



DOES OUR FOOD INDUSTRY NEED NEW REGULATION?

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The Department of Trade and Industry describes the food and beverage industry as the “lynchpin of New Zealand’s prosperity”. Representing a half of all New Zealand’s merchandise exports by value, the industry has a “crucial influence on our economy”.

In his first major speech of 2012, Prime Minister John Key also highlighted the importance of food production to our national wellbeing: “Looking ahead, I am very confident about New Zealand’s prospects. There are huge opportunities out there for New Zealand. We are a food-producing country in a world that is demanding more high-quality food. A growing middle class in China, India and across Asia is tuning in to the goods and services New Zealand can supply.”

With that in mind, the total revamp of the food industry that will take place under the government’s proposed new Food Bill, is an important issue for the country. This is legislation that was instigated in 2003 by a Labour government that was obsessed about regulating food, having poured hundreds of millions of dollars into a wide range of initiatives from policing school tuckshops to fast-tracking obesity reduction measures. However, given the country’s dismal experience of two other sweeping reforms that were prepared by former Labour governments to be passed by National (namely the hugely problematic Child Support Act and the Resource Management Act) additional care is surely called for regarding the Food Bill.

The food industry, which consists of 35,000 food businesses along with 200,000 part-time food traders, provides 1 in 5 New Zealand jobs. It is one of our most innovative sectors, which the growing popularity of Farmers Markets demonstrates, with their promise of fresh foodstuffs direct from grower to consumer. Successful entrepreneurs who produce world class foods and beverages - like Charlie’s Orange Juice or Lisa’s Hummus - often start in a family kitchen.

The Food Bill has been sitting on Parliament’s Order Paper since 2010 when it was reported back with unanimous cross-party support from a Select Committee, having attracted only 66 submissions.[1] As it stands, the Bill would introduce a new regulatory regime for food

makers and suppliers by requiring businesses to tailor their food safety procedures to the level of risk they manage. The intention is to reduce the incidence of foodborne disease and further align our food safety requirements with those of our trading partners.

Under the Bill, high risk businesses such as restaurants or baby food manufacturers would be required to operate under a regulated “food control plan”, whereas businesses in the medium risk category such as bakeries or pre-packaged food manufacturers would be regulated under “national programmes”. Low risk businesses, such as those running roadside stalls, selling their own home-grown produce at markets, or operating charity sausage sizzles, would simply receive free information on “food handler guidance” describing how to ensure their produce is safe for consumers. Household growers growing their own produce or swapping with others would not be affected.

According to the Bill’s Regulatory Impact Statement the economic cost to New Zealand from foodborne illness in 2009 was estimated to be \$86 million per year.[2] However, a new study commissioned by the Ministry of Agriculture and Fisheries has nearly doubled this estimate to \$162 million![3] On closer examination, the new report, which provides an analysis of the total economic cost to the country of six foodborne illnesses - Campylobacteriosis, Salmonellosis, Norovirus, Yersiniosis, STEC and Listeriosis - during 2010, shows the breakdown of the \$162 million as follows:

- Cost of treatment - \$6 million (\$5 m cost of hospitalisation and \$1 m in GP costs).
- Cost of food industry regulation and supervision - \$16 m
- Cost of business compliance - \$12 m
- Loss of work output due to illness - \$27 m
- Residual private cost - \$100 m

In other words, out of the so-called \$162 million cost of foodborne illness, that is being used to justify a

massive re-regulation of the food industry, only \$6 million is the direct cost of health care. The rest is made up of the cost of setting and complying with food hygiene standards, workforce losses caused when people are ill, with the lion's share of the cost nothing more than a guesstimate of the value private individuals place on not getting sick! Put simply, the \$162 million cost to justify the Bill is a gross exaggeration of what most people understand to be the real 'cost' of illness.

In 2006, as a result of the rising rate of campylobacter food poisoning - which peaked at almost 16,000 notified cases - various sectors of the food industry entered into voluntary food control arrangements aimed at reducing the incidence of infection through high risk foods like chicken. This new methodology is largely responsible for having halved the incidence of campylobacter since 2006. With such voluntary arrangements showing the way, many in the food industry are now asking whether there really is a problem that needs to be solved through a massive re-regulation of the industry - or whether the necessary improvement could be achieved through minor tweaking of problem areas.

A question that springs to mind is how much food poisoning occurs as a result of poor food handling practices in the home, but recent figures are hard to come by. A report that covered the period from 1998 to 2001 found that 34 percent of food poisoning outbreaks originated in hotels, restaurants or other eating establishments, 32 percent in private homes, 9 percent in workplaces, schools or kindergartens, 6 percent in hospitals or residential institutions, 2 percent from retailers, 1 percent from caterers, none from food manufacturers, and 16 percent were either unknown or from other sources.[4] A 2010 study, which looked at the commercial origins of foodborne illness outbreaks, found almost 90 percent came from restaurants, cafes and takeaways, with less than 10 percent from caterers, supermarkets, and other food outlets. In other words, the way we handle food in our homes remains a crucial matter when it comes to the incidence of foodborne illness.[5]

This week's Guest Commentator is Dr Eric Crampton, a Senior Lecturer in Economics at the University of Canterbury, who has also been looking into aspects of the Food Bill. He worries that the cost

burden associated with the new Bill will become a disincentive to entrepreneurship: "Perhaps worse than my potential loss of choice as a consumer is the loss of an easy pathway to small-scale entrepreneurship. Even if the monetary costs of registration as a food producer are low, Wellington often weighs too lightly the discrete hurdle thrown in front of a potential entrepreneur who has never otherwise had to worry about compliance regimes. The dread costs of figuring out which forms to fill out, and the fear of getting something wrong, can be very real barriers to would-be new small-scale entrepreneurs. When you're really not sure if you'll be able to make a go of a new venture, adding a hurdle of having to seek permission can provide a burden much larger than the nominal \$50 registration fee." To read Eric's article go to www.nzcpr.com.

In their submission to the Bill, Horticulture New Zealand explained how in spite of giving assurances that existing industry food safety programmes would be recognised, the government has failed to do so requiring instead some 7,000 growers in a low risk industry - who have never needed to be registered before since they operate under an industry protocol - to register and be subjected to almost \$8,000 in compliance costs.[6]

In her submission, pensioner Bidy Fraser-Davies, who makes cheese from her three cows (Sally, Emily and Molly) and has a turnover of under \$20,000, explains how she only had to pay \$100 to her local council for food safety compliance to set up eight years ago, but compliance costs would increase to nearly \$5500. She told how her application to make a new 'raw' hard cheese had been sitting with the regulators for over two years and that indications were of compliance costs in excess of \$600 for each 'batch'. She explained, "My 'batch', typically is a single wheel of cheese around 3 or 4 kilos! Even my most dedicated customer will balk at this price being added to the cost of the cheese".[7]

Lisa Er, founder of Lisa's Hummus, believes that if the food bill had been around 15 years ago, the compliance costs would have prevented her from getting off the ground: "I had absolutely no money, nothing to invest at all. I had been on a benefit so I was starting from the ground up. Lisa's now has 123 employees, so that's made a difference to the country, but I couldn't even have started because I had no money whatsoever." [8]

For a government that claims to be committed to encouraging wealth creation and reducing

compliance costs on small business, the Food Bill could be a major step backwards. It appears to be being driven more by bureaucratic considerations rather than by the need to encourage entrepreneurship in the food sector - within the bounds of clear food safety imperatives. It is also not clear what the answer is to a fundamental question that should be asked of all new legislation: Is there a problem to be fixed and if so will this Bill fix it?

In light of the concerns that are now being raised about the Bill, surely the best course of action would be for the Minister to re-open submissions to let a new Committee of Parliament re-examine the issue. If more food sector operators were encouraged to share their views, they may identify better ways of dealing with problem areas that would not involve the total re-regulation of the whole food industry. This could lead to safer food, less disruption and lower costs a win/win all around. If this were the case, the Bill could be withdrawn.

That is essentially the message that the New Zealand Food and Grocery Council gave to the government in their submission I will leave the last words to them: "As far as FGC can tell the current regime is adequate. There has not been widespread concern with the safety or suitability of food that is manufactured in New Zealand. In fact, New Zealand has a highly regarded worldwide reputation for producing high quality safe food. This is all achieved under a system that is largely self regulatory. Food manufacturers in New

Zealand understand the importance of providing safe and suitable products and in a small market like New Zealand where there are only two major supermarket retailers, reputation and branding image are vitally important." [9]

The FGC acknowledges that there are concerns - such as small pockets of unacceptably high levels of campylobacter - but they believe the New Zealand Food Safety Authority could deal with these through education and by enforcing current regulation: "In our view, if the current system of regulation is not broken there is no need to try to fix it. This is certainly the case if the fix will cost manufacturers and consumers more. We urge the Committee to consider whether there is actually a need to introduce more regulation in this area and if it is not justified to either leave things as they are or make minor changes where needed."

FOOTNOTES:

1. Food Bill
2. Regulatory Impact Statement 2009f
3. Applied Economics, Estimating the Economic Cost of Foodborne Illness in NZ
4. WHO, The present state of foodborne disease in OECD countries
5. Environmental Science and Research, Foodborne disease in New Zealand 2010
6. Submission Horticulture NZ
7. Submission Biddy Fraser-Davies
- 8.3 News, New law worries small-time food outlets
9. Submission Food and Grocery Council

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