



Future Controls on Printing Reduced Size Legend

MAF, Meat Industry and Approved Printers
Consultation Document

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Submissions

MAF seeks submissions from all interested parties on any aspect of this consultation document.

The following points may be of assistance in preparing comments:

- Wherever possible, comment should be specific to a particular section of the document. All major sections are numbered and these numbers should be used to link comments to the document.
- Omissions should be clearly and separately indicated.
- Comments should be to the point and, where possible, reasons and data to support comment are requested.
- The use of examples to illustrate particular points is encouraged.
- As a number of copies may be made of your comments, please use good quality type, or make sure the comments are clearly hand-written in black or blue ink.

Please include the following information in your submission:

- The title of this consultation document;
- Your name and title (if applicable);
- Your organisation's name (if applicable);
- Your address;
- The number(s) of the sections you are commenting on.

Please submit your response by 5:00pm on 18 May 2012

Your comments should be sent to:

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1 Introduction

The purpose of this consultation is to explore options for the control of the production and printing of meat and meat product packaging materials bearing the reduced size inspection legend (RSL) [ref. Meat Manual 15 and the Animal Products (Export Requirements for Branding, Marking and Security Devices) Notice 2006]. Specifically this document looks at the feasibility and suitability of allowing the overseas printing of controlled format reduced size legend.

MAF is focusing this consultation document solely on reduced size legend packaging. Carton Seals, direct branding of products, and container seals are outside the scope of this consultation document.

2 Background

The use of reduced size images of the MAF inspection legend on packaging and labelling of meat and game has been a long standing element of the branding of products which have undergone ante and post mortem inspection (or post mortem inspection only in the case of wild game). In the late 1990s MAF provided for two formats of RSL: the controlled format and the uncontrolled format. The controlled format required approval of manufacturers, limited the printing of legend bearing packaging to New Zealand, mandated MAF inspector/verifier involvement in the ordering and inventory control of controlled format packaging. Uncontrolled format packaging had no printing controls in place. See [Manual 15](#) Part B, section 4.2 for a description of the respective RSL formats.

In recent years MAF has confirmed that the controlled format of reduced size legend is only required by the United States of America for any products that are otherwise not branded. All other countries accept either the uncontrolled format, or simply the presence of the RMP identifier of the packer/manufacturer and “New Zealand” or “product of New Zealand” or some other variant to identify New Zealand as the country of production. Therefore the need for controlled format reduced size legend on packaging and labelling is significantly less than in the past.

With the increased sophistication of packaging materials there is increasing potential for the manufacturing capability of certain packaging products to not exist in New Zealand. This provides a conflict between product innovation which facilitates growth and development in the export sector and the long standing requirement for controlled format RSL to be printed in New Zealand. As an official MAF symbol, the controlled format reduced size legend will always be in need of some level of regulatory oversight.

In 2011, MAF was approached by a few packaging manufacturers requesting special permission to print off-shore certain types packaging with the controlled format reduced size inspection legend. In most cases MAF approved the application. In all cases where MAF approved the application the approval was limited to one year. The basis for the one year approvals was that MAF would formally consider the matter of off-shore printing in consultation with industry and make an enduring decision about whether, and to what extent, off-shore printing could be officially incorporated into the MAF requirements. Approvals were given without prejudice to the industry-wide decision that needs to be made to ensure all interested parties operate in an equitable environment.

This consultation document is the beginning of that formal process by which MAF will make a final decision on off-shore printing.

3 Options

MAF has identified a number of options for the ongoing control of the reduced size legend. These are listed below. In the following section the risks and benefits underlying the various options will be discussed. In the final section there will be further discussion on MAF's preferred option.

- a) Limit printing to New Zealand only. This is the status quo. MAF would cancel current approvals for companies printing overseas on their one year approval anniversary date.
- b) Permit overseas printing where printing/manufacturing capability in New Zealand does not exist, i.e. for complex/specialised/new packaging types*, otherwise as for 1.
- c) Permit overseas printing for any type of packaging material, with approval of overseas producer via New Zealand supplier, ensuring certain guarantees are contained in supply contracts.
- d) No regulatory controls over printers or suppliers of reduced size legend packaging material. MAF would specify what products/product labels reduced size legend can be used on and verify use of the legend in the same manner as any other labelling elements required by notice or regulation. This option would basically mean MAF only regards the full sized inspection legend (and images greater than 50 percent of the full sized legend) to be a symbol over which MAF needs to exercise proprietary controls.
- e) Withdraw approval for use of the controlled format reduced size legend image on any packaging as a generic export requirement/permission. The use of the controlled format would become a matter for USA eligibility. Controls on production, distribution and use would form part of the USA Overseas Market Access Requirements issued under section 60 of the Act. Products not intended for export to the USA would not be allowed to display the reduced size legend image.

*MAF has not yet defined complex/specialised packaging. If the final policy is to allow overseas printing only of complex or specialised packaging types then there would need a definition upon which all affected parties would need to agree.

4 Risks and Benefits

4.1 RISKS

4.1.1 Increased potential for fraud

The major concern for MAF is whether mass overseas printing of an official government symbol on food packaging increases the potential for the fraudulent use of that MAF symbol, compared to restricting printing of the symbol to New Zealand. This is especially of concern where fraudulently represented products are used in international trade, to pass off non-New Zealand products as being of New Zealand origin. Fraudulent representation of products as being of New Zealand origin is a non-trivial matter as there have been documented instances of such fraud. The easier it is to mass produce a packaging material, or indelibly mark it with an official government symbol, the easier it is to use it for fraudulent purposes. Hence plain plastic food wrap/bags are easier to make than, multi-layer, laminated retort pouches. Thus the risk of fraudulent representation of raw cuts of meat is higher than for value added, highly processed products. This has been born out by past experience where fraudulent representation of product as New Zealand origin has primarily been with respect to raw (chilled/frozen) plainly packaged animal products. Whether restricting approved printing of RSL to New Zealand presents a barrier to fraud is questionable. Merely because MAF does not allow approved printing overseas does not prevent such printing for fraudulent purposes from occurring. However, to mass produce a legitimate looking packaging material still requires the setting up of manufacturing and printing equipment to produce the RSL image. Not having any overseas factories officially producing the RSL does create some inertia to mass production for fraudulent purposes.

4.1.2 Loss of direct connection and control over printing companies

Loosening the printing controls means MAF loses a direct connection with who is printing materials bearing an official MAF symbol. This means there is a risk that businesses could produce and supply RSL material for uses unacceptable to the Director-General but MAF will have lost the ability to take direct regulatory action against the RSL printer. This risk may be mitigated to a degree through animal product business/printer supply contracts. Current regulatory controls do nothing to prevent or even minimise fraudulent printing and use of MAF RSL images overseas to pass off non-New Zealand products as New Zealand products. Carton seals are much better for this purpose because they require more complex manufacturing due to the physical characteristics of the seal itself, whereas RSL can be applied by the simple use of a stamp and permanent ink.

4.1.3 Loss of manufacturing infrastructure

Aside from job losses in the packaging sector loss of packaging manufacture infrastructure means New Zealand loses a degree of self sufficiency in food production. However, meat requiring the RSL is the only product for which there is a regulatory requirement to have printing carried out in New Zealand. It is likely, therefore, that New Zealand has already outsourced a substantial amount of self-sufficiency in the printing and manufacture of food packaging over the years. Removing the New Zealand only requirement for controlled format RSL printing may not have a significant overall impact in this area. This aspect is also not something which MAF should have as a significant consideration with respect to regulating official government images under the Animal Products Act. Of primary concern is how the use of official government symbols is controlled, and minimisation of the potential for fraudulent use of official government symbols.

4.1.4 Overseas regulator reaction

Importing countries (especially USA) may consider the inability to directly audit RSL printers and act on non-compliance as undesirable, possibly negatively affecting our market access relationship. Of particular concern may be the fact that direct prosecutorial action under the Animal Products Act cannot be taken against overseas businesses, should MAF discover serious non-compliance or fraudulent activity. Why is the USA the only country still requiring official images on packaging? The answer is primarily due to the age of the relevant regulation and the difficulty of changing meat law and regulation in the USA. All other markets with which New Zealand trade in meat products have come to recognise that the reduced size legend doesn't really serve much of an official assurance purpose over and above printing certain basic information on product labels, e.g. country of origin/manufacture and processing premises identification number. People, businesses and regulators are easily and immediately able to identify the processing premises, its regulatory status and range of products through web registers, and websites. This ability renders somewhat redundant certain aspects of labelling that were important in the past for international trade in regulated products. One could therefore argue that the reduced size legend has become more of a commercially beneficial symbol and should be treated as such. The reaction of the USA to permitting overseas printing or removing the requirement for printers to be approved is somewhat of an unknown as MAF has not specifically raised the matter with the United States Department of Agriculture.

4.2 BENEFITS

4.2.1 Cost of printing reduced

This reduces cost of production for key export commodities. The New Zealand economy is not dependant on packaging manufacture/printing for short term economic recovery or sustained long term growth. Rather the food/agriculture industries are important in this respect. Therefore, reducing input costs for food industries provides for greater overall returns to the New Zealand economy and economic/job growth in other areas.

4.2.2 Greater industry capacity for innovation in response to global demands and trends

Being able to source RSL packaging material from overseas gives the meat industry greater ability to quickly find and utilise specialist packaging to facilitate the development of innovative, specialist and high value products without having to go through the expense and delay of establishing the manufacturing capacity in New Zealand.

4.2.3 Bringing or retaining meat product manufacture to/in New Zealand

Instead of sending raw materials overseas to be produced into high value products, high value manufacture could be brought into New Zealand. It is questionable whether cost of packaging material, or the need to establish the printing infrastructure in New Zealand, is a big factor in the decision of where to make high value meat products. There are other significant input costs which over time drive manufacturing offshore including: production infrastructure/capacity for the manufacture of a meat product, labour costs, energy costs, resource management/environmental protection (anti-pollution) costs. Reducing any regulatory barriers unless demonstrably necessary is desirable even if the influence on the primary industry is small.

4.2.4 Removing the requirement to approve printers reduces risk to MAF

One of the drawbacks of approving overseas printers is loss of direct regulatory accountability to MAF. Removing the requirement for RSL printers to be MAF approved means MAF no longer implicitly endorses the overseas printer as reliable or trustworthy. It then becomes a commercial matter for the New Zealand food manufacturer to ensure the printing of the RSL image is exclusively for that New Zealand business and those images are not misused in any way that is fraudulent, false or misleading.

5 Legislative Framework

5.1 THE NEW ZEALAND STANDARD

Branding the inspection status on meat, ratite, poultry and game products as a New Zealand standard is established in the Animal Products (Branding and Associated Requirements) Notice 2006. This notice does not contain any provisions for reduced size legend use or controls; however it establishes the image of the inspection legend from which the reduced size legend is derived. This notice is issued as a standard under sections 45 and 167 of the Animal Products Act.

5.2 EXPORT REQUIREMENTS

Reduced size legend use explicitly derives from the Animal Products (Export Requirements for Branding, Marking and Security Devices) Notice 2006. This notice sets the framework for establishing the conditions of production supply and use of reduced size legend on export products. There are no requirements directly relating to the use of reduced size legend for retail sale in New Zealand. The use of reduced size legend is purely to meet market access demands; as stated above this is now only a requirement of the USA. This export notice is issued under section 60 of the Animal Products Act 1999.

Arising from the export notice are various Director-General approvals and administrative procedures for managing the various aspects of the use of the inspection legend for export purposes. This includes a current carry over of the requirements and specifications contained in Meat Manual 15 – Approvals.

Once MAF has established which of the above options will be the long term system for reduced size legend, the extent to which the export notice, and associated approvals and administrative procedures need to be amended will be known. Work will commence on aligning MAF requirements with the final policy as soon as a decision has been made and notified to all interested parties.

6 Consideration of Costs

Detailed cost implications of the various options have not been calculated, but broad assumptions of costs can be made.

- a. Cancelling current, limited approvals for overseas manufacture of certain specialised packaging types would mean the need to establish the manufacturing infrastructure in New Zealand in order to continue using such packaging with the controlled format legend. This would be a significant one off cost.
- b. Outsourcing production to countries with cheaper production costs is a common way to reduce overall costs of producing a finished product. The use of regulation to limit or prohibit the outsourcing of packaging material production for controlled format legend is thus an opportunity cost for the affected animal product industries. Unless there is good reason to apply such a regulatory restriction then there is little justification to impose opportunity costs on industries. Do the risks outlined above constitute sufficient justification? The cost differential (and hence significance of this point) between New Zealand manufacture and overseas manufacture of packaging material will vary depending on the type of packaging.
- c. Reputational and credibility cost should an overseas manufacturer lose control of packaging material bearing the controlled format legend. This is somewhat unquantifiable, New Zealand's official assurances rely on overseas countries recognising MAF and New Zealand as credible and having a good reputation. It is unclear the extent to which MAF and New Zealand products would suffer from a loss of credibility if fraudulent overseas use of the MAF inspection legend image was traced to an "approved" overseas manufacturer. There is a considerable credibility difference between an unknown party using official government images fraudulently, and a government approved party being connected (even if indirectly) to fraudulent use of an official government owned image.
- d. The process of approving overseas printing operations is more costly and time consuming for MAF. Dollar values have not been precisely calculated, but the limited experience from the past case by case approvals indicates that the assessment process takes longer than for New Zealand based printing operations.

7 Preferred Option

MAF's preferred option is option 4. Remove all regulatory control (requirement to be approved and restriction to only print in New Zealand) on printing operations.

On balance MAF believes there is little fraud prevention achieved by restricting printing of RSL to New Zealand. Off-shore operators can easily produce the RSL symbol without MAF's knowledge or approval. Allowing meat companies to obtain their packaging supplies from overseas would not significantly increase the risk of the appearance of product fraudulently labelled with a New Zealand RSL image.

Having no approval regime means MAF isn't in a position of having to approve an overseas business with no practical ability to take regulatory action directly against the business should non-compliance occur. Therefore MAF limits its exposure to the loss of credibility that would arise if an approved business was found to be acting fraudulently.

Option 4 reduces costs and increases responsiveness to new product and packaging material developments. This flexibility gives the relevant industries greater opportunity to stay at the forefront of meat product research and development.

8 Next Steps

After the end of the consultation period MAF will consider all submissions. MAF will analyse the submissions and publish a response in addition to announcing the final decision. MAF expects to complete this part of the process within 10 days of the submission close off date.

Depending on MAF's final decision there may need to be amendment of notices to bring legal requirements into line with new policy. MAF may also need to make provisions for affected businesses to transition to the new policy position. If substantial changes are needed as a result of MAF's final policy decisions a process for transition will be formulated in consultation with affected parties. The primary concern with making changes is ensuring continuity of business and trade through the transition period.

Because of the substantial difference in potential effects of the options outlined above, MAF cannot be more specific about timeframes and process until a final policy position has been established.