



US Food labelling – a sea change

- In a first, the US now requires food labelling to indicate presence of GM ingredients.
- With 80% of US food containing GM ingredients, this provides a wake-up call to US food producers.
- The new US legislation opens the door for GM-free NZ products.

In the beginning...

As you walk down an aisle at your local supermarket, you may see people carefully looking at the labels on food products. That person could be me because I like to read the labels on food I purchase. New Zealand food labels are straightforward: date marking, name or description of the good, warning statements, ingredient list and nutritional information are included along with other product information on the product to help the consumer make an informed purchase. There is similar information on US food product labels. But something recently changed in the US food labelling area that might have implications for New Zealand agriculture.

Because people want to know what they are eating, food labels have been around for some time – in the US, for over 100 years. Labels were originated to help consumers make decisions about the food they buy and to avoid misbranded or adulterated food and drink. Although the first labels told a lot about a product, consumers began to want more information. Information requirements eventually included a list of all ingredients used to make the product. Labels further evolved to provide detailed nutritional information – how many calories or how much fat a serving contains – and the use-by date for the product. However, all this information was specific to the characteristics of the product purchased with no reference to how the product was produced.

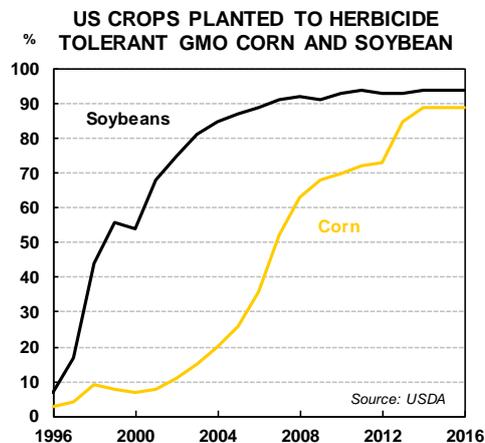
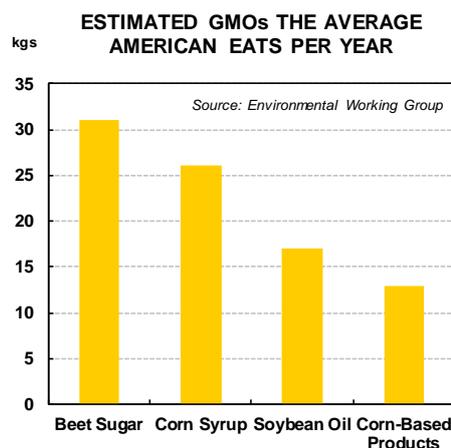
Vermont in the vanguard

Vermont is the second smallest state in the US, with a population not quite 2% of California's, the most populous state. But all food labelling laws in the US will soon follow the lead of Vermont and be based on recently enacted Vermont law that requires food

companies to indicate, on product labels, if the product contains genetically engineered, or genetically modified (GM), ingredients. The US grocery manufacturing industry opposed the Vermont law and went to court to overturn it. They were unsuccessful. The US Congress stepped in and passed a law mandating a national labelling system for GM disclosure on food products. While not as simple as Vermont's law, the new national system follows closely what Vermont started – for companies to tell people whether or not the food they were purchasing contains GM ingredients.

Approximately 80% of the food sold in the US contains GM ingredients, so the Vermont law, and now federal law (when signed by President Obama), clearly affects a broad part of the US food system. The direction taken by the new national mandatory labelling law is consistent with a significant change the food industry seen over the past decade – consumer interest in the food they consume has moved down the food chain. Some consumers even want to know production procedures used at the farm level.

The new US labelling laws are the country's first national effort to move mandatory labelling down the food chain – to have labels detail not just characteristics of the end product but to report on the characteristics of the ingredients of



the final food product. While 64 countries around the world require GM labelling, including New Zealand, such labelling was voluntary in the US. It is now mandatory on all processed food products sold in the US. Traditionally, when discussing GM production in the US, the focus was on corn and soybeans. There has been a rapid rise in the adoption of genetic modification by American farmers.

If you look at the shopping preferences of US consumers for organic (not containing GM ingredients) products, you will see that while the percentage of sales going to organic production has not changed much for most of the products, revenue generated has increased significantly; in some categories, tripling over the past 14 years.

There are a number of food companies that voluntarily discuss how their products are produced, often to address consumer concerns. For example, McDonald's announced its adoption of "Animal Health and Welfare Guiding Principles". McDonald's does not own beef production facilities so it must work through suppliers to assure the company's welfare guidelines are met. In addition to animal health, McDonald's is moving down the food chain to support sustainable production in coffee, palm oil, fish and poultry.

The impact of these guidelines on the final product reaching the consumer can't be measured, as can the calories in a hamburger, so the entire production chain is monitored. However, this monitoring is a voluntary choice made by McDonald's, not mandated by state or national legislation.

A question of ethics?

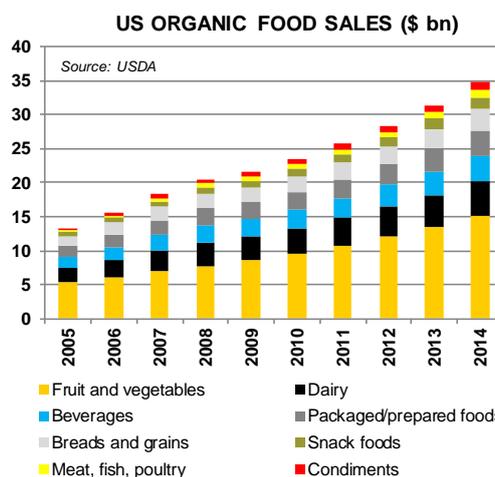
Voluntary labelling also currently exists for organic food. The US Department of Agriculture certifies that certain foods are produced in an "approved" manner. As a consequence, those products may be self-identified as "organic" in the supermarket.

For a farm to become organic is the producer's choice. Producers can also choose not to go organic and use conventional farming practices. But what if an organic/non-organic labelling standard, similar to the mandated GM standard, was forced on all food sold, certifying whether or not there are organic ingredients in the product? The key difference is that while current organic certification is voluntary, government labelling requirements would not be.

A common theme of the above examples is a company's voluntary decision to move its focus down the production supply chain to assure that certain standards are met. Given the recent US government GM labelling legislation, it is a question how far down the food chain mandatory labelling might go. Since 70% of US hog production and 80% of chicken broilers consumed are produced in confinement operations – unpopular with a broad range of consumers – might government labelling be required to assure use of humane animal production techniques in those operations? Might labelling to confirm use of sustainable agronomic practices be required? Will the government move into the milking parlour or the tractor cab to require reporting of unpopular production practices at the farm level?

The door is now open for GM-free NZ products

If the US government increases the reach of its labelling requirements, product costs will increase and, as a consequence, product prices will rise. New Zealand's production system is much more transparent than in the US, with no GM production and more of a focus on unprocessed or minimally-processed food. The clean and green export message, from the last decade, translates into a much less intrusive agricultural production environment in New Zealand than most other export-oriented countries. As a consequence, as labelling requirements move down the food chain toward the paddock, New Zealand agriculture is in an excellent position to respond quickly, positively and profitably to those changes.



About the author:

William C Bailey was Chair of Agribusiness at Massey University for 13 years. He has written weekly world dairy market columns for ASB Bank for almost 15 years. He currently is Dean, College of Business and Technology, at Western Illinois University, in Macomb, Illinois. Bill spent 5 years in the US Marine Corps and received his PhD in Agricultural Economics from the University of Missouri. Before shifting to New Zealand, Bill was Chief Economist for the US Senate Committee on Agriculture, Nutrition and Forestry, served as Deputy Undersecretary of Agriculture and was Vice President and Director of Research for World Perspectives in Washington, DC. His beer of choice is Tui.

Contact Bill: WC-Bailey@wiu.edu Phone: +1 309 298 2442

ASB Economics & Research			Phone	Fax
Chief Economist	Nick Tuffley	nick.tuffley@asb.co.nz	(649) 301 5659	(649) 302 0992
Senior Economist	Jane Turner	jane.turner@asb.co.nz	(649) 301 5853	
Rural Economist	Nathan Penny	nathan.penny@asb.co.nz	(649) 448 8778	
Economist	Daniel Snowden	daniel.snowden@asb.co.nz	(649) 301 5657	
Economist	Kim Mundy	kim.mundy@asb.co.nz	(649) 301 5661	
Publication and Data Manager	Judith Pinto	judith.pinto@asb.co.nz	(649) 301 5660	



<https://reports.asb.co.nz/index.html>
[@ASBMarkets](#)

ASB Economics
 ASB North Wharf, 12 Jellicoe Street, Auckland

Important Disclosures

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.