



Australian Government
**Department of Industry,
Innovation and Science**

Seafood Origin Information Working Group Paper

Consumer access to seafood origin information in the
foodservices sector

June 2017

Purpose and Content of Working Group Paper

On 28 November 2016, during the debate on the *Competition and Consumer Amendment (Country of Origin) Bill 2016*, the Australian Government committed to convening a working group to consider options for improving consumer access to seafood origin information in the foodservices sector. Members of the working group are at Attachment A.

The foodservice sector encompasses businesses selling food to the public for immediate consumption, and generally includes restaurants, caterers, canteens, takeaways and other dining venues (cafes, pubs, clubs, bistros, hotels, motels, fish and chip shops).¹ Currently, nothing mandates the disclosure of origin information to foodservice consumers at point of sale.

The Hon Craig Laundy MP, Assistant Minister for Industry, Innovation and Science, is leading this work and will report back to Parliament in late 2017. This paper has been prepared to help inform working group deliberations, and participants are invited to discuss findings identified in this paper at the working group meeting on 5 July 2017, chaired by Assistant Minister Laundy.

The paper presents key findings on consumer access to seafood origin information, and how the seafood supply chain handles the flow of origin information. Consumers drive marketplace efficiency when they confidently purchase goods and services and stimulate competition — this encourages better services, more choice and competitive prices.² Consumers are confident purchasers when they feel empowered, including having access to information for informed purchasing decisions and knowing they have protections against unfair practices.³

Findings discussed in the paper include:

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Past seafood origin inquiries and frameworks for policy making

This paper takes into account submissions provided by the Australian Hotels Association, Fisheries Research and Development Corporation, Restaurant and Catering Industry Association, Seafood Importers Association of Australia, Sydney Fish Market, and the Northern Territory and Tasmanian

¹ This is consistent with the Australian Government's new Country of Origin Food Labelling Information Standard.

² Australian Consumer Law Review, 2016, *Issues Paper, March 2016*, Australian Government, p.4

³ Australian Consumer Law Review, 2016, (ibid footnote #1)

Seafood Industry Councils in response to Assistant Minister Laundry's letter of 7 February 2017. It also takes into account the following inquiries into food labelling and seafood industries:

- *Labelling Logic: Review of Food Labelling Law and Policy*, independent review of food labelling law and policy chaired by Dr. Neal Blewett in 2011;
- *Inquiry into the Current Requirements for Labelling of Seafood and Seafood Products* by the Senate Rural and Regional Affairs and Transport References Committee in 2014;
- *Inquiry into the Food Standards Amendment (Fish Labelling) Bill 2015* by the Senate Rural and Regional Affairs and Transport Legislation Committee in 2015;
- *Inquiry into Opportunities for Expanding Aquaculture in Northern Australia* by the Joint Select Committee on Northern Australia in 2016; and
- *Inquiry into Regulation of Australian Marine Fisheries and Aquaculture Sectors* by the Productivity Commission in 2016.

The Blewett Review (2011) and the Productivity Commission (2016) recommended against extending origin labelling to foodservice businesses⁴, while both the Senate Rural and Regional Affairs and Transport References Committee (2014) and the Joint Select Committee on Northern Australia (2016) supported extending origin labelling to seafood sold in the foodservices sector.⁵ The Government's responses to the Senate Rural and Regional Affairs and Transport References Committee and the Productivity Commission may be informed by this working group.

Three key frameworks are relevant for considering policies on consumer access to seafood origin information. The first is the *COAG Best Practice Regulation* framework⁶, which states:

- An important first step before considering any policy action is to examine whether there is a problem for which action is required;
- A range of feasible options should be considered, including self-regulatory, co-regulatory and non-regulatory approaches, before considering government action; and
- Government action should be effective and proportional to the problem being solved, and avoid 'overreaching' with impact beyond addressing the specific problem.

The second is the *Food Labelling Hierarchy*⁷, which identifies three tiers of government intervention in food labelling in descending order:

1. Consumer access to information posing direct, acute and immediate risks to health, where labelling for food safety purposes is initiated by governments often in the Food Standards Code.

⁴ Blewett, 2011, *Labelling Logic: Review of Food Labelling Law and Policy*, p.108; Productivity Commission, 2016, *Inquiry into Regulation of Australian Marine Fisheries and Aquaculture Sectors draft report*, p.232

⁵ Senate Rural and Regional Affairs and Transport References Committee, 2014, *Inquiry into the Current Requirements for Labelling of Seafood and Seafood Products* p.28; Joint Select Committee on Northern Australia, 2016, *Scaling Up: Inquiry into Opportunities for Expanding Aquaculture in Northern Australia*, p.113

⁶ Council of Australian Governments, 2007, *COAG Best Practice Regulation: A guide for Ministerial Councils and National Standard Setting Bodies*, p.4

⁷ The Food Labelling Hierarchy was agreed to by Australian, State and Territory Ministers in response to the 2011 review of food labelling law and policy, *Labelling Logic: Review of food Labelling Law and Policy* (often referred to as the 'Blewett Review'), p.40.

All food domestically produced or imported food for domestic consumption is required to comply with the Food Standards Code;

2. Consumer access to information posing indirect, long-term risks to population health (including chronic disease), where labelling for preventative health purposes may be initiated by governments or in tandem with industry (co-regulatory); and
3. Consumer access to information on matters of customer perceptions and ethical values, where labelling is generally determined by businesses in response to consumer demand.

The third is Australian Consumer Law (ACL), which plays an important role providing consumers with broad ranging protections in Australian trade and commerce. In general, ACL does not regulate specific practices and sectors unless there is unique consumer detriment unable to be addressed by the broad provisions of ACL. Altering ACL requires a thorough assessment of costs and benefits through extensive consultation as well as an examination of the role and effectiveness of existing regulation.

As part of ACL, the Government introduced the *Country of Origin Labelling Information Standard* in 2016 to give consumers clearer information on the origins of food sold through retail. The new Information Standard sought to balance consumer information needs and regulatory costs to businesses, with a focus on improving existing origin labelling rules, rather than extending the rules. The new Information Standard maintained the long-standing exclusion of the foodservice sector from mandatory origin labelling due to high costs to business.

1. Consumer Demand For Seafood Origin Information

Seafood is widely consumed in Australia, and there is evidence some consumers may be incorrectly assuming all seafood in the foodservice sector is Australian origin. However, these misperceptions do not appear to pose a risk to public health or consumer detriment, and there are commercial opportunities for businesses to increase consumer awareness about seafood origins through education and marketing. Interested consumers are also able to seek out origin information when it is not provided as a matter of course.

1.1 On average, Australians eat out two-to-three times a week.⁸ In 2016, seafood was Australia's third most popular cuisine when eating out.⁹ In 2014–15, domestic apparent seafood consumption was 14 kg per person and is expected to grow to 18.6 kg per person by 2020-21.¹⁰

1.2 As seafood consumption grows, consumers are seeking out more information to make informed purchasing decisions. While origin information is important, it is not consumers' only or top priority. Research conducted by the Fisheries Research and Development Corporation (FRDC) in the Northern Territory found freshness was overwhelmingly the most important factor consumers based their purchasing decision on, while origin was second.¹¹ Subsequent market research by Colmar Brunton¹² and the Australian Seafood Cooperative Research Centre (ASCRC)¹³ found consumers placed origin information in the top five factors influencing purchases, with freshness, how seafood is prepared (cooked), price and species found to be more important than origin information when purchasing seafood in restaurants, cafés or takeaways.¹⁴

1.3 Seafood industry stakeholders claim consumers are making incorrect assumptions about the origins of seafood purchased in Australia because consumers incorrectly perceive most seafood prepared in domestic foodservice is Australian origin. There is some evidence of this claim, with ASCRC research finding over 50 per cent of consumers assume the seafood they purchase is Australian origin, if not otherwise disclosed.¹⁵

1.4 It has been suggested that, due to these misperceptions, consumers do not even think to ask about origin, leading to a situation where *'consumers don't know, what they don't know.'* As a result, some stakeholders claim foodservice businesses are able to charge consumers the same price for cheaper imported seafood as they would charge for more expensive Australian seafood.

1.5 A key reason cited for consumer misperceptions is that imported rates of seafood is somewhat 'unique' compared to other major foodservice proteins such as beef, lamb and chicken (see Table 1). While nearly all domestic consumption of beef, lamb and chicken is Australian origin¹⁶, in contrast

⁸ Intermedia Group, 2017, *Eating out in Australia*, p.2

⁹ Intermedia Group, 2017, p.3 (ibid footnote #8)

¹⁰ Savage, 2015, *Australian fisheries and aquaculture statistics 2015*, Fisheries Research and Development Corporation project 2016-246. ABARES, p.2

¹¹ Calogeras, 2011, *tracking the impacts on seafood consumption at dining venues arising from Northern Territory's seafood labelling laws*, FRDC, p.22

¹² A report prepared for the Department of Industry and Science, conducted for the purposes of Country of Origin Labelling considerations for retail (Colmar Brunton, 2015, *Country of Origin Food Labelling Research*).

¹³ Lawley, 2015, *A Final Seafood Omnibus: Evaluating changes in Consumer attitudes and behaviours*, Project 2015/702, Australian Seafood Cooperative Research Centre, p.21

¹⁴ Australian Seafood Cooperative Research Centre, 2015, (ibid footnote #13)

¹⁵ Australian Seafood Cooperative Research Centre, 2015, p.21 (ibid footnote #13)

¹⁶ ABARES, 2016, *Agricultural commodity statistics 2016*. CC BY 3.0.

67 per cent of domestic seafood consumption and 50 per cent of domestic pork consumption is imported, exposing Australian seafood and pork-based products to greater import alternatives than consumers may be fully aware.¹⁷

Protein Source	Share of total domestic consumption
Seafood	67.0 %
Pork ¹⁸	50.0 %
Beef & veal	0.3 %
Lamb	0.0 %
Chicken	0.0 %

Table 1: Protein imports as a percentage share of total domestic consumption

1.6 Seafood industry stakeholders have called for mandatory seafood origin information to be provided to foodservice consumers to better inform purchasing and 'level the playing field' for local and overseas seafood producers. Foodservice establishments and seafood producers already have the ability to provide this information where they consider there is value to their business in promoting the origin of their seafood, and much competition appears to exist in the foodservice sector so that consumers can purchase from establishments that meet their purchasing preferences.

1.7 Some foodservice establishments voluntarily provide information to assist consumers make informed choices such as through the display of certifications on sustainability and origin. The Productivity Commission (PC), in its 2016 *Inquiry into Marine Fisheries and Aquaculture*, observed foodservice businesses have an incentive to provide origin information provided the cost of labelling/relabelling does not exceed the potential for higher profits with higher priced local seafood.

1.8 Inconsistent use of fish names, such as *barramundi*, has also been cited as driving incorrect origin assumptions by consumers. *Barramundi* is an Aboriginal name¹⁹ with Australian connotations. However, the barramundi fish species is found internationally throughout south-east Asia, where it is known among other names as Asian sea bass, giant perch or giant sea perch.²⁰ It has been suggested when consumers read *barramundi* on a menu they incorrectly assume the fish is Australian origin, when it could be an imported fish of the same species.

1.9 Introduction of the voluntary Australian Fish Names Standard (AFNS) in 2007 sought to improve product traceability and consumer confidence by establishing a common set of fish names to be used across the supply chain. Rather than origin labelling, some stakeholders have instead advocated for the AFNS to be mandatory, believing consistent and transparent use of fish names will enhance consumer purchasing information. The PC *Inquiry into Marine Fisheries and Aquaculture* observed existing voluntary arrangements for the AFNS were practical and proportionate to the

¹⁷ Savage 2015 (ibid footnote #10).

¹⁸ Imported pork to Australia is largely in the form of processed pork products such as ham, bacon and smallgoods.

¹⁹ Barramundi is believed to be an Aboriginal word initiated from the Rockhampton area meaning 'large scale river fish': *Barramundi Factsheet*, WA Government.

²⁰ Department of Fisheries, 2017, *Barramundi*, Western Australian Government

problems arising from the use of different fish names across Australia, and making the AFNS mandatory could create more confusion and associated costs.

1.10 Some seafood industry stakeholders consider consumers should have greater origin information because imported seafood may not meet the same high food safety standards as Australian seafood. However, analysis of food safety recalls in Australia found no evidence of greater food safety risks from imported seafood compared to Australian seafood.

1.11 Food Standards Australia New Zealand (FSANZ) advises of the 608 food recalls undertaken in the past 10 years, only 44 recalls (7%) were for fish and fish products.²¹ Of those 44 recalls, 17 recalls (38%) were imported products and 27 recalls (62%) were domestic products. Only 1 of the 17 recalls for imported products was a trade level recall²² which may have impacted the foodservice sector. On the other hand, more than half of the recalls for domestically produced fish and fish products were at the trade level, meaning they were likely sold via the foodservice sector.

1.12 Commercial opportunities exist for Australian seafood producers and foodservices businesses to change alleged misperceptions about seafood origins through consumer education and marketing, particularly if they are able to obtain higher consumer prices for Australian seafood. In the absence of food safety risks²³ or consumer detriment (two matters typically warranting government intervention in labelling), there would appear limited role for government in 'correcting' or 'changing' consumer values and perceptions. It tends to be the role of businesses to promote commercial attributes of products, such as origin, and to deliver products and services valued by consumers.

1.13 Although the Government's 2016 reforms to origin labelling directly concern foods for retail sale, the reforms may, in time, change any consumer misperceptions about imported seafood in Australia. As discerning retail consumers observe clearer origin information on seafood packaging and deli labels, they may become more aware of import rates and be more inclined to seek seafood origin information in foodservice purchases.

²¹ FSANZ, 2017, [food recall statistics](#)

²² A trade recall recovers food that has not been sold directly to consumers. It involves recovering the product from distribution centers and wholesalers, and may also include hospitals, restaurants or other catering establishments.

²³ The *Food Labelling Hierarchy* suggests government regulation of food labelling is most appropriate when there are public policy benefits to community health and wellbeing.

2. Availability Of Origin Information To Consumers And Along The Supply Chain

There is no current statutory requirement on foodservice businesses to disclose seafood origin information to consumers. However, the department understands businesses generally have transparent traceability avenues for seeking origin information if/when requested by customers.

2.1 Consumer access to information for confident purchasing decisions often relies on businesses' ability to cost-effectively obtain and make origin information available to consumers. Figure 1 illustrates the various food safety and consumer law provisions that influence the flow of origin information along the seafood supply chain. These are discussed in further detail below.



Figure 1: Origin traceability flow diagram: The Food Standards Code covers Fishing, aquaculture and processing, in Standard 3.2.2 and Standard 4.2.1; wholesale, foodservice and retail are covered by Standard by 3.2.2. Consumption of food and Country of Origin reforms is covered by Australian Consumer Law.

2.2 All food businesses in the seafood supply chain have a statutory obligation to be able to trace their product and to have a documented food recall plan in place (basic purchase and sales records). The requirement, commonly known as 'one step forward, one step back', enables any participant in the seafood supply chain to trace product(s) affected by a food safety incident through the supply chain and take corrective actions to minimise risks to public health and commerce. The supply chain is generally able to trace back to the specific fishery where the product was sourced, including details of the country responsible for managing the fishing region.

2.3 *Standard 3.2.2 Food Safety Practices and General Requirement* of the Food Standards Code places traceability requirements on all food businesses and food handlers, covering receipt, storage, processing, display, packaging, distribution disposal and recall of food. To facilitate traceability, *Standard 1.2.2 Food Information Requirements—food identification* also specifies labels must provide identifying details including: name of food; lot identification; and name and address of supplier.

2.4 In addition to *Standards 3.2.2* and *1.2.2*, *Standard 4.2.1 Primary Production and Processing Standard for Seafood* places additional traceability requirements on businesses engaged in the primary production and processing²⁴ of seafood. Namely, Standard 4.2.1 requires seafood business to maintain sufficient written records to identify the immediate supplier and immediate recipient of seafood for the purposes of ensuring the safety of the seafood.²⁵

2.5 Traceability obligations in the Food Standard Code are regulations designed to minimise food safety risks. Traceability **does not** place any obligation on the disclosure of origin information along the seafood supply chain. However, the flow of product information between businesses for traceability purposes nevertheless provides a practical basis and existing commercial relationship for businesses to seek origin information if/when consumer demand warrants.

2.6 When discerning consumers seek origin information, foodservice businesses should generally be able to obtain the information from suppliers, noting it may not always be as quickly and easily obtainable as some consumers may prefer. If a foodservice business wishes to declare the origin of its prepared seafood, they can generally obtain the origin information from their supplier. If seafood was delivered to them in packaging, the packaging may already display origin information; and if the seafood was delivered unpackaged they may need to request the origin information.

2.7 Part 3 of the *Country of Origin Labelling Information Standard* obliges sellers of seafood to make origin information available to purchasers (upon request) when that purchaser must comply with the new retail origin labelling requirements. For a wholesaler selling seafood products to both retail and foodservice customers, new Information Standard obligations may engender transparency of origin information for foodservice customers. With additional origin information statutorily required by retail customers, wholesalers should generally be able to volunteer it to foodservice customers too.

²⁴ The definition of 'processing of seafood' includes activities such as the killing, gutting, filleting, brining and shucking of seafood and the depuration of shellfish, [Clause 2\(2\) of Standard 4.2.1 in the Food Standards Code](#).

²⁵ Food Standards Australia New Zealand, [the Food Standards Code, Clause 11 of Standard 4.2.1](#)

3. Options For Consumers Seeking Seafood Origin Information

When origin information is not voluntarily disclosed, consumers are able ask foodservice staff for additional information or choose alternative meals. Although some consumers may experience difficulty or ambiguity obtaining origin information when staff must make enquires, the ACCC advises it receives negligible complaints about seafood origin information in foodservice. Australian Consumer Law prohibits foodservice businesses from making false or misleading origin claims.

3.1 A key factor in the provision of seafood origin information is the transaction between foodservice businesses and consumers. Of Australia's total seafood consumption (from both imported and domestic origins), 51 per cent is consumed via foodservice channels.²⁶ Menus, chalk boards, electronic displays and websites are common reference points for consumers seeking seafood origin information. If not voluntarily disclosed via these avenues, consumers are able ask for additional information from foodservice staff.

3.2 In some cases, staff should generally be able to obtain origin information either from packaging or enquiry with suppliers. However, as mentioned earlier, consumers may experience some frustration getting timely origin information if the business needs to make enquiries. In other cases, foodservice businesses may voluntarily draw consumer attention to the premium attributes of seafood, including its Australian origin.

3.3 Although the *Country of Origin Labelling Information Standard* in the ACL does not require foodservice businesses to disclose origin information, general ACL protections apply to foodservice purchases of seafood. Under ACL, foodservice businesses who choose to make origin claims, must not be false or misleading. If a foodservice business is silent on origin, consumers can always ask for the origin information, and again the foodservice business must not provide false or misleading information in its response. If not satisfied, consumers are able to purchase alternative dishes or seek alternative foodservice establishments. The onus is on the foodservice business to retain records of the origin, such as invoices it receives from the suppliers.

3.4 The Australian Competition and Consumer Commission (ACCC), and state and territory consumer regulators, which administer the ACL, advise they receive negligible complaints in relation to false or misleading claims about seafood origins in foodservice. Since 2012, there have been no complaints about false and misleading seafood origin claims in the foodservice sector.

3.5 State and Territory Food Safety Authorities also carry out surveillance of restaurants. State and Territory compliance statistics indicate that there are low number of complaints in relation to seafood origin claims. The Victorian Food Safety Authority has indicated that since 2012, it has received two complaints about quality, standard or origin of seafood in foodservice industry. In terms

²⁶ Spencer, 2016, *Understanding Food Markets Outside Retail- Part 1: What is Foodservice*, Rural Industries Research and Development Corporation, publication number 16/040, p. 16

of investigations, the NSW Food Authority has indicated that it can and does check the veracity of origin claims by tracing fish from sales, production and catch records, back to a specific vessel.

3.6 Discerning consumers seeking origin information can have confidence that existing ACL protections support the provision of accurate origin information, and that compliance activities are able to identify cases of false, misleading or deceptive conduct.

4. Impacts Of Seafood Origin Labelling For Businesses And Consumers

Foodservice is the most economically valuable part of the seafood supply chain. With 93 per cent of all foodservice businesses being small and non-employing businesses, any regulatory burden from labelling would be concentrated on smaller businesses. Australian seafood production is already trending towards selling premium products to export markets, rather than domestic consumption of commodity seafood products.

4.1 After catch or harvest, seafood is processed to varying degrees before being sold to wholesalers, and then into retail and foodservice channels for consumer purchase. The various flows of seafood to consumers is outlined in Figure 2. Further detail on individual parts of the supply chain (fishing and aquaculture, processing, wholesale, retail service and foodservice) is at Attachment B.

4.2 Upon comparing industry value-add (Figure 5), business counts (Figure 3), and employment (Figure 4) along the seafood supply chain, it can be seen foodservice is the significantly larger contributor to the Australian economy. Foodservice generates \$19 billion in industry value-add²⁷ while fisheries, processing, wholesale and retail generate \$1.4 billion.²⁸ There are over 70 300 foodservice businesses²⁹ compared to under 8 000 businesses in fisheries, processing, wholesalers and retail.³⁰ Foodservice employs nearly 600 000 people compared to 21 000 people in fisheries, processing, wholesale and retail.³¹

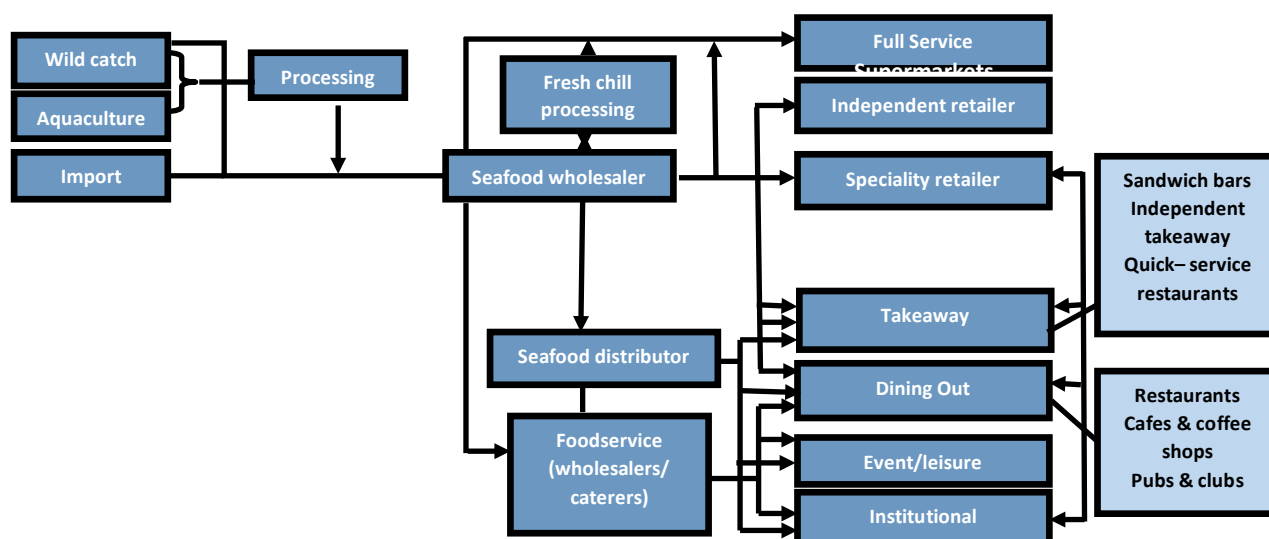


Figure 2: Seafood Supply Chain: After being caught or imported, seafood will either go directly to foodservice, or to a wholesaler and distributor and then to foodservice.

²⁷ 'Industry value-added' is the total value of goods and services produced by an industry, after deducting the cost of goods and services used in the process of production.
²⁸ IBIS World 2016/7, Industry Reports: *Fishing in Australia; Seafood Processing in Australia; Fish and Seafood Wholesaling in Australia; Seafood Retailing in Australia; Restaurants in Australia; Fast Food Services in Australia; Café and Coffee Shops in Australia*
²⁹ Foodservice includes domestic operators of pubs, bars and nightclubs; cafes and coffee shops; fast foodservice outlets and restaurants.
³⁰ IBIS World 2016/17 (ibid footnote #28)
³¹ IBIS World 2016/17 (ibid footnote #28)

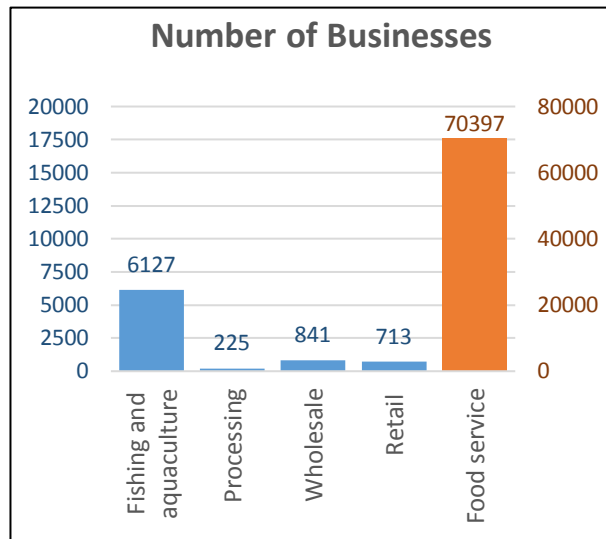


Figure 3 - Business counts by industry sector:

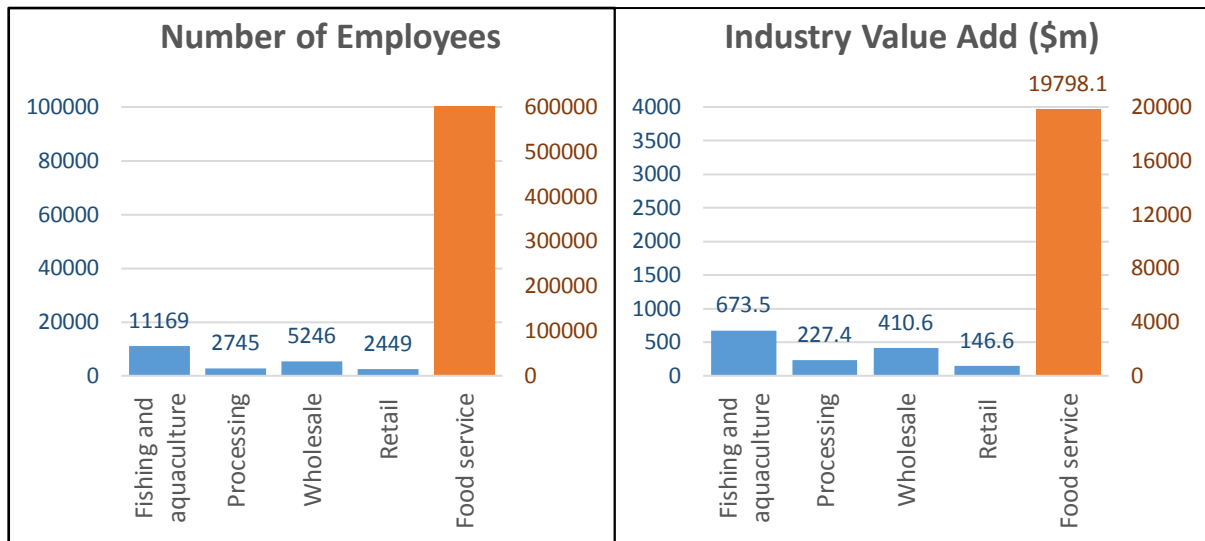


Figure 4- Employee numbers by industry sector Figure 5- Industry value add by industry sector

4.3 Consistent with input to past inquiries on seafood origin information, foodservice stakeholders claim compliance costs from mandatory origin labelling would be significant due to continually changing display information at various points of sale (menus/blackboards/screens), and this would be a significant cost to bear. The foodservice sector is likely to be sensitive to additional regulatory costs. Profit margins in the foodservice sector are consistently lower than the all industry average³², with operating profit before tax at 7.4 per cent of total income, compared to 10.9 per cent for all industries.³³

4.4 The compliance burden would depend on the nature of particular regulation. However, given the size of the foodservice sector, total costs from labelling regulation could be substantial and would fall most acutely on small businesses, with 93 per cent of all foodservice businesses being small and

³² Includes all industries with the exception of Insurance and Financial Services.
³³ Bankwest, 2017, *Food and Beverage Services Industry Report*

non-employed businesses.³⁴ There could also be negative impacts on upstream seafood production if regulatory burden led some foodservice businesses to remove seafood from menus in preference for other proteins. Regulatory burden that is unique and isolated to seafood risks putting the seafood supply chain at a cost disadvantage compared to other proteins like pork, chicken, lamb and beef.

4.5 In 2011, the Fisheries Research and Development Corporation (FRDC) reviewed NT dining establishments to assess the impact of NT seafood labelling laws. While venues noted the cost to implement labelling laws was highest initially following the legislation's introduction (as large expenditure items such as menu boards were updated), costs subsequently decreased with time. Venues also estimated on average the cost to implement labelling laws was \$630.³⁵ However, the composition of the foodservice sector in the NT is unlikely to reflect the foodservice sector nationally.

4.6 Some seafood producers claim regulating the disclosure of seafood origin information to foodservice consumers would deliver an economic benefit on the premise some consumers would switch to Australian seafood. However, the department observes economic growth in Australian seafood production is predominantly coming from export markets willing to pay more for premium produce, rather than incremental increases in domestic foodservice consumption of commodity seafood. Australian seafood production has been generally shifting towards premium products such as rock lobster, premium tuna species and abalone.³⁶

4.7 The Northern Territory Seafood Council advises there is an inverse relationship between imported seafood levels and foodservice type.³⁷ As illustrated in Table 2, import competition tends to be higher amongst lower-value seafood commodities in lower-value foodservice; while import competition decreases as the foodservice becomes more sophisticated (e.g. fine dining restaurants). As the foodservice type becomes more sophisticated, so too does demand for premium seafood and consumer willingness to pay prices.


³⁴ Australian Bureau of Statistics, 2017, *8165.0 Counts of Australian Businesses, including Entries and Exits, Jun 2012 to Jun 2016*

³⁵ Savage, 2015 (ibid footnote #10)

³⁶ Savage, 2015 (ibid footnote #10)

³⁷ Adapted from FRDC 2010/222, *A Study Of The Composition, Value And Utilisation of Imported Seafood In Australia*

Table 2- Relationship between foodservice transparency and origin

% of Imported (& unlabelled) seafood	Food service type ^w	Location	Type of fish fillet	Profit multiplier on cooked seafood*
 <p>High</p> <p>Low</p>	Low budget Institutions such as jails and cheap catering	Lower socio-economic areas which may include outlying suburbs of major metropolitan centres	Imported Basa	10
	Fish and chips, take aways and fast food outlets		Imported blue grenadier/hoki	
	Cafes, pub counter lunches, low price catering	Coastal regions (where local seafood is offered alongside imported)	Imported Nile Perch & cheap Aust/regional fillets in season	6
	Bistros, hotel dining rooms, ordinary Asian restaurants and sushi bars and mid price catering		Imported frozen barramundi fillet	
	Casual/informal "contemporary foods" or seafood restaurants,	Higher socio-economic areas such as inner city and high end regional and coastal tourist retreats	Mid price Australian fillet fresh or frozen	2.6
	Formal contemp./seafood restaurants, Japanese sushi bars and restaurants, and formal catering		Australian frozen wild barramundi fillet. Frozen imported coral trout	
Top end fine dining restaurants.		Fresh Tasmanian Atlantic salmon		
		Fresh Australian farmed barramundi fillet		
		Fresh Australian tuna or swordfish steak		
		Coral trout or farmed Murray cod (\$40 - 50 range)		

*Multiplier is the difference between cost and final sale price

4.8 Imported seafood sold into lower-value foodservice tends to be commodity products such as prepared or preserved fish, frozen fillets, frozen prawns and canned fish.³⁸ Frozen and thawed basa fish (catfish) of Vietnam is the most commonly eaten imported seafood since its low cost, white boneless flesh and neutral flavour make it an attractive option for Australian consumers.³⁹

4.9 Imports of lower-value seafood commodities is needed to fill the gap between consumer demand and available local supply.⁴⁰ This trend is expected to continue into the future. According to the Master Fish Merchants' Association of Australia, large levels of imported seafood to Australia is due to the nature of domestic fisheries which are high quality, high value but low volume due to the lack of major upwellings⁴¹ and naturally low nutrient levels in our waters which limit productivity.⁴²

4.10 The Department of Agriculture and Water Resources advises Australia's fisheries overall are already managed sustainably for optimum yield, with limited opportunities to increase wild catch unless new fisheries are developed for species that have limited markets today or are currently uneconomical to fish.⁴³ While Australian production of prawns, salmon, and some finfish such as barramundi have opportunities to grow via aquaculture, the growth is unlikely be of a scale that would fill the gap between domestic demand for lower value seafood products and available local supply.

³⁸ Department of Agriculture, 2015, *Australia's Seafood Trade*

³⁹ Department of Agriculture, 2015 (ibid footnote #38)

⁴⁰ Department of Agriculture, 2015 (ibid footnote #38)

⁴¹ Upwelling is a process in which deep, nutrient-rich, cold water rises towards the surface in oceans. Upwelling typically provides good fishing grounds.

⁴² Commonwealth of Australia 2014, *Current requirements for labelling of seafood and seafood products*, Senate Standing Committees on Rural and Regional Affairs Transport, final report, December, p.3

⁴³ Department of Agriculture, 2015 (ibid footnote #38)

5. Origin Labelling For Retail Versus Foodservice

The Australian Government's 2016 reforms to origin labelling were specifically designed to address consumer information asymmetry unique to retail purchases of food. This same origin labelling is unlikely to be appropriate in foodservice, since consumers are less dependent on labels for product information and foodservice businesses deal with day-to-day variability in food preparation.

5.1 In 2016, the Government introduced significant reforms to Australia's existing food origin labelling framework. The reforms were designed to give consumers access to clearer origin information for retail food purchasing decisions, and were developed in response to evidence consumers found existing food origin labels confusing, hard to find and sometimes misleading.

5.2 The new labels (kangaroo, bar chart and text description) deliver clearer information on Australian ingredients in food products to alleviate circumstances in retail where consumers have limited transparency and opportunity to clarify food origin information. The new labels now enable consumers to easily compare origin information across various products sold on supermarket shelves. Further detail on recent reforms to origin labelling is at Attachment C.

5.3 Australia's food origin labelling expressly addresses consumer information asymmetry⁴⁴ present in retail purchasing. In retail—where food production, purchasing and consumption generally take place separately—consumers often depend on labels for product information. Without clear label information, consumers have limited avenues for obtaining food origin information in retail.

5.4 Under the 2016 reforms, the Government maintained the long-standing exclusion of the foodservice sector from mandatory origin labelling. The Government observed the new labelling requirements for retail were not suited to foodservice and would impose significant costs. Unlike mass-production of uniform products for retail distribution, foodservice businesses deal with greater day-to-day variability in ingredient sourcing and customising meals to consumers. The mandatory labels for retail packaging were also deemed inappropriate for menus in foodservice establishments.

5.5 The Government also observed foodservice consumers, compared to retail consumers, have less dependency on labels for addressing information asymmetry. In foodservice—where production and consumption generally take place together—interested consumers are able to enquire about origin information with wait staff, chefs, cooks, and proprietors directly responsible for preparing meals, sourcing ingredients and delivering customer service.

5.6 The exclusion of foodservice from existing mandatory origin labelling **does not** indicate the Government considers origin information unimportant in foodservice. Rather, it reflects there may be more cost effective ways for ensuring the provision of origin information to consumers in the foodservices sector where consumer information barriers are different to retail.

⁴⁴ Information asymmetry, sometimes referred to as information failure, is present whenever one party to an economic transaction possesses greater material knowledge than the other party. This often occurs when the seller of a good or service has greater knowledge than the buyer does.

6. Existing State, Territory and Industry Approaches To Origin Information

The NT Government has had seafood origin labelling requirements for foodservice since 2008, and the NSW Government is consulting on options for NSW. Industry-led avenues for improving consumer awareness about seafood origins may also be possible through Seafood Industry Australia (recently established with support from the Australian Government) and the Fisheries Research and Development Corporation (being enabled through new legislation to enhance its marketing).

6.1 State and Territory governments are able to, and have, introduced regulation to improve consumer access to seafood origin information in the foodservice sector. The Northern Territory and New South Wales governments have pursued labelling regulations, linking policies to supporting local fisheries and promoting local tourism alongside dining.

Northern Territory (NT)

6.2 Since November 2008, the NT Government has had a licence condition requiring imported seafood prepared for immediate consumption to be labelled as 'imported'. The seafood labelling requirement applies to restaurants and other dining venues (cafes, bistros, hotels, motels, fish and chip shops as well as delicatessens in supermarkets.⁴⁵ The NT Government did not undertake a Regulatory Impact Statement (RIS) prior to implementing the licence condition.

6.3 The *NT Fisheries Act 1979* states that the Director of Fisheries may grant a license subject to a number of conditions such as area, species or any other matter the Director considers appropriate.⁴⁶ One of the conditions for Fish Retail Licensees is for all seafood advertised for sale for public consumption (cooked and raw), harvested outside of Australia, to be accompanied with a statement declaring it is imported. The Water Police section of the NT Police enforce compliance⁴⁷, including onshore inspection of businesses to ensure the imported fish they sell is labelled.

6.4 'Advertised for sale' includes being on menus, menu boards, brochures, pamphlets and related material. The NT Department of Primary Industries and Fisheries (DPIF) explains the NT's approach is to make labelling requirements simple to understand for both retailers and consumers, as well as cost-effective to implement.⁴⁸ NT's approach is based on the premise that, by default, unlabelled seafood is Australian origin, reflecting consumers' expectations they were purchasing locally caught fish.

6.5 Where mixed seafood dishes are advertised for sale, if any of the seafood products are not harvested in Australia, they must be identified as 'contains imported seafood products'. The statement regarding the imported product must be no less than 65 per cent of the height of the characters used in the title of the fish, aquatic life or mixed seafood product that is advertised for sale.

⁴⁵ Part 2, Division 2, Section 16 & 17, The Australian Government's new *Country of Origin Food Labelling Information Standard* will apply simultaneously to delicatessens in supermarkets

⁴⁶ NT Fisheries Act, 2008, [Section 14\(1\)\(k\)](#)

⁴⁷ The NT Fisheries Act, 2008, states that every police officer is a Fisheries Officer (Sub-section 7(3)). The powers of Fisheries Officers are at Division 2 of the Act, including powers of entry and examination to enable enforcement of the Act.

⁴⁸ NTSC, 2014, [Submission to the Rural and Regional Affairs and Transport References Committee's Report on Current Requirements for Labelling of Seafood and Seafood Products](#), p.16

6.6 The FRDC's report titled *Tracking the Impacts on Seafood Consumption at Dining Venues Arising from Northern Territory's Seafood Labelling Laws* showed the source of seafood has not changed dramatically as a result of the labelling laws, but there has been a drop in the use of imported product provided by seafood wholesale suppliers to fish retailers.⁴⁹

6.7 The report also revealed concerns from the sector about having to update and change menus/special boards due to local supply issues, and the need for the ongoing training of staff. The foodservice sector in Darwin has considerable staff turnover and consequently ongoing staff education⁵⁰ on the labelling laws is required to retain knowledge within businesses.

6.8 Some stakeholders have commented consumers are willing to pay premium prices to access Australian seafood. Under the NT licence system, consumers have been shown to prefer local NT seafood over Australian seafood, which is in turn preferred over imports.⁵¹

New South Wales (NSW)

6.9 On 31 May 2016, the NSW Minister for Primary Industries, Regional Water and Trade and Industry, Mr Niall Blair, announced measures to support the NSW seafood industry by promoting its locally sourced products all the way through to diners' menus. Mr Blair said the NSW Government will work closely with fishing, catering industries and retailers on how origin labelling scheme could operate in NSW. Further detail on the NSW Government's approach is under consultation.

6.10 The NSW Government will also invest \$400 000 as part of a campaign to promote the NSW's \$90 million industry to consumers and communities and will include local 'meet a fisherman' events, seafood BBQs and also funding people to get certified through Oceanwatch's Master Fisher Program.

Fisheries Research and Development Corporation (FRDC)

6.11 Out of the 15 Rural Research and Development Corporations (RDCs), five are statutory corporations or authorities owned by the Commonwealth and established under legislation, one of which is the FRDC. The remainder are industry-owned, not-for-profit companies. Funding for the RDCs combines contributions from industry, usually collected as levies on production, and funding from the Australian Government. The Government only provides funding for research, development and adoption activities, and the functions needed to support the research investment program. Everything else is fully-funded by industry.

6.12 Currently, statutory RDCs are able to undertake marketing activities, but only from statutory levies with a marketing component. This requirement was a means of ensuring widespread support

⁴⁹ Calogeras et. al., 2011 (Ibid footnote #11)

⁵⁰ Calogeras et. al., 2011 (Ibid footnote #11)

⁵¹ NTSC, 2014, Submission to the Rural and Regional Affairs and Transport References Committee's Report on Current requirements for labelling of seafood and seafood products, December

from industry before an RDC initiated any marketing activities. Further, marketing activities cannot be undertaken based on voluntary contributions from industry.

6.13 The *Primary Industries Research and Development Amendment Bill 2017* was introduced into the House of Representatives on 29 March 2017, to enable statutory RDCs, including the FRDC, to conduct marketing activities from voluntary contributions. It is anticipated the Bill will be debated and passed during the spring sittings.

6.14 With the passage of the Bill, the FRDC may have capacity to undertake future marketing activities on behalf of the seafood sector. This work could complement the work of the recently established Seafood Industry Australia, discussed in more detail below.

Seafood Industry Australia (SIA)

6.15 Industry representation is highly fragmented across the seafood supply chain with various organisations advocating for different segments depending on species, geographic locale, market focus, premium standards etc. The Northern Territory Seafood Council (NTSC) highlighted numerous examples of small local targeted marketing campaigns at Attachment D. Until recently, there was no single national body representing the entire seafood supply chain.

6.16 On 9 June 2017, Senator the Hon Anne Ruston, Assistant Minister for Agriculture and Water Resources, launched SIA as a new national peak body for the seafood industry. SIA was established with \$535,000 in funding support from the Australian Government,⁵² and brings together experts in wild-catch, aquaculture, post-harvest seafood, retailers and exporters to focus on key activities:

- be a national industry voice;
- be a marketing and communication hub; and
- remove obstacles to sustainable growth which includes reference to origin labelling.⁵³

6.17 While SIA is still in its start-up phase, SIA could in time play a role strategising seafood marketing campaigns for domestic and international markets aimed at increasing consumption and community awareness.⁵⁴ For the seafood industry, SIA is an industry-led opportunity to penetrate the consumer market with greater effectiveness than smaller campaigns trialled across the industry. SIA may be able to leverage the experiences of existing industry-led RDCs, which employ marketing campaigns to proactively promote their respective industries.

6.18 For example, Australian Pork Limited's '*Get Some Pork on Your Fork*' campaign has been effective in promoting pork as a true centre of plate meal alternative for domestic consumers.⁵⁵ Pork,

⁵² Commonwealth of Australia, 2017, *Media Release: Minister welcomes new national seafood industry body, Senator the Hon. Anne Ruston*

⁵³ Seafood Industry Australia, 2016, *Seafood Industry Australia Prospectus*

⁵⁴ Seafood Industry Australia, 2016 (ibid footnote #53)

⁵⁵ Australian Pork Limited, 2016, *Annual Operating Plan Summary 2015/16*

like seafood, faces significant import competition for its share of domestic consumption, and Australian Pork Limited has responded to market opportunities.

6.19 Meat and Livestock Australia (MLA), another industry-led RDC with a strong consumer focus, is well known for its *'You're Better on Beef'* and annual *'We Love Lamb'* campaigns. The 2016 *'We Love Lamb'* campaign was the most successful of MLA's advertising campaigns, and saw lamb sales increase by 39.5 per cent in the week of Australia Day and 36.9 per cent across the two week campaign period.⁵⁶ The purpose of the campaign was to drive up sales of lamb targeting the consumer as the primary source of demand.

6.20 While SIA has less funding than the more established RDCs such as MLA, similar consumer marketing and promotional approaches could be successful for the seafood industry, given representations from seafood industry suggesting consumers are making incorrect assumptions about the origins of seafood sold in foodservice.

6.21 The FRDC has indicated it is looking forward to working with the SIA in supporting and promoting Australia's seafood industry.⁵⁷ The capacity for the FRDC to work with the SIA on any promotional approaches is also likely to be enhanced following the proposed legislative changes to enable voluntary industry contributions to the FRDC to be used for marketing.

Australian Fish Names Standard (AFNS)

6.22 Introduced in 2007, the AFNS provides guidance on standard fish names for each species of fish produced or traded in Australia. It includes over 4 000 Australian and imported species. The standard specifies:

- fish sold to consumers (e.g. retail sales and restaurants) must be identified by their standard fish name; and
- fish sold other than directly to consumers (e.g. wholesale, export, import) must be identified by their standard fish name or scientific name.

6.23 Currently, the AFNS is voluntary in nature and is already being adopted by some in industry. For example, in 2008 the Sydney Fish Market and a group of its retailers became the first companies in Australia to be AFNS certified.

6.24 In 2014, the Senate Standing Committee of Rural and Regional Affairs and Transport's report on *'Current requirements for labelling seafood and seafood products'* recognised the importance of a universally applied standard in relation to fish names. The Committee advised any steps to mandate

⁵⁶ MLA, 2016, *MLA's 2016 Australia Day Lamb advertising campaign most successful on record*

⁵⁷ FRDC, 2017, *Australia's seafood industry celebrates the launch of new peak body*

the use of the AFNS should be accompanied by an extensive education and awareness-raising campaign targeted at the industry as well as consumers to ensure a uniform application across Australia.⁵⁸

⁵⁸ Senate Standing Committee of Rural and Regional Affairs and Transport, 2014, *Current requirements for labelling seafood and seafood products, Report - December*, p.29-30

Members of the working group

- The Hon Craig Laundy MP, Assistant Minister for Industry, Innovation and Science (Chair)
- Ms Terry Moore, Department of Industry, Innovation and Science
- Mr Stephen Ferguson, Australian Hotels Association
- Dr Patrick Hone, Fisheries Research & Development Corporation
- Ms Katherine Winchester, Northern Territory Seafood Council
- Ms Tricia Beatty, Professional Fisherman's Association
- Mr John Hart, Restaurant and Catering Australia
- Mr Mark Boulder, Seafood Importers Association of Australia
- Ms Veronica Papacosta, Seafood Industry Australia
- Ms Stephanie Williams, Sydney Fish Market
- Mr Julian Harrington, Tasmanian Seafood Industry Council

Further detail on individual parts of the seafood supply chain from catch to consumer
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Fishing and Aquaculture

Australia's domestic seafood catch comes from a combination of wild capture and aquaculture sources. In 2015-16, there were approximately 6,127 fishing and aquaculture businesses in Australia, employing 11,169 people and generating \$674 million in industry value-add.⁵⁹ The majority of fishing businesses operate as either sole proprietors or small firms employing less than 20 staff⁶⁰ with employees hired largely on a part-time or casual basis, due to fishing seasonality. For the aquaculture sector, the four largest players (including Tassal Group Limited and Huon Aquaculture Group) are estimated to account for over 45 per cent of industry revenue.⁶¹ Small firms dominate the remaining highly fragmented sector.

Processing

Following catch or harvest, seafood is processed to a varying extent before being sold to wholesalers, retailers, and foodservice. In 2015-16, there were 225 seafood processors operating in Australia, generating \$227 million in industry value-add.⁶² The top four operators (including Tassal Group Limited and Huon Aquaculture Group) account for approximately 50 per cent of industry revenue⁶³ with the remainder of the industry comprised largely of small to medium-size enterprises (SMEs) who do not have the scope or scale to compete with the major operators. Approximately 80 per cent of seafood processors are sole proprietors or small firms employing less than 20 staff.⁶⁴ In 2015-16, the industry employed approximately 2,745 people.⁶⁵

Wholesale

Seafood wholesalers' purchase and on-sell seafood products to distributors, retailers, and foodservice outlets based on customer demand and product availability. In 2015-16, there were 841 seafood wholesalers operating in Australia, generating \$410 million in industry value-add.⁶⁶ The sector is highly fragmented with no one-player commanding significant market share. Over 90 per cent of seafood wholesalers are SMEs or sole proprietors. Sydney Fish Market Pty Ltd is one of the larger wholesale players, yet only accounts for 3.4 per cent market share⁶⁷. In 2015-16, the industry employed approximately 5,200 people.⁶⁸

⁵⁹ IBIS World, 2016, *Industry Reports – Aquaculture in Australia; Fishing in Australia*

⁶⁰ IBIS World, 2016 (Ibid footnote #60, p.18)

⁶¹ IBIS World, 2016 (Ibid footnote #60, p.20)

⁶² IBIS World, 2017, *Industry Reports – Seafood Processing in Australia*, May

⁶³ IBIS World, 2017 (Ibid footnote #63, p.34)

⁶⁴ IBIS World, 2017 (Ibid footnote #63, p.34)

⁶⁵ IBIS World, 2017 (Ibid footnote #63, p.34)

⁶⁶ IBIS World, 2017, *Industry Reports – Fish and Seafood Wholesaling in Australia*, January

⁶⁷ IBIS World, 2017 (Ibid footnote #65, p.26)

⁶⁸ IBIS World, 2017 (Ibid footnote #65, p.26)

Retail

Similar to wholesaling, seafood retailers exhibit a low level of market concentration and compete on the basis of price, product quality, range, customer service and store location. In 2015-16, there were 713 seafood retailers operating in Australia, generating \$146 million in industry value-add⁶⁹. Seafood retailers also often compete with larger full service supermarkets who through economies of scale can provide cheaper products to consumers. In 2015-16 the industry employed approximately 2,400 people.⁷⁰

Foodservice

Seafood sold outside retail markets makes its way into foodservice channels. In 2015-16, there were over 70,300 foodservice outlets operating as pubs, bars and nightclubs; cafes and coffee shops; fast foodservice outlets and restaurants throughout Australia.⁷¹ Combined these industries employ over 593,000 people, and generate over \$19 billion in industry value add.⁷² Industry employment is driven largely by demand for casual positions and flexible working arrangements.

⁶⁹ IBIS World, 2016, *Industry Reports – Seafood Retailing in Australia*, September p.25

⁷⁰ IBIS World, 2017 (Ibid footnote #68)

⁷¹ IBIS World, 2017, *Industry Reports- Restaurants in Australia; Fast Food Services in Australia; Café and Coffee Shops in Australia*

⁷² IBIS World, 2017 (Ibid footnote #71)

Further information on the 2016 reforms to origin labelling of food products offered for retail sale

The Australian Government established mandatory origin labelling in the 1990s to ensure consumers access to a products origin information. The 2016 reforms by the Government sought to improve limitations in existing food origin labelling. The new labels are making origin information clearer in response to evidence that consumers found existing origin labels confusing, hard to find and sometimes misleading. For instance, sometimes ‘made in’ claims did not clearly indicate the origin of ingredients and failed to meet reasonable consumer expectations for a product being ‘made’ in Australia.

The new country of origin labels for most food grown, produced or made in Australia will include new standard statements, the well-known kangaroo in a triangle symbol and a bar chart that is easily identifiable. ‘Packed in’ claims and imported food will also be easier to recognise. Labels will be in an easy to find box. See Figure 6 for examples of the new label. The labels are impractical for menus and boards in restaurants.



Figure 6- Various CoOL examples

A scheduled review of the reforms in 2020, two years after the start of the mandatory application of the Information Standard, will cover the scope of the CoOL Reforms and their effectiveness in meeting their objectives. It will also consider their impacts, including any unintended consequences arising from their implementation.

Application of CoOL to seafood in a retail setting

Research has shown that consumer concern about country of origin varies across food categories and accordingly, the Information Standard, applies differently to food depending on within which category the food belongs. There are two broad categories for the purposes of the Information Standard – priority and non-priority. The Information Standard applies lesser country of origin labelling requirements for foods which Australian consumers are least concerned about origin information, for example, confectionary. Conversely, the Information Standard applies greater country of origin labelling requirements for foods which Australian consumers are most concerned about origin information. Seafood would fall within the priority category.

In addition to different labelling requirements depending on whether the food is priority or non-priority, labelling requirements differ depending on whether it is:

- grown, produced or made in Australia;
- packaged in Australia;
- grown, produced or made in another country;
- packaged in another country.

List of examples in the NTSC submission to improve customer access to information on the origins of seafood

- Austral Fisheries
- Marine Produce
- TomKat Line Fish
- Pitliangas Food Group
- “That’s Wild!”
- Australian farmed Barramundi sector
- Love Australian Prawns Campaign (2014 – Current)
- Paul’s on Parade, South Australia
- Sweetlips, Western Australia