

**ECONOMICS AND INDUSTRY  
STANDING COMMITTEE**

**INQUIRY INTO THE PRODUCTION AND MARKETING  
OF FOODSTUFFS**

**SESSION ONE**

**TRANSCRIPT OF EVIDENCE TAKEN  
AT PERTH  
WEDNESDAY, 12 OCTOBER 2005**

**Members**

**Ms J.A. Radisich (Chairman)  
Mr G.A. Woodhams (Deputy Chairman)  
Mr T.R. Buswell  
Mr M.P. Murray  
Mr D.A. Templeman**

**Co-opted Members**

**Mr P.D. Omodei  
Mr D.T. Redman**

**Hearing commenced at 9.59 am**

**FERNANDES, MS NICOLE**  
**Food Integrity Manager,**  
**Department of Agriculture,**  
**3 Baron-Hay Court,**  
**South Perth 6151, examined -**

**CLARKE, MR STUART GRANT**  
**Acting Executive Director, Food and Trade Development,**  
**Department of Agriculture,**  
**3 Baron-Hay Court,**  
**South Perth 6151, examined -**

**KELLY, MS VALERIE**  
**Trade Policy Analyst and Business Development Manager, Food and Development,**  
**Department of Agriculture,**  
**3 Baron-Hay Court,**  
**South Perth 6151, examined -**

**SHARPE, MR CHRISTOPHER RAYMOND**  
**Senior Chemical Adviser,**  
**Department of Agriculture,**  
**3 Baron-Hay Court,**  
**South Perth 6151, examined -**

**The CHAIRMAN:** Have you completed the “Details of Witness” forms and do you understand the notes attached to them?

**The Witnesses:** Yes.

**The CHAIRMAN:** Did you receive and read an information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

**The Witnesses:** Yes.

**The CHAIRMAN:** We have received your submission. Thank you for that. Are there any amendments that you wish to propose before we commence our discussion?

**Mr Clarke:** Not at this stage.

**The CHAIRMAN:** Do you wish to make a statement prior to our formal discussion?

**Mr Clarke:** Perhaps an introduction. The work we are doing at the Department of Agriculture in the food and trade development division cuts across many of the issues that the committee is looking at. That is why we gathered together a comprehensive submission. We are also working with the Department of Health and the Department of Industry and Resources to put together the formal response to the submission that the Minister for Agriculture and the Minister for Health are required to make to Parliament. That is in process at the moment.

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**The CHAIRMAN:** We have received advice from the Minister for Health that things are on track for the response within the 90-day period. Is that how you see it from the Department of Agriculture's point of view?

**Mr Clarke:** Certainly, yes. We have had a number of meetings with the Department of Health. We will get together early next week with the Department of Industry and Resources as well. They are keen to be part of the submission.

I think the relationship between the three agencies is improving at an operational level every week. The country of origin labelling issue has certainly -

**The CHAIRMAN:** Brought you together.

**Mr Clarke:** - brought us together, shall we say. In the food industry it is a little unusual because there are so many departments and agencies, state and federal, that have an influence upon the food industry. It is something we are working on in terms of creating a more formal collaboration between those agencies at a state level. The directors general of the three main organisations are going to be getting together fairly shortly based on an options paper that we have put together already from the department. It was circulated to the Department of Health and DOIR. In lots of ways, the collaboration between agencies is improving. It can only improve further.

**The CHAIRMAN:** I think that is good news. A whole-of-government approach is definitely welcome in this particular matter.

Would you mind giving us a summary or focus on those parts of the submission that are most relevant for our benefit? That would be appreciated. We have some questions of a more detailed nature. Perhaps we could take an overview first. That would be helpful.

**Mr Clarke:** In the first instance, it is particularly encouraging that the government saw fit to undertake this inquiry. From what we see, the food industry is under several pressures, international and local. Some of the terms of reference are right on the money with the kinds of pressures that the industry is facing. It is timely, I have to say. From our perspective, the pressures that the industry is facing need to be addressed with industry. We have been engaging fairly intensely with industry since the inquiry began in June. We have come up with a food industry strategy concept for better engagement with industry. It is not only a better collaboration between government agencies, but it is also a better collaboration between government and industry that we are looking to create. At an association level the industry itself also sees a need to address these kinds of issues collaboratively and collectively. They do not see themselves as lone voices; certainly not across the country either. They have certain allies across the country that are also facing the same pressures. From the Department of Agriculture's perspective - I will speak quite distinctly from that perspective from now on - it has seen itself for many years as needing to become more involved in the whole supply chain. We have tried to bring that message to industry. Industry itself needs to be better informed in the supply chain.

[10.06 am]

The department has many different roles, from the scientific to a very strong research role. It has a technical role, represented by Chris today. It also has a policy perspective and it provides an industry development service. A lot of what our food and trade development division provides is that industry development service. It is from those various perspectives that the Department of Agriculture is contributing to the committee's work today.

I will refer to the main message in each of the areas. Firstly, the market power issue: as we have mentioned in the submission, we provided a submission to the Australian Competition and Consumer Commission. It is critical to the development of the food industry to work out how government should interact and influence to some extent the power relationships between players in the supply chain. I say that from the perspective of developing the food manufacturing industry on the growers' side, given that they bear the brunt of the market power. The players further up the

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chain certainly have a lot of market power and the submission to the ACCC mentioned that - the distinction between the retail sectors and the various players within the retail area. We consider the two largest retailers as landlords of shelf space. I say that very deliberately.

**The CHAIRMAN:** That is an excellent description.

**Mr Clarke:** When you think of how landlord and tenant relationships are treated in other industries, in the property industry for instance, it is something that the government has a lot of involvement in because there are great opportunities for abuse of market power in that relationship with such an imbalance of power between the two groups of players. From that perspective, I think there is a lot that government can do to be involved. We do not advocate getting involved in that relationship to the detriment of good business, but when it comes down to bad business and business that does not encourage innovation, productivity or growth in the food industry, that is something - and we see all of those things - that the government should be very concerned about and should be involved in.

They are my opening comments about the market power issue. Valerie has worked on a number of other parts of the submission - the survey, for instance, and other aspects where we could go into more detail. That is my opening comment.

I will now refer to country-of-origin labelling. The public is interested in that area. It shows that the members of the public have a large amount of concern about where their food comes from. The media campaign simply highlighted that and tapped into it. The country-of-origin labelling legislative process through FSANZ has been something of a painful exercise, trying to move and influence a bureaucracy that is based on a certain view. It is a microbiological view, a food safety view, and for country-of-origin labelling issues it has many more implications about industry development and how a legislative system, such as country-of-origin labelling and the mandatory regulation of that, can influence and assist industry development. Our growers see themselves as being unfairly done by to be providing certain testing and information about their product that is not required for the imported product - and there is a distinct difference between the requirements. That is an issue, for sure. It is an issue for industry development of the local industry.

**The CHAIRMAN:** Without necessarily pre-empting the Department of Agriculture's response to our interim report, do you want to make any comments that you feel it is appropriate to make on the basis of what we recommended and tabled in the Parliament?

**Mr Clarke:** I will take this from the bottom up. I will deal first with the state-of-origin recommendations that were made and the view that there was not a necessity for a legislated state-of-origin system. That is an agreement we have from the Department of Agriculture's perspective. Taking a mechanical view across government - that is one of the questions I was going to ask - the view that there would be a need for a New South Wales food authority model to be created in Western Australia is interesting. I am interested to hear your views about where that came from and why you put that up as a model.

**The CHAIRMAN:** It was mainly because it exists in all the other states except Western Australia. We thought it would be a good way to bring together all of the aspects from a technical point of view, whether it is pesticide at the growing level or some parts of the role that industry and resources play with marketing, and everything that you do in between. We thought we needed a bit of a one-stop food shop within government.

**Mr Clarke:** True. Perhaps we could go a bit further with that. The one-stop food shop in the other states is a food regulatory shop. It does not include the other aspects, such as marketing, that the Department of Industry and Resources has in that regulatory shop, for the good reasons of distinguishing the roles. There is a clear need for better coordination of the regulatory functions, and there are several of them and they are spread across several agencies in Western Australia, including local government. The efficiency of having the one-stop regulatory food shop is

attractive, for sure. I am not sure that it fits with the philosophy at the moment, particularly after the Hicks review outlining fewer agencies rather than more, to set up a new statutory authority.

**The CHAIRMAN:** What are the mechanics within the department? Do you think it is viable for there to be a division within the Department of Agriculture to be responsible for that food regulatory body?

**Mr Clarke:** The Department of Health at the moment actually has the skill and the mechanics within it, as well as the legislative power, to do what is needed for food safety, particularly with the introduction of the new food bill. I do not agree that the Department of Agriculture would take that food safety role and do it well with its current structure, to be honest. The Department of Health has a greater depth and a greater history, and it is not something that we would advocate.

**The CHAIRMAN:** So the response that you will give to us, through your minister in Parliament, will be a joint response?

**Mr Clarke:** We are aiming for it to be, yes. That is why we are collaborating with the Department of Health. It will go through both ministers for a sign-off to make sure they are both happy with that joint response.

**The CHAIRMAN:** The last thing we want is for you to say that you do not want it and for the Department of Health to say it does not want it.

[10.15 am]

**Mr Clarke:** Yes. That is where the debate is currently going between the two departments - the Department of Health and the Department of Agriculture - and how we go about better arranging ourselves and better providing a regulatory system. As you have clearly identified, other states have different systems and have a one-stop regulatory shop. It is our responsibility, now that you have recommended that, to investigate that a bit further and see how it relates to Western Australia.

**The CHAIRMAN:** Do you think one of those other states has the best practice model in this area?

**Mr Clarke:** I could not say. I will not go that far. We will need to investigate it to see whether they have a better arrangement than we have and how we can implement it, particularly in view of our relationship with local government, in which it conducts the on-the-ground enforcement of food safety standards.

**The CHAIRMAN:** Do you think there is any scope to change the role of local government?

**Mr Clarke:** In what way?

**The CHAIRMAN:** I am veering away from food safety now, but in terms of the theoretical role of the environmental health officers in relation to things such as monitoring country of origin labelling - which I do not think anyone realised was part of its role, but we have discovered that it is. Is that something that should be changed, or do you think it is reasonable for that to stay in place?

**Mr Clarke:** Certainly having a local connection and local knowledge, and having a regional sphere of responsibility, has certain advantages for environmental health officers. The fact that it is based under local government also has advantages. The disadvantage is the once-removed nature of it, because the fact that it is a separate agency from the Department of Health creates opportunities for things to fall between the gaps, as we have found. If that could be tightened up, then yes, it could work better.

**The CHAIRMAN:** We will now turn to some of the points that you have raised in your submission.

**Mr G.A. WOODHAMS:** I do not know exactly where the department might fit in, but the FreshTest program is an initiative of the Australian fruit and vegetable growers. They run 104 tests on locally-grown produce, compared with the 23 tests that AQIS conducts. We are talking about imported produce in many senses in this inquiry. Would it be worthwhile comparing apples with

apples, if you like, and requiring AQIS to do those 104 tests? The local growers have identified that there are 104 areas of concern for them, and they are prepared to fund that themselves, as I understand it. Would it be worth putting a bit of acid on AQIS and saying how about doing the same thing?

**Mr Sharpe:** Yes. I know where you are coming from. From the perspective of growers, the current arrangement that is in place seems quite unfair. FreshTest is a commercial residue survey program run by the Australian Chamber of Fruit and Vegetable Industries.

**Mr G.A. WOODHAMS:** Is that done Australia-wide?

**Mr Sharpe:** Yes, and it is paid for by the growers themselves, as you have said.

**The CHAIRMAN:** So the growers pay for 104 types of tests through FreshTest, but the importers pay for only 23 tests through AQIS?

**Mr Sharpe:** That is right. FreshTest was initially put in place by the growers themselves, because to verify the quality assurance programs that they were using on their farms, they had to test their produce. All those tests were done individually by the growers going to a chemistry laboratory and getting the samples analysed. Of course they paid a lot for that, so they could see the advantage in bulking the samples together under this FreshTest arrangement, because it enabled them to negotiate directly with the lab and say, "We will give you 1 000 samples; what is your best price?", and they were then able to force down the price from \$360 to \$160 a sample, which was quite a saving for the growers. It also meant a coordination of the results, because the growers were able to log into a database and see their results.

**Mr G.A. WOODHAMS:** How often would a piece of fruit, for argument's sake, be put through the 104 hoops?

**Mr Sharpe:** As I understand it, under the quality assurance or FreshTest arrangements, every line of vegetable or fruit from each grower's property is tested once a year.

**Mr G.A. WOODHAMS:** It would probably be difficult to make a comparison, but would it be unreasonable to ask AQIS to do something similar in terms of the number of chemicals or substances that it is testing for?

**Mr Sharpe:** No, I do not think it would be unreasonable.

**Mr G.A. WOODHAMS:** Would it be a substantial financial burden?

**Mr Sharpe:** On whom?

**Mr G.A. WOODHAMS:** On AQIS, even though it would obviously reflect back on us.

**Mr Sharpe:** It would obviously be an impost on the importers of food. The testing of residues on imported foods is under review at the moment, as I understand it, because AQIS has obviously felt the heat from you and some other people around the place, and the press, and it is having a look at its arrangements to see whether they are fair and reasonable and whether it is actually assessing the risks correctly.

**Mr G.A. WOODHAMS:** In your submission you talk about the vegetable industry and some concerns about major food retailers demanding an independent or third-party testing regime. Are you prepared to tell us who those retailers might be?

**Mr Clarke:** We anticipated that very question!

**Mr G.A. WOODHAMS:** That is good!

**Ms Fernandes:** We spoke to Coles and Woolworths.

**Mr G.A. WOODHAMS:** Are they the only two?

**Ms Fernandes:** Yes.

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**Mr G.A. WOODHAMS:** What did Coles and Woolworths say to you?

**Ms Fernandes:** As indicated in our submission, both retailers have very strict quality assurance programs in place for their suppliers. They also have systems in place for when the products actually come to the retailer, because they do end-point testing and have measures in place for checking the products when they are on the shelves to make sure they look okay. The end-point testing is for a number of chemicals that they see -

**Mr G.A. WOODHAMS:** Did they give you a number?

**Ms Fernandes:** No.

**Mr G.A. WOODHAMS:** There are 23 tests by AQIS and 104 by the growers. Did they give you an indication of what they are testing for?

**Ms Fernandes:** No, but they did say they are screening for a number of organophosphates and organochlorines, and a lot of other things that Chris might be able to expand on.

**Mr G.A. WOODHAMS:** How often do they do this? Is it for every new batch of fruit and vegetables that they bring into the supermarket? Is it done at the supermarket level, or is it done in a cool store facility or a warehouse somewhere? Where does the testing take place?

**Ms Fernandes:** I am not sure. I would have to confirm that.

**Mr G.A. WOODHAMS:** I am wondering whether Coles or Woolworths has let you know.

**Mr Clarke:** They have not disclosed it to us.

**Ms Fernandes:** I would need to clarify that.

**Mr G.A. WOODHAMS:** That is fine.

**Ms Fernandes:** My understanding is that it is probably at the point at which the product comes into the distribution centre.

**Mr Sharpe:** It is not clear to me. I do not know.

**Mr G.A. WOODHAMS:** So in a sense are Coles and Woolworths, and the other major retailers, to put them in the same basket, concerned about the gap that exists between what AQIS is prepared to do and what the growers are prepared to do? Do they think there are some areas that AQIS is not picking up on, and the retailers' social conscience has been pricked in recent times and they believe they need to do some extra testing?

**Mr Clarke:** Social conscience and retailers do not go well together.

**The CHAIRMAN:** That is now in *Hansard*! Be careful!

**Mr Clarke:** I understood that it would be. It is something that Valerie could certainly expand on, but the feeling within the food manufacturing and growing industry is that that comment is true; that is, that the business practices that they engage in are borderline. The reason I smiled when you said that is because in the filling of orders and the expedient nature of filling those orders, if there is a demand, and if there is a price that has to be met, then they will import it. However, they do not want food recalls, and they do not want people to die from the food, so they will make sure that there is enough testing to minimise that risk, as all good retail businesses will do. They will also make sure that the cost of doing that is not borne by them, obviously, and that the system is arranged in a way that will best benefit their business. If that means that they are doing end-point testing to a great extent, then great. We do not have any information that they are or are not doing that. They are telling us that they are rigorous with their QA. You would need to grill them on exactly how much they do and how much they do not do. They also tell us the amount of third-party auditing that they require the importers to do, but, again, you will need to dig further into their business to find that out. That is the key issue. We do not have the power to investigate that.

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**The CHAIRMAN:** I have a couple of questions on the chemical side of things. You have mentioned that organochlorines are still being used in some countries, including China, yet AQIS only tests for one organochlorine. Do you have any idea how many organochlorines are being used and whether AQIS should be testing for more than one?

**Mr Sharpe:** No, it is not clear exactly how many are being used. Those sorts of reports are based on reports from our own advisers, who have travelled to those countries and have spoken to the growers over there, and they have said that organochlorines are still being used.

**The CHAIRMAN:** You say in your submission that organochlorines have the potential to accumulate in the environment and human tissue. What are the known effects of these chemicals in the body?

**Mr Sharpe:** That is probably really more a question for the Department of Health. I would not feel comfortable about commenting on that.

**Mr Clarke:** Just to expand, if I could, one of the issues that we raised was that AQIS does not test on certain organochlorines that are still being used in other countries. We have mentioned DDT.

**The CHAIRMAN:** I noticed that. That was my next question!

**Mr Clarke:** Sorry! The issue is really that these things are still being used in other countries, and we are not testing for them over here, so we can only make an assumption that they are not contained in the imported products.

**Ms Kelly:** I spoke to one of the major players in the food industry who actually imports and exports, and he told me that he would never buy fish from Asia because their ponds are cesspools. He gave me a description of two or three aquaculture farms - am I allowed to mention countries?

**The CHAIRMAN:** Yes.

**Ms Kelly:** - in Indonesia where the kids were doing their morning business in the ponds. He also mentioned that he would never eat dried fish, because one day he was looking at how they were drying the fish and he noticed that there were no flies on them, and the guy smiled at him and said we have sprayed them. I do not believe tests for those sorts of things are carried out at the AQIS centre.

**The CHAIRMAN:** Is DDT one of the 104 in fresh tests?

**Mr Sharpe:** Yes, it is.

**The CHAIRMAN:** Is there any record of how often it is found?

**Mr Sharpe:** From Freshtest Australia itself?

**The CHAIRMAN:** Yes.

**Mr Sharpe:** The records are confidential. They have said we are able to buy them because it is a commercial survey owned by the growers. However, at this stage we have not bought the results.

**The CHAIRMAN:** In your submission you submit that AQIS is possibly not testing for chemicals like DDT because of the impost on importers. Do you have a departmental view on that?

**Mr Sharpe:** They say the testing is based on risk assessment conducted by FSANZ, so between FSANZ and AQIS they produced a pesticide screen. I am not sure what risk assessment allows them to eliminate the organochlorines from that sample.

**The CHAIRMAN:** We look forward to speaking to AQIS.

**Mr Clarke:** As we mentioned, the specific term is “acute risk to health” - “acute” meaning immediate, sudden and large. From what I understand the effect on health from organochlorines is cumulative rather than instant.

**The CHAIRMAN:** But equally as devastating over the longer term.

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**Mr Clarke:** We would imagine. It is something we have raised as a difference and a concern. We would be very keen for the committee to follow up on it.

**The CHAIRMAN:** We will certainly be doing that.

**Mr Sharpe:** We eliminated the organochlorines from the pesticide spectrum here available to our farmers in 1987. We continue to screen for them because we know they exist in the soil for quite some time.

**The CHAIRMAN:** How many 44-gallon drums of DDT do you think are in the soil in WA? You do not have to answer that.

Our recommendations apply largely to whole foods, because we found that considering the tests and labelling issues regarding processed and mixed foods was difficult on a number of levels. I noted in your submission that the tests that are typically conducted are actually on processed and mixed foods. Do you have any idea about the balance between testing that occurs on whole foods versus mixed or processed foods?

**Mr Sharpe:** No. We have not seen the figures for the balance of it. I am not sure whether Nicole Fernandez can help.

**Ms Fernandes:** Classifications on which the testings are done, the rates and frequencies of the inspections is dependent on the risk classification for food.

**The CHAIRMAN:** Is it fair to say the mixed and processed foods are in a higher risk category?

**Ms Fernandes:** I cannot tell you off the top of my head, but FSANZ has a list of the categories of foods because FSANZ classifies the risk.

**Mr Clarke:** I do not think you could be made as a broad statement. What twigs my mind is the classification of dairy products as opposed, for instance, to dry grains; it is the opportunity for microbiol and other contamination. That differs between products even if it is whole or processed. In processed foods, there is obviously more opportunity for contaminations through the making of the product. However, whole foods also have high opportunities for contamination and microbiol activity. I do not think you can make that sort of broad statement.

**The CHAIRMAN:** Sure.

**Mr G.A. WOODHAMS:** Valerie gave an example of a situation in Indonesia. Hypothetically, if someone in Australia imports fish grown in a pond, can you describe to me any point at which that fish might be tested for any chemical or other residues that could be deleterious to a human being who consumed that fish?

**Ms Kelly:** I know a large proportion of seafood is imported into Australia and the seafood industry has expressed concerns that production testing points for seafood in Australia do not apply to the same product coming in from overseas. I cannot provide insight into what the testing points are overseas. I have lived and worked in many of those countries for which regular testing regulations in Australia do not apply. I was based in Malaysia, where it is very hard to get really crisp lettuce because of the heat. I can only relate an incident: as expats, we were holidaying at Fraser Hill, and a lot of the vegetables come from the markets at Fraser Hill. We were excited about buying a whole lot of fresh greens. One of my colleagues gave it to her rabbits. The rabbits did not live the next day. I cannot tell you what happens at the local marketplace. We do not import a lot of fresh produce into Australia, so thankfully we do not have that. The Philippines have objected to Chinese fresh imports coming in more recently. Again, that is according to a press report; I have not delved further into it. The testing procedures in Australia are the most stringent, as I know them. I cannot compare what we do with what other countries do because I have not been involved on the other side. However, I know that a lot of AQIS rules and regulations have been adopted by some countries. When Australian flour was imported into Malaysia, for some local reason there was a ban on importing Australian flour. A whole lot of wheat had been imported. We were summoned

to the offices there because the wheat was going to be sprayed. Of course, we, the political and economic first secretary from the Australian Embassy and I, as trade commissioner, fronted up and asked why they wanted to spray the wheat. He said, "You guys spray any seed that comes into Australia?" It has been taken literally, and in many ways our guidelines are being adopted. However, because there is not a clear understanding of what is being done to which product, the practices have become blurred. I cannot speak for what other countries do, but I know that AQIS regulations and testing procedures are being emulated in places such as India, Indonesia etc, but they are being misinterpreted.

**Mr M.P. MURRAY:** If a breach is detected on a basket of goods that come into Australia, what would happen to those goods? Would they be impounded and destroyed or would they be allowed to be on-sold to another country? For example, a container load comes in and a breach is found, where do the goods go?

**Ms Kelly:** I have no idea. It is an AQIS issue.

**Mr Sharpe:** I think it depends on the goods. If they are fresh, they might be gone by the time they get the results back. If they are dried goods, AQIS probably has time to impound them or reject them. I am not sure whether they are re-exported after that.

**Mr M.P. MURRAY:** If some products cannot be sold in one country, they might be shifted to another. I wonder whether that happens in the food industry also.

**Mr Sharpe:** The end-point test is the last stage. In Australia a registration scheme is in place so that all the products that are available to growers are registered products, both pesticides and veterinary drugs. We also control the supply and import of chemicals arriving in Australia. All the products must be labelled correctly with the safety directions, directions for use, the crops, pests, rates and withholding times. All the information is there for the product to be used correctly. We also have training schemes. I see you have spoken to ChemCert already. Many of our growers have done the ChemCert course. Under the biosecurity bill, we propose to make it mandatory for all farmers to be trained to ChemCert equivalence. Residue surveys by the Department of Health are running continuously. The total dietary survey is in the background. I compare that with some of the other places from which we import. Coles or Woolies might import from a developing economy in the region that does not have a registration scheme. Can the farmers read the labels in those countries? All these factors come into play; therefore, if they are buying from a place like that they must end-point test. It becomes extremely important to end-point test because the assurances are not provided within the exporting country.

**The CHAIRMAN:** Are Australia's MRLs different from those provided by Codex?

**Mr Sharpe:** Some are the same; some are different.

**The CHAIRMAN:** Are those that are different of a higher standard?

**Mr Sharpe:** It is difficult to say. Some are higher and some are lower; it depends on the particular use.

**The CHAIRMAN:** What are the arguments for some being lower?

**Mr Sharpe:** It is based on the residue trials done in Australia - sprayed at a certain rate for certain pests on particular crops and the withholding times we apply in our country. For some countries it might be one day, and for Australia it might be a week. It varies a lot depending on the needs of the farmers at the time and the pests involved. The residue level could be up or down.

**The CHAIRMAN:** How often are the acceptable residue limits actually assessed?

**Mr Sharpe:** I do not understand.

**The CHAIRMAN:** The powers that be set the appropriate residue limits for various chemical within our food. Technology improves. Community expectations and standards differ over time. I

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assume that the maximum residue limits vary also. How often are they subject to any kind of review or reassessment?

**Mr Sharpe:** The only review that occurs is the national authority reviews products of concern. If the authority is concerned, it has a review program in place. As part of that, it assesses the registration or the package that the product was initially registered with, which might have been in the 1970s. As they review a product, they require the company to provide all the new information and update it to the current standards for health and environment and residues. As for the numbers, it is difficult to say. The authority does not have a review program of the residue limits as such, as far as I understand; however, it has a review of the chemicals themselves and it picks on the ones of concern, perhaps like toxicology.

**The CHAIRMAN:** How would it work if a medical researcher discovered a direct link between one of these 23 chemicals and the incidence of a particular form of cancer? What process would be implemented to change the use of the chemical or the amount of use of the chemical allowed in primary production?

**Mr Sharpe:** It would be done through the registration authority, and it would review it immediately. If the scientific information was quite strong, then the authority has the ability to ban it immediately. It has done that for some products.

**The CHAIRMAN:** What if it were a tenuous link, but possibly based on reasonable evidence?

[10.45 am]

**Mr Sharpe:** It would be difficult to say.

**Mr Clarke:** There would be a tenuous, possible and reasonable change!

**The CHAIRMAN:** The testing is largely done by others. Is the state doing enough? Is there anything that the state should be doing differently in its role in the production of safe foodstuffs?

**Mr Sharpe:** In terms of testing?

**The CHAIRMAN:** Testing and any other related matters.

**Mr Sharpe:** The food survey, which is done every two or three years, is mainly done by the Department of Health. The results have never been a concern for the Department of Health, and that is why it does not do a yearly survey. The current structure is working well. If the residue survey results showed a concerning trend, I am sure it would look more closely at the issue, particularly in terms of the chemical residues. As far as the Department of Health is concerned, I think the microbial risk is more of a concern.

**Mr Clarke:** That is being addressed by the introduction of the food bill. It will bring to Western Australia the national standards in the FSANZ code and it will provide a legislative mechanism in Western Australia to enforce those standards. It is a gradual working through of standards and the regulation of the highest risk products. For FSANZ, that has been seafood and dairy. At the moment it has primary production processing standards for those two lines of product. It is working its way through other high-risk products. It is a gradual evolution of the system to ensure that the highest risk products are being addressed and that the legislation is enforced for those particular products. I do not know whether a revolution is required, if that is what you are looking for. You mentioned the systems they have in the eastern states such as the food authorities, which look at the issue from primary production right the way through to the end product. There are certain advantages in that. Like I said, we are working with the Department of Health and having a good look at that.

**The CHAIRMAN:** How long has the Department of Agriculture been working on the food bill?

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**Mr Clarke:** We are not working on the food bill. It is being introduced by the Department of Health. It has been working on it for about three years. Several attempts have been made to introduce it to Parliament.

**The CHAIRMAN:** I do not think any parliamentarians have heard of it!

**Ms Fernandes:** The food standards code has always been enforced in Western Australia. It is a responsibility of the local government environmental health officers to enforce all the standards within the code, regardless of the introduction of the bill.

**Mr G.A. WOODHAMS:** I think the next question might be one for Chris. How familiar are you with the Australian National Residue Survey? I am sure you have heard of it. How much of its detail do you understand?

**Mr Sharpe:** You can try me!

**Mr G.A. WOODHAMS:** Is it an ongoing survey, or is it set up for two weeks after which time the results are considered? How does it work?

**Mr Sharpe:** It is continuous. In the case of wheat, grain is sampled as the ships are loaded. Ships are arriving all the time, so samples are taken all the time.

**Mr G.A. WOODHAMS:** Are samples taken of only local produce? Does the survey have any interaction at all with imported goods?

**Mr Sharpe:** No, it is only local produce. It supports our trade overseas. In the case of meat, the Americans require that of us for trade.

**Mr G.A. WOODHAMS:** There has been no attempt to broaden the survey to include all produce in Australia, be it imported or local?

**Mr Sharpe:** No. It is paid for by the growers themselves. They would not be keen to fund a broader survey.

**Mr G.A. WOODHAMS:** Does the fresh test that we talked about before do that for local products? This is in a broader sense than things that are grown locally. I presume we are talking mainly about meat and grains that are going to be exported in considerable quantities.

**Mr Sharpe:** Yes, that is right.

**Mr G.A. WOODHAMS:** Would the fresh fruit and vegetable export market that we have enjoyed in South East Asia in recent times have been subject to the National Residue Survey?

**Mr Sharpe:** I do not think it is a requirement of the countries concerned. It depends whether the growers themselves want to be a part of it or whether they want to do their own thing. They have the option. They can do their own testing if they like. Some do not like to be a part of it, because it is public and the results are available to everyone. Some prefer not to do that.

**Mr M.P. MURRAY:** I refer to Stuart's comment that we do not need a revolution. What are the three major issues that should be addressed? That is a broad question. I am sure you have strong thoughts on where we should head.

**Mr Clarke:** We need to get our house in order in this state. That is the broadest comment I can make. We must get together and go through things in a bit more detail, which is what we are doing now. The heightened interest in country-of-origin labelling and food quality and safety issues has turned the mind of the Department of Agriculture, which has traditionally and deliberately left those issues to the Department of Health. The Department of Agriculture has decided to sit down with the Department of Health to work through the issues. It is also an evolution towards the responsibility for safe food being passed down through the chain. The model food bill that is coming in will start bringing that responsibility further down the chain to the producers themselves. They are mainly our clients, so we need to be conscious of how that might impact on them and the

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kinds of things we need to do to bring them up to speed. That is the first thing; certainly that is happening. I will give Chris, Valerie and Nicole a chance to respond. As far as an evolution in the way that we influence market power - to go back to the previous comment I made - it is not an unrecognised imbalance in market power. The changes that are currently being considered to the Trade Practices Act - they are almost before the federal government - recognise that. They also recognise that it is important, particularly in the grocery retail sector and the agriculture sector. That has been stated. What I was commenting on earlier was that, unfortunately, we cannot give specific people's details and examples because the players within the food industry are concerned about the repercussions if they make a statement like the one I made. I am a public servant so I can make those kinds of statements. I am looking at the issue from an industry perspective without fear or favour, as the saying goes. We need a continual change in that involvement, and that is also happening.

**Ms Kelly:** To take Stuart's point further, we have a push-pull effect going on. We have the federal government on the one side saying that we should double the number of exporters. The larger proportion of small businesses in the food sector need a niche market to showcase their products to take them to the next step. In the past, we have found that Action has been the showcase place for it. We have had evidence of products that are now on the bigger retail chain shelves that were refused entry in the first instance to showcase those products because the companies did not have the resources to meet the criteria set by the big chains to be able to get their products showcased. The Action stores were the perfect outlet for those. In addition - referring to Stuart's comments about social conscience - one of the big issues that came out of the smaller retailers was that in the rural sectors they act as the social conscience. They will get involved and they will get the local people to provide their products. If we consider fresh produce, some of the independents do not take just the high quality product - they literally take the whole farm. Because they meet all the regular health standards, they market the product in such a way that the lower quality goes to the demographic areas in which people cannot afford to pay higher prices. If a farmer has commitment for the whole of his consignment, he can focus on the things that he does best. This also relates to employment. The local service providers tend to be used more widely by the smaller chains. I am not sure how this translates with the bigger chains because I have not delved into that. Certainly, in the rural areas where more and more people are losing their jobs, the smaller retailers fill the void left by the big companies. We are facing a dilemma on the one hand because if we eliminate the bulk of our small businesses because competition is good for the social soul or the economy and we take that away, we will finish up with very few companies who will, by and large, be bought out. On the other hand, if companies in Perth or wherever cannot face up to the challenges presented by the big retailers like Coles and Woolworths, we will have to face the international market anyway. Walmarts and Tescos will be a damn sight worse. The department is facing all of those issues and trying to come to terms with how we nurse and nurture the ones that have the best potential and take them to the next phase. To do that, we must have retailers who are willing to provide concessions, because a small business person cannot go from providing just the local market to providing the nation within one quantum leap. He must have time.

**Mr Clarke:** That is the dynamism in the retail sector that we would like to see enhanced in some way to ensure that the fledgling producer can make his way through and get a foothold in the domestic market and ultimately compete on the international market either by competing against imports or eventually getting to export themselves.

**Mr G.A. WOODHAMS:** You are referring to that revolution, Stuart.

**Mr Clarke:** It is a gradual revolution.

**Mr G.A. WOODHAMS:** I refer to the Australian Total Diet Survey. I appreciate the content you have provided. I am curious as to whether there is any acknowledgment or discernment that

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imported goods might be in the final meal that is being tested. Are there imported foodstuffs in the prepared meal that is subject to the survey?

**Mr Sharpe:** I am not sure. I suspect that there would be if they are available on the shelf because all they would really do is go grocery shopping and buy -

**Mr G.A. WOODHAMS:** A TV dinner.

**Mr Sharpe:** Yes. And take it back and prepare it. They cook the meat and boil the vegetables if that is what is required to prepare the meal. There could well be, but a distinction has never been made -

**Mr G.A. WOODHAMS:** There is no detail available in the results to indicate that a certain percentage is from imported products?

**Mr Sharpe:** No. I refer to AQIS and the sampling it does of imported foods. The 23 pesticides on its screen are not really enough.

**Ms Kelly:** On that note, I do not believe that AQIS has a measure to test the environment from which a lot of produce comes. How do you test the environment it has been bred in?

**MR G.A. WOODHAMS:** Does that sort of test exist? Is there a template that it can lift from somewhere?

[11.00 am]

**Ms Kelly:** I think it is a template that must start addressing the issues of the environment. Australia markets itself on its clean, green image. Certainly one has only to fly for three hours to South-East Asia from Australia to know what we face. If a product is being produced in an environment like that, there must be some fall back on the product itself, which is not being detected in chemical or other tests. It is an intangible measure, but it is an important health measure.

**Mr G.A. WOODHAMS:** It is a sensitive issue to diplomatically negotiate.

**Ms Kelly:** It is very sensitive because it cannot be scientifically tested. We would certainly come to grief with the World Trade Organisation if we tried to impose those types of measures. It is certainly an issue because more and more markets in Asia are looking to sell healthy products. Giant supermarkets is a Malaysian conglomerate that has a special section for health products.

**Mr G.A. WOODHAMS:** Is Giant its name?

**Ms Kelly:** Yes. It is conscious of the health needs of consumers. The markets in Singapore, Malaysia, Indonesia and Taiwan are more and more aware of the need to provide a health awareness type shelf. How are those sorts of consumer demands tested if there is no measure?

**Mr G.A. WOODHAMS:** Should the Australian Quarantine and Inspection Service develop that itself, or should it be directed to?

**The CHAIRMAN:** That onus is on the governments of the countries about which we are speaking regarding the food they produce for their own people, let alone the people to whom they export the produce.

**Ms Kelly:** That is an interesting point. Until recently, when towns were planned, they were allowed to develop willy-nilly. More recently they have had to factor environmental considerations into planning requirements. It is literally trying to shut the gate after the horse has bolted. If that issue is being addressed for the building and planning of towns, it will filter down to food production. However, that is not currently happening.

**The CHAIRMAN:** Is there a role for the international community to support the developing economies that produce the food that feeds the world?

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**Ms Kelly:** It is an evolving process, but it is a slow process. It is only once people start to fill their bellies with any kind of food that they become more conscious of the type of food they fill them with.

**The CHAIRMAN:** That is a very good point.

**Mr Sharpe:** There is another similar point along those lines. Australia has a weak response to violations of residues. The Department of Agriculture was involved in an incident in which a violation occurred regarding Australian carrots that were exported to Hong Kong. I could mention also meat that was exported to the United States. The response of the authorities in Hong Kong was quite strong. They wanted to know about our registration scheme, our labelling requirements, how we control the use of chemicals on farms, what type of training the farmers receive, what type of residue surveys we carry out and the results of those surveys. They wanted all that information before they allowed our carrots to be exported into Hong Kong again. On the other hand, the response of Australia is more or less to tell the importers that they are not to import into Australia again a product that has violated certain regulations. We do not ask the country concerned to justify the way pesticides are used in that country and we do not find out whether it has a registration scheme or whether it controls the use of pesticides on farms. We need to improve our response.

**Ms Kelly:** Australia exports carrots to Hong Kong, for example, which is a part of China. China is beating Australia in the number of carrots it sells to Association of South-East Asian Nations markets. The question must be asked: is that because of a trade barrier? I do not know for how many years we have been exporting carrots to those ASEAN countries without question, but suddenly it has become an issue. Is it a scientific issue or a trade barrier?

**Mr Sharpe:** I think it was a scientific issue. Our growers had used a particular chemical. It is registered for that use now and we have fixed that problem.

**The CHAIRMAN:** What level of confidence does the Department of Agriculture have in the health and safety standards of the food that is produced and eaten in Australia and of the food that is imported into Australia?

**Mr Clarke:** That is a pretty broad question.

**The CHAIRMAN:** It is.

**Mr Clarke:** Australia has a lot of importers and a lot of producers.

**The CHAIRMAN:** We all have to go to Dewsons or Coles and fill our shopping baskets. We are all in the same boat. How much confidence can we have in the food products that we buy?

**Mr Clarke:** Confidence comes from being provided with information. The information that is provided at the retail shelf to the consumer to make a decision about whether to buy a product is made up of many things, one of which is real information. I suggest that the systems that are in place for Western Australian and Australian products ensure that we can have very strong confidence in those products. That is real information. We know that those products have been through certain systems and tests and that the producers themselves stand behind them. Although exceptions to the rule are found in cases involving breaches of the regulations, on the whole, we can have confidence in those products. There is a difference in the real information that is provided with imported products. The discussions we have just had highlighted the differences in the way imported products are tested. The retailers might need to be asked about the way in which they conduct tests for imported products. That is the information that is real and to hand. The next level of information that is provided and which determines the confidence consumers have in a product is perceived information; for example, the clean, green image of Australia. Australia has a very clean environment and the agricultural industry has been impacted upon only marginally by other industries. It can be said with reasonable confidence that there is a perception that Australian products are very clean. I think Valerie was referring to perceptions. The environments in which the imported products are produced may raise some questions. The consumers' decision about

whether to buy a product is made up of the real information they have to hand and the perceived risk that they take on when they buy and consume a product. On the whole, people have more confidence in Australian and Western Australian products than in imported products. That is a very broad statement. That perception can be traded upon. Some of the image building activities such as the Buy WA First campaign and others try to trade on that image and on the perception of confidence consumers have in the Australian product, which is valid. To improve those confidence levels it is a matter of determining how much we are willing to enhance the real information that is provided and on the perception of the product.

**The CHAIRMAN:** Are there any other issues that you are aware of that you believe the committee must know about regarding the terms of reference of the inquiry?

**Mr Clarke:** Not that we know of. The terms of reference are comprehensive. As I mentioned in my opening remarks, the major issues that the food industry is facing relate to legislative changes, market and business relations and the interaction between government and industry. Everybody is trying to deal with those issues. The terms of reference the committee is working to are comprehensive.

**Hearing concluded at 11.08 am**

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