



**Submission to the consultation for Proposal P1049 –
Carbohydrate and Sugar Claims on Alcoholic
Beverages**

February 2019

1. Executive Summary

- 1.1. The Brewers Guild of New Zealand (**Brewers Guild**) represents members that produce over 95% of the volume of beer in New Zealand.
- 1.2. The Brewers Guild takes its social responsibility seriously and actively promotes a culture and policy of “Safe, Sensible, Sustainable”.
- 1.3. Because beer is a standardised alcoholic beverage, it subject to specific laws regarding the way in which it can be produced labelled and sold that do not apply to other food categories.
- 1.4. The Brewers Guild supports regulatory change that is evidence based.
- 1.5. The costs of implementing changes will be significant for industry.
- 1.6. Any implementation should only occur after all labelling consultations have been finalised and an integrated implementation pathway is developed with a minimum implementation period of five years.

2. The Brewers Guild of New Zealand

- 2.1. The Brewers Guild represents a vibrant, diverse brewing industry in New Zealand. It is a voluntary, member-based organisation funded primarily through member fees.
- 2.2. In 2018, the New Zealand brewing industry was estimated to contribute over \$640 million to GDP and employ over 2000 people and makes a significant contribution to government through excise tax as well as GST collection.
- 2.3. Brewing organisations in New Zealand vary in size with some members producing less than 50,000 litres of beer per year and employing only a few people the largest producing well in excess of 2 million litres per year and employing over 200 people.
- 2.4. As at February 2019, the Brewers Guild represents 98 of the estimated 218 brewing businesses throughout New Zealand - together with members throughout the grain to glass supply chain. By volume of beer production, we represent over 95% of the industry.
- 2.5. The Brewers Guild takes its social responsibility seriously and actively promotes a culture and policy of “Safe, Sensible, Sustainable” that commits all Guild members to work together to tackle social issues around alcohol and, at the same time, build a healthy, vibrant and diverse brewing industry. The Brewers Guild supports the consumption of alcohol in moderation by informed adults.
- 2.6. The Brewers Guild’s focus has been, and will continue to be, on promoting the experience of a diverse range of exceptional quality beer. We estimate that a minimum of 2000 different beers are commercially available to consumers throughout New Zealand - representing significant consumer choice and a strong platform for export and tourism.
- 2.7. Many of our members produce 30 + SKUs of beer on a very small scale. Many of these are one-off brews. This variety and constant innovation is driving the craft beer industry’s growth and encourages consumers to drink quality over quantity.

3. Labelling Consultation – In General

- 3.1. Beer is a standardised alcoholic beverage defined by Standard 2.7.2.
- 3.2. Beer is subject to specific laws regarding the way in which it can be produced labelled and sold that do not apply to other food categories. Among other things, beer is required to indicate its alcohol by volume and the standard drinks contained within it.
- 3.3. Over the past 18 months there have been four significant labelling consultations underway – Added Sugar, Energy Labelling, Pregnancy Warning Labelling, and now Carbohydrate and Sugar Claims.
- 3.4. Each consultation is being undertaken in isolation of the other.
- 3.5. Labelling, as a marketing tool and product differentiator, is an essential component of the beer market – in particular for small to medium enterprises who strive to create a strong brand following in a highly competitive landscape.
- 3.6. Product labels, particularly on beer, are finite in size. Based on existing regulation and policy, the Brewers Guild’s labelling guide for members indicates 20 different items that should be included on a beer label. These include both mandatory (now including the pregnancy warning labels) and recommended items (eg recycle logo, and standard drink values).
- 3.7. This already leaves limited room for brand expression, and also means that information is becoming cluttered and detracts from any of the single individual messages seeking to be delivered.
- 3.8. Feedback from our members indicates that the cost for label changes is significant, and on a per SKU basis is higher for smaller businesses. On average the estimated cost for a single label change is around \$1500 and that does not include the cost of discarded labels.
- 3.9. Many of our smaller members have advised that additional regulatory costs could not be sustained by their business.
- 3.10. If the implementation of changes from the various consultations is not aligned and phase in provisions appropriately timed – small to medium breweries in New Zealand will be significantly negatively impacted.

4. Assumption – Consultation does not relate to Gluten

- 4.1. Notwithstanding some references to gluten in the Technical Assessment, it is assumed that this consultation does not impact the ability for a brewery to make an allergen statement advising that a beer is gluten-free.
- 4.2. If that assumption is incorrect – these changes will have far wider consequences for small to medium brewers and we request the opportunity to make submissions directly on those points.

5. Evidentiary Basis to Support the Problem Statement

- 5.1. We note that this consultation has arisen as a result of concerns expressed by Forum Ministers at the November 2017, Australia and New Zealand Ministerial

Forum on Food Regulation regarding the “potential for consumers to be misled by carbohydrate and sugar claims about alcoholic beverages”.

5.2. The Technical Assessment and Background paper make it clear that the current consultation is based in very limited evidence or research.

5.3. Notwithstanding the following statements in the Technical Assessment:

- “relatively little research has been conducted examining consumers’ beliefs about the nutrient and energy content of alcoholic beverages.”¹
- “consumers tended to overestimate (in some cases substantially) the calorie, fat, and carbohydrate content of light beer, regular beer, wine and distilled liquor.”²
- “No studies have been found which specifically examine the effects of sugar claims on consumers’ perceptions of alcoholic beverages on their behaviour.”³

The report concludes that FSANZ considers that the policy intent is to prohibit claims about sugar and carbohydrates and that these prohibitions should be consistent.

5.4. The FSANZ Public Health and Safety Statement⁴ states specifically that ‘when making regulatory decisions, (FSANZ) adopts an evidence-based approach that applies appropriate methodologies in assessing the short-term and long-term risks to public health and safety.’

5.5. The Brewers Guild of New Zealand and our members are committed to Safe, Sensible, Sustainable consumption of alcohol. However, we also have an expectation that regulation impacting our industry will be evidence based.

5.6. Given the very limited research or evidence to support the concerns raised at the Ministers Forum, or any evidence as to the impact the proposed changes would actually have on improving public health – it is disappointing that the consultation has moved to the stage that we are already quantifying the financial impact to New Zealand businesses for implementing changes.

6. How many stock keeping units (SKUs) of alcoholic beverages produced by your business carry sugar related nutrition content claims.

6.1. We estimate that there are around 130 SKUs that carry sugar related claims.

7. How many SKUs of alcoholic beverages produced by your business carry carbohydrate related nutrition content claims.

7.1. We estimate there are around 30 SKUs that carry carbohydrate nutrition content claims.

¹ Technical Assessment, pg 12.

² Technical Assessment, pg 12.

³ Technical Assessment, pg 12.

⁴ Public Health and Safety Statement, endorsed by the FSANZ Board in 2014 explains how the core objectives of the legislation will be applied in the development of standards. Available:

<http://www.foodstandards.govt.nz/about/Documents/Principlestatementonpublichealthandsafety.pdf>

8. How many SKUs of alcoholic beverages produced by your business carry nutrition content claims about both sugar and carbohydrate?

8.1. We estimate there are around 100 SKUs that carry both carbohydrate and sugar related claims.

9. What is your best estimate of the cost to change a single label (single SKU) by removing a claim(s)? If possible please disaggregate this cost to the various activities and specific costs that make up this estimate. (e.g. Administrative labour costs, Graphic design and prepress labour and materials costs, Recordkeeping costs, Printing plate costs, Discarded inventory costs)

9.1. As set out in the Brewers Guild of New Zealand Added Sugar Labelling Consultation – the average cost for a single label change is approximately \$1500. However, we note that this can vary substantially based on the type of product (can vs bottle, vs carton), business maturity (size and scale) and the complexity of the label design.

9.2. In general, the \$1500 includes administration, graphic design, printing plate changes/ printing set up and record keeping.

9.3. Discarded inventory costs range substantially depending on size of production and type of product. Ranging anywhere from \$400 to \$12,000.

10. What is the average time between the production of your product and its retail sale?

10.1. The average time between production of product and retail sale varies substantially for our members – from 1 week to 12 months.

11. How many months stock of your current labels do you typically keep?

11.1. The months of stock of current labels held on hand varies substantially for our members from 3 months to 12 months.

12. In the last 24 months, how often did you make changes to labels for voluntary reasons such as for marketing or promotional purposes and/or to meet other regulatory requirements for the class of products you have provided a cost estimate for?

12.1. Of the members that provided feedback – approximately 50% had made 1 voluntary change to their labelling in the past 24 months. Approximately, 50% of those members (ie. 25% of total respondents) advised that the changes were part of major brand overhauls that took place approximately every 5 years.

12.2. On the basis of the above, we may be able to extrapolate that on average 50% of the industry would make voluntary changes to labels within a 24 month period.

12.3. Members with cider products advised that they had been required to make mandatory changes within the previous 24 month period to comply with regulatory changes.

13. Are there any other costs that you think should be taken into account if the removal of sugar and carbohydrate nutrition content claims is required? Please provide quantified estimates if you are able to.

13.1. Additional costs that need to be factored in to any labelling changes include costs to change marketing and other collateral – and the support services and teams involved in making those changes (for example legal, marketing, designers). Additionally, label changes can take around one month to put into effect and if production needs to be put on hold to allow for that change the costs of lost production also need to be factored in.

14. Is there any consumer research you are aware of relating to consumer responses to claims about carbohydrate or sugar on alcoholic beverages? If yes, please provide references to this research.

14.1. We are not aware of any additional research.

15. In general do you have any comments about any of the options listed above? (Option 1 – Maintain Status Quo, Option 2a – Amend the Code – Sugar Only, Option 2b – Amend the Code – Sugar and Carbohydrates).

15.1. The low-alcohol and low-carb beer options have seen an increase in sales of 7% per annum since 2016.⁵ Any changes to prohibit making factual statements about the contents of beer would run counterintuitive to increasing transparency for consumers.

15.2. Given the available evidence provided in the Technical Assessment it is difficult to understand what, if any, the impact of any options would have on improving public health. And therefore, it is difficult to support a change if there is no basis for quantifying or understanding the overall public benefit.

15.3. Any changes to the code should be consistent and easy to understand and apply. Consideration should also be given to how these changes intersect with the other labelling consultations underway around Added Sugar, and Pregnancy Labelling.

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⁵ Brewers Association, NZIER, Economic Report Summary, February 2019