peak in domestic seafood production of wild caught fish in 2004-05, of 236.3 kt, compared to 173.4 kt in 2017-18.

As shown below, the apparent consumption of Australian seafood has remained relatively constant over time, where the increase in consumption of seafood is predominantly met through imports. It should, therefore, be noted that the supply of Australian-produced seafood is relatively fixed, where limited local supply of wild-caught fish is anticipated to contribute to higher domestic fish and other seafood prices in the foreseeable future.<sup>52</sup>

Chart 4.12: Consumption of seafood in Australia and share of imports over time



Source: Deloitte Access Economics using ABARES data, Table 4: Apparent consumption of seafood, Australia, 1998-99 to 2017-18.

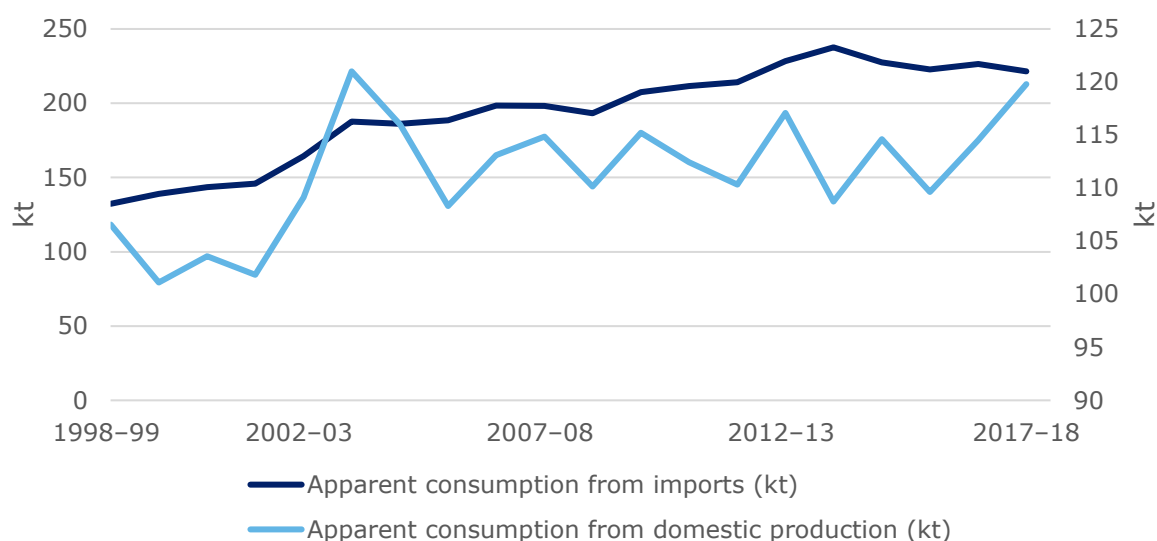
<sup>49</sup> FRDC (2019) *Unpacking the Consumer Seafood Experience, 2019 update conducted by Intuitive Solutions*.

<sup>50</sup> The Food and Agriculture Organisation (FAO) of the United Nations also compiles statistics on apparent consumption of seafood, applying a consistent method across all countries. FAO estimates vary (are higher than) ABARES estimates of per capita consumption of seafood as the FAO's methodology estimates fish consumption on a whole weight (and not processed edible) basis.

<sup>51</sup> Department of Agriculture, Water and the Environment (ABARES), *Australia's consumption of seafood*, October 2020.

<sup>52</sup> IbisWorld (2020) *Seafood Retailing in Australia: Fish out of water: The outbreak of COVID-19 has reduced industry demand and revenue*, by YH Yeoh, November 2020.

Chart 4.13: Apparent consumption of seafood in Australia by source, over time



Source: Deloitte Access Economics using ABARES data, Table 4: Apparent consumption of seafood, Australia, 1998-99 to 2017-18.

#### 4.3.4.1 Dimensions of seafood industry

The Australian seafood industry can be dissected into seafood retailing, wholesaling and processing, comprising of:

- Seafood retailing, with an estimated annual industry revenue of \$935.9 million (\$24.3 million in profit). This segment comprises of specialised retailers that sell fish, shellfish and molluscs and excludes mass retailers such as supermarkets.
  - Households represent the major market for the Seafood Retailing industry.
  - However, some seafood meal providers<sup>53</sup> may 'occasionally purchase items from industry operators'.<sup>54</sup>
- Fish and seafood wholesaling in Australia, with an estimated annual revenue of \$4.3 billion (\$89.3 million profit). This segment comprises of industry operators, primarily involved in the purchase of fish and seafood from the aquaculture, wild fishing and seafood processing industries.<sup>55</sup>
  - The largest buyers from this sector are foodservice establishments, including restaurants, cafes, clubs, fast-food outlets and hotels (purchasing 49.9%) and a further 7.1% purchased for sale at fish and chip shops.
  - Other major customers of this sector include retailers/supermarkets (31.6%) and fishmongers (11.4%).
- Seafood processing<sup>56</sup>, with an estimated industry revenue of \$940.9 million.
  - Approximately 10% of the production from this market segment is estimated to be destined for the foodservice (restaurant) sector.<sup>57</sup>

<sup>53</sup> This includes pubs/bars/nightclubs, fast food and takeaway and restaurants, which are all not currently covered by CoOL requirements.

<sup>54</sup> Ibid.

<sup>55</sup> IbisWorld (2021) *Fish and seafood wholesaling in Australia: Slipped through the net: Wholesale bypass and COVID-19 restrictions have eaten away at revenue*, March 2021.

<sup>56</sup> Comprises of companies that process and manufacture fish or other seafood, and includes businesses that operate vessels that process, but do not catch seafood. The industry also includes firms that freeze whole finfish, or shell, freeze or bottle oysters in brine. The industry does not include fishing vessels that both catch and process fish or other seafood. E.g. Tassal Group Limited, Huon Aquaculture, Simplot Australia.

<sup>57</sup> IbisWorld (2021) *Seafood processing in Australia: Troubled waters: Volatile trade conditions have put pressure on industry operations*, April 2021.

Australia-wide, there are approximately 46,000<sup>58</sup> foodservice sector businesses that supply seafood as part of their menu.<sup>59</sup> The dissection of the industry by segments (above) indicates the extent of seafood production not currently covered by CoOL regulations, which may be impacted if CoOL were extended to the foodservice sector (for seafood purchases). This would predominantly comprise of fish and seafood wholesaling (with up to 57% of the industry potentially impacted), and a further small component (potentially 10%) of the seafood processing sector.

#### 4.3.4.2 Background to CoOL considerations for seafood in foodservice sector

Australia's level and composition of seafood production means that imports are required to fill the gap between Australia's seafood consumption and local seafood supply.<sup>60</sup> The seafood sector has long lobbied to have CoOL extended to seafood sales in the foodservice sector, and the Northern Territory (NT) already requires CoOL on seafood sold in foodservice settings.<sup>61</sup>

The NT requirements apply to all venues selling seafood to the public for consumption and were brought into effect to assist consumers to make informed seafood choices.<sup>62</sup> The introduction of the NT scheme is estimated to have cost, on average, \$630 per business to implement (in 2008 dollars),<sup>63</sup> while the industry is reported to have experienced some 'huge' advantages, according to one stakeholder.

The 2014 Parliamentary Standing Committee inquiry paper, *A clearer message for consumers*, recommended 'that the NT CoOL of seafood in the foodservice sector be referred to the Council of Australian Governments for consideration'. In March 2015, a Bill was introduced to implement the inquiry's recommendations.<sup>64</sup> The Bill proposed amending the *Food Standards Australia New Zealand Act 1991* to provide a standard which would require fish sold for immediate consumption to be labelled according to existing CoOL requirements. However, it was rejected, in part due to a view that 'it is actually the responsibility of the states and territories'.<sup>65</sup>

In 2016, as part of the negotiations for the CoOL reforms, all state and territory ministers partaking in the Legislative and Governance Forum on Consumer Affairs (CAF) agreed to continue the exemption of mandatory CoOL in foodservice, including seafood and fast food.

However, the Commonwealth undertook a consultation process in 2017 to consider the issues surrounding consumer access to seafood origin information in foodservice purchases. Subsequent to this process, the Australian and New Zealand Ministerial Forum on Food Regulation considered the issue of seafood origin labelling in foodservice in October 2018. The Forum noted, based on extensive consumer research, that there was insufficient evidence to warrant extension of origin labelling to seafood in the foodservice sector.

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<sup>58</sup> This figure was calculated by totalling the count of foodservice businesses (cafe and restaurants, takeaway foodservices, catering services, pubs, taverns and bars, and clubs (hospitality) in FY 2020, multiplied by the proportion of venues which indicated they have fish or seafood specials on their menu (55%).

<sup>59</sup> Australian Bureau of Statistics, *Counts of Australian Businesses, including Entries and Exits, June 2016 to June 2020* (Catalogue No 8165.0, 16 February 2021).

<sup>60</sup> ABARES (2018) 'Australia's consumption of seafood', accessed online in March 2021.

<https://www.agriculture.gov.au/abares/research-topics/fisheries/fisheries-and-aquaculture-statistics/seafood-consumption-2018>

<sup>61</sup> All establishments in the NT that sell seafood for public consumption must hold a license under the Fisheries Act 2008. In 2008, the NT Government put in place legal requirements for licensed fish retailers (advertising seafood for sale to the public for consumption) to label that the seafood is imported if it has not been harvested in Australia.

<sup>62</sup> NT Seafood Council (2014) *Submission – Country or origin food labelling*, May 2014.

<sup>63</sup> Ibid.

<sup>64</sup> Australian Government Federal Register of Legislation (2015) *Food Standards Amendment (Fish Labelling) Bill 2015*, accessed online in February 2021.

<https://www.legislation.gov.au/Details/C2015B00050>

<sup>65</sup> ABC news (2015) 'Restaurant seafood country of origin labelling laws "would not work in Australia", Scullion says', accessed online in February 2021.

<https://www.abc.net.au/news/2015-05-14/nt-like-seafood-labelling-laws-appears-doomed-in-senate/6470940>

When CAF was requested in 2018 to further consider the matter of seafood origin labelling with respect to any new evidence and experience, it was decided that there would be no further changes to the ACL on CoOL at that time.<sup>66</sup>

#### 4.3.4.3 Key considerations relating to seafood

There is a stated preference from some representatives of the seafood industry to expand the CoOL requirements to seafood sold in foodservice settings. Some consumers expressed similar sentiments through focus groups and shopper interviews. However, as was emphasised by foodservice industry representatives, all impacts of such a suggestion require careful consideration – including the costs this would impose on these businesses.

The view of several groups is that the current exemption for seafood sold in foodservice settings means consumers are denied the opportunity to make informed choices at the point of sale. Representatives of the prawn farm industry suggest that consumers are unaware of the extent to which their seafood is imported. Of all seafood which is imported into Australia, approximately 64% came from Thailand, China, Vietnam and New Zealand in 2017-18. Almost all of these imports were shipped (94%) to Australia (as it is less important to preserve the quality of lower unit value products such as canned or frozen Finfish). This is in comparison to 78% of Australian exports, which were airfreighted.<sup>67</sup>

Representatives from a seafood industry peak body commented that the removal of the exemption of country of origin on the foodservice sector needs to be carefully managed, as the foodservice sector is important to the seafood industry and has been impacted by COVID-19. However, the group maintains that reporting on country of origin should be mandatory for seafood as:

- There are more imports in the seafood sector, than sectors such as lamb, beef, chicken, and pork (excluding bacon and ham).
- Fish are being caught from a public resource, where a 'higher' social licence is needed.
- A high share of Australian seafood is consumed through foodservice (estimated by the industry to be 60% of total seafood consumption), not amenable to on package solutions.

Without CoOL, proponents say it is difficult to connect with their consumers and to convey product attributes justifying the price disparity between local and imported fish. The industry concedes that implementation of CoOL on seafood in foodservice settings could remain exempt for hospitals, prisons, pubs and clubs. The industry is also prepared to run a communication campaign to inform consumers that seafood that is not labelled as originating from Australia could not be assumed to be Australian.

Another peak industry body representing importers of seafood suggested that if CoOL reforms were mandatory for the foodservice sector and, in particular, for seafood dishes, this may result in less seafood on menus due to the large regulatory burden for businesses to print this information on menus. This contrasts with the views of other industry groups that argue that there is a standing order on seafood in most cases such that the relabelling costs would not be prohibitive. This point is contested by representatives of importers and others who see implementation of CoOL on seafood in the foodservice sector as being very difficult.

Given consumers' demand for such information, which has been identified as being likely to be stronger for seafood as a category than other food sold in foodservice settings, a further initial analysis on the potential costs and benefits was undertaken on applying CoOL to the foodservices sector for seafood. Specifically, two options were explored:

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<sup>66</sup> DISER (2020) 'Ministerial statement: Consumer access to seafood origin information in foodservice', accessed February 2021.  
<https://www.industry.gov.au/publications/ministerial-statement-consumer-access-to-seafood-origin-information-in-foodservice#footnote-5>

<sup>67</sup> ABARES (2018) 'Australia's consumption of seafood', accessed March 2021.  
[https://www.agriculture.gov.au/abares/research-topics/fisheries/fisheries-and-aquaculture-statistics/seafood-consumption-2018#:~:text=Australia's%20apparent%20consumption%20of%20seafood,%E2%80%939318%20\(Figure%2023\)](https://www.agriculture.gov.au/abares/research-topics/fisheries/fisheries-and-aquaculture-statistics/seafood-consumption-2018#:~:text=Australia's%20apparent%20consumption%20of%20seafood,%E2%80%939318%20(Figure%2023))

1. **Ingredient specific**, where foodservice businesses would report country of origin information for all menu items that contain seafood.
2. **Establishment specific**, where foodservice businesses would report country of origin information regarding the use of Australian seafood ingredients by that establishment in one overarching and binary statement reflecting whether all seafood is sourced locally.

This analysis found that the costs of increased regulatory burden in the form of compliance outweigh benefits to consumers of increased information as measured by WTP. This was true for all sub-options examined.

This analysis was however constrained in scope in terms stakeholder consultation, and the WTP was calculated based on a survey pertaining to all products not just seafood. There is the possibility that consumers may exhibit higher WTP for seafood products compared with other food types. As such, if such an option were to be considered in future, a more comprehensive CBA would be required to validate results including the accuracy of the WTP.

Further analysis was conducted analysing the impact on foodservice businesses if this option applied to seafood and meat products. The main variable change associated with this was the number of businesses that would be affected, increasing from 55% of businesses to 96.5% of businesses. Under these options, the BCR increased but continued to be less than one.

#### 4.3.4.4 Understanding potential market impacts following the NT experience

A study was undertaken in 2011 to track the impacts of the NT's implementation of seafood origin labelling laws in dining venues.<sup>68</sup> These findings provide some insight into potential market related impacts if a national scheme were to be introduced, although a national level scheme may have different effects.

The study indicated that consumers purchase seafood in varying amounts, with 43% classified as 'high seafood consumers' (i.e. they ate seafood from dining or takeaway venues once or more a week).<sup>69</sup> For these consumers, country of origin was the second most influential factor when choosing seafood in any type of venue (rating as 4.2/5.0 for restaurant and cafe and 4.0/5.0 for takeaway outlet). This was second to freshness of seafood, which was overwhelmingly the most important factor (rating 4.8/5.0 for restaurant and cafe and 4.7/5.0 for takeaway outlet) for consumers.

The study showed that some consumers place a higher value on 'local wild-caught' seafood and were willing to pay 25% more than a similar option sourced from overseas.<sup>70</sup> This price differential may not, however, be sufficient to cover the price differential between local and imported fish options.

NT demand for a wider range of 'local' fish species was reported to be 'increasing', but this effect may be dampened by supply of local options. Of the five companies questioned about this impact, labelling laws had an impact on two companies – with them reducing their import inventory by 10% and 20%, respectively. Two of the companies that registered no change indicated a trend from their customers seeking more 'local' content.

Not all consumers were well educated about the scheme. Where only imported products must be identified, and non-labelled products were from Australia, over 40% of respondents inaccurately assumed seafood which did not display a label of origin was imported.<sup>71</sup>

Industry compliance was relatively high (90% compliance by licensed fish retailers), and costs appear to be relatively modest. On average, venues advised they spent \$630 implementing requirements for the labelling laws. The initial cost to venues in implementing the labelling laws was highest following the legislation's introduction as large expenditure items, such as menu boards were updated, and these costs subsequently decreased over time. Where approximately

<sup>68</sup> FRDC (2011) *Tracking the impacts on seafood consumption at dining venues arising from the North Territory's seafood labelling laws*, By Calogeras C, Morgan S, Sarneckis K, Cooper L and Lee TY, June 2011.

<sup>69</sup> On the other hand, 45% were classified as 'low seafood consumers' (eating seafood from dining or takeaway venues once a fortnight or less).

<sup>70</sup> Ibid.

<sup>71</sup> Ibid.



55% of venues indicated they have fish or seafood specials on their menu, printed menus were considered by venues as the most effective mechanism to communicate seafood origin. Around 35% of venues surveyed did not change their menu at any point during the year and 20% of venues changed their menu around four times a year.

The introduction of the labelling laws did not appear to reduce the range and volume of seafood available in fish retail outlets. There was reportedly no evidence for an overall reduction in the use of seafood as a key menu item.

#### **4.3.4.5 Concluding comments on next steps**

The market impacts described in relation to the NT scheme may assist in understanding some of the potential adjustments (and the costs of those) to industry from introducing seafood in foodservice settings into the CoOL framework. However, these accounts do not sufficiently answer the question of the potential benefits to consumers that would drive scheme benefits.

While there may be winners and losers in the market for seafood, consumers would be the principal beneficiaries of the proposed labelling of seafood in foodservice settings. Furthermore, there is limited supply of local seafood, and during periods of high demand, where the need for increased supply appears to be met largely from overseas sources.<sup>72</sup> In a supply constrained setting, producers may be constrained in their ability to change their menus (particularly in the short term) while consumers may benefit from knowing where the seafood is from, regardless of whether they choose to purchase a seafood based dish.

A more in-depth study is required, with ongoing monitoring of the issue, in order to identify the specific costs and benefits of introducing seafood origin labelling to foodservice settings (such as consumers' WTP to have origin labelling on seafood or the costs of administering the scheme). In addition, implementation would not be appropriate at this time given the impact of COVID-19 to the foodservice sector (and which may continue to occur). A cheaper alternative to consider may be a consumer education campaign where consumers are made aware of seafood consumption (i.e. levels of import / local product) in Australia and advised to seek further information if desired.

#### **4.3.5 Expansion to the foodservice sector as a whole likely to deliver low net benefit**

The CBA modelled an option to expand the current CoOL regulations to all businesses in the foodservice sector. The total cost of this CBA option is significant and overall, this option generates far fewer benefits to the Australian community, relative to the current CoOL scheme.

Industries that contribute to the foodservice sector include: cafes and restaurants; takeaway food retailing; catering services; pubs, taverns and bars; and clubs. These industries are reflected in the CBA model. Of these industries, the largest proportion of foodservice businesses is attributed to cafes and restaurants (53%), followed by takeaway foodservices (31%).<sup>73</sup> The breakdown of the foodservice sector by all contributing industries at June 2019 (pre-COVID-19) and June 2020 (during COVID-19) is as follows.

Chart 4.14 shows the proportion of small (1-19 employees), medium (20-199 employees) and large (200+ employees) businesses across each industry that contributes to the foodservice sector. As shown, the largest components of the foodservice sector comprise of small business (comprising approximately 90% of Australia's foodservice sector). In addition to the costs borne predominantly by small businesses, there would be significant governance costs to monitor and enforce such a change to ensure compliance.

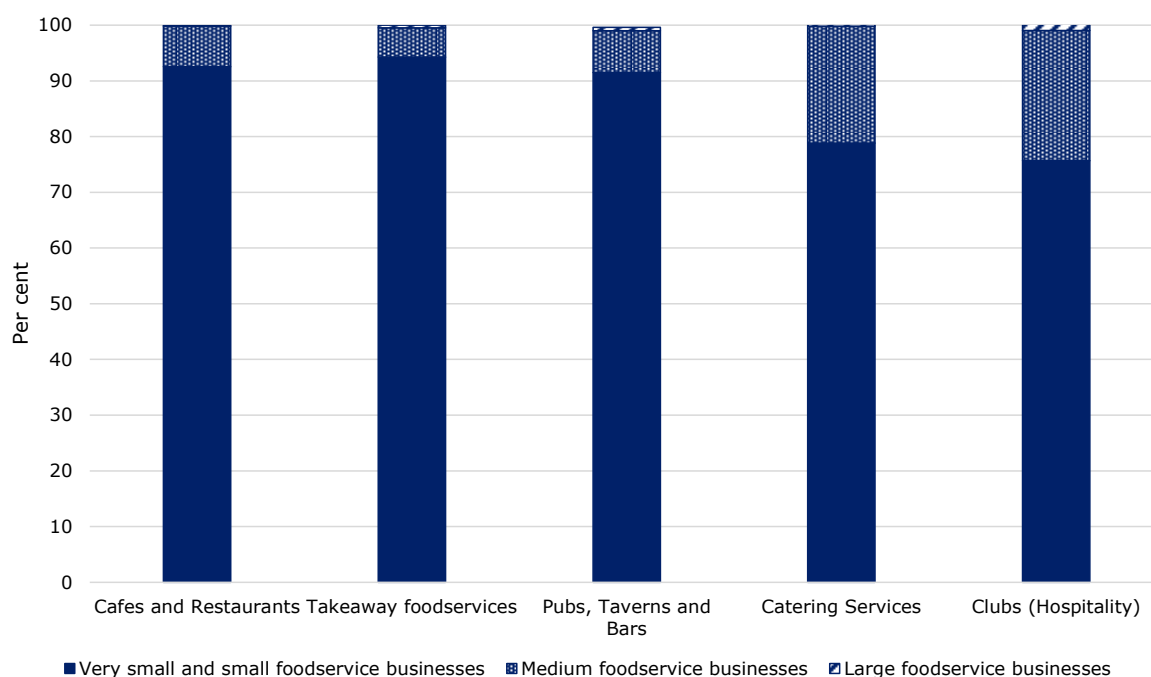
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<sup>72</sup> Ibid.

<sup>73</sup> Australian Bureau of Statistics, *Counts of Australian Businesses, including Entries and Exits, June 2016 to June 2020* (Catalogue No 8165.0, 16 February 2021).



Chart 4.14: Breakdown of industries within the foodservice sector by business size



Source: Deloitte Access Economics' using ABS Counts of Australian Businesses data.

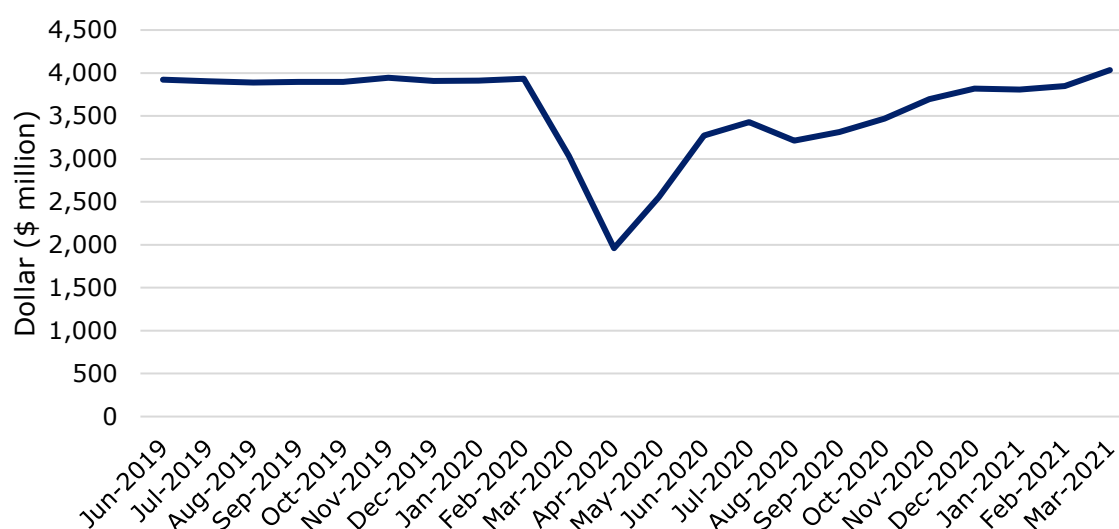
Any implementation of CoOL to the foodservice sector and subsequently its monitoring, enforcement and compliance costs would need to consider the impact of COVID-19 on industry. In April 2020, cafes, restaurants and catering services turnover fell by 52.6% in response to the first wave of COVID-19 cases with the imposed hard lockdowns across Australia. Meanwhile, takeaway foodservices fell by 16.8% (a seasonal estimated fall of \$1,975.5 million).<sup>74</sup> Chart 4.15 shows the café, restaurant and takeaway foodservices turnover from June 2019 to March 2021.

While the foodservice industry has slowly recovered, whereby cafe, restaurants and takeaway foodservices turnover rose higher than the pre-COVID period in March 2021 (to over \$4 billion), the sharp fall in turnover experienced in 2020 is indicative of the volatility of the sector with regard to health and policy considerations of COVID-19, which remain somewhat uncertain.<sup>75</sup> Also, the sector has been supported heavily through government economic (wage) stimulus.

<sup>74</sup> Australian Bureau of Statistics (2021), 'Retail Trade, Australia', April 2020, accessed 10 May 2021. <https://www.abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/apr-2020>.

<sup>75</sup> Ibid.

Chart 4.15: Cafes, restaurants and takeaway foodservices turnover, June 2019 to March 2021.



Source: Deloitte Access Economics using ABS Retail Trade Australia data.

However, further work could be undertaken to examine the costs and benefits for specific subsets of the foodservice sector (of some way of identifying Australian products) where consumer interest may be higher.

#### 4.3.6 Key findings: Appropriateness of the exemption for foodservice

Ref	Is the current scope of mandatory CoOL appropriate? Should the exemption for foodservice be maintained?
23	While there may be some consumer and business benefit in providing increased country of origin information in foodservice settings (e.g. restaurants and cafes), any such proposal must be sensitive to the distinct sectors comprising foodservices.
24	It is likely that the practical and cost considerations associated with expanding CoOL in the wider foodservices sector make it more amenable to use in the fast-food sector, particularly in those businesses with a fairly standard menu across restaurants. However, it would be challenging to mandate CoOL only in certain types of foodservice businesses.
25	The mandating of CoOL would not be practical in individual cafes and restaurants if applied at the individual dish or ingredient level.
26	Allowing an alternative claim indicating the commitment of an individual foodservice business to sourcing Australian ingredients might be possible, but could run the risk of not conveying accurate and useful information to consumers.

#### 4.4 Consumer perceptions and expectations of the 'Made in' claim, Australian Made logo and bar chart

Food labelling schemes are largely driven by the need to overcome information asymmetry and to provide consumers with clearer messages regarding their food. The 'Made in' claim is a significant part of the scheme, allowing businesses to make 'Made in' statements where the food underwent its last substantial transformation in the country specified even where all (or even any) ingredients are not from that specified country. Businesses making the 'Made in' claim are able to use the kangaroo label, while the bar chart is required to indicate the extent of Australian ingredients.

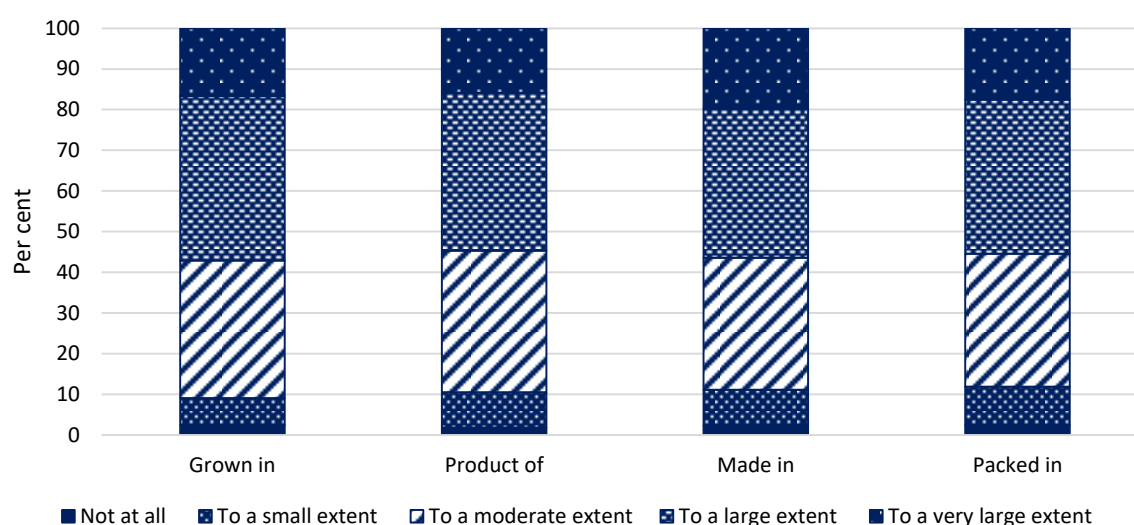
The issues identified with the 'Made in' claim predate the current scheme to some extent.<sup>76</sup> These evaluation questions are intended to address the extent to which the scheme is addressing this misunderstanding. As such, the evaluation has considered whether the criteria for making a 'Made in' claim (evaluation question 10) and whether the use of the Australian Made logo and bar chart (evaluation question 11) reflect consumer perceptions and expectations.

#### 4.4.1 Consumers do not universally accept or understand the 'Made in' claim

The majority of consumers that responded to the consumer survey (65%) state they are satisfied with the criteria businesses must meet in order to make a 'Made in' statement (see Chart 4.16). Around one quarter (25%) are 'neither satisfied nor dissatisfied', while only 8% are dissatisfied and one per cent are very dissatisfied.

Few consumers (0-12%) responded to the consumer survey that the definitions of 'Grown in', 'Product of', 'Made in' and 'Packed in' were "not at all" or "to a small extent" harmonious with their understanding. When the CoOL reforms were explained to consumers, most (56%) suggested their understanding was largely consistent with the definitions, and a further one third considered this to be the case "to a moderate extent". There was some limited variation across ages, for instance, 14% of consumers aged 65 years and more report that their understanding of the 'Made in' statement is "not at all" or "to a small extent" consistent with the definition, compared to 9% of respondents aged 18-34 years and 11% of respondents aged 35-64 years. While this appears positive, it could also be indicative of some degree of response bias (acquiescence bias) in the survey results (see Chart 4.16).

Chart 4.16: Extent that consumers' understanding of various statements is consistent with the definition, by statement



Source: Deloitte Access Economics' national consumer survey (2020).

There is a range of other non-quantitative evidence that the 'Made in' claim is meeting consumer expectations only to a limited extent. There appears to be two issues: the general awareness of how to interpret the label and the extent to which consumers' understanding is consistent with the 'Made in' claims, particularly where the share of Australian ingredients is low.

A significant proportion of the consumers participating in consumer focus groups expressed that the labels were confusing to interpret or misleading, as the symbol was associated with Australian ingredients, as well as manufacturing. Some consumers thought the 'Made in' labels could be less confusing for customers if they were separated into distinct categories of 'Manufactured in' and

<sup>76</sup> Colmar Brunton (2015).

'Grown in', to differentiate between when the ingredients were Australian from when the processing was Australian.

This view was also expressed in stakeholder consultation, for instance, the NFF suggests that the term 'Made in Australia' should be replaced with 'Manufactured in Australia' to remove the ambiguity that exists with some consumers. A manufacturer (as expressed in a submission to DISER) reportedly experienced new consumer inquiries regarding 'Packed in' labels, with consumers concerned that products were being manufactured offshore, when this was not the case.

According to the CHOICE consumer survey, some consumers have even stated that the CoOL reforms have exacerbated the confusion regarding country of origin claims.

The low level of 'correct' understanding of labels in the shopper interviews also suggests that general awareness is low. Overall, only one in four Australian shoppers correctly identified all elements of the CoOL labels. In many instances, consumers accepted the label once the elements of the label were understood together. Comparing these results to the consumer survey indicating high levels of satisfaction with the 'Made in' labels (when consumers were provided information of the labels), suggests that education and awareness is one of the significant issues underlying consumer understanding and acceptance of the 'Made in' claim.

There is an understanding among government and industry stakeholders that some consumers may find it confusing to see a product labelled Australian that has a ruler with a small proportion of Australian ingredients, but that this issue reflects a pre-existing consumer misunderstanding of the meaning of 'Made in'.

#### **4.4.2 Australian Made logo and bar chart are not widely understood and not universally accepted where Australian ingredients are low**

Consumers state that they are broadly "satisfied" or "very satisfied" with the use of the Australian Made (kangaroo) logo (80%), bar chart (74%) and explanatory text (75%). Research undertaken by Mintel in 2017<sup>77</sup> suggested that the recent changes to the Australian Made logo had a positive effect on a sample of Australian consumers, with 6 in 10 Australians (based in urban areas) agreeing that the new percentage bar tells them clearly the proportion of ingredients in the product that are either local or imported. The research also revealed that 72% of Australians based in metropolitan areas make the effort to buy food or beverage products with an Australian Made logo, while 17% always did. When looking at the motivation behind these choices, Mintel found that 3 in 10 suggest the Australian Made logo helps instil trust in the product/brand, while one in four believe that it builds the authenticity of a product.

However, consumer focus groups and stakeholder consultation indicated there is confusion regarding the 'Australian made' logo claims and corresponding bar chart among a subset of consumers. In shopper interviews, in many cases, consumers were not aware of the Australian Made (Kangaroo) logo and bar chart. Survey results presented by APL indicated more clarity is needed in consumer understanding of the combined kangaroo logo and bar chart.<sup>78</sup>

Further, confusion remains regarding the Australian Made logo and bar chart where Australian ingredients are low. A summary from surveys undertaken by DISER in 2020 indicate there is a perception that products with the Australian Made logo are 100% Australian, and that the criteria for a product to be 'Made in Australia' should be changed to better reflect consumer perceptions. This is especially the case where the kangaroo has been associated with solely Australian sourced ingredients. The submission from Australian Made logo group stated that bacon and ham products made from imported pork attract concern due to the label stating 'Made in Australia' with a small proportion (for instance, 'less than 10%') of Australian ingredients. Some consumers interviewed

<sup>77</sup> Mintel, *Australian Made/Grown logo resonates well with Australians* (2017).

<sup>78</sup> APL conducted a survey (n=613) in South Australia of what Australians 'think the Kangaroo means', which found that 94 per cent of the respondents associated the logo with reflecting the product is Australian, but the accuracy of interpretation of the combined kangaroo and bar chart logo was varied.

in the consumer focus groups felt that the kangaroo logo should be reserved for products that are “more Australian”, such as for products that are grown, manufactured and packaged in Australia.<sup>79</sup>

#### 4.4.3 Stakeholder led solutions to raise awareness or acceptance of ‘Made in’

Given the general perception that a product with the logo is entirely Australian, various submissions recommended an education campaign that continuously/regularly educates consumers about how the different types of labels should be interpreted. Other recommendations from submissions include:

- Increasing the prominence of the ruler that visually displays the proportion of Australian ingredients.
- Reconsideration of the terminology on labels, such as to replace the term ‘Made in’ with ‘Manufactured in’, or to have three distinct categories of ‘Grown in’, ‘Manufactured in’ and ‘Packaged in’.
- Increasing the threshold of Australian ingredients for products to be ‘Made in Australia’ and/or banning products from displaying a kangaroo unless they contain a majority of Australian ingredients.<sup>80</sup>
- Using QR codes to register and monitor information provided to consumers, as well as to display detailed information that might not be practically feasible on a physical label (see Section 3.3.2).

#### 4.4.4 Key findings: Made in claim, AMAG logo, bar chart

Ref	Do the criteria for making a ‘Made in’ claim reflect consumer perceptions and expectations? Does use of the Australian Made logo and bar chart reflect consumer perceptions and expectations?
27	There may be an opportunity to further refine definition(s) and explanations of this and other claims through the regulations and accompanying explanatory material. This should address aspects of the labelling consumers have identified as confusing to interpret or misleading, such as the symbol being associated with Australian ingredients, as well as manufacturing, and explaining the criteria for a product to be ‘Made in Australia’ to better reflect consumer perceptions.
28	The use of the AMAG logo combined with the bar chart does provide consumers with more information that is more accurate than the previous scheme.
29	Despite this, there is an ongoing issue regarding consumer understanding of the ‘Made in’ claim, including how to interpret the label and the extent to which consumers’ understanding is consistent with the ‘Made in’ claims, particularly where the share of Australian ingredients is low. This issue predates the current scheme. It is likely that the current scheme is surfacing this issue because consumers can see that a product making this claim is not necessarily wholly or predominantly sourced from Australian ingredients.
30	It may be appropriate to limit misunderstanding in this area by providing additional communication, including possibly a refreshed awareness campaign.

## 4.5 CoOL requirements for online sales

The current CoOL requirements do not apply to food and beverages that are purchased online, however businesses may choose to highlight this information (voluntarily) regardless. There is now significant information about food and beverages that is being provided online by major retailers, about country of origin and other aspects of food. Against a backdrop of increasing online sales and information provision, the evaluation has considered the extent to which consumers

<sup>79</sup> Consumer Focus Group analysis (2020).

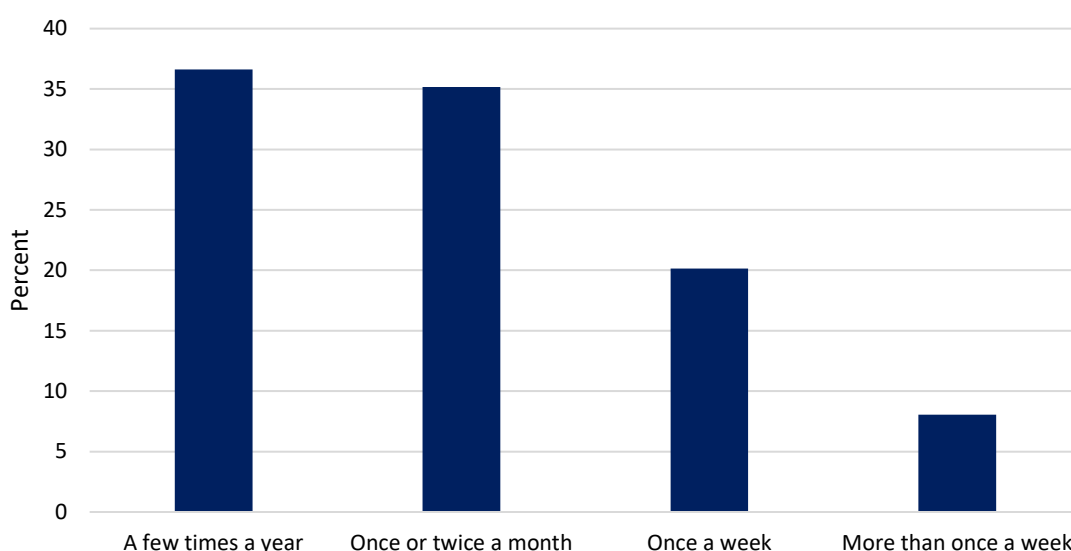
<sup>80</sup> For instance, the Consumers’ Federation Australia has recommended the logo only be used for products with at least 50% Australian ingredients. Others put forward a lower threshold and recommended the logo be banned from use for products that have no Australian ingredients.

purchasing products online have “adequate” origin information about products prior to making their purchase. This question considers “adequate” with regard to the consumer and business expectations regarding CoOL for online sales of food and beverage products, as well as the potential cost-effectiveness of regulating the provision of country of origin information for online sales.

#### 4.5.1 Most consumers expect the same country of origin information to be made available for online purchases

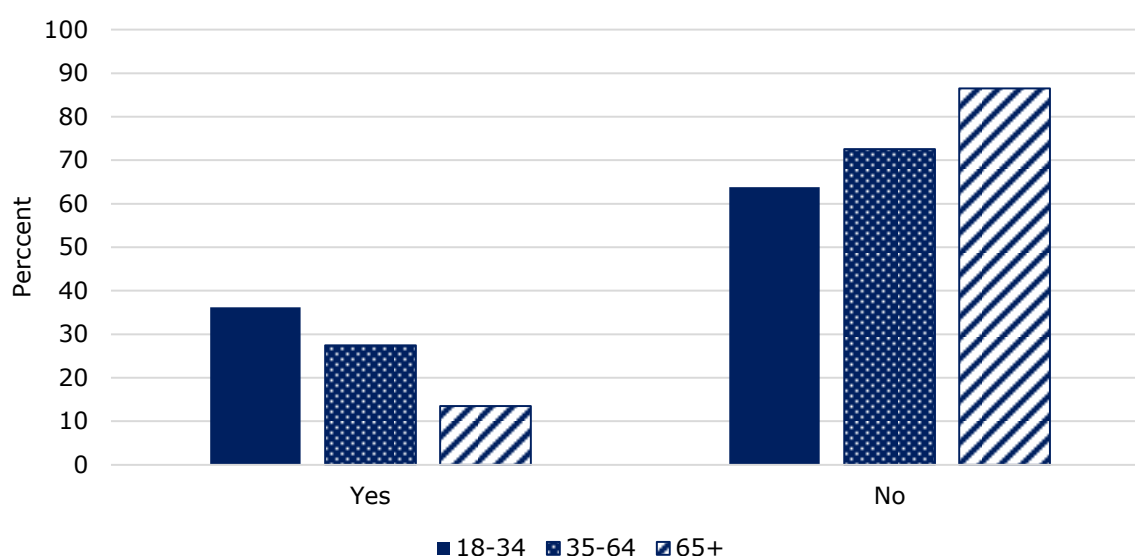
The consumer survey indicated that 27% of survey participants currently purchase food and beverages online. Around 20% of these individuals do so at least every week (see Chart 4.17). Consumers aged 18-34 years are marginally more likely to buy food and beverage products online than consumers aged 65 years and above (see Chart 4.18). Of all participants in the consumer survey, 27% indicated that they plan to purchase food and beverages online in the future, with consumers aged 18-34 years marginally more likely than consumers aged 35-64 years, and significantly more likely than consumers aged 65 years and over to (plan to) purchase their food and beverages online.

Chart 4.17: How frequently consumers who purchase food online actually buy their food and beverages online



Source: Deloitte Access Economics' national consumer survey (2020).

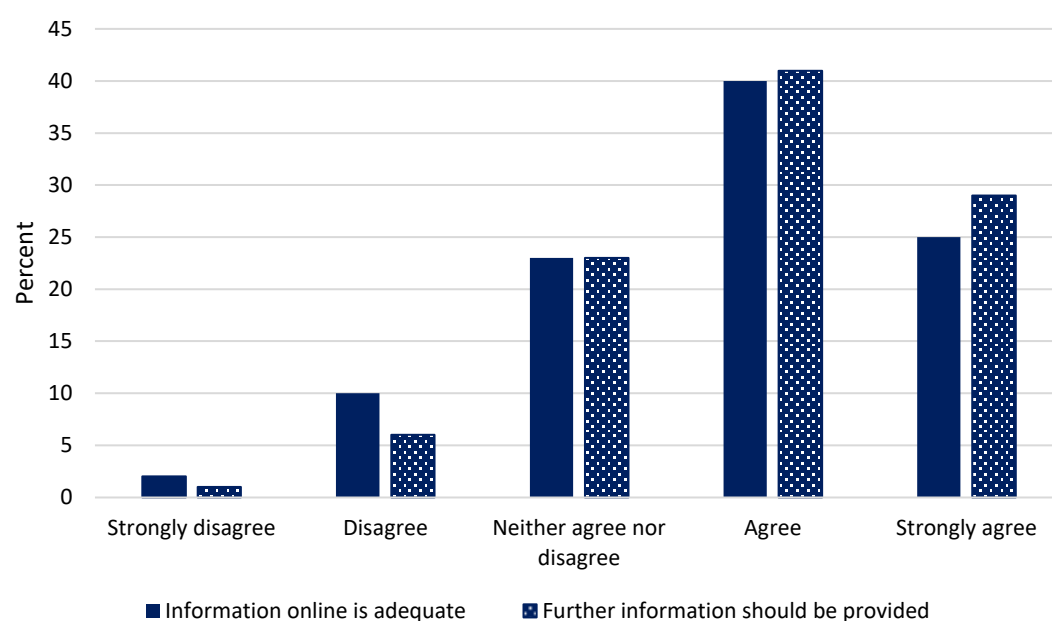
Chart 4.18: Proportion of consumers that purchase their food and beverages online, by age category



Source: Deloitte Access Economics' national consumer survey (2020).

Of consumers who purchase their food and beverages online, 83% have noticed country of origin information. Of these, 65% either "agree" or "strongly agree" that the information provided relating to country of origin is adequate for them to make an online purchase. However, 70% of these participants also agree that further information about the country of origin should be provided online, suggesting a potential for response bias (see Chart 4.19).

Chart 4.19: Adequacy of information provided online relating to country of origin



Source: Deloitte Access Economics' national consumer survey (2020).

The consumer survey results suggest that country of origin information is an important determinant of online consumer behaviour to some consumers, with 29% of participants stating that they would be more likely to purchase food and beverages online if additional country of origin information was available. This could mean that the share of consumers purchasing food and

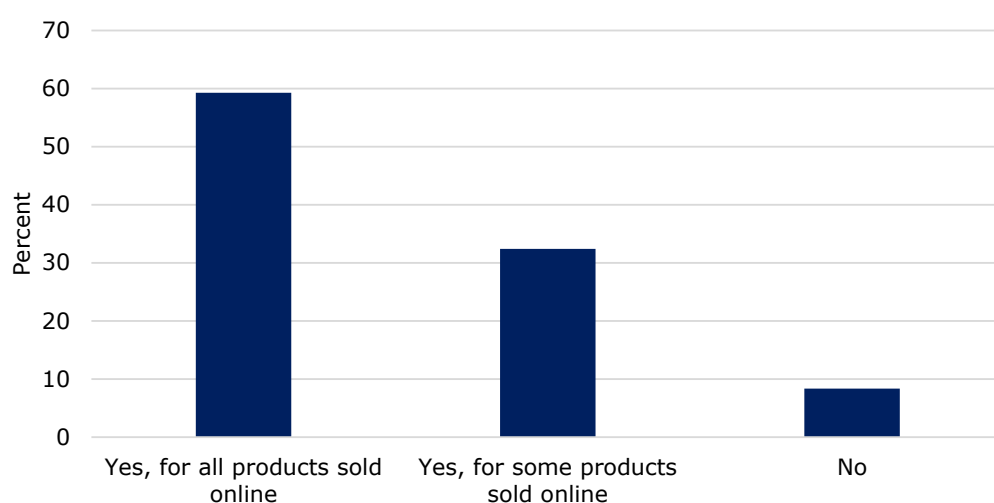
beverages online may increase with CoOL information, noting that approximately 27% stated they planned to buy online in future.

The majority of survey participants (77%) believe that online food and beverage products should provide the same level of country of origin information as food and beverages purchased in-store. Others wanted more information to be provided online (20% of survey respondents), while few supported less information or the status quo.

#### 4.5.2 Provision of origin information online

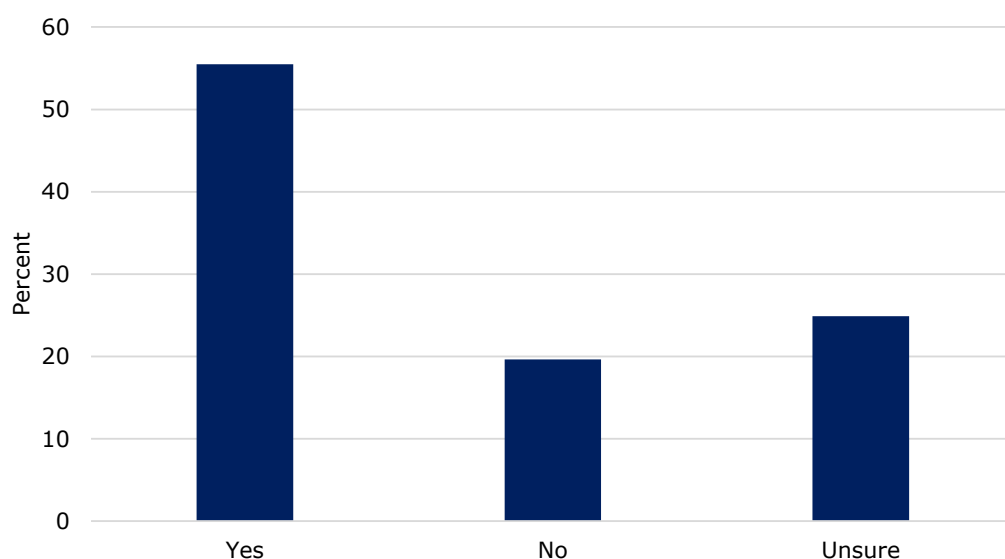
Respondents to the business survey indicate that only 17% of businesses sell food or beverage products online. Of these businesses, 92% provide country of origin information for some or all of their products (see Chart 4.20). Around 55% of businesses believe that CoOL requirements should be extended online, while 25% of businesses were “unsure” and 20% did not think the CoOL requirements should be extended online (see Chart 4.21).

Chart 4.20: Proportion of businesses that provide CoOL information for food or beverage products sold online



Source: Deloitte Access Economics' national business survey (2020).

Chart 4.21: Business support for extending CoOL requirements to products sold online



Source: Deloitte Access Economics' national business survey (2020).



The submissions presented various suggestions of the level of information that could be provided, and the need to regulate.

Consultation with industry stakeholders suggested, on balance, there was agreement that an Australian retailer with an online presence should disclose CoOL requirements for online sales.<sup>81</sup> Consumer groups advocated for the information provided online to be as informative as that provided on physical labels, or at the least a text stating the country of origin at the minimum with more information provided if possible (as recommended by CHOICE). In addition, a submission made by the regulator stated their preference for the information provided online to be in the same format as that on physical labels.

Despite agreement on the need for origin information for online purchases, stakeholders were less certain of the need to regulate. The beverage industry questioned the need for CoOL information for online products given that retailer interface with consumers was improving rapidly, such as through high resolution images. Large retailers and other submitters noted that major supermarket chains now provide detailed country of origin information online. This was to ensure consumer expectations were being met and was possible because the CoOL information was already in their Information Technology (IT) systems.

The AFGC argued that even though Coles and Woolworths were already placing information online<sup>82</sup>, the introduction of mandatory provision of information online would create the opportunity for manufacturers to be mis-represented if information was not accurately reported by the retailer. This could create additional layers of reporting requirements between retailers and manufacturers and therefore would add cost, potentially without large benefit.

The AMIC stated for online sales that customers should be able to enquire with the company directly to gather country of origin information.

As online displays of information are also easier to update than physical labels, some stakeholders indicated that online provision of information could be a way of meeting labelling requirements in the event of unforeseen supply changes.

#### **4.5.3 CoOL extension to online shopping platforms unlikely to deliver a net benefit**

This option of the CBA analysis proposes to extend CoOL information to online shopping platforms for those retailers who already have to comply with CoOL regulations.<sup>83</sup> The total cost of this CBA option is estimated to be significant, given the extensive number of small businesses, while the benefits relatively small. Overall, the option results in considerably less in net benefits to the Australian community, relative to the current CoOL scheme.

#### **4.5.4 Key findings: CoOL requirements for online sales**

<b>Ref</b>	<b>Do the CoOL requirements for online sales provide consumers with adequate origin information about products prior to making their purchase?</b>
31	There is now significant information about food being provided online, about country of origin and other aspects of food. The two major retailers now provide country of origin information online for many products. This represents a significant proportion of all food sold online in Australia. Consequently, the scheme has increased the information provided online, despite it not being mandated by regulation.

<sup>81</sup> For instance, the Ai Group indicated country of origin information should be available for online purchases of food, including those being imported from outside of Australia.

<sup>82</sup> IBIS World report (2020), *Supermarkets and Grocery Stores in Australia*, indicates that market shares as of November 2020 for those retailers offering Country of Origin Labelling information for online sales were approximately 66% in total including Woolworths (37.1%) and Coles (29%). Other retailers with considerable market share were Aldi (9.7%) and Metcash (6.6%), which do not offer country of origin labelling for online sales but are expected to have a lower share of customers purchasing online.

<sup>83</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 4.5.

Ref	Do the CoOL requirements for online sales provide consumers with adequate origin information about products prior to making their purchase?
32	If regulations were to require the provision of this information for all food sold online, this would impose a disproportionately high cost on smaller sellers because large retailers have economies of scale and generally have already made the change.
33	Any expansion of the regulation to more online sales would need to provide a clear net benefit to consumers, taking account of the cost this would impose on business.

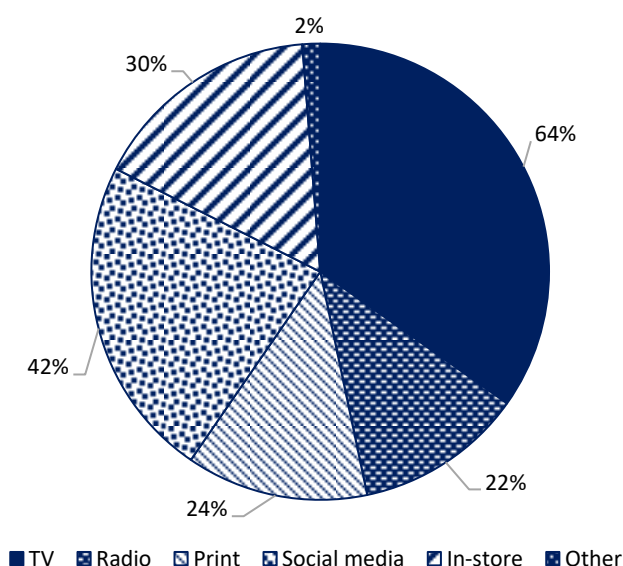
## 4.6 Effectiveness of communication activities and online resources for consumers

Various communication activities were undertaken in 2016 when the changes to the CoOL requirements were introduced. The Australian Government allocated a budget of \$15.2 million to an awareness campaign to accompany CoOL, although the final campaign cost of \$12.3 million was below its original budget. The communications included TV campaigns, radio campaigns, print campaigns and in-store demonstrations, as well as various online resources on CoOL. The evaluation considered the effectiveness of those campaigns in raising consumer awareness of the CoOL reforms at the time of the reforms, and with respect to the evidence of consumer awareness of CoOL labels at present.

### 4.6.1 Less than one in five consumers recall the communication campaign

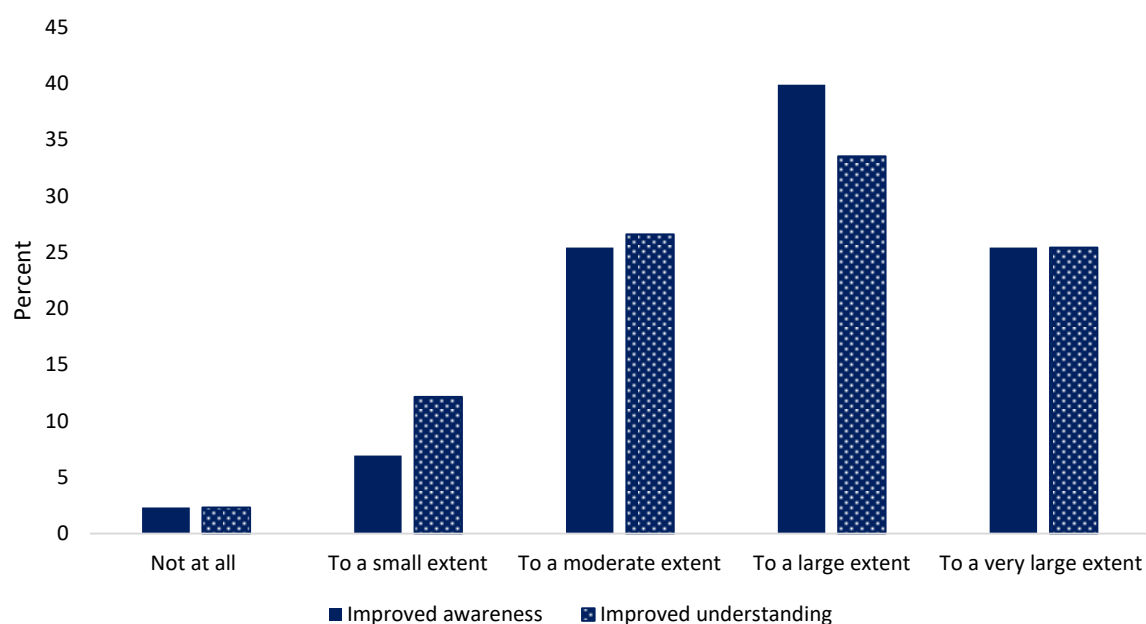
The consumer survey suggests that only 17% of participants recall seeing advertising material relating to CoOL information. Of those participants who recall seeing the advertising campaign, this was most commonly via television or social media (see Chart 4.22). The majority of consumers who did recall seeing the advertising campaign felt that it was useful in raising awareness of the CoOL reforms and improving their understanding of country of origin information (see Chart 4.23).

Chart 4.22: CoOL communication campaign that consumers recall seeing, by method of communication



Source: Deloitte Access Economics' national consumer survey (2020).

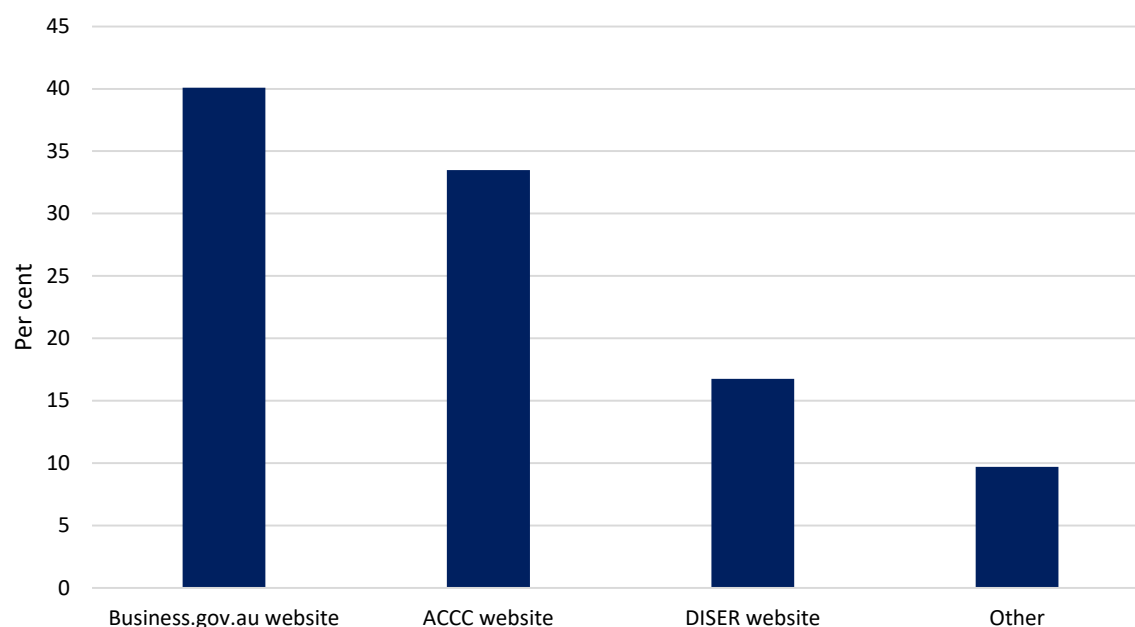
Chart 4.23: Extent that communication campaign about CoOL was useful, by outcome



Source: Deloitte Access Economics' national consumer survey (2020).

The consumer survey indicates that a small proportion of consumers (16%) has utilised online resources to enhance their understanding of country of origin information (see Chart 4.24). Of these, most referred to either the business.gov.au (40%) or the ACCC websites (34%), with a lesser share referring to the DISER website.

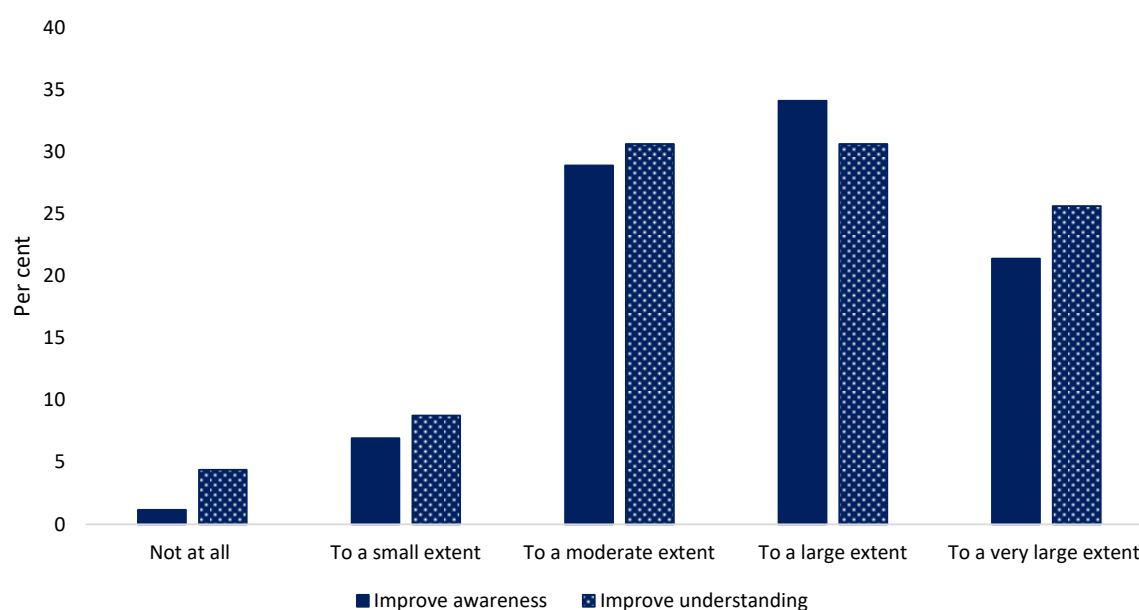
Chart 4.24: Online resources that are referred to by consumers



Source: Deloitte Access Economics' national consumer survey (2020).

The majority of survey participants who used these online resources considered them useful in both raising their awareness of the CoOL reforms and improving their understanding of CoOL information (see Chart 4.25).

Chart 4.25: Extent that online resources related to CoOL are useful, by outcome



Source: Deloitte Access Economics' national consumer survey (2020).

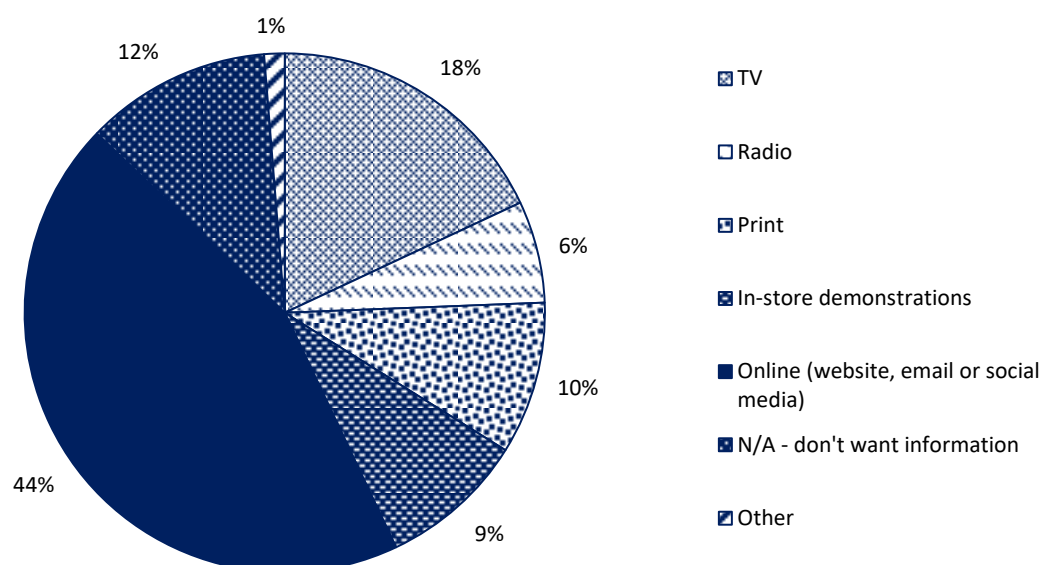
Overall, government and industry stakeholders, businesses and consumers/consumer groups indicated the educational campaign was insufficient in that there was no ongoing efforts to raise consumer awareness, and a renewed awareness campaign is required for consumers (see Section 6.5.3). Ongoing education of consumers has also been touted as useful because new consumers are constantly entering the market. Some industry stakeholder groups recommended that educational campaigns are regularly pursued following major changes to the Standard.

For instance, the Australian Chicken Meat Federation highlighted that although there was some consumer education at the time of the CoOL reform implementation, over time the education and awareness campaign dissipated. A number of industry stakeholders suggested the passage of time since the initial campaign is a reason why there is a misunderstanding of the country of origin labels.

Submissions by the AMIC and several other groups called for more education campaigns for consumers, as well as businesses to improve clarity around labelling terminology. The AMIC stated that communication has not had a positive impact on consumer understanding and consumers are disappointed by the misleading labelling of items that claim to be Australian with imported pork.

The consumer survey suggested that consumers would prefer future awareness campaigns relating to CoOL to be online, with 44% of participants selecting this as a preferred communication channel. Consumers' second preference was TV, with 18% selecting this as a preferred communication channel (see Chart 4.26).

Chart 4.26: Consumers' preferences for future communication on CoOL, by method of communication



Source: Deloitte Access Economics' national consumer survey (2020).

#### 4.6.2 Key findings: Communication activities and online resources

**Ref** Have communication activities and online resources been effective in raising consumer awareness of the CoOL reforms and helping consumers to understand CoOL information?

34 There appears to be a case for a refreshed CoOL awareness campaign. It is likely that any short-term campaign needs to be accompanied by an ongoing communication strategy that is engaging and has meaningful reach. This campaign would aim to improve consumer understanding of the different elements of CoOL. The design, funding and delivery of this campaign would need to be considered further.

### 4.7 Other product types for which consumers seek greater access to origin information

Currently, the CoOL reforms apply to food and beverage products. The evaluation has examined the extent to which consumers are seeking greater access to origin information on other products. This discussion is provided below, including a separate discussion on extension of CoOL to cut flowers.

#### 4.7.1 A minority of consumers sought origin information on non-food products

There was little customer support for extension of CoOL requirements to non-food products. Of all survey participants in the consumer survey, 33% identified non-food products for which they would like country of origin information. Consumers in focus groups did not indicate any desire for information on other product types. However, there were no specific discussion questions for consumers about this extension.

The main non-food products identified by those consumers who supported an extension of CoOL included: clothing and footwear (12%); all non-food products (9%); electronics (8%); kitchenware and household goods (8%); medication and hygiene products (6%); and beauty and cosmetic products (6%). There was minor interest in furniture (4%); automotives; toys; cleaning products

(3%, respectively); pet food (2%); flowers /plants (1%); machinery and tools (1%); and bedding (1%).

Consultation with government and industry stakeholders did not reveal any other product types for which consumers consistently sought greater access to country of origin information. Although, it was noted several times that origin information should be clearer for seafood and pork products.

Respondents to the national business survey were also asked whether the mandatory CoOL requirements should be extended to any non-food products. Nearly half (40%) of businesses agreed that it should be extended to non-food products, 28% of businesses disagreed with the extension and 32% of businesses were unsure.

## **4.7.2 The Australian cut flower industry**

### **4.7.2.1 Background**

There is limited information on the volume of flowers imported into Australia. A few years ago, the (then) Department of Agriculture and Water Resources estimated that 10% of cut flowers and foliage sold in Australia were imported, but some industry estimates at the time suggested the figure was closer to 30%. Our own consultation heard from separate sources that roughly 50% of cut flowers sold in Australia are imported, with this proportion changing throughout the year based on demand (which peaks for events such as Valentine's Day and Mother's Day) and seasonality. While not solely the case, flowers sold in supermarkets are more likely to have been imported than those sold at florists.

Most imports come from six to eight key countries including Malaysia, Colombia, China, Kenya, South Africa and Ecuador. Most have significantly lower labour costs than Australia, and often superior growing conditions. For example, roses are best grown at around 2,000 metres above sea level and hence suited to locations such as Kenya and Ecuador. Imports from these countries have affected the Australian industry - IBISWorld cites the example of the Atherton tablelands which has seen the number of rose growers fall from 11 to one over the past 20 years.<sup>84</sup>

### **4.7.2.2 Imported flowers and chemical concerns**

As imports have increased over the past few years, some florists and Australian growers have expressed concern about the use of chemicals to treat flowers which are imported into Australia. This issue has featured in a number of recent press reports, with concerns surrounding the fact that stems of cut flowers are often dipped in glyphosate or treated with methyl bromide fumigation prior to entering Australia, and that chemical residue can remain on the stems, posing health risks to florists and consumers.

New regulations, introduced in March 2018 in response to high levels of pest infestation on imported cut flowers, required the exporting country's National Plant Protection Organisation to certify the flowers are pest-free and to fumigate them before they are shipped to Australia. However, compliance did not substantially improve, and in September 2019, the Government introduced requirements for an export permit from Columbia, Ecuador or Kenya. This improved outcomes, however, non-compliance remains high, with non-compliance at 63% from one country and at or above 20% from several other countries, from September 2019 to January 2020.<sup>85</sup>

### **4.7.2.3 Stakeholder views**

There are two different sets of stakeholder views on the need for a CoOL scheme in the cut flower industry. One view is that a CoOL scheme is desirable because it will:

- Better inform customers about the origin of cut flowers.
- Correct apparent misperceptions by consumers that cut flowers (especially Australian natives) are all grown in Australia.
- Highlight imports and signal to workers and consumers that certain flowers might have pests and chemical residue.

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<sup>84</sup> IBISWorld (2020) *Floriculture Production in Australia*, July 2020 p12.

<sup>85</sup> Department of Agriculture, Water and the Environment (2020) 'Imported cut flowers and foliage', Stakeholder update, April 2020.

- Promote local growers and sales of Australian flowers, improving growers' financial viability and reducing biosecurity risks.

The issue of a lack of consumer knowledge about the origin of flowers was highlighted by stakeholders that supported CoOL for flowers. For example, Flower Industry Australia provided anecdotal evidence that staff members and managers at supermarkets in Melbourne, Sydney, Grafton and the Gold Coast were unaware of the origin of flowers.

The Australian Flower Council supported CoOL for the above reasons but noted that CoOL for cut flowers would require solutions that are slightly different from those that are required for food items, due to mixed bunches being made from individual flowers sourced worldwide.

The NFF suggested that the rationale for providing country of origin information for cut flowers at the point of sale is no different to that for food products, and should be in place to better inform consumers on their purchasing choice.

On the other hand, opponents to the inclusion of cut flowers in the CoOL scheme cited concerns including the following:

- Practical difficulties: the supply chain for cut flowers is complex with many handling steps including exporters and importers, growers, wholesale markets, distributors and retailers
- Often flowers do not have any labels as they move through the supply chain. This makes tracing origins complex and costly
- There are particular complexities with labelling for mixed bunches of flowers where they are a mix of imported and local flowers
- Many growers are small businesses and labelling costs would be a significant impost
- There is a lack of consumer demand for CoOL. One major industry player indicated it had a register of customer comments going back to 2013 and there had not been a single question regarding the origin of flowers
- There is often a lack of alternative flower options even if CoOL information was available and consumers sought to purchase Australian flowers. Seasonality often means there are no directly comparable Australian flowers at certain times of the year.

#### **4.7.2.4 Consumer engagement is only modest**

Our consumer research suggested that having access to more precise country of origin information for cut flowers does not appear to be important to consumers. Cut flowers were not routinely identified in either the consumer focus groups or the consumer survey as a non-food product for which consumers would like to see country of origin information. However, issues around the origin of cut flowers, including biosecurity and health risks from imported flowers, have been highlighted recently in a number of press reports. An online change.org petition calling for the mandatory labelling of imported cut flowers and foliage has been circulating for six months and had 1,540 signatures at 16 February 2021.

The Australian Flower Council notes a proportion of people in the flower industry are already using QR codes, social media and various other communication applications to engage and inform consumers.

#### **4.7.2.5 The New South Wales Grown in Australia trademark**

Following an application by the Flower Growers Group of New South Wales (NSW) the Australian Government approved an Australian-grown trademark for cut flowers in 2018. The trademark can be applied only to flowers which are grown in Australia and cannot be used where Australian flowers are combined with imported flowers.<sup>86</sup> However, take-up of the trademark has been low, reportedly because funds have not been available to promote its use.

#### **4.7.2.6 International CoOL schemes for flowers**

A desktop scan did not identify any overseas examples of mandatory CoOL requirements for cut flowers. However, some non-mandatory regional and national schemes do exist. For example, the

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<sup>86</sup> IP Australia (undated) 'Australian grown flowers', cited March 2021. <https://www.ipaustralia.gov.au/tools-resources/certification-rules/1715512>



Californian Cut Flower Commission initiated an “American Grown” certification scheme for cut flowers in 2014.<sup>87</sup>

#### **4.7.2.7 The inclusion of cut flowers within the existing CoOL scheme is unlikely to be warranted**

The existing CoOL scheme is designed for food, and amendments would need to be made to accommodate cut flowers. A relatively straightforward way of doing so would be to require cut flowers to be identified at the point of retail sale as either:

- Grown in Australia (where 100% of the bunch/arrangement are grown in Australia).
- Grown outside Australia (which could cover the situation when bunches/arrangements are entirely grown in a single overseas country, or multiple overseas countries).
- Grown in Australia and overseas (where flowers are of mixed origin). A decision would need to be made regarding whether it is desirable to specify what proportion of flowers, in the case of a mixed bunch, are from overseas – i.e. aligning with the existing CoOL scheme for food - or simply identifying that some are from overseas.

An alternative option would be to enable or mandate flowers 100% grown in Australia to be identified as “Grown in Australia”, similar to the existing trademark, but not require overseas grown flowers to be identified as such. However, this form of labelling would be quite different from the existing CoOL scheme which provides that products or ingredients from overseas are identified as such.

Having considered the nature of the industry and stakeholders’ positions, our view is that the benefits of including cut flowers in the existing CoOL scheme (even with specific provisions relating to cut flowers) are unlikely to exceed the costs. While consumer interest in the origin of cut flowers has increased recently, it does not appear to currently be at a level that would justify inclusion in the scheme. The supply chain complexities and common practice of selling flowers in mixed bunches is problematic and it would not be practical for flower sellers to specify the proportion of flowers in a particular bunch or arrangement that are from overseas. Ultimately there is a risk that CoOL labelling would lead to higher costs for consumers.

Pests and chemical residue issues in respect of imported cut flowers do need addressing and there are potential consumer safety concerns; however, the existing CoOL scheme is not necessarily the appropriate instrument to do so. Instead, the issues of pest and chemical residue should be managed directly through DAWE.

To the extent that some form of origin labelling for cut flowers is considered desirable, there are a number of paths that could be followed. These include:

- A voluntary, industry-based scheme
- A mandatory, government-established scheme.

These options are briefly discussed below. Note that other alternatives (e.g. mandatory, industry-based schemes) are also available.

##### *Voluntary, industry-based scheme*

Voluntary, industry-based regulatory schemes are most likely to be appropriate where there are clearly defined problems, but no high risk of serious or widespread harms to consumers. Where there are cost advantages and/or increased flexibility in industry-based schemes to address industry problems compared to government regulation, then there is a greater chance of improving market outcomes and minimising compliance costs.<sup>88</sup>

Voluntary schemes work best with an active industry association and a mature industry structure. They are also more successful where there is an incentive to comply with self-regulation – for example to gain market advantage.

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<sup>87</sup> <https://www.americangrownflowers.org/>

<sup>88</sup> Wallace J, Ironfield D, Orr, J (2000) *Self-Regulation in Consumer Markets*, Report prepared for the Taskforce on Industry Self-regulation, Commonwealth Treasury, pp. 42-43.



Voluntary schemes can often be more flexible and able to change to reflect altered industry circumstances than mandatory government schemes.

One option for a voluntary industry-based scheme would involve a certification or trademark arrangement similar to, or potentially using, the NSW Flower Growers Group trademark. Such a scheme could:

- Allow consumers to identify cut flowers that are grown in Australia.
- Avoid many of the costs associated with a mandatory scheme.
- Allow individual sellers (and growers) to make a decision about whether to become certified or use the trademark.

#### *Mandatory, government schemes*

Mandatory, government-established schemes (of which CoOL is an example) have the advantage of being comprehensive (in that the entire industry must comply), are often developed using public processes that balance industry and consumer needs, and usually have stronger compliance and enforcement mechanisms. They tend to be more appropriate in circumstances where the consequence of inappropriate action is high and/or compliance with voluntary arrangements is likely to be low.

The downside of such schemes is that they are often more expensive to implement and less flexible than voluntary schemes. Compliance costs can often be an issue, particularly for small businesses, who would otherwise be able to choose to 'opt out' under a voluntary industry-based scheme.

We understand that Flower Industry Australia has indicated that it is strongly opposed to an industry-led voluntary mechanism and would prefer a legislated scheme.

#### **4.7.2.8 Conclusion**

As set out above, we do not consider that cut flowers should be included in the existing CoOL scheme as we are concerned about the costs of doing so relative to the benefits. We are also not convinced that strong consumer demand for inclusion of cut flowers in CoOL currently exists, although we do recognise that this may be due to consumers making the (incorrect) assumption that cut flowers are grown in Australia.

To the extent that the government and/or industry do wish to pursue a CoOL scheme for cut flowers, a less onerous and more tailored arrangement than the CoOL scheme would be appropriate. This could take the form of either a voluntary, industry-based scheme or a mandatory government scheme.

Our concern with a mandatory government scheme is the risk that it may impose excessive costs on the many smaller participants in the industry, potentially placing them at a competitive disadvantage. Although it would be less comprehensive, and thus not generate a similar level of consumer benefit, a voluntary industry-based scheme would give smaller operators the ability to decide whether to participate or not.

Our initial view is that, at least initially, a voluntary, industry-based scheme would be more appropriate. Depending on its success (including cost, impact on prices, take-up and consumer acceptance) a subsequent decision could be made as to whether a mandatory scheme should be adopted.

We note that the NSW Flower Growers Group has had difficulty in funding the rollout of its trademark and there is therefore a case for Government funding and support for the industry to establish a scheme. This may assist with the success of the scheme and help to bring together the divergent views that currently exist within the industry on the desirability of a labelling scheme.

### 4.7.3 Key findings: Other product types and CoOL

Ref	Are there any other product types for which consumers seek greater access to origin information?
35	The majority of consumers did not seek country of origin information for other product types. However, there was some interest in additional information for clothing and footwear (12%), electronics (8%), kitchenware and household goods (8%), medication and hygiene products (6%), and beauty and cosmetic products (6%).
36	The consumer survey and consumer focus groups did not indicate that consumers sought country of origin information on cut flowers. However, the cut flower industry has argued that there is imperfect information in the sector.
37	There may be a need for the sector to address issues associated with pest and chemical residue on imported cut flowers. However, the existing CoOL scheme is unlikely to be the best instrument to address these issues, and inclusion of cut flowers in the existing CoOL scheme could impose significant costs on the industry. Instead, the issues of pest and chemical residue should be managed directly through DAWE.
38	In relation to origin information, the Australian Government should note the potential use of a voluntary industry-based scheme, such as voluntary certification or a trademark arrangement similar to the NSW Flower Growers Group trademark as a possible lower cost alternative to mandatory regulation.

## 4.8 Change in consumer demand for origin information

The overarching evaluation question considers, for consumers, whether the CoOL reforms have improved consumer access to information about the origin of food. It is, therefore, relevant to consider the origin information that consumers require access to, and whether this has changed since the introduction of the reforms (evaluation question 15). If additional information is sought, it is then necessary to consider whether changes can be made without imposing excessive costs.

### 4.8.1 A subset of consumers would like more information

Some government and industry stakeholder consultations indicated there has been no change to consumer demand for country of origin information since the introduction of the CoOL reforms. Both DISER and the ACCC reported that the volume of enquiries about CoOL is low and this is the case for both business and consumers. DISER advised that the volume of enquiries from business increased during the period when the scheme was being introduced, but has since tailed off.

Industry submissions indicate that the volume of questions about the country of origin has decreased for some areas, and that the types of questions posed has changed. Consumers now ask specific questions about the proportion of ingredients from various countries, referencing the food labels, whereas the questions prior to the reforms were simply about where the items were from. This is an indication of the (increased) level of engagement that a subset of consumers have with CoOL information and the type of information they seek. One manufacturer reported an increase in the demand for information on social media and through consumer hotlines concerning specific details of origin - with regard to high-interest countries - particularly since the start of the global pandemic.

The consumer survey indicated that 48% of consumers have experienced a change in their preference for country of origin information in recent years. Of these individuals, 92% now desire more country of origin information than they did previously. Nearly the majority (45%) of consumers would like country of origin information for all ingredients in the product.

Consumers preferred level of information appears to have changed for a variety of reasons. Of all consumers who had a change in the information they require, the main reason was that there was an increased need to support Australian products, the Australian economy, local jobs and farmers

(30%). Other consumers indicated that it was due to a preference to have access to more information (24%) or to avoid purchasing products from certain countries (11%). Other reasons cited included: COVID-19 (5%); health (4%) and different hygiene and quality control standards in other countries (2%).

The consumer focus groups did not provide direct information about whether the consumer demand for information increased post the reforms. However, consumers expressed an increased desire to support local businesses due to the recent droughts, bushfires and the pandemic.

Many stakeholders, such as in the dairy and pork industry, as well as the Department of Health indicated that the rationale for the CoOL reforms remains unchanged and there is no evidence to indicate there has been a change in consumer demand for origin information.

#### **4.8.2 Consumer motivations to know origin information: higher for seafood and pork**

The motivation for consumers to know where products are sourced from varies across products. Sustainable production and ethics were raised, especially for meats and seafood. The Australian Marine Conservation Society stated that consumer demands for sustainably sourced foods is increasing but consumers are unaware of the volume of seafood that is sourced (overseas) in environmentally degrading ways.

Free text responses from the consumer survey indicated that numerous consumers were content to pay for country of origin labels in foodservice venues on the basis that they desired seafood and fish products to be labelled. Responses indicated that those consumers felt misled by fish and chip shops and would seek to avoid eating fish/seafood from overseas or particular overseas markets when dining out. Fewer comments were received from survey respondents in relation to the origin of meat in foodservice settings, compared with seafood.

The Cattle Council of Australia identified consumer interests span animal welfare, as well as nutritional and sustainability credentials. Other concerns raised by an independent consumer submission in relation to overseas products include concerns about child or slave labour, poor or unsafe working conditions, and funding for illegal activities. For a subset of consumers, origin information on source ingredients provides a strong measure of quality.

Stakeholder consultations with AMCL and DAWE suggests that consumers are most concerned about CoOL on pork products, including ham and bacon. Complaints often revolve around pork products, which have a 'Made in Australia' claim, but do not print the country from which the pork originates.

#### **4.8.3 CBA modelling indicates a neutral impact of requiring additional information on non-Australian ingredients**

CBA modelling of an option to increase information on non-Australian ingredients, relative to the Status Quo, indicates there may be a neutral impact (where the costs are similar to the benefits) from extending the requirement to report on non-Australian ingredients.<sup>89</sup> The impact of requiring all businesses that currently supply priority goods to outline the foreign country responsible for the highest portion of non-Australian ingredients in their product(s) was modelled. The new information would be disclosed in text on the label, in addition to the bar chart disclosing the proportion of Australian ingredients.

In this option, businesses face higher product labelling costs both on a once-off basis to redesign labels and become compliant, and on an ongoing basis to remain compliant. On an ongoing basis, extra labelling costs would be incurred if the country responsible for the highest portion of non-Australian ingredients changes. Businesses will also need to increase the amount spent on staff and systems to track the origin of foreign ingredients because the Status Quo only requires them to track and report the proportion of Australian ingredients.

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<sup>89</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 4.7.

The benefit of this option is the additional information on the origin of ingredients that becomes available to Australian consumers. It is measured through an uplift in the WTP by the cohort of Australian consumers that want this extra information.

Overall, this option generates a neutral (small positive) net benefit to the Australian community, relative to the Status Quo. That is, most businesses would incur additional burden, which is not significantly offset by an increase in consumer benefit from individuals who value this information.

There are a few additional points for consideration. The first is that this option considered the additional burden would be placed on 95% of businesses. DISER may reduce this proportion by decreasing the number of businesses subject to additional labelling requirements. This may be achieved - for example - by picking a cut-off point, such as 50% ingredients outside Australia. This exemption 'level' could be defined by asking consumers the point at which they seek out more information.

On the cost side, DISER may consider options to limit additional information provision to online forums only. That is, consumers could be directed to a website if they are interested in finding out further information about a product.

#### **4.8.4 Key findings: Consumer demand for origin information**

<b>Ref</b>	<b>Has consumer demand for origin information changed since the introduction of the reforms?</b>
39	There is mixed evidence about whether consumer demands for origin information is changing. It appears most likely that for the wider population, any change is incremental and difficult to detect in the period of time since the scheme was introduced.
40	A subset of consumers are more highly engaged about country of origin and are seeking more extensive and detailed information about the origin of all ingredients.

### **4.9 Other insights from consumers**

As identified above, consumer research and stakeholder consultation widely demonstrated the need for enhanced awareness of the CoOL scheme. There were also a range of other suggestions provided by consumers which are detailed below.

The suggestions provided by consumer survey participants related to:

- Presentation of the label, where consumers desired clearer labelling and making the size of the labels larger (32% of comments), and having CoOL information in the same place (5%)
- Coverage of the label, where consumers wanted country of origin information included for all ingredients (25%) or more specific information (7%)
- Their understanding of and trust in the label, where consumers wanted the information to be easier to understand (13%), for a communication campaign to be run (3%) and to ensure the accuracy of CoOL information (3%)
- Other issues, such as changing the use of the iconic kangaroo logo (4%) and having QR codes (3%)

Consumers also reported through the consumer survey that they want more information about products, including: ethical /environmental compliance; dates that the product was manufactured / shipped / packed; additives; allergy information; and company ownership/profit information.

# 5 Clarifying business ability to make origin claims

## Summary of findings

Industry stakeholders support the inclusion of safe harbour defences in the scheme, despite the limited awareness of the defences with only one quarter of businesses being aware of them. However, some businesses were uncertain about the definition the 'Made in' claim requirements in particular with regard to substantial transformation.

To improve clarity and increase business compliance with the scheme, some industry stakeholders have suggested reviewing the definitions associated with the defences. Additionally, it was suggested that clearer guidance and more detailed examples from the ACCC could assist with this. There were some simplistic regulatory issues also identified which, if changed, would not substantially change the operation of the scheme in Australia. Those raised with Deloitte related to fish, fruit and vegetable drinks and inconsistencies with overseas jurisdictions.

In general, businesses complied with the CoOL requirements, but there were some areas of higher non-compliance. These related to certain areas such as the 'Made in' claim or substantial transformation test and were found to be higher among certain groups, such as traders of CALD groups, independent supermarkets and butchers.

When operating in a business-as-usual environment, CoOL requirements were found to provide adequate flexibility for food and beverage producers to manage variations in the supply of ingredients. However, there is a low level of business satisfaction relating to the flexibility of the current CoOL scheme for extenuating circumstances, such as COVID-19 or the Australian bushfires. To manage these variations and increase the flexibility of the scheme, suggestions relating to the percentages on the label were made.

While the CoOL reforms have had some unintended negative consequences on businesses, the impact was broadly as expected. However, for some businesses or sectors, the impact was more extensive than anticipated. In response, these sectors or businesses were provided with additional support or sought advice to support implementation. The detailed findings related to this pillar can be found at the end of each section.

## 5.1 Safe-harbour defences

Safe harbour defences have been part of the CoOL framework predating the current scheme. The rationale for having safe harbour defences was that it reduced complexity and uncertainty for businesses when making country of origin claims, thereby reducing the regulatory burden on businesses. As part of the CoOL reforms, changes to the safe harbour provisions for country of origin claims under the ACL were made in order to make it easier for businesses to use safe harbour defences (through the *Competition and Consumer Amendment (Country of Origin) Act 2017*). These included the abolition of the cost of production test for 'Made in' claims and a change in the definition of 'substantially transformed'.

The new safe harbour defences introduced the substantial transformation test. For a good to meet the new substantial transformation test it must, "as a result of one or more processes undertaken in that country", be "fundamentally different in identity, nature or essential character from all of their imported ingredients or components".<sup>90</sup> In addition, as explained by the ACCC, "processes

<sup>90</sup> ACCC (undated) 'Country of origin labelling FAQs', cited February 2021.  
<https://www.accc.gov.au/business/advertising-promoting-your-business/country-of-origin-claims/country-of-origin-labelling-faqs>

that only change the form or appearance of imported ingredients or components no longer qualify as a 'substantial transformation' ".<sup>91</sup>

Information and guidance material were released to businesses through the industry associations, and ACCC/DISER to increase industry understanding of, adoption and compliance with the regulations. Over the medium term, it was intended that there would be improved confidence in business' ability to make CoOL claims, and this would lead to reduced regulatory burden in achieving a trusted CoOL framework in the long term.

This evaluation question (evaluation question 16) tested whether the introduction of these defences clarified business' ability to securely make country of origin claims.

#### **5.1.1 Safe harbour defences beneficial where known to business**

The business survey highlighted that approximately one in four (26%) respondents subject to CoOL regulations have heard of the safe-harbour defences. Despite this limited awareness, approximately half of businesses (52%) aware of these safe-harbour defences have used them to defend a country of origin claim.

While there is a need to clarify some of the safe harbour defences, government and industry groups commented that the use of safe harbour defences is beneficial for businesses as it provides certainty that defensible claims can be made. A contrast was drawn with at least one other regulatory scheme (relating to customs) where the absence of safe harbour defences imposed a significant cost in the event of non-compliance.

#### **5.1.2 A subset of industry stakeholders query current rules and guidelines around substantial transformation**

The review of the relevant documentation indicated that the safe-harbour defences have achieved their aim of providing businesses the ability to securely make origin claims to an extent.

A range of stakeholder consultations (and associated submissions) from industry in the convenience and manufactured foods sector expressed their concern with the current rules and guidelines used to establish 'substantial transformation'. These stakeholders characterise the definitions (and application of those definitions) as both subjective and ambiguous, leading to uncertainty around associated outcomes. The removal of the 'objective calculations' underpinning the previous defences was seen by one food manufacturer as making it more open to interpretation. A peak industry association criticised the definition of substantial transformation, and cited ambiguities and inconsistencies in the guidance provided by the ACCC. Concerns regarding substantial transformation were raised by at least one government stakeholder.

In one submission, the stakeholder observed that guidelines around 'Made in' focus on the production of food rather than its content. However, the stakeholder reported that the application of the 'Made in' test is different *in practice*, where content is as much a focus as the process, because it is the content or ingredients against which the 'fundamental difference in identity, nature or essential characteristics' are judged. Some stakeholders report that the focus on the individual ingredient level, rather than the entire food product, causes confusion.

Stakeholders reported that the examples provided by the ACCC are too simplistic and unhelpful for industry groups with complex and diverse food supply chains. Consultation with representatives from Ai Group also recommended further guidance from ACCC would be beneficial in supporting business to continue to make accurate country of origin claims. A stakeholder in food manufacturing referred to ambiguity in the approach taken (of a yes/no of each process) in table 8 of the user guidance.<sup>92</sup> In addition, there were concerns that the regulator was not required to engage with industry or consumers in relation to the decisions and guidance on how substantial transformation should be determined.

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<sup>91</sup> Ibid.

<sup>92</sup> The user guidance refers to the Country of origin claims and Australian Consumer Law Guide March 2019, which can be found here: [https://www.accc.gov.au/system/files/Country%20of%20origin%20claims%20and%20the%20ACL\\_March%202019.pdf](https://www.accc.gov.au/system/files/Country%20of%20origin%20claims%20and%20the%20ACL_March%202019.pdf)

The ACCC itself stated that due to the changes made to the Information Standard, businesses and consumers have different interpretations of what the term 'Made in' referred to. They believe this should be made clearer and more consistent going forward. The ACCC reports, however, to be limited in the extent to which the differences in views between industry and the regulator can be resolved without changes to the regulations. That is, the ACCC is limited in the extent to which more guidance would address the underlying issue that industry do not agree with how substantial transformation is defined, given the substantial transformation test is under the jurisdiction of Australian courts. For instance, stakeholders pointed to the fact that there could be an extensive process of manufacturing where the product is unrecognisable from when it was sourced, however it could be determined as not substantially transformed and require a 'Packed in' statement. Such examples would unlikely change with more guidance.

Some industry and government stakeholders have called for the re-evaluation of the substantial transformation definition and/or guidance around its application to make it easier for industry to comply with its use. Industry representatives suggested the following solutions:

- Regulatory change, to refine the substantial transformation test. Among other suggestions by industry, substantial transformation could instead focus on the country of manufacture, where either a substantial amount of processing takes place, or the most important processing takes place. It is noted that:
  - This would allow for the advancement of local food manufacturing that relies on imported ingredients, noting this is not the intent of the scheme.
- Alternatively, amend the substantial transformation test to focus on whether the product is substantively different once processed in either its basic characteristics, purpose or utility from its ingredients (i.e. focusing on consumer utility from the product in its unprocessed and processed forms) or whether it is readily reversible
- Alternatively, non-regulatory measures to increase the clarity of current safe harbour defences:
  - Through (re)establishing a hotline to allow industry to discuss the interpretation of guidelines
  - Issuing further guidance material and more complex examples to assist industry in the application of the existing regulations.

Further guidance material, while useful, is unlikely to resolve the difference between how a segment of the food manufacturing sector (as well as a segment of Australian consumers) would like to see substantial transformation defined and the current definition in the legislation. It is important to note that this issue is mainly raised by the convenience and manufactured food sectors.

However, further guidance may assist industry using the current regulations. Stakeholder raised the need to explain 'identify', 'nature' and 'essential characteristics' of the ingredients in relation to the substantial transformation test, and how to interpret these terms in the dynamic supply chain. For instance, a stakeholder suggested that 'more meaningful examples within the guidance are requested, including greater illustrations of the intent of the terms 'identity', 'nature' and 'essential character' in the standard. They also mentioned the need to further define and provide food-related examples of 'substantial transformation', particularly in the ACCC guidance for 'Grown in' and 'Product of' to determine whether an ingredient is 'significant' when considering these representations. More examples are said to be required in the guidance.

### **5.1.3 Other definitional issues raised**

A food manufacturer has also highlighted the lack of clear guidance about fish catching areas to identify the specific origin of the fish and what is considered as the true source, whether that be defined with respect to the ship, port or international versus local waters. It was suggested that the regulations could refer to (be consistent with) existing definitions established through either the Marine Stewardship Council or the Aquaculture Stewardship Council certification process.

In addition, one stakeholder reported that there are differences between global legislation and Australian legislation, where suppliers (from overseas) frequently misunderstand their requirements. The stakeholder suggests modifying the legislative requirements for overseas

manufactured products. Removing the requirement for differentiation for 'Packed in' and 'Made in' for overseas manufacturing is suggested as a way of simplifying the process and aligning legislation more closely with international regulations.

Another stakeholder noted problems with the definition of fruit and vegetable juices and drinks as per Section 3 of the Information Standard (pages 35 to 36). The definition, which appears to be based on the Food Standards Code, specifies that these beverage types contain either water, mineralised water or sugars. However, the stakeholder submission identified that this causes problems as "not-from-concentrate juices" do not contain any of these ingredients. Additionally, they noted that the inclusion of "milk-like drinks" in this part of the Standard (i.e. under fruit and vegetable juices and drinks) was confusing and should be included elsewhere (see Appendix D). A stakeholder from the beverages industry also requested (in relation to the Information Standard) clear(er) requirements in relation to importing raw materials and finished goods.

A food manufacturer also requested more information to determine the origin of water when it is a greater part of the process than simple rehydration of a raw material back to its original state. They state that this it is not always clear if 12(2) or 12(3) applies. The stakeholder mentioned that they would like further guidance in calculating of water as a proportion (%) of the food in different scenarios, such as when less water remains present in the finished product (e.g. baked goods).

In addition, the NRA raised the need for greater clarity on what constitutes "foodservice" under Section 14(2) and called for it to be defined further in the Information Standard.

#### 5.1.4 Key findings: Safe harbour defences

Ref	Has the introduction of safe harbour defences clarified business' ability to securely make origin claims?
41	The inclusion of the safe harbour defences within the scheme is desirable and appropriate. The safe harbour defences are generally supported by industry stakeholders.
42	Some industry stakeholders consider there is a need to revise some definitions associated with the safe harbour defences (in particular, substantial transformation) to ensure clarity and support ease of compliance.
43	Clearer guidance and more detailed examples from the ACCC could assist in increasing businesses understanding of these safe harbour defences and support ease of compliance. However, the ACCC considers their guidance material already goes as far as it can based on the Information Standard and current case law. A stakeholder forum to ensure a shared understanding of the definition and interpretation of substantial transformation could be beneficial particularly if changes to the definition were to be pursued.
44	The definition of fruit and vegetable juice in the Information Standard is unclear and requires revision.
45	The definition of origin claims related to fishing in the Information Standard is unclear and requires revision.

## 5.2 Business compliance with CoOL requirements

Compliance with the new CoOL requirements is one of the medium-term outcomes in the Program Logic and impacts the trust in, and integrity of, the scheme (a long-term outcome). According to the ACCC submission, there is mandatory CoOL for food in Australia per labelling requirements, and failure to comply may result in a fine of up to \$10.0 million for corporations and \$0.5 million for individuals. In this section, business compliance with the CoOL requirements under the CoOL reforms is considered (evaluation question 17).



### **5.2.1 Varied compliance with the CoOL requirements across trader types**

Once the Standards took effect in 2018, the ACCC conducted a series of surveillance, engagement and compliance activities. The ACCC found there was high levels of compliance in major supermarkets, lower levels of compliance in independent supermarkets and much lower levels of compliance in all other business types (i.e. delicatessen, fruit and vegetable retail, meat retail, meat wholesale, poultry retail, seafood retail and small food businesses).

Consultations with industry groups revealed that over time, businesses have generally been able to (or found it easier to) comply with the CoOL requirements. A large meat manufacturer indicated that the initial phase of implementing the CoOL reform placed additional regulatory burden on industry members as they had to recalculate the proportion of Australian ingredients in their products. However, over time, industry members have had no issues with implementation and compliance with the CoOL requirements.

This is consistent with what has been said by various government agencies involved in compliance including the ACCC, Australian Border Force (ABF) and DAWE who indicated that there were generally high levels of business compliance.

To assist with implementation of and compliance with the Standard, the ACCC undertook considerable engagement with major supermarkets including Coles and Woolworths. Due to this engagement, some of the responses initiated by these supermarkets included:

- Sending emails to suppliers asking them to ensure compliance with the standard prior to it coming into effect
- Following up with suppliers by requesting them to review incomplete or mistaken labels
- Employing team members specifically to manage the implementation of the Standard
- Upgrading of IT systems to cater to the new requirements

The George Institute for Global Health made a submission to DISER containing research statistics about the compliance levels of CoOL based on their FoodSwitch database, which contains food packaging and nutrition information for approximately 80,000 products sold in Australia. The research suggested that 9% of the products were not displaying CoOL.

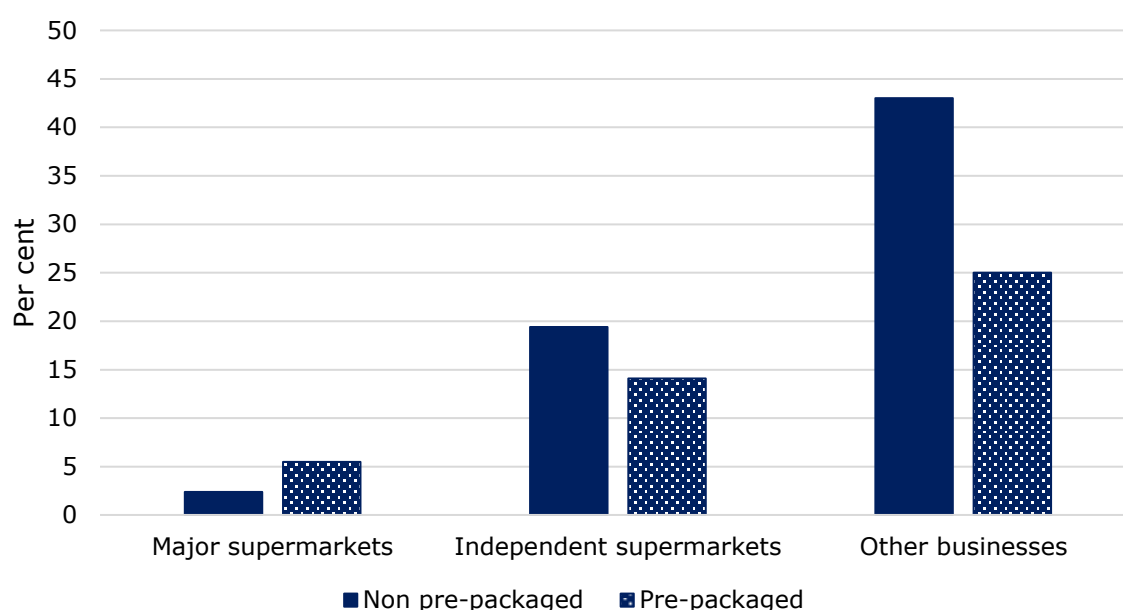
However, market surveillance undertaken by the NMI indicated that there was varied compliance levels with CoOL requirements across trader types. The ACCC engaged the NMI to undertake market surveillance for country of origin food labelling between August 2018 and March 2020. Across 841 businesses in regional, remote and metropolitan areas, 16,820 product lines sold were checked for country of origin labels.

### **5.2.2 Higher rates of non-compliance were reported for some trader types**

In total, the trade measurement inspections conducted by the NMI found that 24.5% of all product lines inspected in 2018-19 and 2019-20 were non-compliant. This non-compliance does not highlight the significant differences in compliance between major supermarkets and other business types, and between the compliance for prepacked and non-prepacked product lines.

As shown in Chart 5.1, a high level of compliance was found in the major supermarket group where only 2.4% of non-pre-packaged product lines were found to be non-compliant and 5.5% of pre-packaged product lines were found to be non-compliant. This is in comparison to independent supermarkets, meat and seafood retailers and all other business types who were found to have higher rates of non-compliance. For example, for independent supermarkets, 19.4% of non-pre-packaged product lines were found to be non-compliant and 14.1% of pre-packaged product lines were found to be non-compliant. This was notably higher for other businesses whereby 43% of non-pre-packaged product lines were found to be non-compliant and 25% of pre-packaged product lines were found to be non-compliant. These differences could potentially reflect ACCC's considerable engagement with major supermarkets.

Chart 5.1: CoOL non-compliance, by trader type and product type, 2018-2020



Source: National Measurement Institute (2020).

More specifically, the main areas of non-compliance across all business types included failure to display a label (68.5%) and display or formatting issues (21.5%).

Austrade noted that for products with dynamic supply chains or that require mixed ingredients, seasonality has been a concern for some products, making it more challenging for these products to remain compliant with the CoOL requirements.

Consultation with APL revealed that butchers' compliance with the CoOL reforms has been low, with less than 5% of stores correctly complying with the CoOL requirements. A representative from APL suggested that this may be due to lack of awareness from butchers and small business that they are required to comply with CoOL regulations. Additionally, they believed that a lack of enforcement from ACCC may explain low compliance among butchers.

It is important to note that, in line with their published compliance and enforcement approach, the ACCC resolved most of these matters by sending letters to businesses providing information and seeking changes to address non-compliance. However, CoOL is no longer a priority in ACCC's Compliance and Enforcement Policy, which supports consistent triage for all matters considered by ACCC. This impacts potential future investigations of non-compliance.

### 5.2.3 A lower compliance option for the scheme is unlikely to deliver a net benefit

The CBA considered a prospective option to reduce regulatory burden.<sup>93</sup> Businesses that are already subject to CoOL regulations would have the option to move their CoOL information online, and instead use the physical label to indicate to consumers where they can access CoOL information. Some businesses would continue to display the current labels, which leaves costs and benefits unchanged (relative to the Status Quo) while other businesses, would move CoOL information online to avoid frequent product labelling costs. In this option, it is assumed that 8% of businesses currently subject to CoOL regulations opt to provide this information online.<sup>94</sup>

For those businesses which opt to place CoOL information online, it is assumed that they avoid ongoing labelling costs from FY2022 onwards. Information is then less accessible to consumers

<sup>93</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 4.4.

<sup>94</sup> Based on the proportion of business survey respondents that indicated that CoOL requirements have not at all been sufficiently flexible for food and beverage producers to manage variations in the supply of ingredients.

and the consumer search time for this information rises, with an associated cost. Similarly, consumer WTP is assumed to decline significantly relative to the Status Quo as some CoOL information becomes less accessible to consumers.

The analysis suggests that the avoided product labelling benefits are outweighed by the reduction in consumer utility and increased consumer search time, generating a negative NPV.

#### **5.2.4 Key findings: Compliance with CoOL requirements**

<b>Ref</b>	<b>How well have businesses complied with CoOL requirements?</b>
46	Despite initial difficulties in implementing and complying with CoOL requirements in the transition period, there is reportedly a generally high level of business compliance with CoOL requirements for major supermarkets.
47	However, there were some areas identified (in work undertaken by the NMI for the ACCC across 2018-19 and 2019-20) as having higher non-compliance rates. These include independent supermarkets and meat and seafood retailers.

### **5.3 Flexibility of CoOL to manage ingredient variation**

Food and beverage producers rely on their ability to regularly source certain ingredients as key components of their supply chain. However, at times, certain factors, such as natural disasters, price movements, closure of or temporary shortfall at food production facilities of key suppliers or food trade policies impact a producer's ability to use these ingredients. Each variation in the supply of ingredients would inherently impact a products' country of origin information. The evaluation has considered whether the current CoOL requirements provide adequate flexibility for food and beverage producers to manage these variations (evaluation question 18).

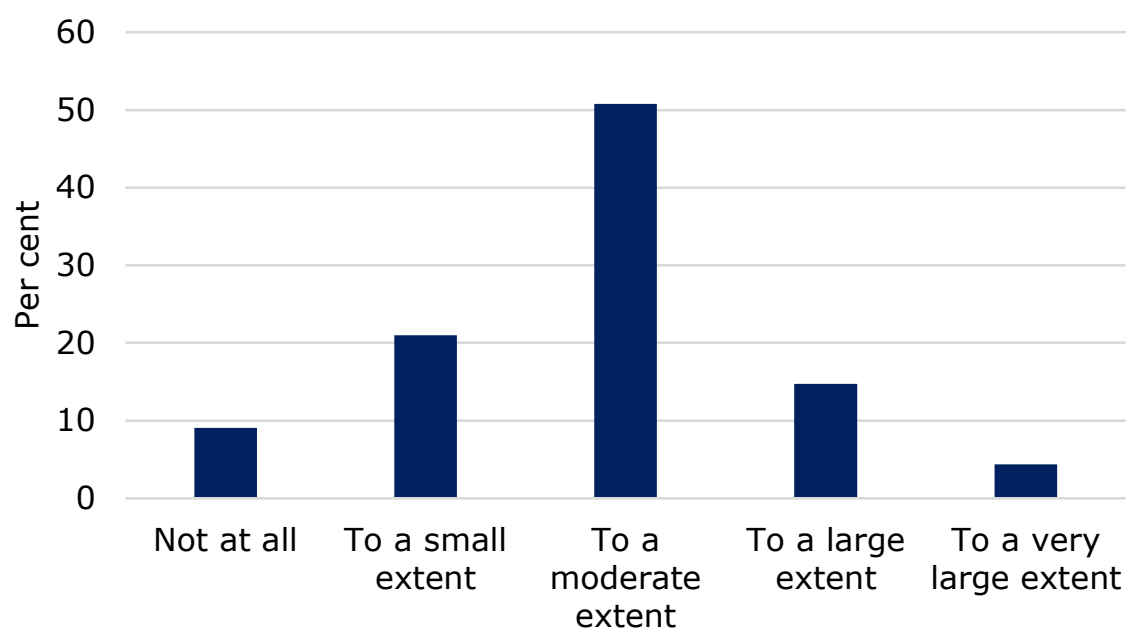
#### **5.3.1 Low levels of satisfaction with the flexibility of the current CoOL scheme**

According to the submissions, businesses across various sectors declared that when faced with supply shocks, the current CoOL requirements provided inadequate flexibility. The majority of consultations with industry groups indicated that the current CoOL requirements are inflexible for food and beverage producers to manage variations in the supply of ingredients.

Sudden changes to supply chains have made the declaration of the proportion of Australian ingredients difficult and often made it more costly for businesses to make accurate country of origin claims. The impacts to businesses of sudden supply chain changes include significant label wastage, the risk of non-compliance with the requirements and relabelling costs, which may be passed on to customers or lead to a decision not to produce a product for that period of time. Additionally, consultation with State Agriculture Departments indicated that industry groups are deliberately underquoting the percentage of Australian ingredients to avoid amending their CoOL labels. This was also verified by businesses that were consulted as a part of the evaluation.

As illustrated in Chart 5.2, only 19% of the respondents to the business survey reported being satisfied with the flexibility of the current CoOL requirements to a "large" or "very large" extent. Almost one third (30%) reported that they were "not at all" or "to a small extent" satisfied with the flexibility of the CoOL requirements. Most businesses (51%) reported that they were satisfied to a "moderate" extent.

Chart 5.2: Business – extent of satisfaction with flexibility of CoOL requirements



Source: Deloitte Access Economics' national business survey (2020).

### 5.3.2 Businesses opinions impacted by exceptional circumstances

Some of these businesses supply chains have been heavily impacted by the events of 2020, including the COVID-19 pandemic and the Australian bushfires, as well as drought in the preceding years. Ai Group and several other industry stakeholders commented on the impact of these recent events. Consultation with a food manufacturer confirmed that the lack of an exemption process or flexibility to deal with extenuating circumstances has meant significant resources are spent trying to keep ahead of forced supply chain changes.

While only a small percentage of businesses reported satisfaction (19%) with the flexibility of the CoOL requirements, 37% of businesses reported that there was a change in their opinion (on the flexibility of the scheme) due to COVID-19. Some of the reasons identified for the change in their opinions included supply chain disruptions (18%), an increased demand for origin information and Australian products (12%) and a more cautious approach being taken (4%).

A solution proposed by one large food manufacturer to mitigate the impacts of sudden external shocks, such as natural disasters, droughts, bushfires and pandemics is to have a grace period to allow businesses to manage short-term ingredient changes. The NRA,<sup>95</sup> also suggested the establishment of an industry working group that collectively considers operational gaps in the management of CoOL requirements during exceptional circumstances.

### 5.3.3 Suggestions related to the flexibility of the percentages on CoOL labels

The 'average Australian content' allowance is intended to address supply chain disruption faced by manufacturers, however, it was often cited as impractical to adopt by food manufacturers.<sup>96</sup> This is related to the burden or complexity of applying it in practice.

One food manufacturer explained that there is a requirement to have information available by lot ID, which made its use challenging, particularly with regard to IT system infrastructure capabilities

<sup>95</sup> Australia's peak industry body for retail and fast food representing over 28,000 shop fronts across the country.

<sup>96</sup> Commonwealth of Australia (2020) 'Calculating Australian content', accessed February 2021. <https://www.business.gov.au/products-and-services/product-labelling/calculating-australian-content#average-proportion-of-Australian-ingredients>

and external manufacturing operations.<sup>97</sup> A peak body for retailers stated that while there is an option under the Standard to allow for variations in supply origin, the documentation required is very onerous and industry has not been able to support that.

Several industry stakeholders commented that the current requirement to state the exact percentage of ingredients on the label is too tight. Representatives of a peak body for retailers suggested that where minor percentage changes have occurred, flexibility should be granted in displaying the exact percentage of Australian ingredients. A representative of a major peak body proposed a 5% allowance<sup>98</sup> on accuracy for printed labels and a spokesperson for a large Australian supermarket chain considered that this would allow for fluctuations in the supply of ingredients and packing processes, especially in light of the impacts of COVID-19.

A spokesperson for a food manufacturer also suggested that there should be an avenue through which suppliers could notify the Australian Government of extenuating circumstances that are temporarily affecting their supply chain, allowing for minor ingredient variations, and to enable those variations to be reported to the consumer through the relevant (e.g. company) website.

### 5.3.4 Key findings: Flexibility in managing variation in ingredients

Ref	Do the current CoOL requirements provide adequate flexibility for food and beverage producers to manage variations in the supply of ingredients?
48	In general, CoOL requirements do provide adequate flexibility for food and beverage producers to manage variations in the supply of ingredients when those variations are within a normal business-as-usual range.
49	Major shocks present a significant challenge. COVID-19 resulted in supply-chain disruption (as did bushfires for some businesses). While flexibility was provided in response to individual business inquiries, not all businesses were aware of where to seek assistance or the flexibility that was available.

## 5.4 Unintended consequences

Although policy reforms have targeted outcomes and objectives, at times, they can have unintended consequences on businesses. This section considers evaluation of question 19, concerning the presence of unintended consequences of the CoOL reforms on businesses for both food and non-food products. It also assesses what actions DISER, the regulator (the ACCC) or other Australian Government agencies have taken, if any, to address the impacts of the CoOL reforms.

### 5.4.1 Unintended consequences for the complementary medicine sector

Although the reforms do not directly concern complementary medicines, the change in safe harbour provisions has indirectly caused issues for some of the sponsors of complementary medicines. Submissions from, and consultations with, government and industry groups indicated that the change in safe harbour provisions and the definition of substantial transformation impacted manufacturers' ability to use the 'Made in' claim under the new CoOL regulations. While Australian complementary medicine often attracts a premium in overseas markets, complementary medicine is not in the scope of this evaluation.

### 5.4.2 For some stakeholders or industries, the impacts have seemed disproportionate or unintended

As expressed by an Australian manufacturer, an unintended consequence of the CoOL reforms for some food products has been that their product used to qualify for a 'Made in' statement, but now

<sup>97</sup> In the Information Standard, 'a reference to the average proportion by weight of the Australian ingredients of a packaged food is a reference to the average determined over a continuous 1-, 2- or 3-year period that ends no later than 2 years before the date the labelling is affixed to the package'.

<sup>98</sup> A wide allowance (such as 20%) as suggested by some industry members is expected to reduce the integrity and trust in the scheme.

only qualifies for a 'Packed in' statement under the current CoOL reform. They described that the definition of substantial transformation is unclear and does not consider the further processing of entire food products, but rather focuses on individual ingredients. They outlined that this further brings into question the value and commercial advantage of retaining manufacturing sites in Australia, and state that the current definition of substantial transformation does not recognise the contribution of Australian labour to a product.

For certain industries (or sectors within industries) and for some large businesses, the impact of the CoOL reforms was more extensive than may have been anticipated. Consultations with industry and government indicated that some businesses had significantly more difficulty in complying with CoOL than others. In those industries that experienced more difficulty, this burden was over and above what was anticipated and could be considered as unintended.

The meat industry is an example of such an industry, particularly in relation to pork and processed meat using pork. This is because pork is the only widely consumed meat that is imported in significant volumes and traditionally there has been variation in the proportion of imported pork in a range of meat products based on availability of local product at any given time.

There was responsiveness in the implementation of the scheme to provide these sectors with additional support, such as through further engagement and provision of information. In other instances, larger businesses predominantly undertook their own processes and obtained their own advice to support implementation.

#### **5.4.3 Greater outreach was sought by industry in managing supply chain variations**

An industry stakeholder informed the evaluation that the ACCC developed a "flexibility pro forma" to respond to industry's request for greater flexibility due to COVID-19, and the ongoing compliance costs related to the scheme. It is understood that this guidance is available on the ACCC website, where the ACCC provides insights of its expectations of business (and approach to enforcement) when there is a change in the supply chain.<sup>99</sup> However, it has been suggested that there was insufficient outreach to industry to inform them of the enhanced flexibility.

#### **5.4.4 Unintended positive consequences for industry**

A number of industry stakeholders reported positive (unintended) consequences from the CoOL reforms. An Australian food manufacturer stated in their submission that the CoOL reforms allowed businesses greater visibility and insight into their supply chain process. This has provided business owners with the ability to have greater insight into country of origin information that is provided by suppliers of ingredients imported from outside of Australia.

Although not an objective of the scheme, some businesses may have experienced increased sales for Australian products. The business survey indicated that 22% of businesses reported a benefit from the CoOL framework. Of these businesses, 52% reported an increase in sales, which was an unintended benefit of the scheme.

#### **5.4.5 Key findings: Actions taken to address the impact of CoOL reforms**

<b>Ref</b>	<b>Did the CoOL reforms have any unintended consequences on businesses for particular products, including non-food products? What action, if any, was taken to address the impacts of the CoOL reforms on those businesses that were negatively affected?</b>
50	The impact of CoOL was broadly as expected.
51	For certain industries (or sectors within industries) and for some large businesses – such as those with a high number of SKUs– the cost and complexity of CoOL implementation was greater than anticipated.

<sup>99</sup> ACCC (2021) 'COVID-19 (coronavirus) information for business', accessed February 2021.  
<https://www.accc.gov.au/business/covid-19-coronavirus-information-for-small-business#country-of-origin-labelling?>

Ref	<b>Did the CoOL reforms have any unintended consequences on businesses for particular products, including non-food products? What action, if any, was taken to address the impacts of the CoOL reforms on those businesses that were negatively affected?</b>
52	In order to ensure compliance with the scheme, and as ingredients are subject to variation, businesses may provide a conservative estimate of the proportion of Australian ingredients. This may result in the amount of Australian sourced ingredients being underestimated.
53	Implementation of the scheme was supported through a business advice line and other time limited supports.

# 6 Impact on business

## Summary of findings

In general, communication activities and online resources have been effective at supporting businesses to understand, implement and manage the CoOL reforms. However, some industry stakeholders would like more detailed examples on the definition of 'substantial transformation' to be provided. More recently, there has been increased demand from businesses and consumers for continued communication activities.

For most businesses, the two-year transition period was sufficient to implement the reforms in an efficient manner. For others, such as large businesses with high volumes of SKU, it was insufficient and resulted in significant package write-off and disposal costs. Some of these large businesses suggested a four-year transition period in the future to mitigate these costs and help businesses transition better.

Realised costs to businesses varied significantly depending on the type and nature of the business. For most businesses, the ongoing cost of CoOL is very low, and the major cost primarily coincided with the introduction of the scheme. However, some businesses have had cost impacts from recent supply-chain disruptions. Businesses have suggested that the scheme could be improved through increased flexibility to accommodate for unexpected shocks to supply chain.

While most food and beverage producers did not report receiving a benefit from the increased provision in information to consumers, around one fifth of businesses did.

A range of potential improvements to the scheme relating to definitions, scope and the interaction with digital technology have been suggested, although there is less unanimity about these. The detailed findings related to this pillar can be found at the end of each section.

## 6.1 Effectiveness of communication activities and online resources

In 2015, the Australian Government approved a \$15.2 million budget, excluding goods and services tax (GST) for an advertising campaign for consumers, as well as businesses. A total of \$0.7 million was allocated to an online tool for businesses to navigate the details of the reform. Furthermore, communication activities leading up to the end of the transition period on 30 June 2018, targeted businesses to ensure they were aware of the deadline. This was largely through op-ed pieces, media releases in trade media, general social media and messaging through industry associations and State/Territory food authorities. Forums to inform businesses about the new labelling requirements were also conducted in 14 cities in Australia, including seven regional centres, for a total cost of \$41,673 (GST inclusive). This evaluation question measured the success of these communications activities with respect to their reach, delivery, timing, and effectiveness.<sup>100</sup>

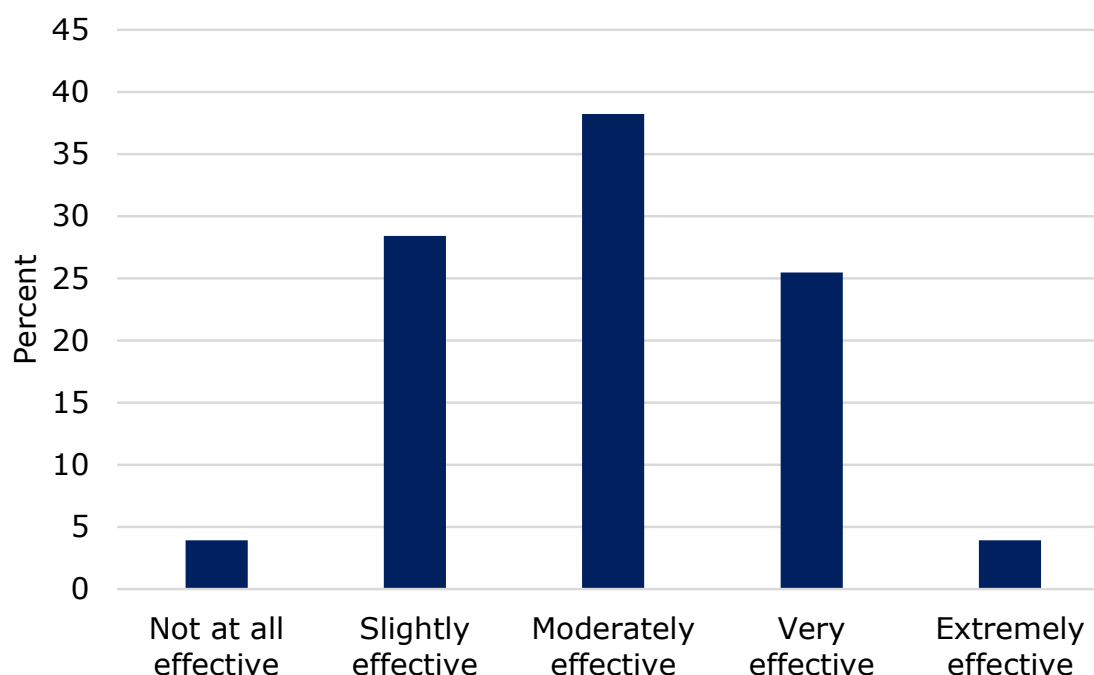
### 6.1.1 Tools and guidance material were generally effective, but desired earlier

The results of the business survey indicate that only 16% of businesses recall seeing any communication or campaign material related to the introduction of the current CoOL requirements. As shown in Chart 6.1, businesses that do recall seeing communication or campaign material reported a range of views on its effectiveness. Approximately one third (32%) of respondents thought the level of communication was "not at all" or "slightly" effective, 38% indicated that it was "moderately" effective, and 29% indicated that it was "very" or "extremely" effective.

<sup>100</sup> CoOL Information/Advertising campaign summary of funding and activities, undated.



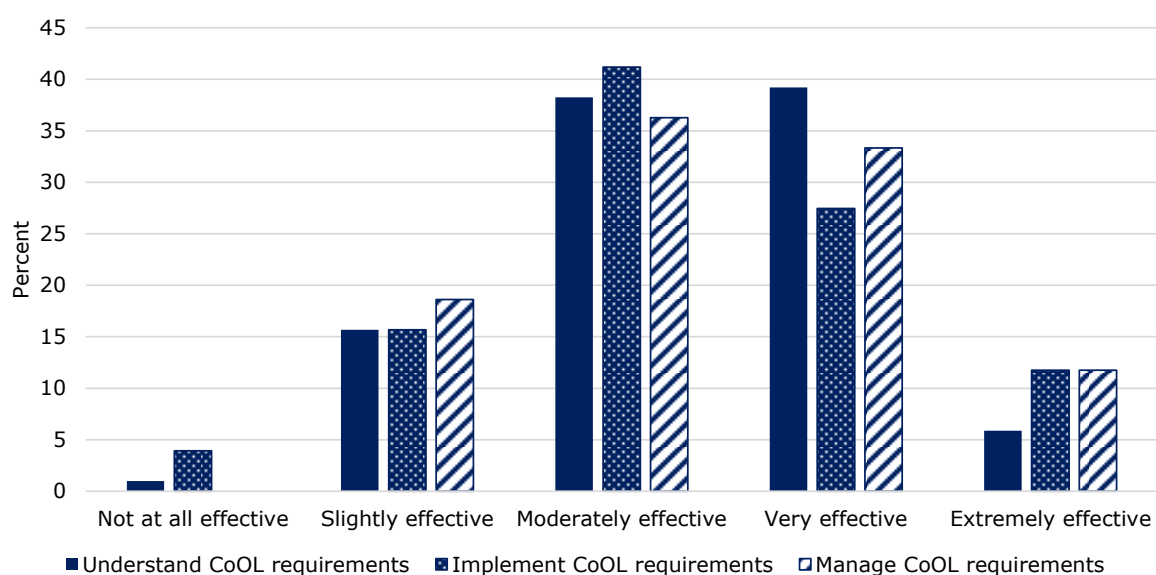
Chart 6.1: Effectiveness of communication provided to business about CoOL requirements



Source: Deloitte Access Economics' national business survey (2020).

Of the survey respondents who recall seeing communication or campaign material related to CoOL, most utilised the ACCC website (60%). Other respondents have referred to the business.gov.au website (23%) or the DISER website (7%). As illustrated in Chart 6.2, most businesses reported that the online resources were "moderately," "very" or "extremely" effective in improving their ability to understand (83%), implement (80%) and manage (81%) CoOL requirements.

Chart 6.2: Effectiveness of online resources for businesses, by output



Source: Deloitte Access Economics' national business survey (2020).

Consultation with industry groups generally found the communication activities and online resources effective in supporting businesses to understand, implement and manage CoOL requirements.

Multiple food manufacturers and the Seafood Importers have stated that the online CoOL tool (referred to as the business tool by some) has been useful for businesses to be able to accurately identify the percentage of Australian ingredients and provide accurate information to consumers. Stakeholders report that they use the tool as a means to double-check that a product has been labelled in the correct way, including the bar chart percentage and the list of examples of where something should not be classified as “substantial transformation”, and that the tool(s) are still being utilised. One manufacturer reported having needed to develop additional resources to make sure that their recipe calculators are working well to calculate the percentages (to apply to their labels) for some of their products. Request for further information or improvement of the CoOL tool was not made in consultations with industry, though it was reported by small businesses that additional and ongoing guidance material would be of benefit given the greater effort required by such businesses to check and comply with making accurate country of origin claims.

Furthermore, the label graphic requirements and guidelines provided at business.gov.au and by the ACCC were considered useful in providing businesses with a clear and straightforward understanding of the labelling requirements.

The Australian Dairy Industry Council indicated that the release of CoOL guidance material earlier in the implementation process would have allowed industry to plan for CoOL changes more readily. Despite the delay in the provision of communication and educational material to businesses, the implementation timeline was not extended, and this was challenging for some businesses.

#### **6.1.2 Need for ongoing guidance particularly around substantial transformation**

The main area where communications could be improved for businesses is in the interpretation of substantial transformation, for which there has been a high level of confusion reported (see Section 5.1). Compliance activities undertaken by the ACCC once the Standard took effect indicated the primary reason for non-compliance related to the substantial transformation test. The ACCC has recommended better communications to improve the interpretation of substantial transformation. Communication activities can also be improved for the distinction between priority and non-priority foods, for which the definition is unclear or inconsistent according to some groups.

Industry groups have also asked for ongoing general education for businesses and consumers to improve the interpretation of CoOL labelling. With businesses in particular, ongoing education would prevent the risk of non-compliance and its associated costs. This is especially true for CALD traders who potentially have language barriers that prevent them from understanding the CoOL requirements.

#### **6.1.3 Key findings: Communication and online resources**

<b>Ref</b>	<b>Have communication activities and online resources been effective in supporting businesses to understand, implement and manage CoOL requirements?</b>
54	In general, businesses have indicated that communication activities and online resources were effective in supporting businesses in understanding, implementing and managing CoOL requirements. Continued education and communication to businesses and consumers are important. More recently, communication material has not been prominent.
55	The examples provided by the regulator on the definition of ‘substantial transformation’ could be more detailed as a means of providing further guidance to industry, noting this is currently predominantly based on legislative and/or regulatory instruments.

## 6.2 Adequacy of the transition period

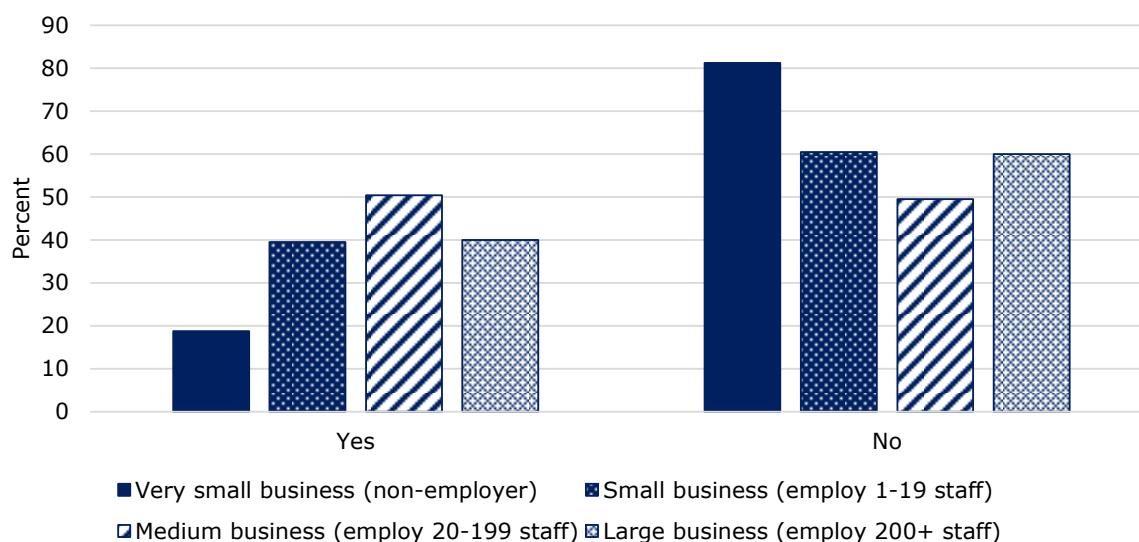
The CoOL Information Standard 2016 set out a two-year transition period, during which businesses could either continue labelling their products as per the previous scheme or adopt the new labelling requirements of the Standard. At the end of the transition period marked by 1 July 2018, food was to be sold according to the requirements of the new Standard. However, food that was packaged and labelled according to the old scheme on or before 30 June 2018, could still be sold after the transition period with the old labels.

This section evaluates whether the transition period enabled businesses to implement the reforms in an efficient manner and minimise implementation costs (evaluation question 20). The evaluation has considered whether industry understood the business obligations with respect to the transition period, and whether the transition period was sufficient for various industries.

### 6.2.1 Less than half of businesses were aware of the transition period

The results of the business survey indicate that less than half of businesses (42%) were aware of the two-year transition period from 2016 to 2018 for implementing the new CoOL requirements. As shown in Chart 6.3, businesses who were very small were less aware of the transition period than small, medium and large businesses.

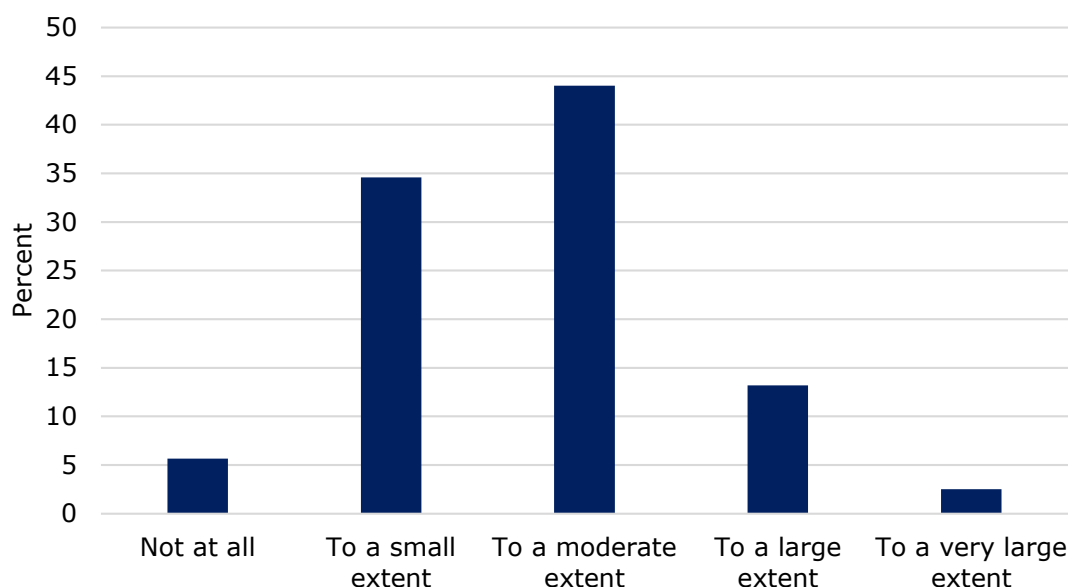
Chart 6.3: Business response to whether they were aware of the two-year transition period to implement CoOL changes, by business size



Source: Deloitte Access Economics' national business survey (2020).

Of the businesses that were aware of the transition period, 94% reported that the transition period enabled their business to minimise costs associated with CoOL reforms to at least a "small extent" (see Chart 6.4).

Chart 6.4: Business response to what extent the transition period of CoOL reforms enabled them to minimise implementation costs



Source: Deloitte Access Economics' national business survey (2020).

Of the businesses that provided further detail, 22% indicated that the transition period gave them enough time to plan for labelling changes, 9% indicated that it enabled a gradual transition to take place, and 3% indicated that it gave them the required flexibility to make the changes. Of the sample, 9% of respondents indicated that the transition period was not sufficient to implement changes and there were still write-off costs associated with the reforms.

### 6.2.2 Overall, businesses in the business survey found the transition period sufficient

The vast majority (80%) of the business survey respondents who were aware of the transition period considered it to be an appropriate length of time. Very small businesses found it the most appropriate, while large businesses had a slightly lower agreement (73%) about the sufficiency of the transition period.

### 6.2.3 The adequacy of the transition period varied by industry

In contrast to the business survey respondents, stakeholder consultations indicated varying experiences with the two-year transition period. Some subsets of industry, particularly large-scale food manufacturers, the alcohol and beverages industry and processed pork and dairy industries who produce products with a long shelf life or have more complex supply chains, indicated that the two-year transition period was insufficient. Some businesses experienced significant package write-off and disposal costs; for instance, a group reported that 700 labels needed to be changed, and the costs incurred to implement the reforms was more than \$5.5 million (including label wastage, artwork redesign, disposal costs and freight costs and excluding human resources costs).

Conversely, many other stakeholders agreed that the transition period was sufficient. The Australian Chicken Meat Federation, NFF, and Seafood Importers all commented that two years was an adequate period for their members to comply with the CoOL requirements. Representatives from Seafood Importers suggested that given its members review the labelling artwork at least once every two years, any changes to the labelling requirements would naturally be captured in the transition period.

Representatives of the regulator and state agriculture departments agreed, however, that some industries, in particular, dairy and the processed foods sector, had specific issues that challenged the adequacy of the implementation period. Representatives from the Australian Dairy Industry Council commented that the two-year transition period was not long enough, and a challenge for

their members to comply with the new CoOL requirements. It was difficult for some members to access country of origin information for some ingredients as the whole industry was using the same resources, such as food scales to measure the weight of various ingredients, which placed a burden on them given the strict transition period timeframe. In addition, the issue of whether the use of starter culture resulted in substantial transformation was not covered in the ACCC guidelines, and as such this delayed the implementation of the CoOL regulations. DAWE indicate that this had cost impacts on industry due to relabelling to comply with updated CoOL regulations. The timeframe was reported to be difficult for the pork industry due to its reliance on imports.

The Food and Beverage Importers Association (FBIA) also reported the implementation timeframe was too short for their members, particularly for large businesses with a large quantity of SKUs. In one instance, this cost exceeded \$1.0 million as the business had hundreds of SKUs to relabel. Furthermore, a food manufacturer reported that the two-year transition period was sufficient for retail products, but not for foodservice products as longer shelf life products and bulk packaging incurred additional waste and product write-off.

Ai Group would have preferred a transition period ranging from at least two to four years.<sup>101</sup> Similarly, the NRA have recommended a transition period of four years. Among business survey respondents that were not satisfied with the two-year transition period, alternative suggested lengths ranged from three months to five years.

#### 6.2.4 Key findings: Transition period

Ref	Did the transition period enable businesses to implement the reforms in an efficient manner, and minimise implementation costs?
56	Most businesses indicated the two-year transition period was sufficient to implement the reforms in an efficient manner.
57	Certain businesses – including large retailers and businesses in the processed foods sector – stated that the two-year transition period was insufficient and resulted in significant package write-off and disposal costs. Businesses of this type suggested that a transition period of four years would be more appropriate for any future changes of a similar magnitude.

### 6.3 Cost to business of CoOL requirements

The section below draws on the business survey and CBA to evaluate the realised costs to business associated with meeting the new CoOL requirements (evaluation question 22). The response considers the type of costs, the costs with regard to expectations, the cost per SKU, and the realised costs across the whole scheme for major cost categories.

#### 6.3.1 Costs were largely as expected for business

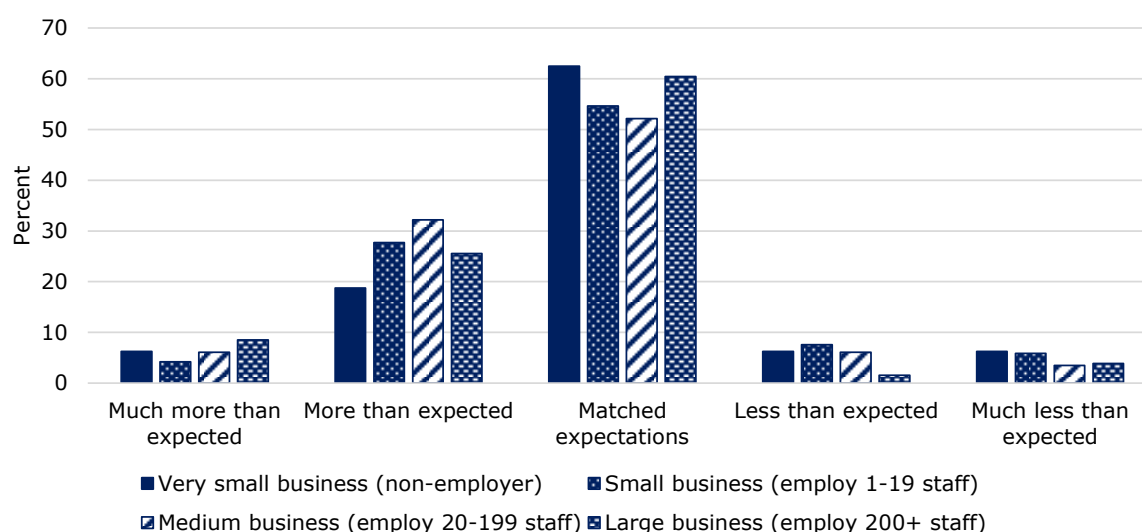
Consultation with stakeholders revealed several cost categories to business. These costs include, but are not limited to, updating packaging artwork costs, information costs (associated with ingredient sourcing), ongoing administrative costs, costs associated with updating information on websites and legal fees.

Most respondents (56%) to the business survey reported that the realised cost of implementing the new CoOL reforms matched their expectations. A total of 34% of businesses reported that implementing the reforms cost “more” or “much more” than expected and 9% reported that they cost “less” or “much less” than expected. As illustrated in Chart 6.5, realised costs were more

<sup>101</sup> The rationale provided was to allow businesses to move stock in trade with out-of-date CoOL labels. Since food items packaged and labelled before the transition period cut-off date could still be legally sold with the old label afterwards, it seems there is a lack of understanding among industry members as to the timeline around the labelling changes. There is a possibility that the challenge stems from retailers not accepting out of date labels, but this was not reflected in the consultations.

likely to exceed expectations for both medium (38%) and large businesses (34%) than very small businesses (25%).

Chart 6.5: Businesses response to whether the cost of implementing CoOL reforms matched expectations, by business size



Source: Deloitte Access Economics' national business survey (2020).

A limited number of industry stakeholders were able to quote cost figures associated with meeting the new CoOL requirements. The per SKU cost of the CoOL reforms varied significantly. Different categories of products were therefore individually costed in the CBA to account for some of this variation. An industry peak body reported the cost to manufacturers was between \$2,500 to \$10,000 per SKU for their industry members. Another industry peak body indicated that label and package change costs from the CoOL reforms were, on average, \$6,500 per SKU and the overall cost of re-labelling and re-packaging was, on average, \$10,000 per SKU (but variable).

Overall, the business survey results indicated that businesses ended up paying less than was expected as per the previous modelling undertaken in 2016. This indicates that actually, the costs were less than expected.

### 6.3.2 Estimated scheme costs

The realised costs for the current CoOL scheme amount to \$1.7 billion in present value terms between FY2016 and FY2041, relative to the previous scheme.<sup>102</sup> That is, the current CoOL scheme is estimated to cost \$1.7 billion more than the scheme that was in place prior to June 2016.

Major drivers of the difference in cost between the current scheme and the previous scheme include the following changes to the regulations, which were captured in the Status Quo (of the CBA options):

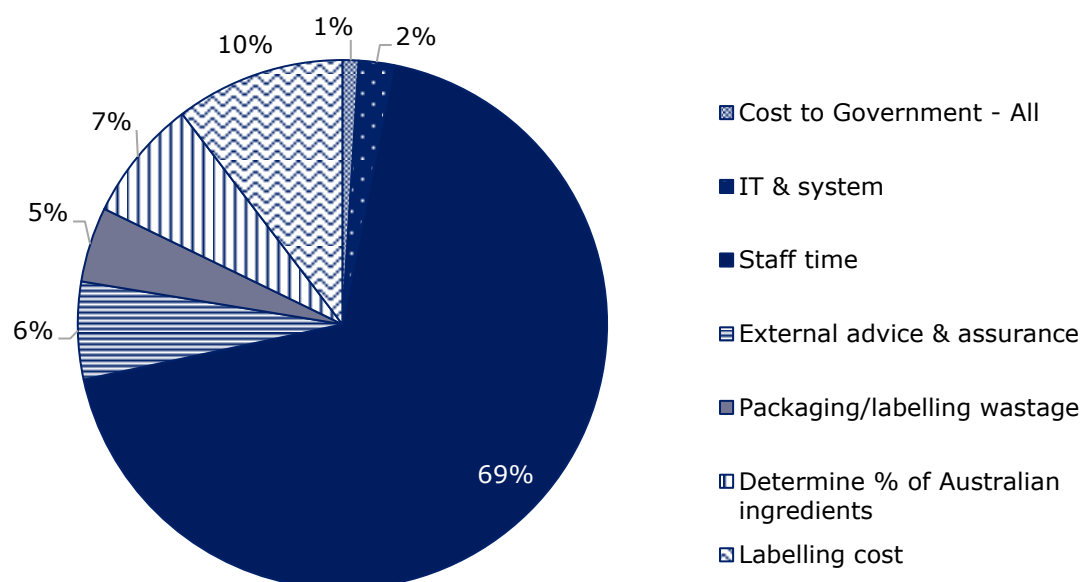
- The inclusion of visual elements like a bar chart indicating the proportion of Australian ingredients for priority products
- The mandatory use of the AMAG logo when making a 'Made in', 'Product of' or 'Grown in' Australia claim

The majority of the realised costs were industry reported compliance costs rather than Government-related implementation, monitoring and enforcement costs. According to the CBA, staff costs accounted for 69% of all costs, of which more than 90% of staff costs were incurred in the transition period between FY2016 and FY2017. Labelling costs were the second largest

<sup>102</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 3.2.

contributor to total costs accounting for 10 per cent of the scheme's overall costs. Unlike staff costs, labelling costs were relatively evenly incurred over the modelling period. The breakdown of realised costs by cost type are shown in Chart 6.6.

Chart 6.6: Proportion of realised costs by cost type



Source: Deloitte Access Economics CBA modelling

### 6.3.3 Key findings: Cost to business

Ref	What were the realised costs to business associated with meeting the new CoOL requirements?
58	The realised costs to business varied significantly depending on the type and nature of the business. It does appear that the cost impact primarily coincided with the introduction of the scheme. For most businesses, the ongoing cost of CoOL is reportedly very low. However, there has been an impact from recent disruptions to supply chains.

## 6.4 Benefits of CoOL to food and beverage producers

Evaluation question 23 measured the business benefits attributable to the CoOL reforms. The primary benefits reported by business included increased consumer trust, sales and brand recognition.

### 6.4.1 A minority of businesses benefited from the reforms

Consultation with industry and government groups reveal anecdotal evidence that increased provision of country of origin information to consumers have benefitted some food and beverage producers. Representatives from Austrade state their research reveals "Australian Made" and "Australian Grown" products attract a premium in many overseas markets, with the new CoOL reforms playing a role in helping to showcase provenance of Australian products on the market.<sup>103</sup> Representatives of Consumer Healthcare Products Australia also made similar comments with regard to manufacturers of complementary medicine and highlighted the marketing advantage for export markets despite CoOL requirements not being mandatory in their industry.

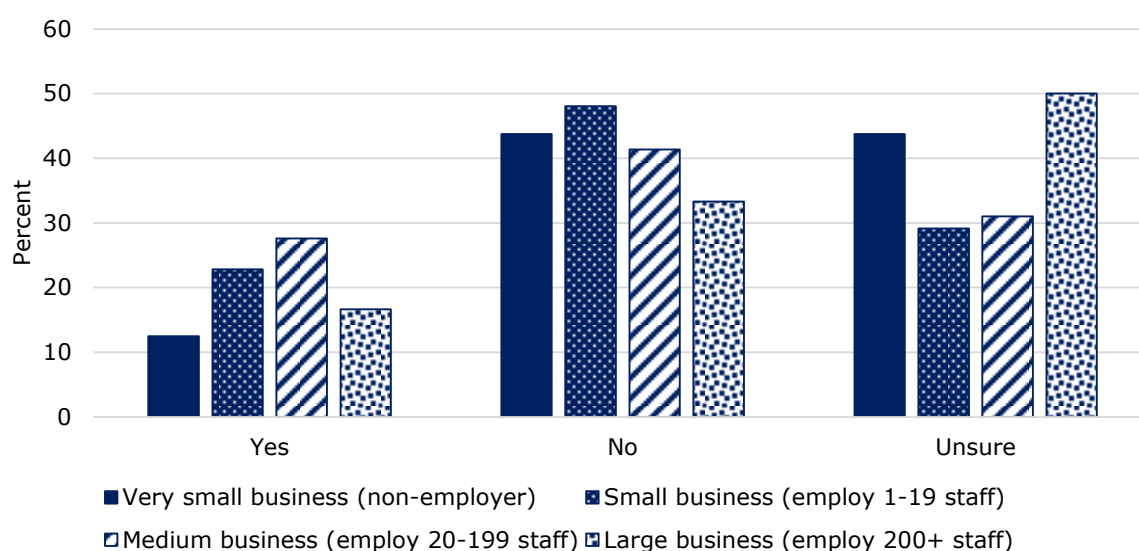
<sup>103</sup> Austrade (2015), *Premium Food Capabilities Report*, April 2015.

The DAWE and Department of Health representatives provided anecdotal evidence suggesting that the CoOL reforms have made it easier for the group of consumers that want to purchase Australian products. However, no evidence was provided as to whether this has resulted in increased sales of Australian products. The FBIA suggests there has been no cost advantage or increases in sales for producers and wholesalers.

The results of the business survey suggest that the increased provision of information to consumers has provided some benefits to businesses, with 22% of businesses that are subject to CoOL regulations indicating that their business has benefited from the current CoOL framework. As illustrated in Chart 6.7, very small (13%) and large (17%) businesses were less likely to report a benefit from the current CoOL framework compared to small (23%) and medium (28%) businesses.

Of those that benefited from the scheme, the reported business benefits from the CoOL framework included increased consumer trust (56%), increased sales (52%), increased brand recognition (47%), simplified origin labelling (42%), decreased staff costs (15%) and decreased labelling costs (8%) (see Chart 6.8).

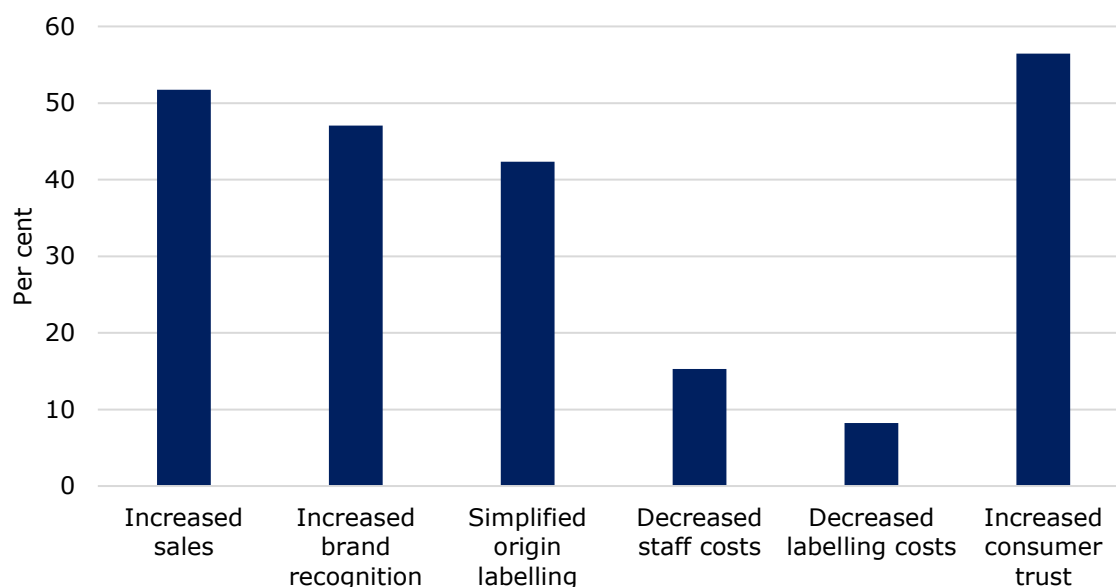
Chart 6.7: Proportion of businesses that benefited from the current CoOL framework, by business size



Source: Deloitte Access Economics' national business survey (2020).



Chart 6.8: Reported business benefits of CoOL framework from businesses that reported receiving a benefit (i.e. 22%)



Source: Deloitte Access Economics' national business survey (2020).

While information specifically related to beverage products (from the business survey) was more limited, a range of industry stakeholders were consulted.

In a submission to DISER, Cider Australia, indicated they have not benefited from the reforms. With cider being classified as a non-priority food item, cheap juice concentrate imported from overseas has a price competitive advantage when compared to the price of Australian grown juice. Cider Australia launched a 100% Australian Grown trust mark in 2018, which was stated to have been widely embraced by producers, though only applicable to approximately 10% of the cider sold because of the rest being made from imported juice concentrates.

In a consultation with Alcoholic Beverages Australia, representatives stated that while the impacts of the scheme have been minimal on their industry as alcohol is a non-priority product, there would be substantial implications if they were part of the scheme (as a priority product). The representatives emphasised the importance of continuing to manage their own country/region of origin information, which is already quite prescriptive (e.g. country/region of origin industry standards for the naming of products such as champagne or scotch). This information already influences consumers' purchasing decisions as there are already expectations around the quality of the product and how it was made.

#### 6.4.2 Key findings: Benefits to business

Ref	Have food and beverage producers benefited from the increased provision of information to consumers?
59	Most food and beverage producers do not report benefiting from the increased provision of country of origin information to consumers. However, some businesses do report benefitting.
60	A more complete picture of industry benefit from CoOL will emerge once the scheme has operated over a more extended timeframe and consumer awareness and understanding is increased.

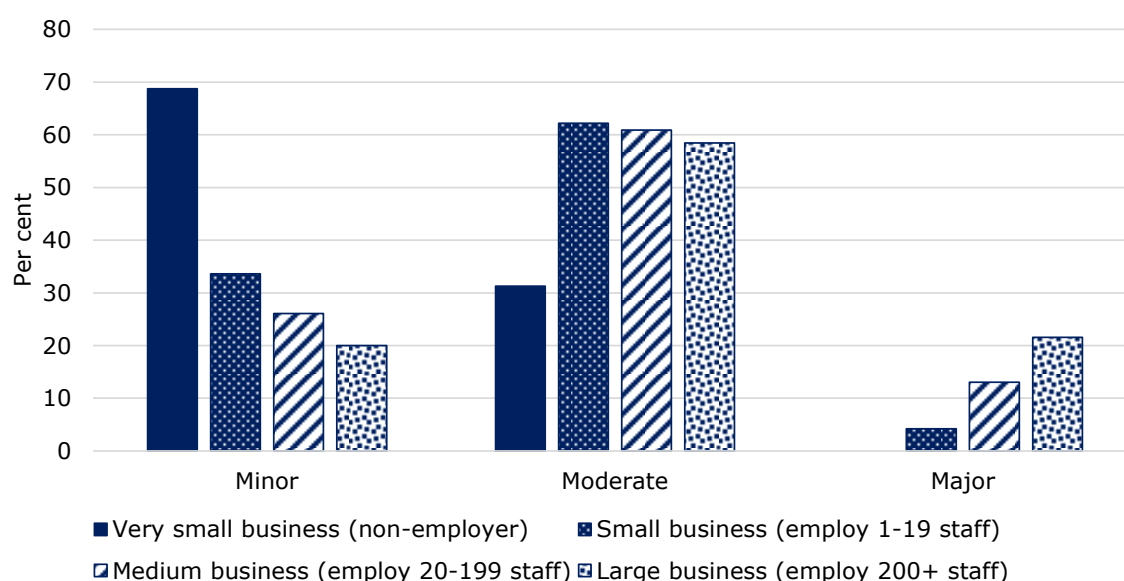
## 6.5 Lessons to improve future initiatives

Businesses provided direct inputs into how to improve efficiency and effectiveness of future initiatives through the business survey, submissions and industry consultations. Specifically, businesses were asked about the challenges faced when complying with the new CoOL reforms and what changes should be considered for future reforms to prevent or mitigate these challenges. The purpose of this evaluation question is to gather the costs and challenges that might be faced by businesses if implementing a proposed option.

### 6.5.1 Larger businesses faced larger impacts than smaller businesses

The business survey indicated that the reforms either had a “minor” impact (28%), a “moderate” impact (59%) or a “major” impact (13%) on businesses. As illustrated in Chart 6.9, the impact of changes was higher for larger businesses (with 22% reporting a “major” impact) than smaller businesses (with 4% of small or very small businesses reporting a “major” impact).

Chart 6.9: Reported impact to businesses of CoOL reforms, by business size



Source: Deloitte Access Economics' national business survey (2020).

In the survey, some businesses also recommended improvements to the CoOL framework. Of all suggestions made, these included: ensuring the origin of all ingredients is listed (12%); running an education campaign for consumers (10%); making CoOL regulations clearer and simpler (10%); extending the requirements to other products (8%); altering the 'Made in' statement (8%); increasing the size of the label (6%); and lowering compliance costs (6%).

Businesses have provided a range of ways that similar initiatives could be improved in the future. These include extending the timeline of the reforms to mitigate old label wastage and improve transition, and through increased flexibility to accommodate for unexpected shocks to the supply chains.

### 6.5.2 Any future changes should consider the burden of, and staging with, other labelling changes

There is an increased burden of potential CoOL changes on businesses, particularly given other product regulations currently being introduced. New allergen requirements have recently been introduced with a transition period of three years and a further two-year stock-and-trade period. The potential costs of redesigning labels related to allergen labelling will be somewhat offset by normal label redesign and replacement costs that occur over time.

Any changes to CoOL information would need to consider the staging and burden of other food labelling changes planned to occur and provide sufficient time for industry adaptation and

planning. Making changes to origin labelling would be a process, where sufficient time must be allowed for agreement of the States and Territories in relation to changes to ACL regulations.

Representatives from DISER and the Department of Health stated that future initiatives need to have a finalised framework in place, prior to opening the implementation phase, to ensure early adopters of the scheme can be confident in the material and guidelines that have been set from the outset. Industry has also expressed an interest in consumer insight data being collected to understand whether there have been changes in consumer preferences for country of origin information.

### **6.5.3 An education campaign is preferred to the Status Quo**

Stakeholders from industry<sup>104</sup> and government<sup>105</sup> indicated additional and ongoing consumer education is warranted to ensure consumers are provided continuous and updated information on any changes to CoOL.

Overall, the CBA results for this evaluation suggest that the education option – an option which considers the roll out of a national, on-going consumer education and awareness campaign – is the most preferred option as it has the highest positive NPV and a positive BCR.<sup>106</sup> It is, therefore, the option that will generate the highest level of economic benefit to the Australian community and therefore the most preferred option. Note that while a positive CBA result was also measured for the removal of the non-priority list, this option requires careful ongoing monitoring over time as the mixed-methods approach pursued in this study found mixed evidence of consumer utility for this option.

It is envisaged that the consumer education campaign would primarily target consumers, however, it could also be extended to select businesses that are at risk of non-compliance, including (but not limited to) traders of CALD groups, independent supermarkets and butchers.

The consumer education campaign would need to target consumer understanding at the point of purchase. There was insufficient awareness and/or understanding of the bar chart and AMAG logo (and associated claims). The information campaign would need to provide consumers with basic knowledge on how to navigate CoOL.

It would need to provide consumers with an understanding of all the different origin claims. Consumers were most likely to correctly interpret the 'Grown in' statement (50% correct interpretation), followed by 'Packed in' and 'Australian...' origin claims (40% correct interpretation, respectively). Nonetheless, partial or complete misinterpretation of claims were common across all origin statements.

It should specifically address areas that are most likely to cause confusion. Consumers were most likely to be confused by the meaning of 'Made in' or 'Packed in' claims. Information is needed to assist consumers to interpret the origin claims in combination with the logo and bar chart, to understand how various aspects relate to the sourcing of ingredients and the manufacturing (or packaging) processes.

Consumers' preferences for future communication on CoOL were for online and television followed by other methods. While age plays a role in the stated importance and use of CoOL information, a communication strategy would need to be broad in its relevance to different age brackets.

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<sup>104</sup> National Farmers' Federation, Ai Group, AFGC, Australian Dairy Industry Council and Australian Chicken Meat Federation

<sup>105</sup> The Department of Health and Human Services, DISER and the Department of Agriculture, Water and Environment.

<sup>106</sup> Deloitte Access Economics 2021, *Evaluation of Country of Origin Labelling reforms: Cost Benefit Analysis*, for the Department of Industry, Science, Energy and Resources, Section 4.3.

#### 6.5.4 Key findings: Lessons learned and improvement opportunities

Ref	What lessons can be drawn from business (or consumers) to improve the efficiency or effectiveness of future initiatives?
61	A range of potential improvements have been identified. However, any improvements need to be considered in the context of the scheme's duration and with regard to overall benefit and cost. Changes to the scheme can be costly – particularly when first introduced - as they typically affect many products, businesses and consumers.

## 7 Next steps

Six recommendations are made in alignment with the key findings of the evaluation on the CoOL reforms introduced in 2016. In framing the recommendations, it has been recognised that the scheme (at the commencement of this evaluation) has operated for just over two years. The cost of any change in the scheme would be potentially significant. It has also been recognised that the evaluation found the 2016 CoOL reforms to be well implemented and operating efficiently overall. There would need to be a clear net public benefit to justify any change, based on high-quality data, particularly as the Australian economy is in a recovery phase. Further monitoring and data collection are recommended prior to introducing significant changes to the scope or format of the scheme. In addition, any changes would need to take in to account the burden on industry and sequencing of other changes to labelling requirements on Australian industry.

Table 6.1: Recommendations

Reference	Recommendation
Recommendation 1	Retain the scheme in its current form for at least a further two years due to its current efficiency. This additional retention period will also enable further monitoring of performance and impact. This includes retaining the non-priority list, voluntary application to online sales and current exemption for foodservice.
Recommendation 2	Retain the scheme for food and beverages only and consider any non-food items outside of this scheme.
Recommendation 3	Increase awareness and understanding of CoOL among consumers and businesses at risk of low compliance through a time-limited information campaign that utilises social media along with other methods of communication, as appropriate.
Recommendation 4	DISER ensures data collection and monitoring occurs where it relates to: a) scheme awareness to determine if consumers are more correctly and completely interpreting CoOL labels over time; and b) assessing the impact of the scheme with respect to consumer expectations and scope at appropriate intervals.
Recommendation 5	Support the regulator to conduct pro-active primary research on industry compliance to inform targeting of compliance activities and ensure trust in the scheme is retained.
Recommendation 6	Complete a review of wording and definitions in the Information Standard to ensure they are as clear as possible for industry and other stakeholders.

# Appendix A Cross-country comparison

Table A.1: Cross-country comparison of key features of other schemes

Criteria	New Zealand (proposed)	United Kingdom	Canada	United States (California)
Name	Consumers Right to Know Act 2018; failure to comply will breach the Fair Trading Act. <sup>107</sup>	Country of origin / place of provenance	Consumer Packaging and Labelling Act and Regulations	
Voluntary / mandatory	Currently, compliance is voluntary (except for grape wine).  In process of implementing/considering a new Information Standard for labelling of single-ingredient foods.	Mandatory.	Mandatory	Mandatory.
Coverage (products)	The proposed regulated foods: food that is either i) only one type of fruit, vegetable, meat, fish or seafood (that is fresh or frozen and is no more than minimally processed) or ii) cured pork.	Beef, veal, lamb, mutton, pork, goat, poultry, fish and shellfish, honey, olive oil, wine, fruit and vegetables. Others if customers might be misled without this information.	Specific imported pre-packaged products: Wine and brandy, dairy products, honey, fish and seafood products, fresh fruits and vegetables, eggs-shelled, eggs-processed, meat products, maple products, processed fruit and vegetable	Muscle cuts and ground lamb, chicken, goat, wild and farm-raised fish and shellfish, perishable agricultural commodities, peanuts, pecans, ginseng, and macadamia nuts

<sup>107</sup> Government has been consulting on regulations after laws designed to give consumers clarity around the origin of food products were passed in late 2018. However, due to COVID, 12-month delay in recommending regulations. Now due to be finalised by June 2021 and come into effect in December 2021.

Criteria	New Zealand (proposed)	United Kingdom	Canada	United States (California)
			products. Others can voluntarily make statements.	
Segmentation of products (i.e. exclusions or different levels of priority)	Yes, proposed scheme has option for segments to be excluded, if the Minister considers that requiring the food to comply with the standard would be unduly onerous. Scheme also excludes processed foods.	Yes.	Yes.	Yes, processed foods are excluded from CoOL.
Coverage (foodservice settings)	No.		No.	No. Exclusions apply for butchers, fish markets, restaurants, restaurants in hotels, school cafeterias and small retailers.
Coverage (non-food products)	Clothing and footwear.	No.	No. <sup>108</sup>	Yes – clothing and footwear.
Coverage of online sales	Not currently. Unclear whether proposed scheme will be covered.	Yes.	Yes.	Yes.

<sup>108</sup> "Product of Canada / Made in Canada" claims must adhere to guidelines even where made by restaurants (but the claims themselves are voluntary); little information about requirements for goods that are imported (and sold in foodservice settings).

Criteria	New Zealand (proposed)	United Kingdom	Canada	United States (California)
Statement required	Requires a regulated food's country or place of origin to be disclosed by reference to where the food was grown or something similar (for example, where it was harvested, caught, or raised, but not where it was merely packaged, manufactured, or processed).	Origin: Non-European Union or Origin: Non-United Kingdom.	A product can only have one country of origin, which, at a minimum, is the country of last substantial transformation. A blended claim may be considered.	Must make information available to the buyer about the country(ies) of origin and method(s) or production (for fish and shellfish) of the covered commodity. Produce mixed in displays may simply be labelled as being "from two or more countries of origin." <sup>109</sup>
References to substantial transformation	In proposed scheme: no reference to substantial transformation in the Act. Scheme does not mandatorily apply to processed foods.	Yes, substantial transformation defined through 3 criteria: Change of tariff classification; sufficient value added (calculated as a percentage) and specific processing.	Criteria for 'Made in Canada' claim requires that the last substantial transformation occurs in Canada.	In the United States, substantial transformation is used to determine the country of origin of goods that do not wholly originate in one country under the non-preferential standards.

<sup>109</sup> HG.org (2021) 'An analysis of the new country of origin labelling law in California', accessed March 2021. <https://www.hg.org/legal-articles/an-analysis-of-the-new-country-of-origin-labeling-law-in-california-5614>



# Appendix B Indicator framework

Evaluation questions are translated into indicators, which offer practical measures of performance. Each indicator is matched against data sources to ensure adequate data capture against each evaluation question through the course of the evaluation. The indicator and data framework for this evaluation is outlined below.

Table B.1: Performance indicator and data framework

Evaluation question	Indicator(s)	Potential data sources
<b>Design and implementation</b>		
1. What were the problems that the CoOL reforms were designed to address?	<ul style="list-style-type: none"> <li>• Reports on different consumer groups and the extent to which each group used CoOL</li> <li>• Time taken for consumers to obtain CoOL information</li> <li>• Proportion of consumers that understood CoOL</li> <li>• Reports of consumer satisfaction with CoOL</li> <li>• Number of businesses reporting compliance challenges with CoOL</li> <li>• Proportion of businesses that felt confident with the CoOL claims they were making</li> <li>• Identify specific subsectors experiencing challenges with CoOL</li> <li>• Evidence on the types of compliance challenges faced by businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer focus groups</li> <li>• Business consults</li> <li>• Government consults</li> <li>• Literature review</li> <li>• Program document review</li> <li>• Other: DIIS. (2016). Country of origin labelling: Decision RIS Ch2</li> </ul>
2. Did clear, evidence-based links exist between the CoOL reforms and the expected outcomes?	<ul style="list-style-type: none"> <li>• Evidence of consultation on reform options</li> <li>• Evidence of expected outcomes</li> <li>• Analysis on reform options</li> </ul>	<ul style="list-style-type: none"> <li>• Government consults</li> <li>• Literature review</li> <li>• Program documents</li> </ul>
3. Were there alternative labelling models, which could have more effectively addressed the issues?	<ul style="list-style-type: none"> <li>• Evidence/reports outlining alternative labelling models and their effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Government consults</li> <li>• Literature review</li> <li>• Program documents</li> </ul>
4. Have the reforms been flexible enough to accommodate new consumer, industry and technology developments?	<ul style="list-style-type: none"> <li>• Reports on technological advancements in retail, and their potential impact on CoOL</li> <li>• Proportion of consumers that obtain CoOL information from sources other than product labels</li> <li>• Proportion of businesses that provide CoOL information in</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer survey</li> <li>• Business survey</li> <li>• Literature review</li> </ul>

Evaluation question	Indicator(s)	Potential data sources
	formats other than product labelling (i.e. website)	
5. How cost-effective was the provision of information to consumers and businesses?	<ul style="list-style-type: none"> <li>CBA</li> </ul>	<ul style="list-style-type: none"> <li>All sources of research, excluding Program documents</li> <li>2016 RIS Chapter 6 and CBA</li> </ul>
6. Were the CoOL reforms delivered within their original scope, budget and timeframe?	<ul style="list-style-type: none"> <li>Proposed scope of the 2016 CoOL requirements</li> <li>Reports on changes or amendments to CoOL scope</li> <li>Estimated cost of implementing CoOL requirements</li> <li>Actual cost of implementing CoOL requirements</li> <li>Estimated time required to transition to 2016 CoOL requirements</li> <li>Actual time required to transition to 2016 CoOL requirements</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Government consults</li> <li>Business survey</li> <li>Literature review</li> <li>Program documents</li> <li>2016 RIS Chapters 5, 6, 8 and CBA</li> </ul>
<b>Outcomes: Consumer access to origin information</b>		
7. Did the CoOL reforms achieve the objective of improving consumer understanding about the origins of their food?	<ul style="list-style-type: none"> <li>Reports on different consumer groups and the extent to which each group used CoOL</li> <li>Proportion of consumers that understood CoOL</li> <li>Proportion of consumers that understand more about the origins of their food, following the 2016 CoOL reforms</li> <li>Reports/evidence of consumer satisfaction with CoOL</li> <li>Proportion of consumers that are satisfied with the amount of information they receive on the origins of food, including where it is grown, processed, packaged and the origin of ingredient</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Government consults</li> <li>Consumer survey</li> <li>Literature review</li> <li>Program documents</li> <li>Discussion paper responses Q1</li> </ul>
8. Does the differentiation between priority and non-priority foods continue to meet consumer expectations?	<ul style="list-style-type: none"> <li>Proportion of consumers that are satisfied with the origin information they receive regarding non-priority foods</li> <li>Reports/evidence of potential improvements to CoOL for non-priority food businesses</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Consumer survey</li> <li>Literature review and program document review</li> <li>Discussion paper responses Q2</li> </ul>
9. Is the current scope of mandatory CoOL appropriate? Should the exemption for foodservice be maintained?	<ul style="list-style-type: none"> <li>Reports/evidence on the food subsectors exempt from the scope of the CoOL</li> <li>Proportion of consumers that are unsatisfied with the CoOL information they receive from food subsectors exempt from the CoOL requirements</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Government consults</li> <li>Consumer survey</li> <li>Literature review</li> <li>Program documents</li> <li>Discussion paper responses Q4</li> </ul>
10. Do the criteria for making a 'Made in' claim reflect	<ul style="list-style-type: none"> <li>Proportion of consumers that are satisfied with the 'Made in' claims</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Government consults</li> <li>Consumer survey</li> <li>Literature review</li> </ul>

Evaluation question	Indicator(s)	Potential data sources
consumer perceptions and expectations?	<ul style="list-style-type: none"> <li>Proportion of consumers that correctly understand the 'Made in' claims</li> </ul>	<ul style="list-style-type: none"> <li>Discussion paper responses Q5</li> </ul>
11. Does use of the Australian Made logo and bar chart reflect consumer perceptions and expectations?	<ul style="list-style-type: none"> <li>Proportion of consumers that are satisfied with the Australian Made logo and bar charts</li> <li>Proportion of consumers that who correctly interpret the Australian Made logo and bar charts</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Consumer survey</li> <li>Literature review</li> <li>Discussion paper responses Q6</li> </ul>
12. Do the CoOL requirements for online sales provide consumers with adequate origin information about products prior to making their purchase?	<ul style="list-style-type: none"> <li>Proportion of consumers that are satisfied with the amount of origin information they receive prior to making online purchases</li> <li>Proportion of consumers that feel that more origin information is required to inform their online purchases</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Consumer survey</li> <li>Literature review</li> <li>Discussion paper responses Q7</li> </ul>
13. Have communication activities and online resources been effective in raising consumer awareness of the CoOL reforms and helping consumers to understand CoOL information?	<ul style="list-style-type: none"> <li>Proportion of consumers that have engaged (or been exposed to) CoOL communications and online resources</li> <li>Extent to which consumers feel CoOL communications and online resources have enhanced their understanding of CoOL information</li> <li>Extent to which consumers feel CoOL communications and online resources have raised consumer awareness of the CoOL reforms?</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Consumer survey</li> <li>Literature review</li> <li>Program documents</li> <li>Discussion paper responses Q8</li> </ul>
14. Are there any other product types for which consumers seek greater access to origin information?	<ul style="list-style-type: none"> <li>Reports/evidence on the food subsectors exempt from the scope of the CoOL</li> <li>Proportion of consumers that are unsatisfied with the CoOL information they receive from food subsectors exempt from the CoOL requirements</li> <li>Subsectors where consumers seek greater access to CoOL information</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Government consults</li> <li>Consumer survey</li> <li>Literature review</li> <li>Program documents</li> <li>Discussion paper responses Q9</li> </ul>
15. Has consumer demand for origin information changed since the introduction of the reforms?	<ul style="list-style-type: none"> <li>Reports/evidence on the extent to which the current CoOL requirements are meeting consumer demand</li> <li>Reports/evidence on the types of CoOL information now demand</li> <li>Subsectors where consumers seek greater access to (or more) CoOL information</li> </ul>	<ul style="list-style-type: none"> <li>Consumer focus groups</li> <li>Government consults</li> <li>Consumer survey</li> <li>Literature review</li> <li>Program documents</li> <li>Discussion paper responses Q3</li> <li>2016 RIS Chapter 2 and Chapter 4</li> </ul>
<b>Outcomes: Clarifying business' ability to make origin claims</b>		
16. Has the introduction of safe-harbour defences clarified business' ability to securely make origin claims?	<ul style="list-style-type: none"> <li>Proportion of businesses that believe new safe-harbour defences have made it easier to make country of origin claims</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Government consults</li> <li>Business survey</li> <li>Discussion paper responses Q14</li> </ul>

Evaluation question	Indicator(s)	Potential data sources
	<ul style="list-style-type: none"> <li>Extent to which businesses believe that the new safe harbour defences have clarified country of origin claims</li> </ul>	
17. How well have businesses complied with CoOL requirements?	<ul style="list-style-type: none"> <li>Identify various enforcement actions permissible under the ACL</li> <li>Results of ACCC, or NMI, market surveillance checks used to detect non-compliance</li> <li>Proportion of businesses that have been subject to enforcement actions, by type of enforcement action</li> <li>Proportion of businesses that have made false or misleading CoOL claims</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Government consults</li> <li>Program documents</li> <li>Discussion paper responses Q15</li> </ul>
18. Do the current CoOL requirements provide adequate flexibility for food and beverage producers to manage variations in the supply of ingredients?	<ul style="list-style-type: none"> <li>Proportion of businesses that believe that there is adequate flexibility to manage ingredient variations</li> <li>Extent to which businesses believe that more flexibility is required to manage ingredient variations</li> <li>Proportion of businesses that believe that there is adequate flexibility to manage supply chain disruptions creating variation</li> <li>Extent to which businesses believe that more flexibility is required to manage supply chain disruptions creating variation</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Government consults</li> <li>Business survey</li> <li>Discussion paper responses Q16</li> </ul>
19. Did the CoOL reforms have any unintended consequences on businesses for particular products, including non-food products? What action, if any, was taken to address the impacts of the CoOL reforms on those businesses that were negatively affected?	<ul style="list-style-type: none"> <li>Proportion of businesses that believe that CoOL has resulted in unintended consequences</li> <li>Reports/evidence on the unintended consequences</li> <li>Expected consequences of CoOL on non-food businesses</li> <li>Reports/evidence on actual consequences of CoOL on non-food businesses</li> <li>Reports/evidence on actions taken to address the impact on businesses that suffered unintended consequences</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Government consults</li> <li>Business survey</li> <li>Literature review</li> <li>Program documents</li> <li>Discussion paper responses Q17</li> <li>2016 RIS Chapter 6 and 2016 CBA</li> </ul>
<b>Impact on business</b>		
20. Have communication activities and online resources been effective in supporting businesses to understand, implement and manage CoOL requirements?	<ul style="list-style-type: none"> <li>Identify major communications and online resources developed to support businesses</li> <li>Proportion of businesses that believe that communications and online resources were effective in understanding and implementing CoOL requirements</li> <li>Extent to which businesses believe that communications and</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Government consults</li> <li>Business survey</li> <li>Literature review</li> <li>Program documents</li> <li>Discussion paper Q10</li> <li>ACCC (2019) Country of Origin food labelling guide for businesses</li> </ul>

Evaluation question	Indicator(s)	Potential data sources
	online resources were effective in helping them understand and implement CoOL requirements	
21. Did the transition period enable businesses to implement the reforms in an efficient manner, and minimise implementation costs?	<ul style="list-style-type: none"> <li>Proportion of businesses that believe that the transition period enabled efficient implementation of reforms</li> <li>Extent to which businesses would have preferred a longer or shorter transition period in which to implement the reforms</li> <li>Proportion of businesses that believe that the transition period minimised implementation costs</li> <li>Extent to which businesses would have preferred a longer or shorter transition period in order to further minimise implementation costs</li> <li>Reviews/evidence indicating the trade-offs associated with longer transition periods</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Government consults</li> <li>Business survey</li> <li>Literature review</li> <li>Discussion paper Q11</li> <li>Country of Origin Food Labelling Information on Standard 2016</li> </ul>
22. What were the realised costs to businesses associated with meeting the new CoOL requirements?	<ul style="list-style-type: none"> <li>Reviews/evidence outlining expected compliance costs incurred by businesses</li> <li>Reviews/evidence outlining actual compliance costs incurred by businesses</li> <li>Proportion of businesses that incurred higher compliance costs than expected</li> <li>Identify key variances</li> </ul>	<ul style="list-style-type: none"> <li>Business consults</li> <li>Business survey</li> <li>Literature review</li> <li>Discussion paper responses Q12</li> <li>2016 RIS Chapter 6 and 2016 CBA</li> </ul>
23. Have food and beverage producers benefited from the increased provision of information to consumers?	<ul style="list-style-type: none"> <li>CBA</li> <li>Proportion of businesses that claim to have increased sales in response to providing more origin information to consumers</li> <li>Reviews/evidence outlining sectors or products that appear to have benefited the most</li> </ul>	<ul style="list-style-type: none"> <li>All excluding program documents</li> <li>Discussion paper responses Q13</li> </ul>
<b>Lessons learned</b>		
24. What lessons can be drawn from the program to improve the efficiency or effectiveness of future initiatives?	<ul style="list-style-type: none"> <li>Reviews/evidence outlining potential improvements to the program</li> <li>CBA</li> </ul>	<ul style="list-style-type: none"> <li>All sources</li> </ul>

Note: Where additional program documents are provided to Deloitte, these would be analysed in detail to determine their capacity to inform evaluation, which may extend the number of questions that may be informed by 'Program documents'.

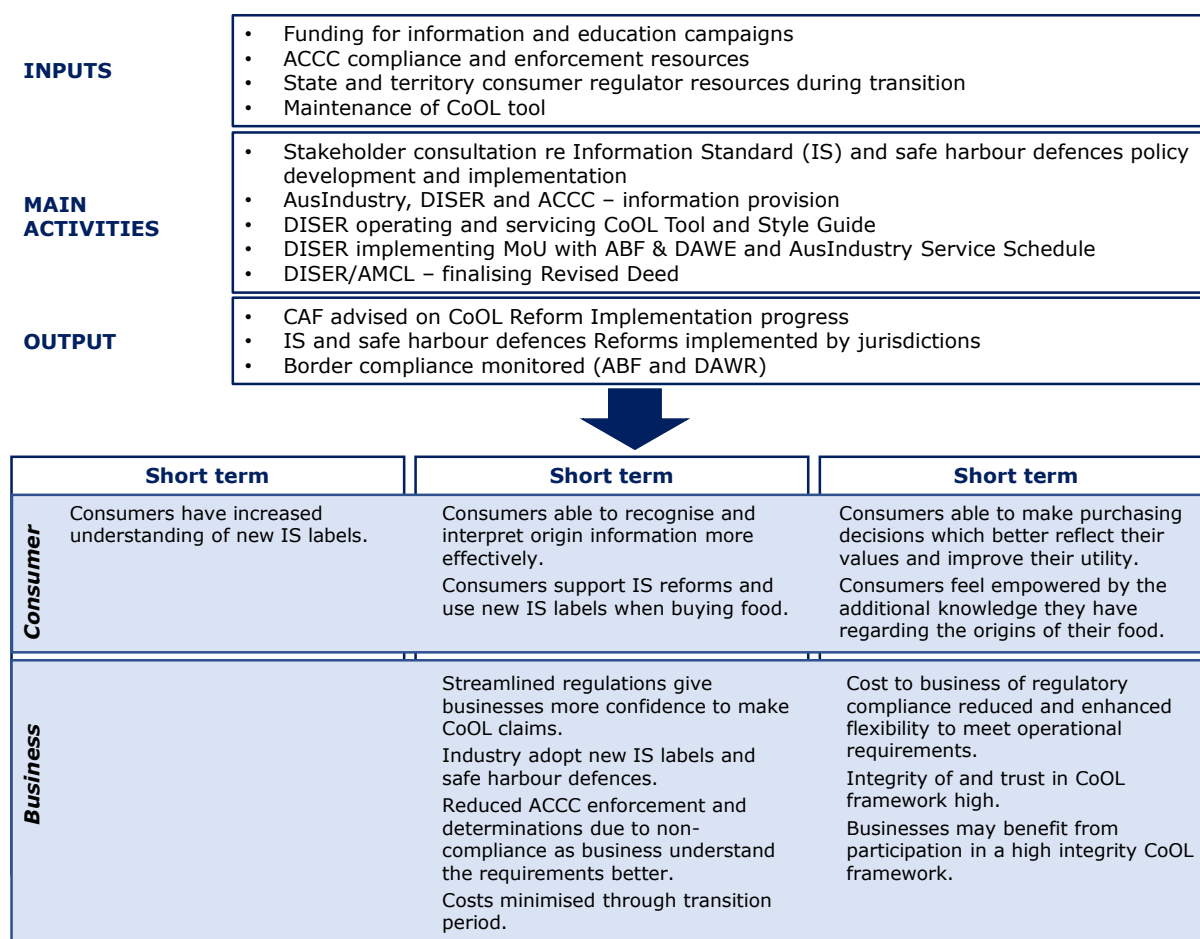
# Appendix C Program logic and approach

The following section contains further information on the various streams of evidence collected (to inform the evaluation framework) with regard to their potential limitations and sample.

## C.1. Program logic

The program logic sets out the theory of cause and effect for the CoOL scheme, linking program inputs, outputs and outcomes. The intended outcomes inform the indicators of performance on the cost and benefit side for stakeholders (consumers, business and government) and guide the evaluation of the reform's effectiveness.

Chart C.1: Input, activity, output and outcomes across time horizon



Source: DISER program logic.

## C.2. Submissions

Following the launch of this evaluation on 31 July 2020, DISER released a discussion paper and invited responses from industry, consumer bodies and consumers. The majority of the submissions made were by industry members, including retailers and manufacturers. This was followed by

consumer groups, such as CHOICE and CFA. The lowest number of submissions were received by independent consumers.

### C.2.1. Potential limitations: submissions

A potential limitation of this stream of information is selection bias, leading to a risk of placing undue emphasis on the issues raised, where independent consumers are more likely to make a submission if they have a negative view of the scheme. This limitation was resolved by weighting the consumer responses against other streams of information provided.

## C.3. Consumer survey

The survey included 46 questions primarily related to the evaluation questions and consumers' WTP (to inform the CBA). Free text responses enabled consumers to elaborate. The survey was launched in December 2020 and open for one week.

The consumer (and business) survey data was cleansed to remove any invalid responses (e.g. fast completion times, nonsensical answers). Where it was obvious, any duplicate responses were removed.

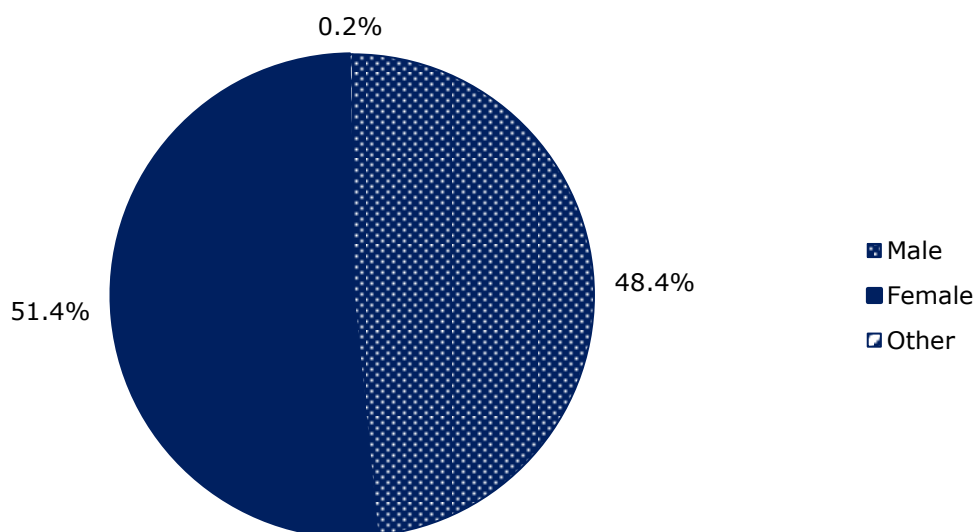
Information was provided to consumers at the time of the survey prior to the questions for satisfaction with the labelling elements or scheme design. As such, the consumer survey was not solely relied on for the extent of label use and was not used to reflect correct label interpretation in practice.

### C.3.1. Consumer survey sample

The consumer survey sample was representative of the Australian population with regard to gender, location and age. Chart C.2 and Chart C.3 illustrate that consumer survey participants are approximately half male and half female, and are located within multiple states across Australia.

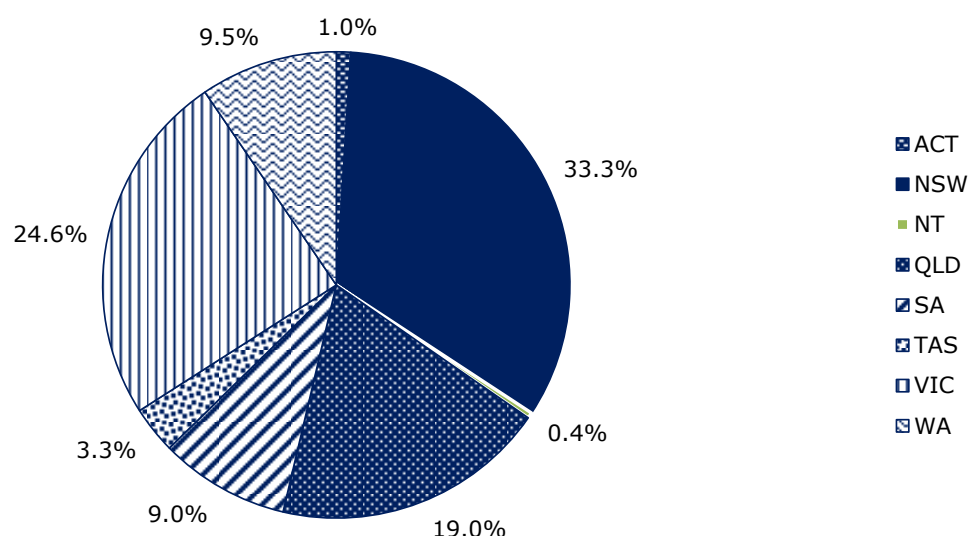
The results excluded two additional participants who were consulted individually. While their responses were not included in the survey analysis, a description of their responses is within the footnotes of the relevant sections.

Chart C.2: Consumer survey: participants gender



Source: Deloitte Access Economics' national consumer survey (2020).

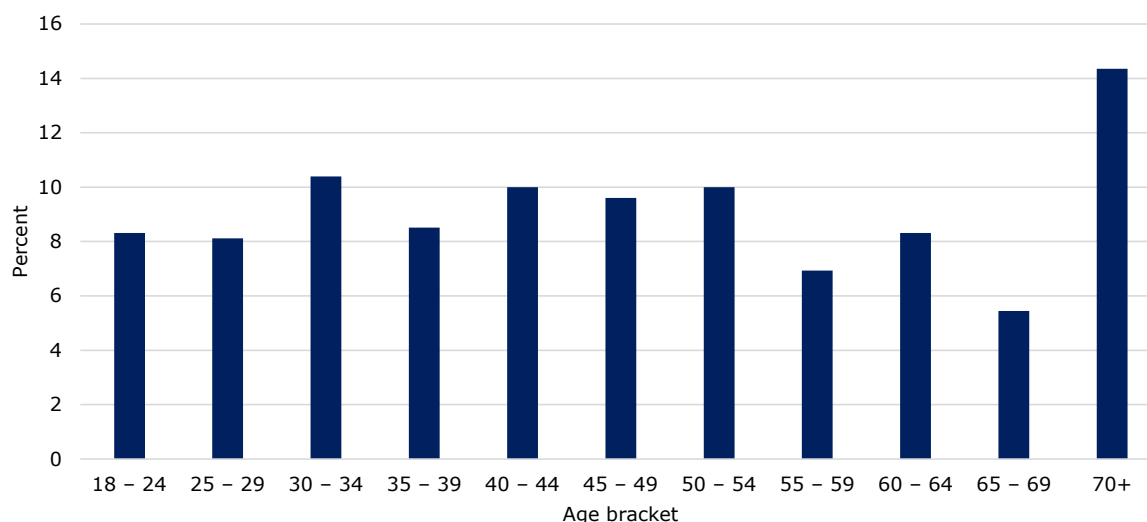
Chart C.3: Consumer survey: participants state



Source: Deloitte Access Economics' national consumer survey (2020).

Chart C.4 illustrates that survey participants are from a wide range of age brackets. Additionally, approximately 73% of participants are from metro regions while 27% are from regional areas (see Chart C.5). This is broadly representative of the Australian population whereby approximately 85% of all Australians live in major cities.<sup>110</sup>

Chart C.4: Consumer survey: participants age

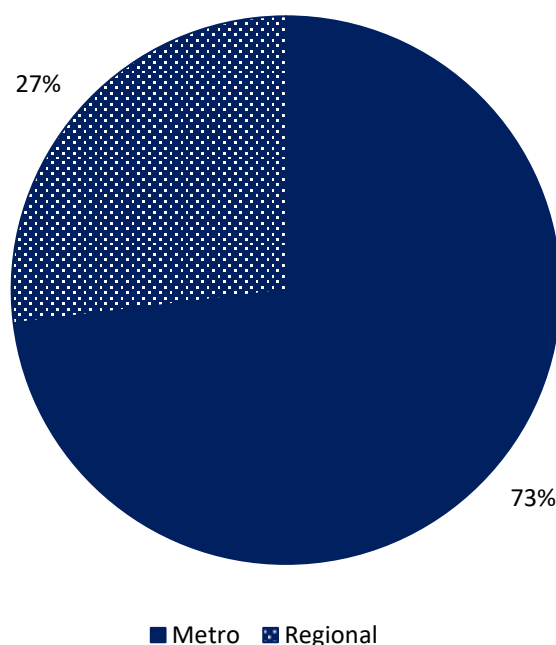


Source: Deloitte Access Economics' national consumer survey (2020).

<sup>110</sup> Australian Bureau of Statistics, *Regional Population Growth Australia* (2018-19) Cat. No 3218.0



Chart C.5: Consumer survey: participants region



Source: Deloitte Access Economics' national consumer survey, 2020

### C.3.2. Potential limitations: consumer survey

Results from the consumer survey must be analysed with regard to the propensity for bias. Response bias is an example of bias that occurs in surveys. This is defined as the tendency for survey participants to respond inaccurately to questions. An example is acquiescence bias, commonly referred to as agreement bias, which is where respondents tend to select a positive response option or indicate a positive connotation disproportionately more frequently.

Consumer bias is where there is often a difference found between consumers' stated preference in comparison to their revealed preferences. For example, a survey of preference experiments found that a consumer's WTP tends to exceed their actual WTP by a factor of 2 to 3.<sup>111</sup> These biases have been addressed to the extent possible by ensuring the consumer survey is considered in conjunction with other evidence sources. Where there was evidence of any bias, other sources of evidence were more heavily relied on and/or there was an adjustment factor applied to account for this tendency for overestimation (e.g. in the CBA).

### C.4. Business survey

A range of businesses were contacted to participate in the survey. The businesses contacted were from a list of stakeholders obtained from both DISER and Dynata's business databases, as well as via peak industry bodies that distributed the survey to members. Of all businesses contacted, 632 participated in the survey.

The survey was launched in December 2020 and was open for two weeks to the general panel. However, to enable greater participation of the general business community it was extended to early January 2021 for those engaged through the DISER stakeholder list and peak industry associations (who distributed the survey link to members).

One of the initial questions was whether the business had any products that were subject to the CoOL regulations. This answer was used to inform which other questions were asked such that

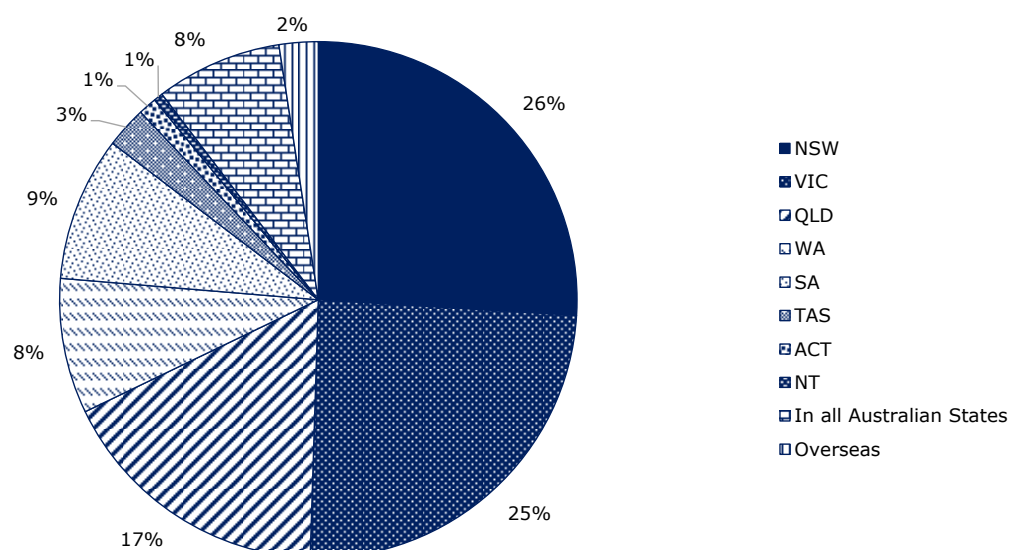
<sup>111</sup> Loomis, J (2011). 'What's to know about hypothetical bias in stated preference valuation studies?' *Journal of Economic Surveys*, 25(2), 363-370.

businesses that were not subject to CoOL regulations were not captured in questions around the cost and flexibility of the scheme. Free text responses enabled businesses to elaborate further.

#### C.4.1. Business survey sample

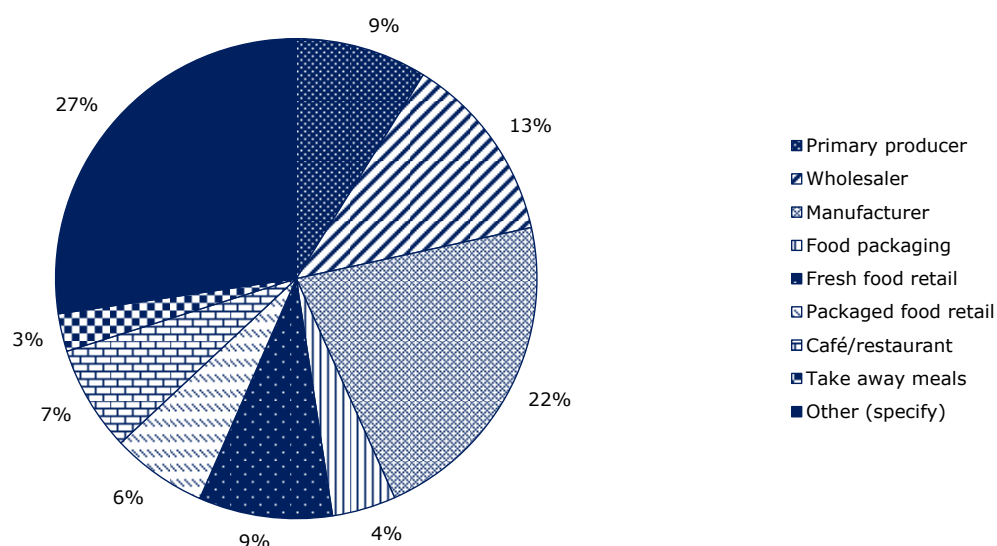
As shown in Chart C.6, Chart C.7 and Chart C.8, the business survey respondents include different types and sizes of businesses, across the food supply and distribution chain, that come from different parts of Australia.

Chart C.6: Business survey: location



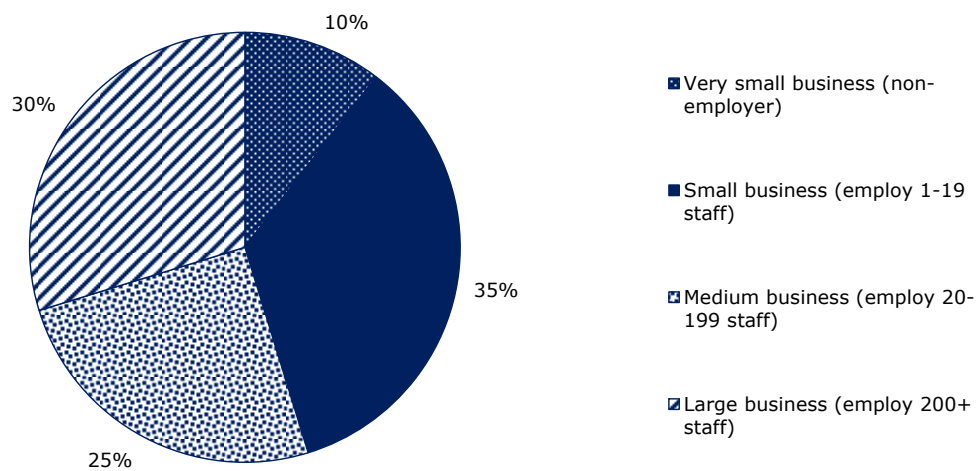
Source: Deloitte Access Economics' national business survey (2020).

Chart C.7: Business survey: business type



Source: Deloitte Access Economics' national business survey (2020).

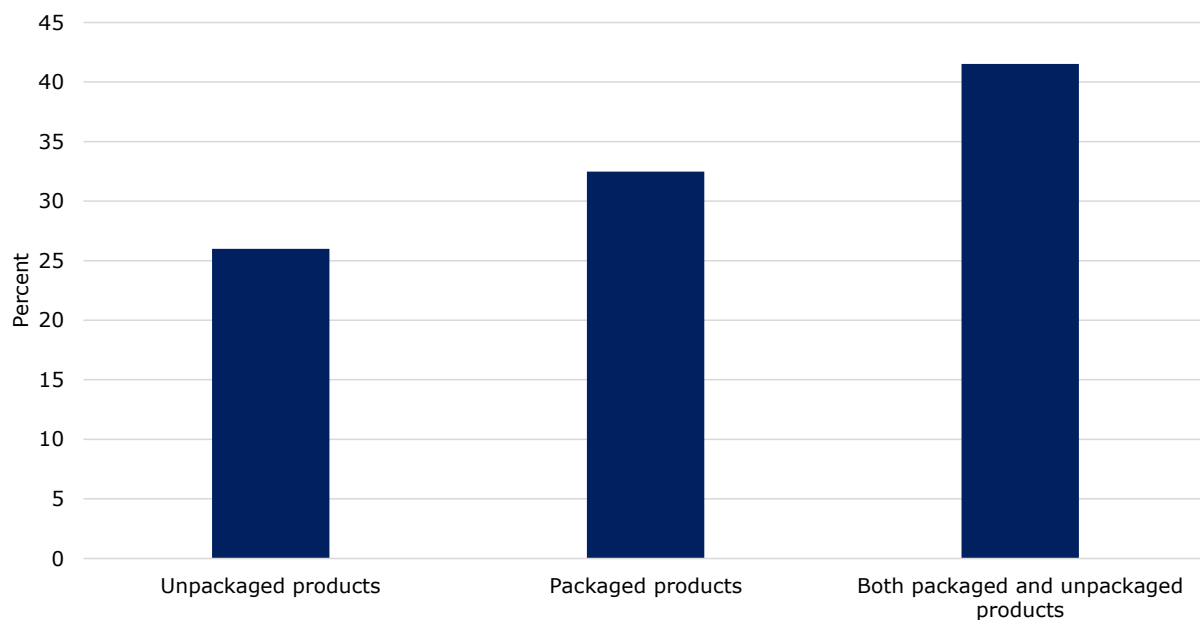
Chart C.8: Business survey: Participants business size



Source: Deloitte Access Economics' national business survey (2020).

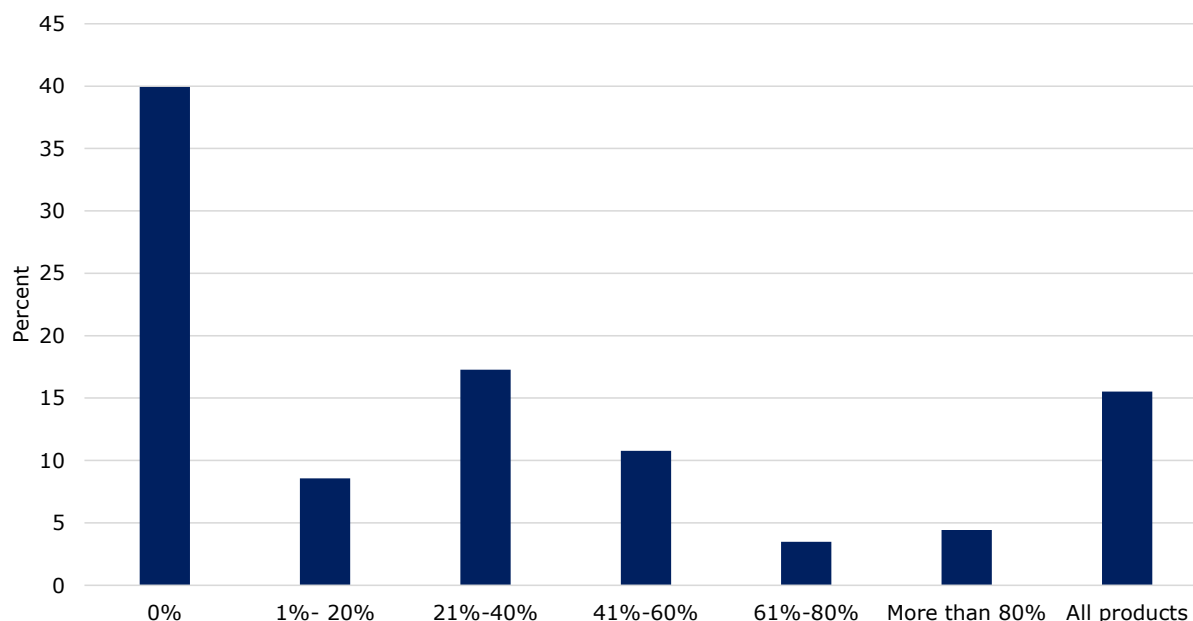
As illustrated in Chart C.9 and Chart C.10, businesses sell a range of products – some that are subject to CoOL and others that are not. Those not subject to CoOL were directed to an abbreviated list of questions, to ensure cost estimates were not impacted by businesses not selling products which were subject to CoOL.

Chart C.9: Business survey: what type of products businesses sell



Source: Deloitte Access Economics' national business survey (2020).

Chart C.10: Business survey: participants' percentage of products subject to CoOL



Source: Deloitte Access Economics' national business survey (2020).

### C.5. Consumer focus groups: potential limitations

A limitation of the consumer focus groups (and consumer focus groups in general) is that there tends to be several outspoken participants, which can lead other participants to agree with their responses. This is a limitation if the response agreed with is not the true opinion of the other consumers. The impact of this was mitigated by session moderators directing questions at certain consumers, where necessary, to encourage first responses from everyone. Where there was an imbalance of topics or opinions that were not relevant to the evaluation, the moderator redirected the discussion as suitable. The participants did not have detailed information about the discussion prior to the session to reduce self-selection bias.

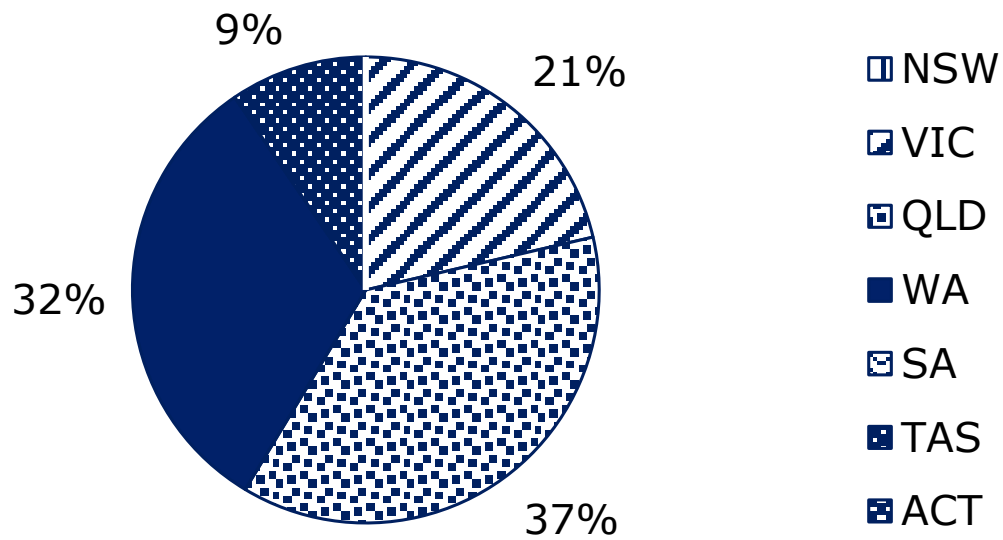
### C.6. Shopper interviews

A total of 295 shopper interviews were recorded. Aggregated data of surveyed shoppers (shown below) indicates that the research achieved good coverage of different locations, genders and age.

The evaluation sought the permission of both the retail precincts and supermarket managers to conduct interviews in all locations (Melbourne, Brisbane, Perth and Hobart). Due to COVID-19 restrictions and community transmission, the evaluation was not able to conduct interviews in Sydney as planned.

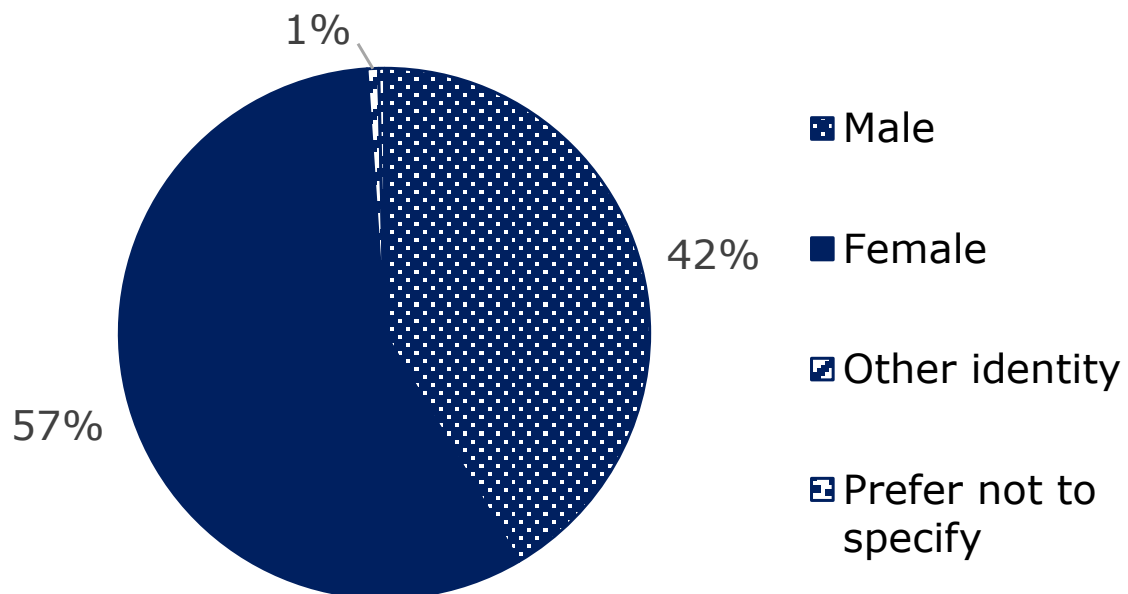
While the number of shoppers interviewed was not statistically significant, the benefit of this type of data collection is that it is granular in nature and addresses the potential bias in the consumer survey where consumers were deliberately aware of its purpose. In order to reduce bias in interviews, the shoppers were unaware of the specific purpose of the interview (i.e. they were not told that it was related to CoOL, but rather were told it was related to food labelling).

Chart C.11: Shopper interviews: participants' state



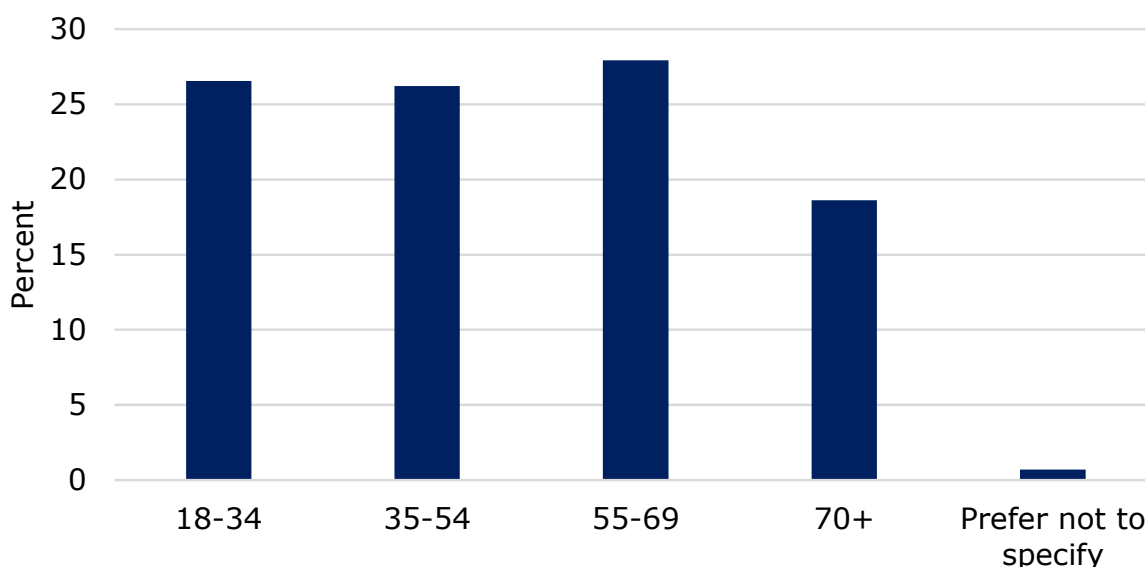
Source: Deloitte Access Economics, national shopper interview (2021).

Chart C.12: Shopper interviews: participants gender



Source: Deloitte Access Economics national shopper interview (2021).

Chart C.13: Shopper interviews: participants age bracket



Source: Deloitte Access Economics national shopper interview (2021).

## C.7. CBA analysis

The CBA was designed to assist in answering the following evaluation questions:

1. How cost-effective was the provision of information to consumers and businesses?
2. What were the realised costs to business associated with meeting the new CoOL requirements?
3. What lessons can be drawn from the program to improve the efficiency or effectiveness of future initiatives?

To answer the first question, a retrospective (i.e. backward-looking) analysis was undertaken with the current scheme compared to the scheme in place prior to July 2016. The retrospective analysis considers the actual costs incurred to implement the current scheme and the actual impact of the scheme to date. Together, this information generates insights on the cost-effectiveness of the current CoOL regulations. To answer the second question, a prospective (i.e. forward-looking) analysis was undertaken for 6 future-state options to assess the expected impact of potential reforms to the current scheme.

The intent of CBA modelling is to assess the net impact of the options. The modelling technique converts costs and benefits incurred by stakeholders (including consumers, businesses and government) into monetary values over time.

Importantly, for every option modelled (see Table 1.2), the model calculates the relative costs and benefits of the option under consideration against the costs and benefits of a counterfactual – i.e. what would have been the net benefit of *not* pursuing the option of interest. This is true of both the retrospective and prospective analyses.

# Appendix D Definitions

The excerpt below provides the definition of fruit and vegetable juices in Section 3 (page 35) of the Information Standard. This, in part, appears to be based on that in the Food Standards Code, under Standard 2.6.2 (which refers to fruit drinks only), with milk-like drinks (in part b) added.

Figure D.1: Excerpt from Information Standard in Section 3: Definition of fruit and vegetable juices and drinks

*fruit and vegetable juices and drinks* means:

- (a) drinks consisting of:
  - (i) one or more of the following:
    - (A) fruit juice or vegetable juice, including liquid elements of a fruit or vegetable, such as coconut water;
    - (B) fruit or vegetable purée;
    - (C) concentrated fruit juice or vegetable juice;
    - (D) concentrated fruit or vegetable purée;
    - (E) comminuted fruit or vegetables;
    - (F) orange peel extract; and
  - (ii) one or more of the following:
    - (A) water;
    - (B) mineralised water;
    - (C) sugars; and
- (b) milk-like drinks made from cereals, nuts and legumes (including soy) that are sold as dairy analogues.

Source: Information Standard.

Two issues have been raised with the evaluation by representatives of a beverage industry group that represent minor changes if adopted. Firstly, in section a) (ii), it is necessary to change the wording to reflect the fact that not-from-concentrate juices (NFC) do not contain any of the ingredients at clause 3 (a) (ii) (A), (B) or (C) and therefore, the CoOL standard (as currently written) with the 'and' at the end of clause 3 (a) (i) (F) is incorrect. For instance, representatives suggest that Section 3 a) ii) of the CoOL Information Standard (Definitions – particular foods) be re-worded as follows:

(a) (ii) **may include** one or more of the following

Secondly, representatives of the beverage industry suggest that with regard to Clause 3 (b), in accordance with the Food Standards Code, fruit and vegetables juices and drinks do not include these products at 3 (b) and to avoid confusion, the definition should be positioned elsewhere.

# Appendix E Key findings

Table E.1: Key findings of this evaluation

<b>Key findings of this evaluation</b>	
<b>Pillar 1: Design and implementation of the reforms</b>	
<b>Rationale and evidence for the 2016 CoOL reforms</b>	
1	There were several problems with the CoOL regulations that were in place prior to the 2016 reforms, many of which were outlined in the 2014 inquiry and the Colmar Brunton research. These indicated that country of origin information was vague and difficult to understand and, therefore, prone to misleading claims.
2	The 2016 reforms introduced changes to safe harbour defences and brought in visual indicators (i.e. allowing the use of the Australian Made, Australian Grown (AMAG) logo and a bar chart and text identifying the proportion of Australian content), designed to better communicate country of origin information at the point of purchase.
3	There are evidence-based links between the CoOL reforms and expected outcomes of the scheme.
4	There was evidence that the introduction of visual elements with an accompanying awareness campaign would likely assist the achievement of increased consumer understanding of the new labels.
5	The provision of updated information and resources on known issues with the scheme and development of resources for businesses to assist in scheme compliance, was guided by evidence.
6	There were two main alternative labelling models considered in the 2016 Decision RIS: the previous CoOL framework (Option 1) and the current CoOL framework (option 2). A third option was considered, which was similar to option 2, except with a text-only approach to labelling rather than visual indicators.
7	It appears unlikely that alternative labelling models considered in the 2016 Decision RIS would have addressed the issues outlined in evaluation question 1 more effectively.
<b>Implementation of the CoOL reforms</b>	
8	Australian Government stakeholders stated the CoOL reforms were widely considered to be a well implemented reform and in many respects is considered an implementation exemplar.



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**Key findings of this evaluation**


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| 9  | Industry groups and businesses generally acknowledged that the reforms were delivered within their original scope, budget and timeframe. |
| 10 | Some businesses suggested a longer transition period than two years would have been appropriate.   |
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**Flexibility of the reforms**


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| 11 | The current CoOL scheme is an improvement on the previous scheme, as it provides consumers with more information on the country of origin of their foods. However, there is still a subset of consumers who want more information on non-Australian ingredients.   |
| 12 | Businesses are generally finding CoOL sufficiently flexible under business-as-usual conditions. However, there is a significant minority of businesses who either find CoOL difficult to comply with and/or do not consider it sufficiently flexible.  |
| 13 | If it becomes faster and more seamless for consumers to access information about food digitally (which may be a technology that supersedes QR codes), then there could be implications for the current scheme. However, neither of these factors are sufficiently present at this time to necessitate significant change in terms of the information being provided on label versus digitally. However, both consumer preference and technology require careful monitoring as the scheme develops. |
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**Cost-effectiveness of the reforms**


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| 14 | The scheme was sensitive to cost in its design.  |
| 15 | While the cost of introducing the scheme was relatively significant for some businesses, the cost impact appears to have been largely a one off, with ongoing costs of the scheme reportedly relatively minor. |
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**Pillar 2: Consumer access to origin information**


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**Consumer understanding of the origin of their foods**


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| 16 | The CoOL reforms are almost certain to have improved consumer understanding about the origins of their food to some degree. This is because the scheme now provides more information, which is of higher quality (less prone to misleading claims) in a more consistent manner across a wide range of products. |
| 17 | Significant areas of uncertainty remain, driven in part by factors that are a legacy of the previous scheme and partly by the variability in consumer preferences and interpretation of the information provided.   |
| 18 | While many consumers report to understand the labels, there is in fact widespread misinterpretation of the information presented.   |
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**Key findings of this evaluation**


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**Differentiation between priority and non-priority foods**


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| 19 | While there is some support from both business and consumers to remove the non-priority foods category, there are different drivers. Industry has regard to the logic of non-priority foods and whether this is sound and aligned with how business (across manufacturing and retail) understands product categories. Consumers appear to be mainly referring to the desire for consistency across all food products. |
| 20 | There is insufficient evidence at the present time to support the removal of the non-priority list given the cost of change and relatively low interest from consumers.   |
| 21 | There could be a case for better aligning CoOL with established product categories if this were to ease the compliance burden while being aligned with consumer needs.  |
| 22 | Any change to CoOL is likely to have significant cost implications. At this time, the net benefit of removing the non-priority list is likely to be marginal at best.   |
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**Appropriateness of the exemption for foodservice**


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| 23 | While there may be some consumer and business benefit in providing increased country of origin information in foodservice settings (e.g. restaurants and cafes), any such proposal must be sensitive to the distinct sectors comprising foodservices.  |
| 24 | It is likely that the practical and cost considerations associated with expanding CoOL in the wider foodservices sector make it more amenable to use in the fast-food sector, particularly in those businesses with a fairly standard menu across restaurants. However, it would be challenging to mandate CoOL only in certain types of foodservice businesses. |
| 25 | The mandating of CoOL would not be practical in individual cafes and restaurants if applied at the individual dish or ingredient level.  |
| 26 | Allowing an alternative claim indicating the commitment of an individual foodservice business to sourcing Australian ingredients might be possible, but could run the risk of not conveying accurate and useful information to consumers.  |
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**Made in claim, AMAG logo, bar chart**


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| 27 | There may be an opportunity to further refine definition(s) and explanations of this and other claims through the regulations and accompanying explanatory material. This should address aspects of the labelling consumers have identified as confusing to interpret or misleading, such as the symbol being associated with Australian ingredients, as well as manufacturing, and explaining the criteria for a product to be 'Made in Australia' to better reflect consumer perceptions. |
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**Key findings of this evaluation**


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| 28 | The use of the AMAG logo combined with the bar chart does provide consumers with more information that is more accurate than the previous scheme.  |
| 29 | Despite this, there is an ongoing issue regarding consumer understanding of the 'Made in' claim, including how to interpret the label and the extent to which consumers' understanding is consistent with the 'Made in' claims, particularly where the share of Australian ingredients is low. This issue predates the current scheme. It is likely that the current scheme is surfacing this issue because consumers can see that a product making this claim is not necessarily wholly or predominantly sourced from Australian ingredients. |
| 30 | It may be appropriate to limit misunderstanding in this area by providing additional communication, including possibly a refreshed awareness campaign.   |

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**CoOL requirements for online sales**


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| 31 | There is now significant information about food being provided online, about country of origin and other aspects of food. The two major retailers now provide country of origin information online for many products. This represents a significant proportion of all food sold online in Australia. Consequently, the scheme has increased the information provided online, despite it not being mandated by regulation. |
| 32 | If regulations were to require the provision of this information for all food sold online, this would impose a disproportionately high cost on smaller sellers because large retailers have economies of scale and generally have already made the change.  |
| 33 | Any expansion of the regulation to more online sales would need to provide a clear net benefit to consumers, taking account of the cost this would impose on business.  |

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**Communication activities and online resources**


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| 34 | There appears to be a case for a refreshed CoOL awareness campaign. It is likely that any short-term campaign needs to be accompanied by an ongoing communication strategy that is engaging and has meaningful reach. This campaign would aim to improve consumer understanding of the different elements of CoOL. The design, funding and delivery of this campaign would need to be considered further. |
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**Other product types and CoOL**


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| 35 | The majority of consumers did not seek country of origin information for other product types. However, there was some interest in additional information for clothing and footwear (12%), electronics (8%), kitchenware and household goods (8%), medication and hygiene products (6%), and beauty and cosmetic products (6%). |
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**Key findings of this evaluation**


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| 36 | The consumer survey and consumer focus groups did not indicate that consumers sought country of origin information on cut flowers. However, the cut flower industry has argued that there is imperfect information in the sector.   |
| 37 | There may be a need for the sector to address issues associated with pest and chemical residue on imported cut flowers. However, the existing CoOL scheme is unlikely to be the best instrument to address these issues, and inclusion of cut flowers in the existing CoOL scheme could impose significant costs on the industry. Instead, the issues of pest and chemical residue should be managed directly through DAWE. |
| 38 | In relation to origin information, the Australian Government should note the potential use of a voluntary industry-based scheme, such as voluntary certification or a trademark arrangement similar to the NSW Flower Growers Group trademark as a possible lower cost alternative to mandatory regulation.   |

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**Consumer demand for origin information**


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| 39 | There is mixed evidence about whether consumer demands for origin information is changing. It appears most likely that for the wider population any change is incremental and difficult to detect in the period of time since the scheme was introduced. |
| 40 | A subset of consumers are more highly engaged about country of origin and are seeking more extensive and detailed information about the origin of all ingredients.   |

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**Pillar 3: Clarifying business' ability to make origin claims**


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**Safe harbour defences**


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| 41 | The inclusion of the safe harbour defences within the scheme is desirable and appropriate. The safe harbour defences are generally supported by industry stakeholders.   |
| 42 | Some industry stakeholders consider there is a need to revise some definitions associated with the safe harbour defences (in particular, substantial transformation) to ensure clarity and support ease of compliance.   |
| 43 | Clearer guidance and more detailed examples from the ACCC could assist in increasing businesses understanding of these safe harbour defences and support ease of compliance. However, the ACCC considers their guidance material already goes as far as it can based on the Information Standard and current case law. A stakeholder forum to ensure a shared understanding of the definition and interpretation of substantial transformation could be beneficial particularly if changes to the definition were to be pursued. |
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**Key findings of this evaluation**


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44	The definition of fruit and vegetable juice in the Information Standard is unclear and requires revision.
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45	The definition of origin claims related to fishing in the Information Standard is unclear and requires revision.
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**Compliance with CoOL requirements**


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46	Despite initial difficulties in implementing and complying with CoOL requirements in the transition period, there is reportedly a generally high level of business compliance with CoOL requirements for major supermarkets.
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47	However, there were some areas identified (in work undertaken by the NMI for the ACCC across 2018-19 and 2019-20) as having higher non-compliance rates. These include independent supermarkets and meat and seafood retailers.
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**Flexibility in managing variation in ingredients**


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48	In general, CoOL requirements do provide adequate flexibility for food and beverage producers to manage variations in the supply of ingredients when those variations are within a normal business-as-usual range.
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49	Major shocks present a significant challenge. COVID-19 resulted in supply chain disruption (as did bushfires for some businesses). While flexibility was provided in response to individual business inquiries, not all businesses were aware of where to seek assistance or the flexibility that was available.
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**Actions taken to address the impact of CoOL reforms**


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50	The impact of CoOL was broadly as expected.
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51	For certain industries (or sectors within industries) and for some large businesses – such as those with a high number of SKUs – the cost and complexity of CoOL implementation was greater than anticipated.
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52	In order to ensure compliance with the scheme, and as ingredients are subject to variation, businesses may provide a conservative estimate of the proportion of Australian ingredients. This may result in the amount of Australian sourced ingredients being underestimated.
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53	Implementation of the scheme was supported through a business advice line and other time limited supports.
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**Pillar 4: Impact on business**


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**Communication and online resources**


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**Key findings of this evaluation**


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54 In general, businesses have indicated that communication activities and online resources were effective in supporting businesses in understanding, implementing and managing CoOL requirements. Continued education and communication to businesses and consumers is important. More recently, communication material has not been prominent.

55 The examples provided by the regulator on the definition of 'substantial transformation' could be more detailed as a means of providing further guidance to industry, noting this is currently predominantly based on legislative and/or regulatory instruments.

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**Transition period**


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56 Most businesses indicated the two-year transition period was sufficient to implement the reforms in an efficient manner.

57 Certain businesses – including large retailers and businesses in the processed foods sector - stated that the two-year transition period was insufficient and resulted in significant package write-off and disposal costs. Businesses of this type suggested that a transition period of 4 years would be more appropriate for any future changes of a similar magnitude.

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**Cost to business**


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58 The realised costs to business varied significantly depending on the type and nature of the business. It does appear that the cost impact primarily coincided with the introduction of the scheme. For most businesses the ongoing cost of CoOL is reportedly very low. However, there has been an impact from recent disruptions to supply chains.

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**Benefits to business**


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59 Most food and beverage producers do not report benefiting from the increased provision of country of origin information to consumers. However, some businesses do report benefitting.

60 A more complete picture of industry benefit from CoOL will emerge once the scheme has operated over a more extended timeframe and consumer awareness and understanding is increased.

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**Lessons learned and improvement opportunities**


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61 A range of potential improvements has been identified. However, any improvements need to be considered in the context of the scheme's duration and with regard to overall benefit and cost. Changes to the scheme can be costly – particularly when first introduced - as they typically affect many products, businesses and consumers.

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Deloitte Access Economics Pty Ltd  
477 Collins Street  
Melbourne VIC  
3000  
Australia

Phone: (03) 9671 7000

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