

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO THE PRODUCTION AND MARKETING OF FOODSTUFFS

SESSION TWO

**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 11.20 am**MILLINGTON, MR PETER JAMES****Director, Fisheries Management Services, Department of Fisheries,****NICHOLLS, MR DONALD BRUCE****Public Servant, Department of Fisheries,**

The CHAIRMAN: The committee hearing is a proceeding of Parliament and warrants the same respect that proceedings of the house demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as contempt of Parliament. Have you completed the "Details of Witness" form, and do you understand the notes attached to it?

Witnesses: Yes.

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

Witnesses: Yes.

The CHAIRMAN: Will you please state the capacity in which you appear before the committee?

Mr Millington: My division is responsible for the delivery of field services and also policy. As such, I have an input into the way that food policy is developed in this state, in that capacity.

Mr Nicholls: My role here today is as the manager of the Western Australian Seafood Quality Management Initiative, which looks at quality and food safety aspects throughout the supply chain of the seafood industry. I have been involved in development of legislation, both through Food Standards Australia and New Zealand and in Western Australia related to the seafood aspects of food standards.

The CHAIRMAN: Thank you very much, and thank you for the submission we received from the Department of Fisheries. Are there any amendments you want to make or propose to that submission at the outset?

Mr Millington: We do not have any initial amendments to the submission. However, since putting in that submission we have become aware of the interim report of the committee, on which we might wish to make some additional comments.

The CHAIRMAN: You can comment on that as you wish.

Mr Millington: By way of clarification of Mr Nicholls' position, he is actually on contract, which is why he gave you his role at the moment with the National Food Industry Strategy. However, he is actually an employee of the Department of Fisheries, and we are undertaking that work on contract with NFIS, if I can use that acronym. Don has two roles, so if he switches between state policy and the national strategy, he will tell you which hat he is wearing at the time.

We have a couple of comments that relate to the interim report, if the committee does not mind. The key point, from our point of view, is that we have been pushing an agenda for some years now that supports labelling so that consumers, at the retail end, have a clear idea of what species of fish they are eating, hopefully identified by some nationally recognised common name, because most of us do not carry Latin names in our heads all the time, and the country of origin, or at least, as a secondary minimum standard, whether it is produced in Australia or New Zealand or is imported.

We think that is the primary sort of information you should have as a retail consumer. We also believe - this is where we might get into some discussion - that people should have the right to know that at any stage in the consumption chain. They should be having that as part of the catering industry, in a catered meal, or the restaurant trade. We believe that that is also important. We note that this report will be given to the ministers responsible for agriculture and health. We suggest that the committee might want to consider also giving the Minister for Fisheries an opportunity to comment on the report in a formal sense, given the range of interests there.

The CHAIRMAN: I can respond to that. As I mentioned, we just had representatives from the Department of Agriculture as witnesses. They mentioned that the department has a working party involving the Department of Health as well as the Department of Industry and Resources. From my point of view, it would seem perfectly appropriate for the Department of Fisheries to knock on the door of that working group and jump on board. As far as I am concerned, the more government departments there are working as one, the better will be the outcomes for all of us. We could give you the contact details. That would be a good avenue for fisheries to get involved with.

Mr Millington: That is good, because we are already involved with a lot of those players in terms of the food and related matters bill, which is coming before the Parliament.

The CHAIRMAN: So we hear! We are only parliamentarians, we do not get told about things like that.

Mr Millington: The bill seems to need some clarification about what its contents will be, as opposed to your recommended Western Australian food act, but no doubt you gave my colleagues a bit of a grilling about that.

The CHAIRMAN: They claim that the Department of Health is the primary agency on the food bill. We will be working through that with some colleagues of ours in the executive government.

Mr Millington: We would be more than happy to have input into whatever matters you take up. Now that I have made my introductory remarks, we also have a number of technical issues we can pursue - I will leave Don to speak to them - or alternatively, if there are some issues you can pursue with us -

The CHAIRMAN: I am sorry, I was writing a note.

Mr Millington: We have some technical issues that Don can explain further.

The CHAIRMAN: That would be fantastic.

Mr Nicholls: I refer to the interim report here. The definition of "fresh produce" is clearly fruit and vegetables, as is referred to here. Once we talk about foodstuffs, I can see that seafood becomes a part of the discussion. However, when I get to the issues about providing for mandatory country-of-origin labelling of all packaged or unpackaged whole foodstuffs in Western Australia, the definition of "whole" is very important. I am not clear what "whole" is.

The CHAIRMAN: In our definition, which we may need to improve on for the final report, it would include, for example, a fillet of fish, not just a whole fish.

Mr Nicholls: That was certainly one of our concerns. I note that FSANZ, in its most recent document, also refers to whole food, but I wanted to clarify that.

The CHAIRMAN: Our vision of "whole" would be something that is some portion of one type of food, whether it is a lettuce or a lettuce leaf, a fillet of fish or a whole fish.

[11.30 am]

Mr G.A. WOODHAMS: Scaled would be essential.

Mr Nicholls: Unless it was a little whitebait.

The CHAIRMAN: We might need to refine that?

Mr Nicholls: Yes. Peter has already made mention of the food and related matters bill. There is also discussion about the setting up of the authority and what have you. It is interesting when you start to talk about the administration of food safety right through to marketing aspects. That is a fairly broad ambit as well. We are aware of some of the current things that are under way. No doubt you would have had them raised with you from the Department of Agriculture and how they are involved. One of the points to mention is, currently as I see it, there is an ability through the Australian and New Zealand food regulatory ministerial council for the Minister for Agriculture and the Minister for Health to provide some input. I think it is raised in here about the Department of Industry and Resources possibly being the home of that.

The CHAIRMAN: Our recommendation in relation to the umbrella agency for a food authority was merely a suggestion. We have had further discussions and have, in fact, made statements in the Parliament when we tabled that report that, perhaps, agriculture may be the best placed agency to fulfil that role. That does not mean that others should necessarily be ruled out. Everything is for the government to consider.

Mr Nicholls: We see that probably seafood has specific needs that are probably left-field for some of the others. We are interested in making sure that there is a means of inputting into that process.

I notice that the state of origin and its use is identified with the constitution and therefore the voluntary promotion of Buy WA First. Is a budget being set aside in your recommendations? Will there be a pool of funds to promote that and the compliance issues with that or will it be put back to existing budgets?

The CHAIRMAN: It is our recommendation that the government creates funding to be made available for that purpose. Our role is really to review government workings and policy and make recommendations. It is the government itself that would need to work through all the technical issues including funding. They may accept, amend or reject our recommendations. That remains to be seen. The report is due back by 1 December. From what I understand, the Minister for Health and the Minister from Agriculture will make a joint response. That is on the basis of the advice just provided to us by the Department of Agriculture. It is really up to them.

Mr Millington: We might take the opportunity to, as you suggested, contact them.

Mr Nicholls: There is also mention of the mixed ingredients and the country-of-origin labelling for mixed ingredients. There seems to be a bit of debate. On the final assessment report that has just been released by Food Standards Australia New Zealand, some examples are given that are interesting, I guess, in terms of the interpretations given of the mixed ingredients. The finding here is saying that a mixed ingredient process could be made from imported and other ingredients.

The CHAIRMAN: It came out on 5 October?

Mr Millington: That is correct.

The CHAIRMAN: I received a copy today and I have not had the opportunity to read it yet.

Mr Nicholls: We only received it today also.

The CHAIRMAN: We will be looking at that with great interest.

Mr Millington: May I just intervene? One of the things that concerns us again is this informed decision making at the consumer end. One of the things that worries us is when you look at some of the fish definitions in the standard; for instance, if you take an imported prawn, and then spend more than 75 per cent of its value in transformation within Australia -

The CHAIRMAN: It suddenly becomes Australian.

Mr Millington: That is correct. However, if a person is a consumer - I can tell you I have been dealing with fish consumers for 30 years - he wants to know where that fish was caught. He does not want to know whether it has been transformed in Australia. Those are some of the issues.

The CHAIRMAN: We agree with you wholeheartedly. In fact, it is a problem we identified with the Buy WA First campaign. In my view, the example of value adding you just described could mislead consumers. We recommended that that be improved.

Mr Millington: That is why there will be some problems with imported country-of-origin labelling versus country-of-origin labelling. I often use the example of a Peruvian trawler fishing off Chile taking Patagonian hake, which is then taken in whole blocks to Mauritius to be transformed into fish fillets. Which country of origin do we put on it? Those sorts of issues make it difficult.

Mr G.A. WOODHAMS: Monty Pythonesque!

Mr Millington: Exactly.

Mr Nicholls: Some of those specific seafood industry issues are not necessarily faced by other industries. It is important to be aware of some of those things.

Mr G.A. WOODHAMS: I think you referred to some of the primary information that was on labels. Is what you are talking about, in a sense, some of the secondary information? What do we put on imported hake, for argument's sake? What level do we get to? Is that the real concern to you?

Mr Nicholls: If we are going to be able to clearly say that this is the country of origin, I think it is good to be able to be accurate in what we are doing as long as there are quite clear guidelines that say where it was first grown - if it is an aquaculture prawn - or the country's standards that it was harvested and processed under. It needs to be clear so people can understand as opposed to allowing ambiguity in the process that, rather than making a more informed customer, can make a less informed customer.

Mr G.A. WOODHAMS: Pardon me if it is not, but I think it is in your submission that about 23 per cent of fish imported into Australia comes from Thailand. Would the majority of that fish be grown on fish farms? Is it aquaculture we are talking about? Is the majority of that 23 per cent aquaculture?

Mr Nicholls: Yes.

Mr G.A. WOODHAMS: It is not wild fish?

Mr Nicholls: No, not in the Thai sense. A large amount of that would be imported aquaculture prawns and also imported fin fish fillets.

Mr G.A. WOODHAMS: What would your understanding be of the requirements imposed at a Thai level on the growing of those fish or the prawns or whatever it might be? What standards do you know of in Thailand?

Mr Nicholls: In comparison with Australia and the conditions that an Australian aquaculture producer would need to meet, the Thai standards would be inferior. Quite clearly inferior, in my view. The processing facilities within Thailand are world class. We are getting back to the thing about the condition in which it is grown as opposed to the process. What is the important factor there? My view is that the growing conditions would impact even though the processing facilities could be first class. You will still have what you had in the first instance. It will not be improved if it is an inferior product in the first instance.

Mr G.A. WOODHAMS: The standard of labelling attached to the Thai fish coming into Australia is what?

Mr Nicholls: Currently it needs to be in a packaged form or an unpackaged form. In a packaged form it needs to have the country of origin of where it has come from. In an unpackaged form, if it was loose fish fillets or loose prawns, it would need to be labelled "imported". It would not be stating that it was an aquaculture product of Thailand. There is not that level of detail.

Mr G.A. WOODHAMS: The major importers of that product are Australian supermarkets?

Mr Nicholls: There are Australian importers who work on behalf of a distributor. They then on-sell to supermarkets. Supermarkets are certainly increasing the retail end of that business. But that is not saying that the small specialty stores do not use it. Catering establishments use significant amounts of imported seafood.

Mr Millington: The line of your questioning raises another set of issues, which we have not touched on other than briefly in our submission. That is the sustainability and other issues associated with the growing and harvesting of the product in the first place.

Mr G.A. WOODHAMS: In Thailand, for argument's sake?

Mr Millington: In Thailand or wherever. Since about three years ago, in Australia the federal government has required all exported fish to come from a sustainably certified fishery. In other words, you cannot export it unless you go through this quite horrendous process to get the fishery certified as sustainable.

Mr G.A. WOODHAMS: Marine Stewardship Council.

Mr Millington: That is a private example of it. To actually get the customs certification of export, you have to go through the process with the Department of Environment and Heritage yet there is no marketing advantage to that for Australian product at the moment. They are trying to do the nationalism thing in terms of "Product of Australia" - if that goes forward - but what you do not know is, if the prawns are taken from a country of origin in South-East Asia, they might have destroyed hundreds of hectares of mangroves to produce the aquaculture product. They might have destroyed millions of turtles in the prawn trawlers, which do not have turtle-excluder devices. All those things are the complete opposite of Australia but there is no marketing advantage. In fact, the prawn industry, for instance, is undertaking a great cost-price squeeze at the moment because of cheap imported product, which has no quality associated with it either in terms of production or in terms of environmental standards. Those are the sorts of issues that the Australian industry has to grapple with at the moment.

Mr G.A. WOODHAMS: Of the 23 per cent currently from Thailand, over what period has it grown from a base of zero?

Mr Nicholls: I would not be able to give you the figures off the top of my head. If I were to notionally estimate, I would say that, during the past 10 to 15 years, the aquaculture industry in Thailand has exploded as well as throughout South-East Asia in terms of exporting product. You will probably find that to be fairly consistent throughout the region.

Mr Millington: Ten years ago the product of prawns in Australia was tinned prawns coming in to be put on the top of your pizza or whatever. It then migrated to shell frozen. Now, the market has moved into this frozen whole high-quality product - all these presentation packs that you now see. It has moved up the quality and price chain over the 10-year period.

Mr G.A. WOODHAMS: I do not mean to monopolise the discussion. Do you see a distinction in the marketplace - the consumer area - whereby a lot of what we are involved with here is about fresh fruit and vegetables and meat and dairy? From your point of view, has there been a consistent demand from consumers for the labelling of fresh seafood, imported seafood and processed seafood? Is there an awareness of that from consumers that you are aware of? I am fishing in a sense myself!

[11.45 am]

Mr Nicholls: Yes, it has been identified. There was a study conducted by Nic Ruello into the Western Australian seafood industry. It was a consumer study. One of the key components of that report was about the truth in labelling and more information, because the consumers of seafood are concerned. They do not have an innate knowledge of seafood, the same as they may have about an apple or whatever. It is just not a culture of knowledge. More information is what they require.

That is certainly what that study shows and my experience anecdotally would back that up. I know of organisations that are currently labelling their products in a retail outlet as being Australian and they say it has been a great opportunity for the consumers to come along, ask for that information and then build the Australian value proposition, as Peter was pointing out, about the environmental credentials of the Australian-produced product; also the ethical considerations about the production of Australian foods, as well as the quality and the food safety aspects. It really is what consumers are looking for, but currently, without that first trigger of what is the difference between those prawns and those prawns, these ones are \$13 and those are \$22, I do not know the difference, I will just take those.

Mr M.P. MURRAY: You have answered half my question, but in the first round when we started sampling and doing DNA, I think it was, on where the fish came from, what was the acceptance in the local market more than the outside market? Was there resistance or acceptance?

Mr Nicholls: Do you mean within the industry or within consumers?

Mr M.P. MURRAY: No, within the industry itself. I know that pressure was put on different people saying it was not barramundi, it was Nile perch or something. I felt there was some resistance, probably at the fish and chip shop end, because of pricing factors. Has that been more acceptable these days?

Mr Nicholls: The information that I have is that there is probably mixed opinion throughout the industry, but I think more people are moving towards realising that they need to differentiate Australian product, and by labelling correctly and doing those things they are starting to bring a more standard approach into line. Industry is moving more towards being in favour of that than perhaps it has been in the past.

Mr M.P. MURRAY: Is there any benefit - I do not think there is - in the promotion being used that it is local? When talking about vegetables someone has said there is a 15 per cent advantage if they are grown locally. Is there anything similar with the fish lines?

Mr Millington: If you are talking about the restaurant trade, there is a marked differentiation between the specialist fish restaurants whose reputation and image is built upon accurate labelling and quality. They will even tell you the state of origin as well, because they will see that as a market value proposition, as opposed to the general dining trade where fish is just another item on the menu. Often the chefs do not know much about the point of origin. They will phone up for -

The CHAIRMAN: Firm white fish.

Mr Millington: Yes. Maybe they will say, "Send me some barramundi", but they will not differentiate between Thai barramundi, aquaculture barramundi, Australian wild-caught barramundi or Australian aquaculture barramundi. For them it is not a value proposition that their clients make a differentiation about. That is the area where education and probably product development will have to take place.

Mr Nicholls: To add to that, Action supermarkets is an example of a business that just won the Australian seafood business of the year award based on a policy of purchasing 90 per cent of its product as being fresh Western Australian produce. As a result of that policy - I am not sure how their seafood category in a statistical sense compares with Coles and Woolworths - anecdotally I have heard that it has outperformed all other supermarkets on that basis. That tends to give a picture.

The CHAIRMAN: Your submission has a few things to say about the role of AQIS. Would you be able to expand on that and share with us your thoughts about AQIS's role and the opportunities for improvement in its testing and other considerations?

Mr Nicholls: Certainly. Part of my role recently has been to be involved in the standards development committee of the primary production and processing standard for seafood, for FSANZ,

and that has been seen to put in place a standard that would apply to both imported and domestically produced product. One of the concerns that has been frequently raised in that forum is the inconsistency about the standards that Australian companies wishing to export products need to have in place compared to the standards that are in place for imported products. Principally, AQIS imports and AQIS exports are two separate entities that are not necessarily aligned in a practical sense. AQIS imports are relying on batch testing and spot testing.

The CHAIRMAN: Does the importer pay?

Mr Nicholls: Yes, the importer pays for that process, but there is no requirement for HACCP-based programs to back up throughout the supply chain what has occurred to that product all the way through, whereas the companies that are exporting have in place the two levels of AQIS accreditation that are systems-based approaches. Consequently, when you have batch testing, all you are really guaranteeing is that the particular batch that you have just tested was safe. If it was batch two, it does not mean that batches one to 10, excluding batch two, were unsafe. Typically, there have been well-documented cases of imported Japanese oyster meat. At the diggers and dealers conference a couple of years ago there were significant issues about a virus and three or four other issues to do with imported Japanese oyster meat. Significantly, where there is an issue with oysters people say they will not go near oysters. I was a partner in an oyster company when there was an issue with Wallace Lake oysters some years ago. The company that I was part owner of employed eight people. We had no issues with any oysters we processed; there was an issue in New South Wales with oysters. The company closed down for three months and those people were unemployed. That is the kind of situation that occurs when there is an incident with oysters - it goes across the board. Similarly, that might be the same situation with imported prawns from China with nitrofurans and what have you that were identified a few years ago. When that issue was publicised all prawn consumption took about a 25 per cent dip. AQIS is reviewing its policies and hopefully in time those things will come into line. Currently it is perceived that there is a bit of an imbalance in the playing field.

The CHAIRMAN: Should AQIS be requiring the importers to conduct tests for the presence of more chemicals or other contaminants?

Mr Nicholls: There are a couple of issues there, one being that the standards for contaminants need to be accurate in the first instance. In the past you could have a nil tolerance for something, because we could only detect a tolerance above, say, 100 parts per million, whereas now we can detect one part per million. What used to be zero, all of a sudden is one or two parts per million and it is not appropriate. We need to make sure that the standards are appropriate.

The CHAIRMAN: How frequently are they reviewed and who determines them?

Mr Nicholls: I am not sure what the process is for the frequency of review. I know that they have just undergone a review.

The CHAIRMAN: So the standards do change in line with advances in technology?

Mr Nicholls: They do, but not always as quickly as what technology is able to produce. The point I am trying to make is that, in a food safety sense, at times it may not be that a product is unsafe food, but it might be outside the guidelines. I could use mercury in fish as an example, where there is a standard of 100 milligrams of mercury, but it does not break down the methyl mercury that is the harmful part of the mercury. Of that 100 milligrams, what percentage is methyl? It is important that the standards are functional and appropriate.

The CHAIRMAN: Is there an industry test that is applied to fish?

Mr Nicholls: There is an industry-developed standard as well as the food standard codes requirements that are put in place. We frequently find that a lot of companies also have their own standards that they will have as company standards.

The CHAIRMAN: Is there a role that the states should be playing in testing of fish for contaminants and the like?

Mr Nicholls: I think in terms of ensuring compliance for food safety issues etc there is certainly a role in terms of that enforcement and compliance.

The CHAIRMAN: I am conscious of the time. Parliament sits at 12 noon and we are not allowed to conduct this committee at the same time as Parliament sits. I will just check with my colleagues to see whether there are further questions so that we do not breach the standing orders of the Parliament.

Mr G.A. WOODHAMS: I have one brief question. In your documentation you say that 60 per cent of seafood consumed in Australia is imported. Do you see that 60 per cent increasing? In five years' time will it be 65 or 70 per cent?

Mr Nicholls: My belief - and I think this is supported by the trends that are currently in situ - is that, given world uncertainty, there is an increasing focus for Australian seafood companies to spread their risk for both domestic and export markets. I think there will be a large increase in the consumption of seafood by Australian consumers, part of which will be imported, but I also believe that there will be increased domestic Australian production. I am not aware of any projections that that will increase above that level, other than there are certainly projections indicating that consumption of seafood will increase.

Mr Millington: I will add my guess to that. If you are going to have a solid increase in total seafood consumption there is no way domestic production from wild-caught fisheries will be able to match that demand. We either develop an aquaculture industry to fill the gap or we will have to import some more.

The CHAIRMAN: Thank you both for coming in. If we have any more questions we will contact you. If there is anything you want to clarify, please do. The *Hansard* transcript will be forwarded to you when it is available.

Hearing concluded at 11.57 am
