



AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL



AFGC RESPONSE
**FSANZ Call for information on nutrition
labelling - Health Star Rating and
Nutrition Information Panel**

17 January 2025

CONSULTATION QUESTIONS

INTRODUCTION

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Submitter type

Are you providing your response as an individual, or on behalf of an organisation?

Organisation

Australian Food & Grocery Council

Which group do you most identify with?

Food industry

If you wish to provide general background information about yourself or your organisation (if any), include this in the box below.

General background information about you or your organisation

The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, beverage and grocery manufacturing sector.

With an annual turnover in the 2022-23 financial year of \$162 billion, Australia's food and grocery manufacturing sector makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity. Each business in the sector has contributed towards an industry-wide \$4.2 billion capital investment in 2022-23.

Food, beverage and grocery manufacturing together forms Australia's largest manufacturing sector, representing over 32 per cent of total manufacturing turnover in Australia. The industry makes a large contribution to rural and regional Australia economies, with almost 40 per cent of its 281,000 employees being in rural and regional Australia.

It is essential to the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

The industry has a clear view, outlined in Sustaining Australia: Food and Grocery Manufacturing 2030, of its role in the expansion of domestic manufacturing, jobs growth, higher exports and enhancing the sovereign capability of the entire sector.

This submission has been prepared by the AFGC and reflects the collective views of the membership.

HSR

1. Do you have any information and/or evidence which may support FSANZ in undertaking the preparatory work on the HSR system?

For example, information or evidence on the following topics would be useful:

- (a) consumer use, understanding and trust in the HSR**
- (b) influence of the HSR system on consumer perceptions of food and purchase intention**
- (c) elements of the HSR that work well for consumers**
- (d) elements of the HSR that work well for industry**
- (e) challenges with consumer use of the HSR system**
- (f) challenges with industry implementation of the HSR system**
- (g) potential impact on consumers of mandating the HSR system**
- (h) potential impact on industry of mandating the HSR system (including product reformulation)**
- (i) potential impact on enforcement activities of mandating the HSR system.**

The AFGC has been integrally involved in the design and implementation of the HSR System, a front of pack labelling system, that rates the overall nutritional profile rather than just focusing on a single nutrient. That involvement has included participation in the original Project Committee and working groups, provision of food composition data to allow modelling and, following implementation, participation in the former and newly formed Health Star Rating Advisory Committee (HSRAC).

The AFGC supports a principle-based approach in this early-stage call for information and evidence to help guide work on front and back-of-pack nutrition labelling. Critical to this approach is the clear identification of a problem statement – what is the evidence of a problem, and what is the benefit/barrier of any proposed change(s) to either the HSR and/or NIP.

The AFGC provides information on the following:

(c) Elements of the HSR that work well for consumers

According to published research¹, the HSR

- appears simple, uncluttered and easy to understand. The stars are a commonly recognised symbol that most participants understood to relate to the healthfulness of the product on a scale of half a star to five stars.
- is relatable by consumers to the energy rating used on electrical appliances in Australia. This familiarity makes it easier to understand how to utilise the label without guidance. In relation to higher-rated products, the HSR still requires supporting information and verification that was only available by checking the NIP and ingredients list.
- most participants preferred the NIP and the ingredients when making purchasing decisions as they were viewed to be more transparent, thorough and credible sources of nutrition information.

¹ Pelly FE, Swanepoel L, Rinella J, Cooper S. Consumers' Perceptions of the Australian Health Star Rating Labelling Scheme. *Nutrients*. 2020 Mar 6;12(3):704. doi: 10.3390/nu12030704. PMID: 32155877; PMCID: PMC7146475.

(d) Elements of the HSR that work well for industry

Aspects of the algorithm that the AFGC and Members endorse are:

- simplicity of a single 'output'. In other words, the output from the algorithm is the star rating (i.e. one output)
- flexibility in the design and style guide – accommodates different label sizes. Thumbnails will simply not fit on some labels.
- multiple categories as opposed to one size fits all
- algorithm considers a range of nutrients (not just risk nutrients) and food groups thus providing a more holistic profiling of the food/beverage
- flexibility to choose any colour, provided it does not compromise legibility. This flexibility is crucial, as printers often face limitations on the number of colours they can use on packaging at any given time.
- advisory committee to provide some form of governance.

(e) Challenges with consumer use of the HSR system

According to the most recent FSANZ Consumer tracker² [refer to table 4.6 p 34], consumers not understanding the information on food labels was the main reason for lack of confidence in their ability to use food labelling, followed by illegibility, and trust.

This suggests that education on the elements of a label is a key factor for consumer engagement.

Label literacy i.e. increasing consumer interest and understanding of how to read and use the information in the NIP is an important factor in making a food choice.

Additional consumer insights from members:

In a consumer poll³ (n= 500) undertaken in May 2023

- only 1/3 understand how to use HSRs.
- many don't necessarily trust them and find them quite confusing – yet half would still rather a product have one
- generally, men use HSRs to compare products across the supermarket whereas women are only using them to compare similar products
- women are more wary of the accuracy of the HSRs determining healthiness
- HSRs are not an accurate way of understanding the real healthiness of products - women are more wary of the accuracy of the HSR determining healthiness 60%
- further findings indicated when consumers are asked about use of HSR:
 - preference to buy products that display a HSR over those that don't - 53%
 - use of HSR to decide which product to buy - 43%
 - find the HSR confusing - 42%

A similar poll⁴ from another member (n=500) in May 2022 indicated that about half of the consumers were familiar with HSR and used them to choose between products, however, there was still some confusion around how they work and doubts as to their accuracy/helpfulness.

² Food Standards Australia New Zealand. (2024). FSANZ Consumer Insights Tracker 2023: Technical Report. Canberra, Australia and Wellington, New Zealand. [Consumer Insights Tracker 2023 Technical Report.pdf](#)

³ AFGC Member 1. Personal communication from consumer tracker insights. 5 Dec 2024.

Consumer confusion about how to use the HSR was indicated in another poll⁴ (n=405) in September 2024, of which those consumers who do use the HSR when buying any packaged food and drink for the first time, 21% use it to compare packaged foods *across different* categories.

Lastly, according to published research¹, the HSR

- was viewed with low confidence due to a lack of transparency in the process used to determine the ratings.
- caused an incongruence between participants and their belief system of the healthiness of a food product and the respective star rating.

(f) Challenges with industry implementation of the HSR system

The complexity and cost (across many SKUs) of implementing HSR have been the main challenges for the industry.

It is important to note that, due to the complexity and cost involved, the industry's preference is to bundle packaging updates with other impending label changes. This explains in part delays in implementing the HSR, as updating packaging for each regulatory change is too costly and logistically challenging. Bundling multiple regulatory changes into a single packaging update helps mitigate the burden on the industry.

The industry has faced a period of significant supply chain disruptions (during COVID-19, geopolitical) and escalating costs (energy, insurance, logistics, labour) over the last four years, with a reduced ability to pass on costs to consumers in the current economic and political environment, including cost of living pressures. Despite higher top-line growth, operating profit fell by 7% due to persistent cost pressures from commodities, energy, and shipping rising faster than wholesale prices⁵.

There are also significant additional costs to industry when there are changes to the HSR system, such as what occurred following the 5-year review. This can be a significant disincentive for businesses to invest in applying HSR labelling.

There has also been hesitancy on applying HSR to products where it is perceived to provide little consumer value (i.e. above existing consumer understanding of the nutrition of the product), or it does not reflect the true nature of the food as consumed (i.e. that require preparation and addition of other ingredients).

Members have reported challenges when seeking clarification on technical elements of the HSR system. Development of additional practical guidance on implementing HSR and having adequately resourced technical support to address queries in a timely manner would be of great assistance to industry.

⁴ AFGC Member 2. Personal communication from consumer tracker insights. 10 Dec 2024.

⁵ AFGC State of the Industry 2022-2023 <https://afgc.org.au/News/australian-food-and-grocery-manufacturing-industry-shows-resilience-amid-rising-costs/>

(h) Potential impact on industry of mandating the HSR system (including product reformulation)

The AFGC views the most significant (positive) impact on the industry as providing clarity on the regulatory status of the HSR. The AFGC is aware of the criticism made by other stakeholders of some companies selecting only some of their products to label with the HSR. Mandating the HSR provides equal footing as all companies will be required to adopt the HSR on 'intended' products.

The AFGC supports maintaining the current health star rating (HSR) algorithm. Any modifications to the algorithm resulting from this review would raise concerns within the food industry, as they would necessitate changes to HSR values on packaging and erode consumer trust in the HSR system.

Further, updating HSR labels requires time to flow through into the marketplace, and time for government consumer campaigns to be implemented and influence consumer behaviours and in turn increase trust levels.

The AFGC is also aware of the belief that HSR will encourage the reformulation of a company's portfolio to achieve a higher rating. This is a broad generalisation, and reformulation is driven by many factors. The AFGC and its Members **support the voluntary reformulation** of food and drinks in retail and out-of-home sectors. The food industry has an established track record of offering product variants for some 20 years which are reformulated in response to advances in nutritional science and particular public health concerns, internal nutrition policy, and internal capability.

2. Are there specific areas you would like FSANZ to focus on for the HSR preparatory work? If so, please explain.

The AFGC provides information on the following:

I. Evidence-based

The AFGC remains firmly committed to ensuring an outcome that results in HSR scores that are based on sound nutrition science and consumer insights to build consumers' trust.

II. Coordinated changes

The AFGC has the view that the industry should not be expected to undertake costly labelling changes before reviews of both the HSR and NIP are finalised. Any proposed label changes of the front and back of pack should be coordinated to limit multiple changes to any label. The implementation of country-of-origin labelling (CoOL), plain English allergen labelling (PEAL), and RedCycle removal has already proved quite challenging for businesses in terms of resource management, write-off costs etc.

III. Intended products

To maintain/build trust in the HSR system, consideration should also be given to the scope of intended products (as per Appendix 1 in the HSR report 2024). It is the view of the AFGC that in some categories there are products that require substantial transformation through consumer effort (addition of multiple ingredients and cooking) to become suitable for consumption and should be classified as 'not intended'. For example, cake mixes (eggs, milk, butter are added), recipe bases [powder and liquid concentrates] (meat or plant-based protein and vegetables are added). Many of these foods cannot be consumed without the addition of other ingredients and considerable transformation through baking or cooking. The current calculation of the HSR based on "As is" does not represent how the consumer is using these products and the role they play in consumers diets.

IV. Transition period

The AFGC requests consideration of a sufficient transition time (3 years minimum) and alignment with other coordinated label changes to reduce costs to industry.

Costs to industry include planning and implementation (i.e., costs of redesign, volume, and timeline for changes to product labels), reformulation costs, and other ongoing costs (i.e., monitoring and additional requirements specific to each product such as change in packing materials). The costs associated with packaging changes contribute to higher business annual operations and will add additional costs while Australians are trying to navigate a cost-of-living crisis.

V. Enduring stock in trade

The AFGC also requests consideration of an enduring “Stock in trade” as part of the transition time to reduce costs in recalling products already in distributor’s network of stores and/or warehouses. This is particularly for products with long shelf life (up to two years).

NIP

3. Do you have any information and/or evidence which may support FSANZ in undertaking the holistic review of the NIP?

For example, information or evidence on the following topics would be useful:

- (a) consumer use, understanding and trust in the NIP
- (b) elements of the NIP that work well for consumers
- (c) elements of the NIP that work well for industry
- (d) elements of the NIP that work well for enforcement purposes
- (e) challenges with consumer use of the NIP
- (f) challenges with industry implementation of the NIP
- (g) challenges with enforcement of the NIP or its use to support enforcement of other labelling elements

(f) challenges with industry implementation of the NIP

The AFGC and its members are supportive of the current NIP requirements.

4. Are there specific areas you would like FSANZ to focus on review of the NIP? If so, please explain.

The AFGC considers that if any changes are to be made to the NIP, they need to be evidenced-based, and that consideration be given to reducing the regulatory burden upon the industry.

The AFGC supports the NIP as it stands (i.e. no change), subject to new consumer research indicating that a change is required to improve understanding.

5. Do you have any information or evidence that specifically considers how the HSR system and the NIP can complement and support each other? If so, please provide this.

I. Consumer understanding of graphic use

The AFGC supports a principle-based approach in addressing the relationship between the front of pack (HSR) and back of pack (NIP) to support consumers in making healthy food choices. Critical to this approach is the clear identification of a problem statement – what is the evidence of a problem, and what is the benefit/barrier of any proposed change(s) to either the HSR and/or

NIP. The AFGC therefore strongly supports FSANZ conducting further consumer insights research specifically on the HSR and the NIP and their interrelationship before any suggestion of amending either.

The AFGC is particularly interested in consumer understanding and use of the various graphic elements of the HSR system.

The AFGC recommends that the HSR stars graphic only (Section 5.4 in the *HSR system calculator and style guide*, version 8⁶) be the mandated graphic on the front of pack as the other energy and nutrient icons are a duplication of information in the NIP. The HSR is interpretive, whereas the other elements of the HSR system simply duplicate information already provided in the NIP. While the style guide encourages the use of as many elements as possible, it is the HSR itself that offers consumers meaningful, easily understood information at a glance. Including additional elements causes unnecessary confusion.

As indicated in the FSANZ 2023 consumer insight tracker², the most important labelling elements for consumers were the 'Nutrition Information Panel' (NIP) and 'ingredients list' – both rated as generally important (i.e., above the midpoint) by 69% of respondents. The front of pack HSR system was rated lower at 59%. This indicates a disconnect between the level of importance consumers give nutrition/ingredient content claims and the HSR, and their level of trust in them (see Consumer tracker figure 4.9, P35).

Consumer tracker² results also indicated that based on different labelling elements, consumers perceived a conceptual difference in these. Labelling elements on the back of pack (which included the NIP) were seen to represent “a neutral, scientific analysis” of the contents of the package. Whereas labelling elements often on the front of pack (which included the HSR) were seen to be more “interpretative and positively valenced”². This suggests that increasing trust in the HSR is a key factor for consumer engagement.

Not understanding the information on food labels was the main reason for the lack of confidence in consumers' ability to use food labelling, followed by illegibility, and trust, according to the Consumer Tracker² (table 4.6, p 34). This suggests that education on the elements of a label is a key factor for consumer engagement.

II. Beyond the label – digital solutions

While the AFGC considers digital labelling beyond the remit of this scope of work on reviewing the HSR and NIP on labels, it does provide an avenue for informing consumers about food choices they may buy.

Digital labelling using QR codes on food products provides an opportunity, without the boundary of a physical label, to inform the consumer more about the food product. From the ingredients, nutritional details, allergen information, and potentially sustainability practices, digital labelling provides a platform for food companies to communicate directly with consumers, offering a deeper level of transparency and information. Where appropriate, it is also more flexible, cost-effective and timely for implementing changes, potentially reducing waste from the disposal of excess packaging.

⁶ [HSR System Calculator and Style Guide v8.pdf](#)