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TECHNICAL REPORT

Assessing the impact of revisions to the EU horizontal food labelling legislation

Jan Tiessen, Lila Rabinovich, Flavia Tsang, Christian van Stolk

Prepared for the European Commission

RAND EUROPE

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1200 South Hayes Street, Arlington, VA 22202-5050
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Preface

This report presents findings from a study to support the European Commission Directorate General for Public Health and Consumer Protection (DG SANCO) in assessing the impacts of a revision of the European legislation on horizontal labelling for foodstuffs. This report will serve as an input into DG SANCO's own regulatory impact assessment exercise. The research conducted by RAND Europe examines evidence on the potential costs and benefits for key stakeholders of the policy options proposed by DG SANCO. The main aim of this exercise is to support DG SANCO in assessing how a change in the existing policy could change the costs and benefits to key stakeholders, identified as food producers and retailers, consumers and the Member States.

In order to examine the possible impacts of the policy options on horizontal food labelling proposed by the European Commission, available relevant evidence was collected, synthesised and analysed on the six broad headings under which the policy options were developed, namely:

- Structure of the legislation;
- Scope of the legislation;
- Mandatory requirements;
- Legibility of the information;
- Origin labelling;
- Ingredient listing on alcoholic beverages;

On the basis of the available evidence, the study then conducted a qualitative comparison of the potential impacts of the different policy options proposed by DG SANCO. The findings from RAND Europe's research are discussed in detail in the report.

This report will be of particular interest to DG SANCO and other DGs in the European Commission, such as DG Enterprise, for which a revision of food labelling legislation is relevant. In addition, the study will be relevant to policy-makers in EU Member States, as well as for consumer and food industry organizations concerned with food labelling legislation.

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For more information on RAND Europe or this document contact:

Dr. Christian van Stolk
RAND Europe
Westbrook Centre
Milton Road
Cambridge CB4 1YG
Tel: +44 1223 353 329
Fax: +44 1223 358 485
Email: stolk@rand.org

Contents

Preface ... iii
Table of Figures ... ix
Table of Tables ... xi
Executive Summary ... xiii
Acknowledgments ... xxiii

CHAPTER 1 **Introduction ... 1**
1.1 Impact assessment of a revision of the European Council directive 2000/13/EC on horizontal food labelling ... 1
1.2 Research approach ... 2
1.2.1 Document, literature and data review ... 2
1.2.2 Survey ... 3
1.2.3 Semi-structured interviews ... 5
1.2.4 Cost–consequence analysis ... 6
1.2.5 Methodological comments ... 7
1.3 Report structure ... 7

CHAPTER 2 **General labelling for foodstuffs: current situation and the need for change ... 9**
2.1 Objectives of labelling regulation ... 9
2.2 Background ... 9
2.3 The need for change ... 10

CHAPTER 3 **Stakeholders of horizontal labelling policy ... 15**
3.1 Industry ... 15
3.1.1 The food and beverage industry ... 16
3.1.2 The food retail industry ... 17
3.2 Consumers ... 19
What and where do consumers eat? ... 20
3.3 Member States and public administration ... 24

CHAPTER 4 **Determinants of the firm's labelling costs ... 27**
4.1 The food labelling process ... 27
4.1.1 Label changes ... 28
4.1.2 Familiarisation with legislation ... 31

4.1.3 Information to be provided on the label 31
4.1.4 Design costs 32
4.1.5 Printing costs 32
4.2 Administrative burden 34
4.3 Company size 38
4.4 Mandatory vs. voluntary labelling 38
4.5 Opportunity costs 39

CHAPTER 5 **Structure of legislation 41**
5.1 The evidence 41
5.2 Assessing the policy options 42

CHAPTER 6 **Scope of the legislation 45**
6.1 Unpacked food 45
6.1.1 Background 45
6.1.2 Assessing the policy options 54
6.2 Small packages 57
6.2.1 Background 57
6.2.2 Assessing the policy options 58
6.3 Distance selling 59
6.3.1 Background 60
6.3.2 Assessing the policy option 61

CHAPTER 7 **Mandatory requirements 65**
7.1 Removing the obligation of declaring the same ingredient twice 65
7.1.1 Background 65
7.1.2 Assessing the policy options 66
7.2 Removing some existing derogations concerning the durability date 67
7.2.1 Background 67
7.2.2 Assessing the policy option 67
7.3 Requiring the following additional information 69
7.3.1 Background 69
7.3.2 Assessing the policy options 70

CHAPTER 8 **Legibility of the information 73**
8.1 Background 73
8.2 Assessing the policy options 75

CHAPTER 9 **Origin labelling 81**
9.1 Background 81
9.2 Assessing the policy options 89

CHAPTER 10 **Labelling of alcoholic beverages 93**
10.1 Background 93

10.2 Assessing the policy options 96

CHAPTER 11 **Comparing the policy options 99**
11.1 A framework for comparison: Scoring the policy options 99
11.2 Synthesis 101

CHAPTER 12 **Monitoring and evaluation 111**
12.1 Introduction 111
12.2 Monitoring 112
12.3 Evaluation 114

CHAPTER 13 **Conclusion 117**
13.1 Key findings 118
13.1.1 The costs of food labelling legislation to producers are small, but can increase considerably for specific labelling requirements 118
13.1.2 The structure of legislation has only a small impact on total labelling costs 119
13.1.3 Scope of the legislation 119
13.1.4 Mandatory requirements 120
13.1.5 The legibility of the information is a prime concern of the revision; improvements will lead to modest to large cost increases for food producers 121
13.1.6 Origin labelling is demanded by consumers and could lead to significant increases in labelling costs depending on the extent of the requirements and the definitions of origin 121
13.1.7 Labelling of alcoholic beverages can easily be implemented by alcoholic beverage producers at low costs 122
13.2 The evidence base needs to be developed 122

REFERENCES 125
Reference List 127

APPENDICES 133
Appendix A: List of interviewees 135
Appendix B: Survey results 137

Table of Figures

Figure 3.1: Structure of European food and drink industry 16
Figure 3.2: Structure of European food retail industry, 2004 data 17
Figure 3.3: Structure of retail sale of food, beverages and tobacco in specialised stores, 2004 data 18
Figure 3.4: Industry's view on regulation 25
Figure 4.1: Labelling process 28
Figure 4.2: Reasons for modification of labels: 'What is the main reason for changing a product label?' 29
Figure 4.3: Most frequent reason to change a label 29
Figure 4.4: Frequency of label change amongst respondents 31
Figure 6.1: Which information do you provide for food sold loose that is usually used on food labels? 53
Figure 6.2: E-commerce revenue as a percentage of enterprises' total turnover 2003 and 2004 60
Figure 7.1: Turnover of specialised food, beverage and tobacco retailers by company size, 2004 data 68
Figure 9.1: Country of origin labelling 85
Figure 9.2: Impacts of mandatory origin labelling on food industry 85
Figure 9.3: Cost or origin labelling in relation to number of countries and ingredients, differentiated by size of firm. 86
Figure 10.1: Consumption of beverages per capita (litres per year) 97
Figure 10.2: Manufacture of beverages (NACE Group 15.9) Breakdown of sectoral value added, EU-25, 2003 (%) 98
Figure 12.1: Logic models in policy evaluation 116

Table of Tables

Table 0.1.1: Policy options xiv

Table 2.1: Policy options 11

Table 3.1: Food, beverages and tobacco: Mean consumption expenditure and structure of household expenditure, 1999 21

Table 4.1: Proportion of SKUs that could be coordinated with a scheduled labelling change (US estimate) 30

Table 4.2: Graphic design cost estimates (US) 32

Table 4.3: Prepress and Etching/Engraving Cost Estimates. Prepress and engraving costs are on an SKU basis and differ by printing method. 33

Table 4.4: Estimates of total costs for changing a label per SKU 34

Table 4.5: Administrative burdens associated with food legislation and labelling regulations compared between countries 36

Table 6.1: Examples of non-pre-packed products and outlets in the UK 46

Table 6.2: Which, if any, of these things do you usually look for when shopping for loose foods? 47

Table 6.3: Eating out lunchtime and in the evening (U.K.)? 49

Table 6.4: Eating out information of interest (U.K.) 50

Table 9.1: Estimates of introducing mandatory country of origin labelling in the US on prices of covered commodities 87

Table 11.1: Structure of legislation 101

Table 11.2: Scope of the legislation: Unpacked food 102

Table 11.3: Scope of the legislation (2): Distance selling and small packages 103

Table 11.4: Mandatory requirements 104

Table 11.5: Origin labelling 105

Table 11.6: Legibility 107

Table 11.7: Ingredient listing on alcoholic beverages 109

Table 12.1: Monitoring indicators for European Union labelling regulations 114

Executive Summary

This study assesses the impacts of a proposed revision of horizontal food labelling policy

The European Commission Health and Consumer Protection Directorate General (DG SANCO) commissioned RAND Europe to provide support in performing an Impact Assessment of the policy options for the revision of Community horizontal food labelling legislation, as codified in Directive 2000/13/EC of the European Parliament and the Council, relating to labelling, presenting and advertising of foodstuffs. This study is designed to support DG SANCO in assessing the impacts of a number of policy options in horizontal food labelling legislation identified by DG SANCO. These policy options can be found in Table 0.1 below. This report will serve as an input into DG SANCO's own regulatory impact assessment exercise. The impact assessment conducted by RAND Europe will weigh the costs and benefits of the proposed options for key stakeholders. The central issue in this exercise is to assess how a change in the existing policy will change the costs and benefits to key stakeholders, identified as food producers and retailers, consumers and the Member States.

The horizontal food labelling policy needs to be revised

The desire to revise the horizontal food labelling regulation has been driven by a growing belief that the existing labelling regulation has become more and more complicated and unclear, 'making it more difficult for consumers to find, read and understand information, and leading to greater difficulties in enforcement and control of the labelling provisions'.[1] In addition, labelling has to be seen within the wider strategic goals of the (renewed) Lisbon Agenda[2], which requires the reduction of administrative burdens, particularly for small and medium-sized enterprises (SMEs). In the words of DG SANCO, revised horizontal labelling regulation will:

[1] European Commission, *Fischler and Byrne Final Round Table on Agriculture and Food* (Belgium: European Commission, 2002).

[2] Presidency of the European Council, *Presidency Conclusions Lisbon: European Council 23 and 24 March 2000* (European Council, 2000); European Commission, *Working together for growth and jobs: A new start for the Lisbon strategy* (communication to the Spring European Council Belgium: European Commission, 2005).

- provide consumers with necessary information to enable them to make safe, healthy and sustainable choices
- create a pro-competitive market environment in which dynamic, efficient, innovative operators can make full use of the power of labelling to sell their products
- be consistent, coherent and transparent
- create a common framework and rules in order to eliminate barriers to free circulation of goods.

DG SANCO identified a number of policy options for the revision

Against this background, DG SANCO identified a number of policy issues that should be addressed. These issues and the related policy options were the basis of this impact assessment exercise. These policy options are listed in the following Table 0.1.1.

Table 0.1.1: Policy options

1.	**Structure of legislation**
A)	Bring together into one piece of legislation as many texts (vertical as well as horizontal) as possible in order to facilitate access to the legislation
B)	Recast the horizontal provisions together, which means bringing together all the horizontal texts related to directive 2000/13/EC, leaving the product-specific rules in the vertical texts
C)	The same as B, but putting vertical legislation in an Annex to the recast horizontal text
2.	**Scope of the legislation**
	Unpacked food
A)	Extending to food sold loose the requirement to indicate all the mandatory information that has to be provided on the labels of pre-packaged foods
B)	Keeping the status quo and leaving it to the Member States to decide which pieces of information should be given to the consumer for food sold loose, and how
A)	Deciding at the community level which pieces of information should be available for food sold loose, leaving it to Member States to decide on how it should be provided
	Small packages (article 13.4 D. 2000/13)
A)	Maintain the exemption from the full labelling requirement for small packages
B)	Submit small packages to the same requirements as all other packages
	Distance selling
A)	Clarifying the scope of the labelling legislation to cover food distance selling (selling foodstuffs by Internet or catalogues)
3.	**Mandatory requirements**
A)	Removing the obligation of declaring the same ingredient twice, once on the product description and a second time on the list of ingredients. This refers to the requirements concerning the following ingredients: • caffeine • phenylalanine, when there is already mention of aspartame in the ingredient list • allergens – a lot of stakeholders are in favour of not repeating the allergenic source of an ingredient when the allergen is itself already declared in the ingredient list
B)	Removing some existing derogations concerning the durability date: • soft drinks, fruit juices, fruit nectars and alcoholic beverages in individual containers of more than 5 litres, intended for supply to mass caterers (art. 9.5 fourth indent) 1. pastry cooks' wares which, given the nature of their content, are normally consumed within 24 hours of their manufacture (art 9.5 fifth indent). The removal of the exemption for bakers' wares is still considered justified

Table 0.1.1: Policy options

	• individual portions of ice-creams (art.9.5 eleventh indent)
C)	Requiring the following additional information: • the alcoholic strength by volume for foods other than beverages (e.g. ice-creams, jams) where they contain more than 1.2% by volume of alcohol • transfer additives • indication where a meat has previously been frozen
4.	**Legibility of the information**
A)	Maintain current rules: a broad requirement for the label to be legible
B)	Be more prescriptive as to the presentation: B1) Introduce a minimum font/text size for the mandatory information B2) Provide that mandatory requirements should be clearly distinguishable from marketing information B3) Standardise the presentation of the information
5.	**Origin labelling**
A)	Introduce mandatory origin labelling for all foodstuffs
B)	Keep the current rule for general food and adopt a sector-based approach, i.e. leave each sector to decide whether further rules should be decided;
C)	Introduce mandatory origin labelling for all unprocessed food, meaning raw products, even when included in processed food
D)	Keep the present approach: no mandatory origin labelling, and guidance to frame the voluntary use of geographical indications
6.	**Labelling of alcoholic beverages**
A)	Full ingredient listing for all alcoholic beverages
B)	Requiring ingredient listing except for alcoholic beverages that result from the fermentation process of one ingredient, which would in fact exclude a lot of traditional alcoholic beverages and compel those containing additives and flavouring to declare it

The evidence base is weak and needs to be developed

RAND Europe used three basic methodologies to create an appropriate evidence base for the ex ante impact assessment of these policy options.

1. We used a document and literature review to map and categorise the available evidence on the impact of general and nutrition labelling.

On the basis of the review, we identified the main data gaps that the project team faced in this impact assessment. These were then tackled through:

2. an online survey and

3. a small number of key informant interviews.

Despite these efforts to generate additional evidence, the analysis of the specific policy options has been aggravated by the lack of good consumer data and more specific cost data.

Three main stakeholder groups are affected by a policy change

The stakeholder analysis identified three main stakeholders affected by changes in the regulation:

- the food industry
- consumers

- Member States.

The **food production and food retail sectors** are characterised by a predominance of small enterprises; however, a small number of large companies account for a large part of the turnover. Key policy positions of the European food and food retail industry are that:

- industry prefers a mix of core mandatory information and options around voluntary information provision
- industry considers country of origin labelling as too complex to be extended and doubts the value of the claims that can be made on processed foods
- industry prefers European regulation over national regulation.

Consumers, as a stakeholder group, show many differences in how they check for and use food information across Europe. However, consumers show distinct commonalities in the type of information provision they would like to see. Consumers are mostly interested in clear, understandable, simple, comprehensive, actionable, standardised and authoritative information. Consumers also show a strong preference for country of origin labelling. Some Consumer organisations have concerns about the inability of the European Commission to enforce changes.

Finally, **Member States'** capacity to act and the effectiveness of the implementation of labelling legislation depends on the design of the labelling regulation. In terms of governance, there is a trade-off for the Member States between the desire for flexible solutions to labelling including the use of national transposition on the one side and the requirements of the single market and the desire in industry for a unified regulatory framework on the other side. Most Member States prefer to maintain the current mandatory labelling requirements and eventually introduce legislation on the legibility of labels.

The costs of food labelling legislation to producers are small, but can increase considerably for specific labelling requirements

Food producers and food retailers bear most of the costs of changes in labelling regulation as long as they are not able to pass on the costs to consumers. However, the cost of food labelling regulation, defined as the additional costs of including the legislative requirements, might be marginal or even zero in some cases.

While there have been attempts in the US to develop a comprehensive cost model which quantifies the cost effects of food labelling changes, such a tool is missing in the European context. Although we can fairly comfortably describe the cost mechanisms for food-producing companies, we cannot, however, quantify the effects of each option. A number of general factors are likely to increase or decrease the cost of food labelling across the different policy options.

- Information costs related to the understanding of the current legislation depend on the accessibility, understandability, consistency and clarity of the regulation.
- Information costs related to the collection of the necessary information to put on the label increase with the amount of information to be labelled, the difficulty of acquiring the information, and the frequency of updates.

- Design costs of the label increase with the extent of the label overhaul, and the complexity (colours) of the label.
- Printing costs depend on the numbers of colours used and the necessary adaptations to hardware (printing plates/upgrade of machines).
- The stock of printed labels to be written off increases/decreases the one-off costs of changes.
- Different label types bear different changing costs: adhesive labels and displays at the point of sale are cheaper to change than labels printed on pack.
- Labelling changes due to regulatory changes can be implemented more cheaply, or even at no additional cost, when they are implemented in parallel with changes within the normal labelling cycle of the company.
- Labelling changes might lead to a substantial increase in costs, if they require an increase in the number of stock keeping units (SKUs) a company produces.
- Space limitations can lead to an increase in costs for producing a label, by increasing the package size or the number of necessary SKUs.

SMEs are likely to face relatively higher costs due to labelling changes. In general, SMEs command fewer resources and cannot realise economies of scale in reacting to changes in labelling regulation compared to large companies. These resources might be needed to acquire information on the regulation and to comply with regulation by overhauling labels, but also to reposition and re-brand products affected by changes in consumer demands as a result of information disclosure.[3] Overall, labelling requirements might lead to higher-per-unit costs for SMEs, thus reducing their competitiveness.[4]

Key findings for the policy options

The cost–consequence analysis resulted in a number of impact matrixes, assessing the impacts of the proposed policy options upon seven categories:

1. industry
2. SMEs
3. market competitiveness
4. consumers
5. Member States
6. trade
7. environment.

[3] Christine Moorman, Rex Du and Carl F. Mela, "The Effect of Standardized Information on Firm Survival and Marketing Strategies," *Marketing Science* 24, no. 2 (2005): 263–274.
[4] E. Golan, F. Kuchler and L. Mitchell, "Economics of Food Labelling," *Journal of Consumer Policy* 24 (2001): 117–184.

The main results are summarised below.

The structure of legislation has only a small impact on total labelling costs

The structure of the legislation affects how easy it is for stakeholders to familiarise themselves with the legislation. The proposed changes have the potential to reduce the information costs associated with the legislation. The available evidence suggests, however, that costs of gathering information constitute only a small part of the overall costs of administrative burdens related to food labelling. Information costs are estimated to contribute up to 5 per cent to labelling costs in Denmark and up to 13 per cent of all food legislation in the United Kingdom. Changes in the structure of the legislation thus might have a positive impact on the cost of producing labels but this impact is likely to be small.

Scope of the legislation

Better information on allergens is the main benefit of labelling food sold loose

Consumers and some Member States consider information on potential allergens as very important for food sold loose (through catering/restaurants/retailers). Anecdotal evidence suggests that most food allergy incidents happen outside the home and can be traced back to food sold loose. However, consumer demand for other information is limited. Tracing the relevant information on allergens for food sold loose, and keeping it up to date, imposes costs on the food industry. As this information is most likely to be presented on menus in restaurants and on displays for food sold loose at counters, trained staff are required for daily updates. Due to the nature of transactions, the provision of labelling information for food sold loose has no single market impact, thus different national legislations would not pose additional burdens on the food industry. There are no reliable cost estimates for labelling food sold loose, but they are expected to be relatively small.

Distance selling can be included in food labelling legislation at small costs

Distance selling constitutes only a small, although growing, part of food retail sales. Virtually no research has been conducted into the specific labelling issues surrounding the distance selling of food, so RAND Europe's research has had to rely on the general understanding of consumer benefits and company costs, on arguments brought forward by stakeholders and on analyses by Members States in judging the possible effects of the policy options.

Under the current regulation, foodstuff sold through distant selling has to meet identical labelling requirements as food sold in stores. However, distance sellers are not obliged to provide all information on the label to the consumer at the moment of sale. This means that the consumer is unable to make an informed choice and to assess all the relevant characteristics of the food product at the moment of purchase. Given the technical possibilities of the Internet as the main distance selling channel, RAND Europe estimates that the costs of actually providing all information on the label, also at the point of sale are small.

Extending labelling requirements to small packages can be expensive and requires further research

There is very limited evidence on the impact of extending mandatory labelling requirements to small and very small packages. However, there would seem to be some apparent effects if labelling were to be extended to small packages below 10cm²:

- information would become illegible if squeezed onto small packages
- labelling machineries might have to be adapted to print on various sides of a product
- package size might have to be increased to meet labelling requirements, leading to negative environmental impacts.

If producers find ways to produce legible information on small packages, consumers will clearly benefit from a better informed choice. To accommodate labelling requirements, possible alternatives should be assessed, including flexibility in the format in which information should be provided. Another alternative would be to mandate the provision of information at the point of sale rather than on the package itself. This would not only minimise the costs to consumers (since enlarging packages to accommodate mandatory information is likely to be the most costly alternative) but it would also prevent additional waste and resources used for the creation of these packages.

Mandatory requirements

Under the heading of mandatory requirements, a number of diverse and very specific policy options were proposed. However, no separate body of evidence exists specifically to assess the impact of these policy options. Research had to rely on generic sources of labelling requirements to assess the impacts of:

1. removing the obligation of declaring the same ingredient twice
2. removing some existing derogations (exemptions) concerning the durability date
3. requiring additional information.

Declaring ingredients once rather than twice reduces clarity for consumers at marginal cost savings for food producers

Declaring only once those ingredients that are declared twice frees up space on the food label which might be used for other labelling requirements, for instance to increase visibility or for marketing purposes of the food producers. This slightly eases the burden on the food industry. There are, however, health risks associated with not labelling caffeine and phenylalanine, which are likely to outweigh the small advantages for the industry.

Removing derogations in the durability date allows consumers to assess the quality of certain food products better but at additional costs for the food industry

Removing derogations in the durability date has an impact on food producers, who would now have to provide this information. However, it must be assumed that the information should be already available and only small costs would thus occur for the inclusion on the label or for information at the point of sale. Consumer benefits are, however, equally small. There are no benefits for including containers above 5l for mass caterers. For pastry cooks'

wares and single portions of ice-cream, the proposed option allows the consumer to make a better informed food choice.

The impact of requiring additional information on the food involves additional cost for the food industry for unclear consumer benefits

In this area, there was virtually no evidence available on consumer demands and benefits. Some of the information might have health impacts; however, there was not enough evidence available to assess whether there would be strong consumer benefits from this policy option. On the other hand, the option would involve small to large additional costs for the food industry, depending on the extent to which transfer additives are used and have to be labelled.

The legibility of the information is a prime concern of the revision; improvements will lead to modest to large cost increases for food producers

Legibility of food labels is a prime concern of many consumers, as survey data from across Europe shows. Consumers prefer legible information in a readable font size; one study identified a font size of 8pt as the minimum. In addition, consumers prefer standardised information which allows them to locate the mandatory information easily on the package. Evidence from the US suggests that mandatory requirements for nutrition labelling did improve readability and were achieved at a modest cost to industry.

Mandating legibility requirements increases the costs to industry if it requires more space on the label. This can be generated by dropping marketing information, by refraining from using multilingual labels, or by increasing the size of the label.

Origin labelling is demanded by consumers and could lead to significant increases in labelling costs depending on the extent of the requirements and the definitions of origin

Throughout the European Union, consumers like to see country of origin information on food products. The labelling of meat products, and beef in particular, is seen as the top priority; however, this is not covered by the proposed revision. Benefits to the final consumer occur primarily by increasing the possibilities of informed choice. However, food safety or health benefits cannot be assumed, as national and imported food is subject to the same safety regulations.

There is little European evidence on the cost implications of introducing mandatory origin labelling. However, there is evidence around the introduction of country of origin labelling for a number of raw and fresh products in the US, and origin labelling for packed and processed food in Australia. Both concluded that there are substantial net costs in implementing the regulation, predominantly for food producers and retailers.

European survey data suggest that around half of the companies already provide origin information; of the companies surveyed in this study, 42 per cent are already using origin labelling. Country of origin labelling has the potential to increase labelling costs considerably if it leads to frequent labelling changes, is linked to extensive tracking of ingredients and requires considerable space on the package.

Mandatory origin labelling involves difficult definitional issues to ensure country of origin information is meaningful and that misleading labelling is prevented. However, such a definition was not part of the policy option.

A number of market effects could be attributed to the introduction of country of origin labelling; however, no specific studies have been conducted in the European context to estimate any such effect. So called 'food nationalism' or broader 'consumer ethnocentrism' is particularly relevant in country of origin labelling. Consumers might choose national food over foreign food, which might lead to an increased segmentation of food markets across Europe undermining the single market. In addition, any country of origin labelling has to be seen in the context of possible conflicts with international trade regulations. On the other hand, country of origin labelling might be used as a marketing tool to advertise specific food qualities.

Labelling of alcoholic beverages can easily be implemented by alcoholic beverage producers at low costs

There is little evidence on the impacts of extending horizontal, mandatory labelling requirements to alcoholic beverages, which so far have been exempt from regulation. The level of consumer interest in ingredient labelling of alcoholic beverages is unclear. A qualitative study commissioned by DG SANCO did not find evidence of particular consumer interest, while data from the UK and the Netherlands suggest a certain interest in ingredient listings for alcoholic beverages.

While the actual ingredient listing should be readily available to the company, introducing ingredient listings will impose costs on the producers of changing and printing new labels. The value consumers put on beverages prepared according to traditional principles might lead to a favourable market position for producers who can show through their ingredient listing that they adhere to such principles.

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CHAPTER 1 Introduction

1.1 Impact assessment of a revision of the European Council directive 2000/13/EC on horizontal food labelling

The European Commission aims to revise its horizontal food labelling policy in accordance with the Lisbon Strategy's agenda of better regulation for Europe, to help consumers make safe, healthy and informed food choices. As with all major policy proposals, this revision of the regulation on horizontal labelling requires an evidence-based *ex-ante* impact assessment.

Regulations impose costs on, and often cause changes in the behaviour of, producers, consumers and public administrations. Changes in regulations necessitate a social and economic impact assessment that weighs these costs against the potential benefits for stakeholders of the proposed policy options. The key issue in this exercise is whether a proposed change in existing policy will return a net social and economic benefit to society.[5]

An assessment of the impact of new or revised regulations must address three main questions.

- Which positive and negative effects may occur as a result of the new regulations, and what is the likelihood that they will?
- Who are the primary stakeholders that will be affected or involved in the process?
- How high are the costs and benefits going to be?

The first two questions involve a balanced, objective analysis of the possible impacts of the policy options, and the distribution of these impacts among stakeholders. The third question concerns the quantification of the impacts, which can be highly problematic. Evidence is often scarce and, where available, can be contradictory. An impact assessment for a new or revised regulation often necessitates evidence that does not yet exist, and attribution and causality are consequently difficult to prove. Further research, which is

[5] For a similar exercise see, E. Horlings and A. Scoggins, *An ex-ante assessment of the economic impacts of EU alcohol policies (*prepared for DG SANCO, USA: RAND Corporation, 2006).

beyond the scope of this study, could be conducted to estimate the costs of revisions in labelling legislation to producers, and to quantify the possible benefits to consumers. For example, a stated preference survey could allow policy-makers to collect data on consumers' stated responses to proposed changes in labelling legislation, thus informing decision-making on revisions of the legislation.

Nonetheless, this study collects relevant data and conducts a qualitative analysis that aims, to the extent possible, to shed light on the possible social and economic impacts of the Commissions' proposed policy options. The study was designed to support DG SANCO in conducting a regulatory impact assessment exercise, to evaluate the impacts of a revision of food labelling legislation. This report refers to a wide range of sources, including:

- peer-reviewed research from Europe and elsewhere
- studies conducted by and for the European Commission
- a survey of food producers
- a number of key informant interviews.

1.2 Research approach

The research approach that RAND Europe proposed to the European Commission consists of four appropriate methodologies to gather the data and information necessary for the impact assessments of general and nutrition labelling. These are:

1. document and literature review
2. semi-structured interviews
3. survey
4. cost–consequence analysis.

The first three methodologies are aimed at gathering information and data as an input into the cost–consequence analysis. The cost–consequence analysis serves as a synthesising exercise to understand the impact in terms of the economic, social and environmental costs and the benefits and trade-offs involved with the various policy options available to the European Commission in the area of general and nutrition labelling. The cost-consequence analysis will take the shape of a qualitative assessment of the evidence uncovered. Much of the evidence gathered here can be an input into further cost and benefit analyses concerning the impact of food labelling.

1.2.1 Document, literature and data review

We have reviewed relevant documents and literature. The literature reviewed can be categorised as falling across four main axes:

- background/context information
- country or region of focus
- area of labelling discussed

- types of costs and benefits examined.

There were three main aims of the document and literature review:

1. to provide an understanding of the context of the introduction of food labelling requirements
2. to map and categorise data and information relevant to the impact assessment (including international comparisons)
3. to identify data gaps.

All these aims will serve as inputs to the survey and the semi-structured interviews.[6] The first two aims relate to the meta-analysis of existing data and information for each main category. A meta-analysis is a formal process of synthesising available data, and will serve as a main input into the cost–consequence analysis.

The relevant documents that we identified include:

- impact assessments and other materials (e.g. consultations, academic papers, information from Member State regulators) provided by DG SANCO
- reports produced by relevant agencies and organisations, including, for example, the World Health Organisation, the CIAA (Confederation of the Food and Drink Industry), the European Commission, governments of EU Member States and international governmental bodies (e.g. reports and papers by the Economic Research Service of the United States Department of Agriculture) and reports by national regulators such as the Food Standards Agency in the UK and the Swedish National Food Administration
- peer-reviewed literature on different aspects of labelling produced in Europe, the United States, Canada, Australia, New Zealand and other countries.

After initially scanning the available evidence, we reviewed the material focusing on the areas of interest to this impact assessment as specified in the ITT and in discussions with the Commission's project officers.

1.2.2 Survey

Design and analysis of survey

As a stakeholder consultation, DG SANCO carried out a SME panel survey in 2006. The survey covered 815 companies in 17 countries. The existing results and the data of this survey were re-analysed and are reported in this study.

However, due to a number of methodological limitations in the SME panel survey, we launched our own survey to overcome the knowledge gaps. One of the limitations was that the SME panel survey was a paper-based survey, which required data to be recoded in digital format, adding further input costs and errors. A more problematic limitation was that the data available to us was aggregated by country. As a result, it was not possible to produce cross-tabulations in order to understand the differences across sub-populations (e.g. across different company sizes).

[6] These aims deviate slightly from the ones mentioned in the original proposals.

To overcome the limitations of the SME panel survey, RAND Europe conducted a web-based survey. Its aims were:

1. to address the data gaps identified in the document and literature review
2. to incorporate additional questions of relevance that we identified in conjunction with DG SANCO officials
3. to gain an understanding of the administrative burden of the regulatory options available to the European Commission on the basis of 'Standard Cost Modelling questions'.

Standard Cost Modelling measures the administrative burden to industry of complying with regulations. The burden refers to the provision of information to third parties, the regulator and the public.[7] In the case of food labelling, the administrative burden of providing information to regulators will be minimal as the regulator does not require the provision of information from those regulated. In providing information to the public, the cost of compliance in essence is part of the overall cost of labelling and difficult to disaggregate; that is, the administrative burden of regulation might be hard to differentiate from the overall administrative costs involved in labelling stock-keeping units.

The web-based survey conducted by RAND Europe was aimed at food producers and manufacturers. It collected data on:

- the normal cycles of redesigning and revising food labels
- the current label production costs
- some specific cost components relevant to a number of regulatory options available to the European Commission.

In addition, the survey sought to understand the administrative burdens associated with labelling regulations. Such an understanding is a requirement of the Impact Assessment Board and fits with the 'better regulation' agenda that the European Commission is promoting.

The survey was posted online on a designated website, www.foodlabelsurvey.eu. With a link from the SANCO consultation webpage to the survey. The survey questions, along with summary statistics, are available in Appendix B.

Limitations of the survey

We chose the web-based survey approach because it is cheap to administer, compared to telephone or mail-out surveys. It also had the advantage that data would be readily available in digital format, so the manipulation of data was efficient and less error-prone. However, like most web-based surveys, our survey also had a number of methodological limitations. Despite our use of DG SANCO's Advisory Group on the Food Chain and Animal and Plant Health for reaching out to stakeholders, we had little control of the true

[7] See for instance the European Commission approach to measuring administrative burdens, http://ec.europa.eu/governance/better_regulation/admin_costs_en.htm (accessed March 2007) or OECD, "International Standard Cost Model" (2007) http://www.oecd.org/dataoecd/32/54/34227698.pdf (accessed March 2007).

sampling frame, due to non-response and self-selected response issues. For example, the profile of respondents was likely to be skewed towards larger companies, which have wider network contacts as well as more human resources to answer the survey. Additionally, given resource constraints, the survey was drafted only in English. Although English is widely spoken and used, potential respondents who were less confident in English were less likely to respond, leading to potential bias geographically (e.g. English is more common in Western Europe than in Eastern Europe) and sectorally (e.g. most farmers are likely to be less confident in English than the public relation officers of a large corporation).

Furthermore, in this survey, the cost-related questions could be quite problematic. By its nature, a survey on food labelling and administrative burdens requires the use of technical terminology. However, given the multiplicity of the food producing/manufacturing businesses, it was very difficult to formulate questions in a technical language that is generic enough to suit all respondents. Therefore, it was likely that different respondents interpreted the questions differently. Also, the cost questions were, in places, quite specific. Respondents who might not have the relevant information at hand might provide inaccurate, or even fictitious, answers. Additionally, given the data requirements and the technical nature of the subject, the questionnaire was quite long. The length of the survey might have negatively affected the quality of responses, or even caused the respondents to quit before completion of the questionnaire. Moreover, the costs reported were prone to an over-estimation bias, as some food producers might have the tendency to overstate their actual costs in an attempt to avoid new financial burdens related to new regulations. Finally, because of the lack of face-to-face interaction in a web-base survey, we had little control of the quality of responses because there was no interviewer to explain the survey questions to the respondents, or to correct the invalid responses with the respondents' input. We have sought to deal with this problem by cleaning the data where appropriate.

1.2.3 Semi-structured interviews

We conducted a number of key informant, semi-structured, interviews in order to supplement the information obtained through the literature review and the survey. A list of interviewees is available in Appendix A. In particular, the interviews sought to provide additional evidence focusing on impacts of labelling in the European Union, since there is limited literature available from the European Union. Much of the literature originates in the US, Australia and New Zealand. The interviews also aimed to gather information on issues for which the literature is limited, particularly the impact of regulations on public administrations, on third countries and overseas relations. While they were not meant to be representative, interviews can often be a means to verify or test some of the information gathered from the survey and literature review.

The interviewees were identified in the course of the literature and data review, as well as in consultation with the Commission project officers. In order to make the most of each opportunity, the interviews addressed issues relevant to both general and nutrition labelling, wherever this was appropriate. The research team conducted 12 interviews. We identified the following groups of respondents to interview:

- food producers and retailers (we interviewed three companies in the UK)

- relevant public authorities in five different Member States (UK, Netherlands, Spain, Czech Republic, Sweden)
- consumer associations
- experts in the area of food labelling.

1.2.4 Cost–consequence analysis

The cost–consequence analysis is the synthesis phase of the impact assessment, in which the costs and benefits of the regulatory options are assessed against the available evidence and summarised. A cost–consequence analysis has three stages.

1. Determining the impacts of key policy issues
2. Performing the cost–consequence analysis
3. Synthesis and analysis

The first stage consisted of data gathering concerning the likely impacts of the proposed policy options are likely to be. We used the literature and document review, the survey and the semi-structured interviews for data and information gathering. On the basis of the evidence, we filtered what the key impacts are likely to be and which stakeholders are most likely to be affected.

In the second stage, we perform a qualitative assessment of the costs and consequences of the proposed policy options. We looked at the available evidence on costs and benefits for every policy option considered by the European Commission. Based on the underlying tender documents for this research project and the impact assessment guidelines of the European Commission we identified seven main impact categories that we used to focus our analysis on, in order to compare the policy options in a later stage.[8] These categories cut across the main stakeholder groups and cover the economic, social and environmental impacts. In addition, where relevant evidence could be retrieved, the impacts on international trade are considered. The seven impact categories used to structure the discussion policy options were:

1. Consumers
2. Industry
3. SMEs
4. Single market and competitiveness
5. Trade
6. Member States
7. Environment

After the key impacts were identified, a more advanced qualitative or quantitative analysis of the relevant impacts could be performed. We performed a cost–consequence analysis per policy option.

[8] EC, *Impact Assessment Guidelines*, 791, Brussels: European Commission (SEC) 2005.

A cost–consequence analysis allows for the following:

- the monetisation of costs and benefits wherever this is practical
- the wider qualitative discussion of cost effectiveness in key areas
- the examination of unintended outcomes.

In the third stage we designed an impact matrix, consisting of the seven impact categories and a scoring mechanism, which allowed us to examine trade-offs between the different policy options based on their possible impacts as drawn from relevant evidence. The examination of the trade-offs is by necessity qualitative, and aims to provide an at-a-glance and simplified comparison of the possible impacts of the proposed policy options. This is done in Chapter 11.

1.2.5 Methodological comments

The general disclaimer in a study of this nature is that the impact assessment is dependent on the availability of data and evidence. We rely on existing evidence from impact assessments, evaluations, and other studies. We can only generate data and evidence through the survey and semi-structured interviews. In general, we have found that data collection has been problematic in certain areas. For instance, there is little cost information available on the impact of general labelling. In addition, on the benefit side, we have identified problems of attribution and ways in which benefits can be monetised. Driven by the availability of literature, there is a strong focus on research from the United Kingdom and the wider Anglo-Saxon world, which is not necessarily representative for the other, in particular, new Member States of the European Union.

We have set up the research to try to overcome these limitations, for instance by attempting to address data gaps in the survey and semi-structured interviews. In the cost–consequence analysis, we also use a more qualitative narrative to arrive at the likely impact of some of the regulatory options. In the synthesis exercise, we devised a method for scoring the evidence on policy options in order to arrive at recommendations and conclusions for the impact assessment.

1.3 Report structure

This report is structured as follows:

- Chapter 2 outlines the current situation regarding horizontal food labelling in Europe and the context in which a revision of the EU legislation is taking place.
- Chapter 3 is a discussion of the key stakeholders affected by the horizontal food labelling policy.
- Chapter 4 provides an overview of the costs incurred by companies in food labelling.

- Chapters 5 to 10 provide evidence from European and international sources on the impact of the horizontal labelling issues for which the Commission is developing policy options, namely:
  - the structure of the legislation
  - the scope of the legislation
  - the mandatory requirements
  - the legibility of information
  - origin labelling
  - labelling of alcoholic beverages.

  Each chapter then assesses the likely impacts of each policy option, on the basis of the evidence presented.
- In Chapter 11, a scoring framework is applied to the individual policy options in order to synthesise the information provided in the previous chapters and to allow for a comparison of the policy options.
- Chapter 12 discusses the monitoring and evaluation implications of a revision of the nutrition labelling legislation.
- The report concludes by summarising the findings and commenting on some of the general findings in Chapter 13.

CHAPTER 2 General labelling for foodstuffs: current situation and the need for change

2.1 Objectives of labelling regulation

General food labelling, in conjunction with the rules on nutrition labelling and the sector-specific vertical regulations, is now a pervasive instrument used to achieve a variety of policy outcomes in the Europe Union. In the case of general, that is horizontal, food-labelling policies, two objectives stand out.[9]

First, and arguably most prominent today, general labelling aims to provide consumers with necessary information to enable them to make safe, healthy and sustainable food choices. This might include information about the ingredients and additives of food, and about the presence of allergenic elements or information on the product's durability. Additionally, regulation demands that information provided by manufacturers is accurate and not misleading. In making the disclosure of information obligatory, the labelling regulation attempts to overcome market failures, as this information would otherwise not have been provided by all companies in the market.[10]

Secondly, European labelling regulation is set up to ensure the functioning of the Single European Market, while at the same time maintaining labelling as an effective marketing tool for the food industry. A common framework on labelling regulation reduces the barriers to free circulation of goods and stimulates competition across borders. It also ensures that no company can gain an unfair advantage in the market place by making unjustified claims or withholding potentially harmful information about the characteristics of its products.

2.2 Background

The legal basis for the European policy on general food labelling can be found in Directive 2000/13/EC, a version of a regulation originally designed in early 1978 and adopted in 1979. The Directive has been amended several times since, with the inclusion of allergenic

[9] DG SANCO, *Labelling: competitiveness, consumer information and better regulation for the EU* (consultative document, Belgium: DG SANCO, 2006).

[10] See e.g. Elise Golan, Fred Kuchler and Lorraine Mitchell, "Economics of Food Labelling," *Journal of Consumer Policy* 24 (2001): 117–184.

ingredients in 2003 being the most recent major amendment. This framework legislation specifies the requirements of labelling on foodstuffs intended for ultimate consumers as well as for those provided to restaurants and mass caterers. Over the years, the inclusion of amendments and the incremental growth of requirements in different legal documents have resulted in increasingly complex labelling policy.

Today, all regulatory and legislative measures of the European Commission have to be seen within the set of strategic goals of the (renewed) Lisbon Agenda.[11] This is aimed at making the European Union (EU) the most competitive, knowledge-based economy in the world and achieving full employment by 2010. Translated to the field of food labelling, it involves:

- reducing administrative burdens imposed by regulation
- paying particular attention to small and medium enterprises (SME)
- ensuring that the regulation does not inhibit innovation and competition.

2.3 The need for change

Against this background, the European Commission launched the process of overhauling the legislation on general food labelling in the EU. As early as 2002, Commissioner Byrne outlined the rationale and need for a comprehensive revision of the European food labelling policy, stating that 'labelling is becoming more and more complicated and unclear, making it more difficult for consumers to find, read and understand information, and leading to greater difficulties in enforcement and control of the labelling provisions'.[12] Commissioner Byrne also maintained that '[a] harmonised approach to food law was seen as important to the effective operation of the internal market from the point of view of both business and consumers'.[13]

As a first step, DG SANCO commissioned an evaluation of the food labelling legislation in 2003 to identify areas of action requiring specific attention for the upcoming overhaul.[14] The evaluation reached a number of conclusions supporting Commissioner Byrne's view of the need for a revision of the legislation,[15] for example, that:

- the existing legislation presents unclear, subjective rules
- the number and complexity of legal texts pertaining to food labelling impose unnecessary costs on producers, SMEs in particular

[11] Presidency of the European Council, *Presidency Conclusions Lisbon European Council 23 And 24 March 2000* (European Council, 2000); European Commission, *Working together for growth and jobs: A new start for the Lisbon strategy* (communication to the Spring European Council, Belgium: EC, 2005).
[12] European Commission, *Fischler and Byrne Final Round Table.*
[13] Ibid.
[14] The European Evaluation Consortium, *Evaluation of the food labelling legislation, final report*, (Belgium: DG SANCO, 2003) ; a summary of this document is available at http://ec.europa.eu/food/food/labellingnutrition/foodlabelling/effl_conclu.pdf
[15] Ibid.

- the lack of a codified, consistent legislation hinders the effective functioning of the internal market within the Community.

The official revision process of food labelling policy started in the beginning of 2006 with the initiation of the consultation process and the publication of a consultative document setting the strategic goals for the review of the general food labelling legislation.[16] In the words of DG SANCO, revised labelling regulation will:

- provide consumers with necessary information to enable them to make safe, healthy and sustainable choices
- create a pro-competitive market environment in which dynamic, efficient, innovative operators can make full use of the power of labelling to sell their products
- be consistent, coherent and transparent
- create a common framework and rules in order to eliminate barriers to free circulation of goods.

The responses from the stakeholder consultation show a certain pattern of dissatisfaction with the existing legislation.[17] Industry stakeholders focus on the administrative burdens created by complex and inflexible legislation and point out the virtues of voluntary labelling regimes. Alternatively, consumer groups criticise the legibility and comprehensibility of the actual labels, as they claim that it often proves difficult to find, read and understand the information provided on the labels.

Based on the results of the stakeholder consultation, DG SANCO identified a number of policy options to improve the horizontal food labelling legislation. Table 2.1 gives an overview of the policy options, they will however be discussed in more detail in the later sections of this report.

Table 2.1: Policy options

1.	**Structure of legislation**
A)	Bring together into one piece of legislation as many texts (vertical as well as horizontal) as possible in order to facilitate access to the legislation
B)	Recast the horizontal provisions together, which means bringing together all the horizontal texts related to directive 2000/13/EC, leaving the product-specific rules in the vertical texts
C)	The same as B, but putting vertical legislation in an Annex to the recast horizontal text
2.	**Scope of the legislation:**
Unpacked food	
A)	Extending to food sold loose the requirement to indicate all the mandatory information that has to be provided on the labels of pre-packaged foods
B)	Keeping the status quo and leaving it to the Member States to decide which pieces of information should be given to the consumer for food sold loose, and how
C)	Deciding at the community level which pieces of information should be available for food sold loose, leaving it to Member States to decide on how it should be provided

[16] DG SANCO, *Labelling: competitiveness, consumer information*

[17] DG SANCO, *Summary of the results for the consultation document on: Labelling: competitiveness, consumer information and better regulation for the EU* (Belgium: DG SANCO, 2006).

Table 2.1: Policy options

Small packages (article 13.4 D. 2000/13)	
	A) Maintain the exemption from the full labelling requirement for small packages B) Submit small packages to the same requirements as all other packages
Distance selling	
	A) Clarifying the scope of the labelling legislation to cover food distance selling (selling foodstuffs by Internet or catalogues)
3. Mandatory requirements	
	A) Removing the obligation of declaring the same ingredient twice, once on the product description and a second time on the list of ingredients. This refers to the requirements concerning the following ingredients: • caffeine • phenylalanine, when there's already mention of aspartame in the ingredient list • allergens – a lot of stakeholders are in favour of not repeating the allergenic source of an ingredient when the allergen is itself already declared in the ingredient list B) Removing some existing derogations concerning the durability date: • soft drinks, fruit juices, fruit nectars and alcoholic beverages in individual containers of more than 5 litres, intended for supply to mass caterers (art. 9.5 fourth indent) • pastry cooks' wares which, given the nature of their content, are normally consumed within 24 hours of their manufacture (art 9.5 fifth indent). The removal of the exemption for bakers' wares is still considered justified • individual portions of ice-creams (art.9.5 eleventh indent) C) Requiring the following additional information: • the alcoholic strength by volume for foods other than beverages (e.g. ice-creams, jams) where they contain more than 1.2% by volume of alcohol • transfer additives • indication where a meat has previously been frozen
4. Legibility of the information	
	A) Maintain current rules: a broad requirement for the label to be legible B) Be more prescriptive as to the presentation: B1) Introduce a minimum font/text size for the mandatory information B2) Provide that mandatory requirements should be clearly distinguishable from marketing information B3) Standardise the presentation of the information
5. Origin labelling	
	A) Introduce mandatory origin labelling for all foodstuffs B) Keep the current rule for general food and adopt a sector-based approach, i.e. leave each sector to decide whether further rules should be decided; C) Introduce mandatory origin labelling for all unprocessed food, meaning raw products, even when included in processed food D) Keep the present approach: no mandatory origin labelling, and guidance to frame the voluntary use of geographical indications
6. Labelling of alcoholic beverages	
	A) Full ingredient listing for all alcoholic beverages B) Requiring ingredient listing except for alcoholic beverages that result from the fermentation process of one ingredient, which would in fact exclude a lot of traditional alcoholic beverages and compel those containing additives and flavouring to declare it.

Parallel to the revision of horizontal food labelling legislation, the European Commission is currently considering labelling as a tool to improve animal welfare. Following the conference "animal welfare – improving by labelling?" jointly organised by the German Presidency, the EESC and the Commission, the Council adopted in May 2007 "Council

Conclusions on Animal Welfare Labelling".[18] In these conclusions, the Council recognises that animal welfare is of concern to European citizens. Consumers could appreciate information on animal welfare conditions under which products of animal origin are obtained. Further on, the Council underlines "that labelling could be one important element in the provision of information to consumers and could allow producers to capitalise on high animal welfare standards."[19] In addition, the Council invited the Commission to conduct an in- depth study into the effects of introducing animal welfare labelling.

Some key elements for the establishment of an EU Labelling scheme have been identified during the discussion, which can be summarised as follows:[20]

- "Animal welfare labelling requires sound scientific basis.
- The label has to be audited and, preferably, certified by independent certification bodies.
- Any certification system requires scientifically justified benchmarks to assess the level of animal welfare provided to the animals by a given production system.
- The scope of the scheme should cover a broad range of animal species in order to avoid distortions of competition.
- The labelling should constitute a reliable, user friendly and transparent tool to communicate the quality of welfare provided by different production systems and processes."

However while the issue of animal welfare has been recognized as important for the consumers, it will not be part of this impact assessment, as the discussion is in a too premature stage to produce specific policy options which could be assessed.

[18] Council of the European Union (2007), Council Conclusions on animal welfare - Agriculture and Fisheries Council, 7 May 2007
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/93986.pdf

[19] Ibid.

[20] DG SANCO (2007), Discussion Paper on Animal Welfare Labelling.

CHAPTER 3 Stakeholders of horizontal labelling policy

Changes in the regulation of general labelling affect a wide range of stakeholders. However, three groups of stakeholders deserve special attention when analysing the impacts of general labelling:

- the food producing and retailing industry
- consumers
- public administrations of the Member States.

3.1 Industry

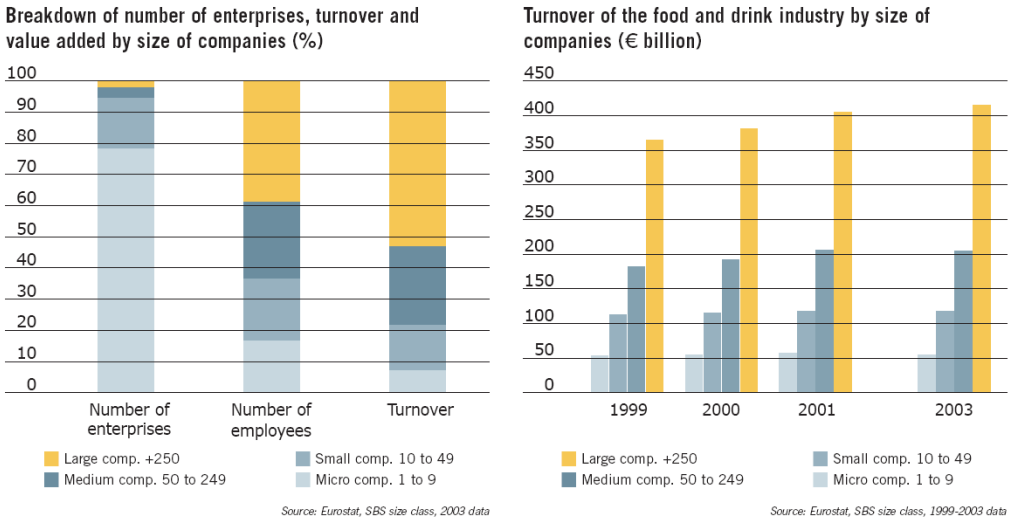
Stakeholders within industry directly or indirectly affected by food regulation usually include businesses along the whole food chain, ranging from primary food producers, to food manufacturers and finally to food wholesalers and retailers.[21] However, where food labelling is concerned, the impacts can be expected to be concentrated in two subgroups of the food industry:

- food and beverage producers
- food retailers.[22]

In considering industry as one key stakeholder group, particular attention has to be given to the respective structure of the sector and especially the differences between large, medium and small enterprises.

[21] Centre for International Economics, *Evaluating benefits and costs of food regulation* (scoping study prepared for the Australia New Zealand Food Authority, Canberra and Sydney: CIE, 2002).
[22] Ibid.

3.1.1 The food and beverage industry



Comparison between turnover, value added and number of employees of the food and drink industry and the manufacturing industry by size of companies (%)

		Micro comp. *1 to 9*	*Small comp.* *10 to 49*	*Medium comp.* *50 to 249*	*Large comp.* *+ 250*
Turnover	Manufacturing ind.[1]	6.8	13.3	20.8	59.1
	F&D ind.	6.8	15.1	26.0	52.2
Value added	Manufacturing ind.[1]	7.3	15.8	22.3	54.6
	F&D ind.	8.7	15.0	22.5	53.8
Number of employees	Manufacturing ind.[2]	9.5	21.8	25.2	43.4
	F&D ind.[3]	16.4	20.7	24.3	38.7

(1) EU-25 except MT, FI, SE
(2) EU-25 except MT, LU, SE, PL, FI
(3) 2001 figures

Source: Eurostat, SBS size class, 2003 data

SOURCE: CIAA (2006)

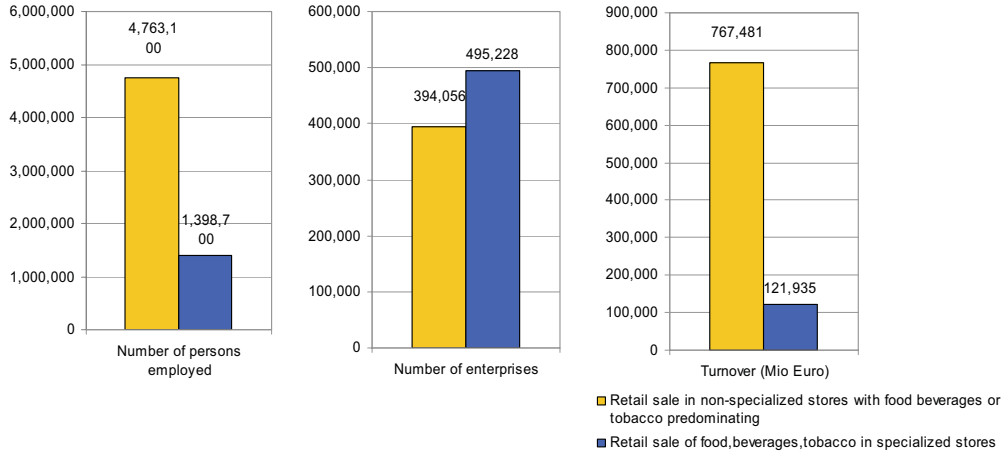
Figure 3.1: Structure of European food and drink industry

The food and beverage industry within the EU-25 had a turnover of €836 billion in 2005, employing 3.8 million people.[23] The industry is, in comparison to other manufacturing sectors, characterised by a predominance of SMEs. In 2003, 282,600 or 99.1% of the businesses had fewer than 250 employees. These companies generate 47.8% of total turnover and employ 61.3% of the workforce within the food and drink sector. In contrast, the large companies, constituting just 0.9% of the business population, contribute 52.2% to the turnover and employ 38.7% of the respective workforce. Figure 3.1 illustrates these structural characteristics of the food and beverage industry.

[23] These and following data are based on EUROSTAT data, as presented in: CIAA, *Data & trends of the European Food and Drink Industry 2006* (Brussels: CIAA, 2006).

3.1.2 The food retail industry

The food retail industry[24] in the European Union had a total turnover of €889 billion in 2004[25], distributed between specialised food, drink and tobacco retailers and retail in non-specialised stores with food beverages or tobacco predominating. Specialised food retailers are generally relatively small outlets, such as fruit and vegetable shops, bakeries, butcher shops and fishmongers, which do not belong to a larger chain.[26] A dominance of the specialised food retailers is usually an indication of a more traditional retail structure.[27] Figure 3.2 illustrates key characteristics of the food retail sector. The number of specialised food retailing companies outweighs the non-specialised (495,228 to 394,056), but total turnover (€122 billion to €767 billion) and total employment (1.4 m to 4.8 m) is far smaller.

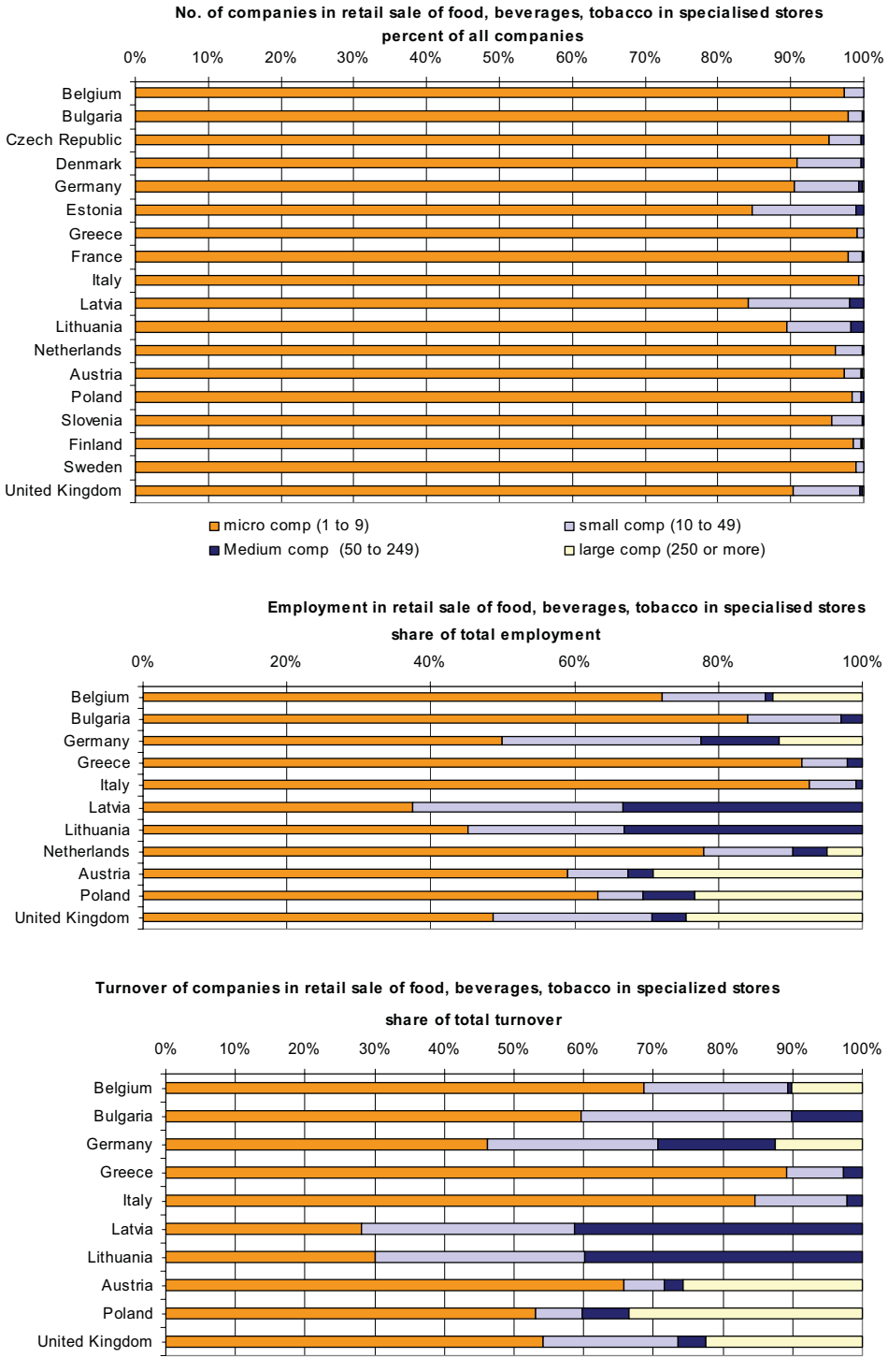


SOURCE: EUROSTAT Database

Figure 3.2: Structure of European food retail industry, 2004 data

A closer look at the structure of the specialised food retail business, Figure 3.3, confirms this general observation. In most European countries, more than 99% of the company population in specialised food, beverage and tobacco retailing are small companies with fewer than 50 employees. In total, SMEs contribute between 70% (Austria) and 100% (Italy, Greece) to this sector's employment. However, the turnover of the very few medium and large companies, where they are present, often exceeds the total turnover of the specialised stores.

[24] For the purpose of this overview, food retail is defined as the 'retail sale of food, beverages and tobacco in specialised stores' (NACE G52.2), and 'retail sale in non-specialised stores with food beverages or tobacco predominating' (NACE G52.11).
[25] 2004 is the latest available data from the EUROSTAT database.
[26] Eurostat, *European Business, Facts and figures, 2006 Edition* (Luxembourg: Eurostat, EC, 2006).
[27] Ibid.



SOURCE: EUROSTAT Database[28]

Figure 3.3: Structure of retail sale of food, beverages and tobacco in specialised stores, 2004 data

[28] Due to data limitations and the confidential character of some of the statistics, no European average data (EU-27 or EU-25) can be provided and results are only shown for countries with complete data sets.

Industry and retailers' views on changes in general labelling legislation

The food industry will be in the focus of any revised horizontal food labelling legislation and is thus alert to the changes proposed. Naturally, the food industry would prefer to have minimal legislative requirements, and voluntary labelling and self-regulation rather than hard legislation.[29] Furthermore the food industry is concerned about the implementation of changes to the legislation and proposed to consolidate changes at certain intervals (e.g. every two years), rather than to have a numerous changes during the year. In addition, industry provided a number of comments to the specific policy options identified in this revision of general labelling policy.[30]

- Rather than extending the scope of legislation, the food industry would prefer to make some information available off the pack by other means, such as websites. The industry considers 'additives' information that need not be provided.
- Industry argues that regulatory changes which coincide with the normal business cycle of changing labels would be more manageable.
- The size of the package and thus the space on the label is an issue which the food industry considers necessary to address; some federations therefore proposed to exempt small packages from labelling regulation.
- Industry was opposed to the idea of producing guidelines for voluntary information provided on the labels.
- Industry considers country of origin labelling as too complex to be extended and doubts the value of the claims that can be made on processed foods.

3.2 Consumers

Consumers are a key stakeholder group in the debate about food labelling. Consultations on the most appropriate types of labelling always include the consumers' perspective, as labelling should respond to the consumers' needs and expectations when purchasing food products. However, it is important to understand that 'consumers' is an overarching category that covers a multitude of different characteristics, interests, priorities and concerns.

First, consumers within the EU vary across regional and national borders. Those in Southern France are likely to have different concerns and priorities around labelling from those in rural Latvia, Scotland or Bulgaria. For instance, research on consumer priorities of the Food Standards Agency of the United Kingdom showed important regional differences in how consumers interpret labelling and how they set priorities.[31] Recent initiatives by the Food Standards Agency in the UK aim to find innovative ways (e.g. surveys and consumer

[29] DG SANCO, *Summary of the results for Labelling: competitiveness, consumer information*
[30] Ibid.
[31] See for instance, Food Standards Agency, "Consumer research on marketing terms used in food labelling," (2006) http://www.food.gov.uk/foodlabelling/researchandreports/labelresearch0106 .

committees) to better represent the views of individual consumers to inform its strategy.[32] An AC Nielsen survey in 2005 compares how consumers in different countries have different priorities in the way they use food labelling.[33] Southern Europeans, in particular Italians, are distinct in wanting to eat 100% wholesome and natural foods, with less regard for calories. For instance, 56% of Italians check for preservatives, while only 30% check for calories on food labelling. The European Food Information Council Forum of 2003 also noticed these differences in the way in which consumers in different countries approach nutrition information.[34] Taking these differences into account is fundamental to developing a pan-European labelling policy. The policy should have a degree of flexibility to allow for national specifications and could involve systems such as multi-level labelling (a mandatory core of information can be supplemented by optional information provided in a variety of ways). Similarly, it is also important to be aware of the common preferences and public interest concerns across the EU, in order to develop a policy/regulation that effectively addresses these.

In addition to regional and national differences, consumers also have diverse characteristics that bear on food labelling. For example, while a large number of consumers across the EU have a nut or other kind of allergy, others are diabetic or place great emphasis on the ability to identify genetically modified products. Because food labelling policies aim primarily to provide information which allows the consumer to make informed decisions, careful consideration of the kind of information that consumers want or need is paramount.

Finally, important socio-economic factors, such as education and gender, can play a role in how consumers view food information and, in general, how they use this information.[35]

The distinctiveness of consumer groups is a challenge for policy makers aiming to build comprehensive labelling systems while striving for the simplified information that will ensure greater consumer use of food labelling.[36]

What and where do consumers eat?

In order to put the revision of food labelling legislation in context, it is important to have a brief overview of European food consumption patterns, in particular, the European tendencies to eat food prepared at home, or to eat food in other establishments, such as restaurants and bars, see Table 3.1.

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[32] J. Webster, "The UK Food Standards Agency: putting the consumer first," *International Journal of Consumer Studies* 26, no. 3 (2002): 210–216.

[33] ACNielsen, "The nutrition conscious global shopper: Consumer attitudes towards nutritional labels," http://www2.acnielsen.com/reports/documents/2005_eu_labeling.pdf (accessed March 2007).

[34] EUFIC, "Consumer attitudes to nutrition information and food labelling," (2003) http://www.eufic.org/article/en/page/FARCHIVE/expid/forum-consumer-attitudes-information-food-labelling/ (accessed March 2007)

[35] A. Drichoutis, P. Lazaridis and R.M. Nagaya, "Consumers' use of nutritional labels: A review of research studies and issues," *Academy of Marketing Science Review* 9 2006.

[36] See for instance, Rolf Meyer, "Potentials for improving consumer information" (TAB Working Report no. 89, Berlin, Germany, 2003).

Table 3.1: Food, beverages and tobacco: Mean consumption expenditure and structure of household expenditure, 1999

	EU-15	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK
MEAN CONSUMPTION EXPENDITURE (PPS PER HOUSEHOLD)																
Food, beverages and tobacco (1)	4 115	4 298	4 060	3 256	4 706	4 260	4 414	7 004	5 684	5 221	3 232	4 213	3 979	3 116	3 964	3 722
Food	:	3 303	2 725	:	3 680	3 508	3 519	4 169	4 748	3 911	2 437	3 181	3 321	2 351	:	2 638
Bread and cereals	:	647	511	:	459	572	656	798	891	708	455	576	496	443	:	561
Meat	:	981	666	:	939	1 043	964	1 143	1 268	1 172	568	768	959	490	:	651
Fish and seafood	:	209	129	:	304	496	225	114	438	219	67	81	584	91	:	103
Milk, cheese and eggs	:	442	434	:	591	509	527	616	753	569	416	477	425	449	:	361
Oils and fats	:	92	87	:	354	137	87	105	237	143	69	120	159	71	:	61
Fruit	:	233	174	:	320	290	239	221	477	338	207	264	260	175	:	187
Vegetables	:	339	296	:	455	291	418	519	457	378	322	277	317	235	:	402
Sugar, jam, chocolate, confectionery	:	248	355	:	223	121	214	411	184	265	187	272	98	204	:	202
Food products n.e.c.	:	113	74	:	35	49	189	242	44	119	147	346	21	194	:	111
Non-alcoholic beverages	:	354	348	:	212	202	260	511	431	450	260	354	135	230	:	259
Coffee, tea and cocoa	:	85	130	:	81	75	84	103	171	144	93	128	41	98	:	85
Mineral waters, soft drinks, juices	:	269	218	:	131	126	177	408	260	306	168	226	94	132	:	174
Alcoholic beverages, Tobacco (2)	662	641	987	651	814	550	635	2 324	505	860	535	678	523	535	635	825
Spirits	:	52	91	:	51	30	82	248	19	75	74	35	16	93	:	87
Wine	:	256	243	:	53	84	234	232	171	336	142	123	188	92	:	189
Beer	:	100	197	:	42	47	39	1 195	49	100	109	119	25	150	:	121
Tobacco	:	233	456	:	668	389	281	649	267	348	206	400	292	201	224	428
STRUCTURE OF EXPENDITURE (% of TOTAL HOUSEHOLD EXPENDITURE)																
Food, beverages and tobacco (1)	16.5	15.7	17.3	13.8	20.1	21.0	18.0	23.5	20.9	12.0	12.6	15.9	21.4	17.1	18.3	13.4
Food	:	12.1	11.6	:	15.7	17.3	14.3	14.0	17.4	9.0	9.5	12.0	17.9	12.9	:	9.5
Bread and cereals	:	2.4	2.2	:	2.0	2.8	2.7	2.7	3.3	1.6	1.8	2.2	2.7	2.4	:	2.0
Meat	:	3.6	2.8	:	4.0	5.2	3.9	3.8	4.7	2.7	2.2	2.9	5.2	2.7	:	2.4
Fish and seafood	:	0.8	0.6	:	1.3	2.4	0.9	0.4	1.6	0.5	0.3	0.3	3.2	0.5	:	0.4
Milk, cheese and eggs	:	1.6	1.9	:	2.5	2.5	2.1	2.1	2.8	1.3	1.6	1.8	2.3	2.5	:	1.3
Oils and fats	:	0.3	0.4	:	1.5	0.7	0.4	0.4	0.9	0.3	0.3	0.5	0.9	0.4	:	0.2
Fruit	:	0.8	0.7	:	1.4	1.4	1.0	0.7	1.8	0.8	0.8	1.0	1.4	1.0	:	0.7
Vegetables	:	1.2	1.3	:	1.9	1.4	1.7	1.7	1.7	0.9	1.3	1.0	1.7	1.3	:	1.5
Sugar, jam, chocolate, confectionery	:	0.9	1.5	:	1.0	0.6	0.9	1.4	0.7	0.6	0.7	1.0	0.5	1.1	:	0.7
Food products n.e.c.	:	0.4	0.3	:	0.1	0.2	0.8	0.8	0.2	0.3	0.6	1.3	0.1	1.1	:	0.4
Non-alcoholic beverages	:	1.3	1.5	:	0.9	1.0	1.1	1.7	1.6	1.0	1.0	1.3	0.7	1.3	:	0.9
Coffee, tea and cocoa	:	0.3	0.6	:	0.3	0.4	0.3	0.3	0.6	0.3	0.4	0.5	0.2	0.5	:	0.3
Mineral waters, soft drinks, juices	:	1.0	0.9	:	0.6	0.6	0.7	1.4	1.0	0.7	0.7	0.9	0.5	0.7	:	0.6
Alcoholic beverages, Tobacco (2)	2.7	2.3	4.2	2.8	3.5	2.7	2.6	7.8	1.9	2.0	2.1	2.6	2.8	2.9	2.9	3.0
Spirits	:	0.2	0.4	:	0.2	0.1	0.3	0.8	0.1	0.2	0.3	0.1	0.1	0.5	:	0.3
Wine	:	0.9	1.0	:	0.2	0.4	0.9	0.8	0.6	0.8	0.6	0.5	1.0	0.5	:	0.7
Beer	:	0.4	0.8	:	0.2	0.2	0.2	4.0	0.2	0.2	0.4	0.5	0.1	0.8	:	0.4
Tobacco	:	0.8	1.9	:	2.9	1.9	1.1	2.2	1.0	0.8	0.8	1.5	1.6	1.1	1.0	1.5

(1) SE, including part of beer and take-away food and beverages.
(2) AT, data for alcoholic beverages are unreliable; SE, excluding part of beer.
Source: Eurostat, Household Budget Survey (theme3/hbs)

Source: European Commission, *Consumers in Europe, Facts and figures*, 2005 Edition, Data 1999–2004, Panorama of the European Union. Brussels: European Commission

An understanding of these patterns provides insights into the relative importance of labelling food sold to consumers for direct consumption. If consumers spend a larger share of their household expenditure on food from 'away-from-home' catering establishments, than on food bought to prepare at home, then resources should first be employed to improve information provision for the former rather than the latter. On the other hand, if consumers spend more of their expenditure on food to prepare at home, relative to the amount they spend at away-from-home catering establishments, this reinforces the need to improve food labelling to enable consumers to make better informed food choices.

A report on household consumption produced for the European Union shows that while in most EU15 countries food and non-alcoholic beverages on average constitute 14.54% of total household consumption, expenditure on restaurants and hotels – a proxy for food eaten away from home – is just over 7%.

Statistics from the US show that restaurants and fast-food outlets are significantly increasing their share of total food consumption. Long-term trends show that as household incomes have increased and more women have entered the workforce, the share of household spending for prepared foods and meals has risen. By 2005, spending on food away from home by households and businesses accounted for 49 per cent of all food spending, up from 45 per cent in 1990 and 39 per cent in 1980. In other words, food consumption away from home is a significant and increasing part of household consumption.[37] In the United Kingdom an increasing trend is also noticeable. However, the share of food consumed away from home is lower than in the US. Total expenditure on all food and drink rose by 1.7 per cent to £34.97 per person per week between 2002/03 and 2005/06. Expenditure on total household food and drink rose by 2.2 per cent to £23.56 per person per week. Expenditure on food and drink recorded as eating out rose by 0.7 per cent to £11.41 per person per week (about 30% of total expenditure). Eating-out expenditure on food only remained unchanged, a fall in real terms.[38]

Consumers views on changes in general labelling legislation

Differences in how consumers use food information do not necessarily translate into how consumers want information to be presented. According to a study conducted for DG SANCO, consumers are often confused or ambivalent about the information provided on product labels, including food labels.[39] For example, consumers often appear to be unable to distinguish between 'marketing' and 'real' or 'objective' information on labels, and to have difficulty understanding technical or obscure terminology on labels (in the case of food labels, this includes information on additives and their respective E numbers and so forth). Consumers have also expressed dissatisfaction with the way information is conveyed on labels, particularly when it is printed in very small characters or when translations are inadequate. [40]

The following are other findings relevant to this impact assessment.

- Consumers appear to consider the origin or provenance of products important information, but do not feel the need to be provided with further information on food sold without packaging.
- Consumers are not overly concerned with ingredients listings on alcoholic beverages such as wine or beer.
- Consumers expressed support for the idea of improving consumer information on food labels. Consumers are keen to see changes that would enhance clarity, transparency, comparability and the reliability of the information provided on

[37] See Economic Research Service of the United States Department of Agriculture, http://www.ers.usda.gov/Briefing/FoodMarketStructures/foodretailing.htm (accessed May 2007).
[38] See Department of Environment Food and Rural Affairs (DEFRA), UK, http://statistics.defra.gov.uk/esg/statnot/efsstatnot.pdf (accessed May 2007).
[39] OPTEM, *European consumers' attitudes regarding product labelling: qualitative study in 28 European countries* (study produced for European Commission DG SANCO, 2005).
[40] This finding is echoed in a consultation conducted by DG SANCO in 2006, which states that consumers often have difficulty understanding the information provided in food labels, see DG SANCO *Summary of the results for Labelling: competitiveness, consumer information.*.

food labels. Changes including more harmonised labels are 'perceived as a way of improving consumer protection'.[41] Consumers seem to welcome revisions that would improve the legibility, clarity and visibility of key information.

- Consumers have concerns regarding the Commission's intentions to improve labelling, for example about the Commission's inability to enforce changes, or that increased standardisation of the labels might give way to a standardisation of products. Nonetheless, overall, European consumers appear to support revisions to food labelling regulations which would lead to more usable labels that make a significant contribution to consumer protection.

Other studies corroborate aspects of the findings by DG SANCO. The Better Food Regulation Study undertaken by the Food Standards Agency of the UK identified the following areas that required action.[42]

- Ingredient listing – including indicating the presence of genetically modified ingredients; full declaration of allergens; identification of products/ingredients of animal origin; clearer identification of additives
- Country of origin labelling – particularly for meat and poultry
- Production methods for food – includes concerns over animal welfare; ethical and environmental concerns (e.g. fair trade foods); information about the use of pesticides and growth hormones
- Standardisation of food labels – including a mandatory format, minimum font size, standard print types and colours, use of standard symbols
- Date marking – especially the meaning of 'best before' and 'use by'; also includes calls for clearer indications of how long food will last once opened and date of production of foodstuffs
- Nutrition labelling – suggestions that this should become mandatory and that different types of fat (e.g. unsaturated), added sugar and salt should always be listed; preference for fat declaration as percentage of total calorie content and nutritional contents shown as a percentage of daily targets
- Misleading claims/information – such as '% fat free'; unclear definitions of 'low' and 'high'; marketing terms such as 'healthy' and 'country style' and the use of 'light' and 'organic' when used to imply products are 'healthier'.

Furthermore, there are recent indications on what consumers prefer in the UK. A recent debate in the UK on country of origin labelling shows that consumers feel a need for clearer and more transparent country of origin labelling, especially when it concerns meat

[41] Ibid.
[42] Food Standards Agency, "Better Food Labelling," (2006) http://www.food.gov.uk/multimedia/pdfs/betterfoodlabellingreport.pdf (accessed March 2007).

products.[43] A recent consumer attitudes survey undertaken by the Food Standards Agency shows that consumers are particularly concerned about salt, sugar, and fat present in food; would like more information on the food that they buy; and find it difficult to understand whether a food is 'healthy' on the basis of the label.[44]

A study done by the European Food Information Council found that respondents in four European Member States (UK, France, Italy and Germany) had similar recommendations for food labelling.[45]

- Labels need to be clear, understandable, readable, attractive and well-structured.
- Labels should contain information that consumers can relate to, and not only inform the consumer but also tell the consumer what to do with this information.
- Labels should come from authoritative sources and 'create a zone of confidence'.

A study undertaken by Grunert and Wills shows that:[46]

- consumers like simplified front-of-pack information, but differ in their preference for different formats.

3.3 Member States and public administration

In addition to their actual role in decision-making about general labelling policies, the Member States, and their public administrations in particular, are important stakeholders in their own right. Besides the effects of general labelling legislation on key domestic stakeholders, such as industry and consumers, and the potential effects on public health, labelling regulation also has direct impacts on the Members States' capacity to act and their public administrations.

Member States have to implement the labelling regulation agreed upon at the European level. At this stage, the design of the legislation has important consequences on the enforceability of the regulation as well as on the administrative burden imposed on the Member States' public administrations. Previous findings indicate that the capacities for implementation and control are usually not increased with further legislative requirements coming into force, and that control authorities tend to prioritise food safety issues in times of strained resources, rather than labelling issues.[47] A revised European nutrition labelling legislation thus has to take into account the better regulation agenda to minimise the impact on the Member States' administrations and to ensure that the regulation is indeed enforceable, given limited capacities at Member State level.

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[43] Valerie Elliott, "Consumers misled by meat origin labels," *The Times of London*, March 12, 2007.
[44] Food Standards Agency, "Annual Report on Consumer Attitudes," (2007) http://www.food.gov.uk/news/pressreleases/2007/feb/cas07enpress (accessed March 2007).
[45] EUFIC, "Consumer attitudes to nutrition information"
[46] K.G. Grunert and J.M. Wills, "A review of European research on consumer response to nutrition information on food labels," *Journal of Public Health*, forthcoming 2007.
[47] European Advisory Services (EAS), *The introduction of mandatory nutrition labelling in the European Union* (impact assessment undertaken for DG SANCO, Brussels, 2004).

A flexible approach to general labelling legislation using directives and transposition in national law, rather than regulations, allows the Member States to adapt the legislation to their particular domestic needs and implementation procedures. However, there is a certain trade-off involved as this might result in a fragmented regulatory environment, creating burdens for business in the single market and compromising on the Commission's goal to eliminate barriers to free trade.[48] Indeed, companies would prefer European legislation to national legislation if further prescriptive elements of food labelling were introduced (see Figure 3.4).

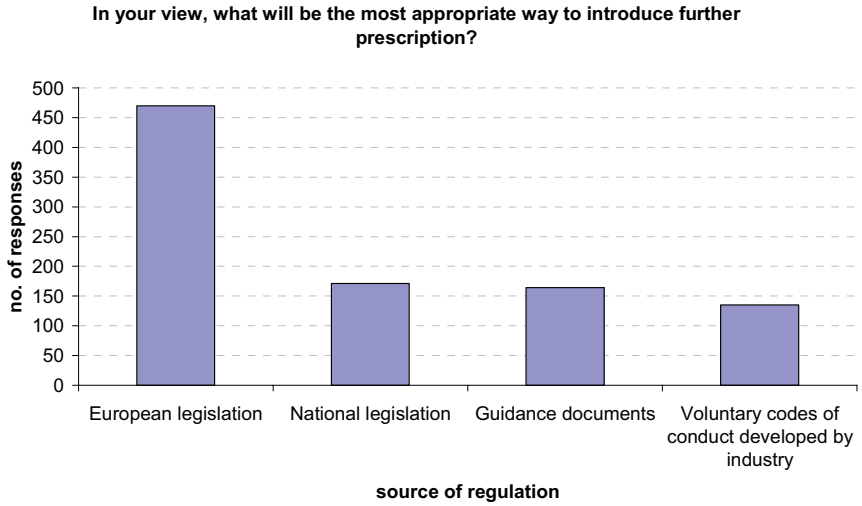


Figure 3.4: Industry's view on regulation

SOURCE: EICN (2006)s

Member States' views on changes in general labelling legislation

Naturally, the Member States' and public administrations' positions on general food labelling vary, as they have to take into account the demands and particularities of their domestic stakeholders. However, a number of common themes of relevance across Member States can be identified.[49]

- A large number of Member States favour bringing as many labelling provisions into a single piece of legislation as possible.
- The vast majority of Member States agree that the current mandatory requirements on the information to be provided on the label should be retained.
- Most stakeholders, including Member States, consider current legislation concerning the durability information as sufficient.
- Many Member States favour a minimum font/text size for mandatory information and a reduction in multilingual labelling to improve readability.

[48] DG SANCO, *Labelling, competitiveness, consumer information*

[49] For a detailed summary, see DG SANCO,*Summary of the results for Labelling: competitiveness, consumer information.*

However, there are some issues where no common position of Member States has emerged so far; these include the labelling of alcoholic beverages, the presentation and inclusion of voluntary information on labels, and the extension of origin labelling.[50]

[50] Ibid.

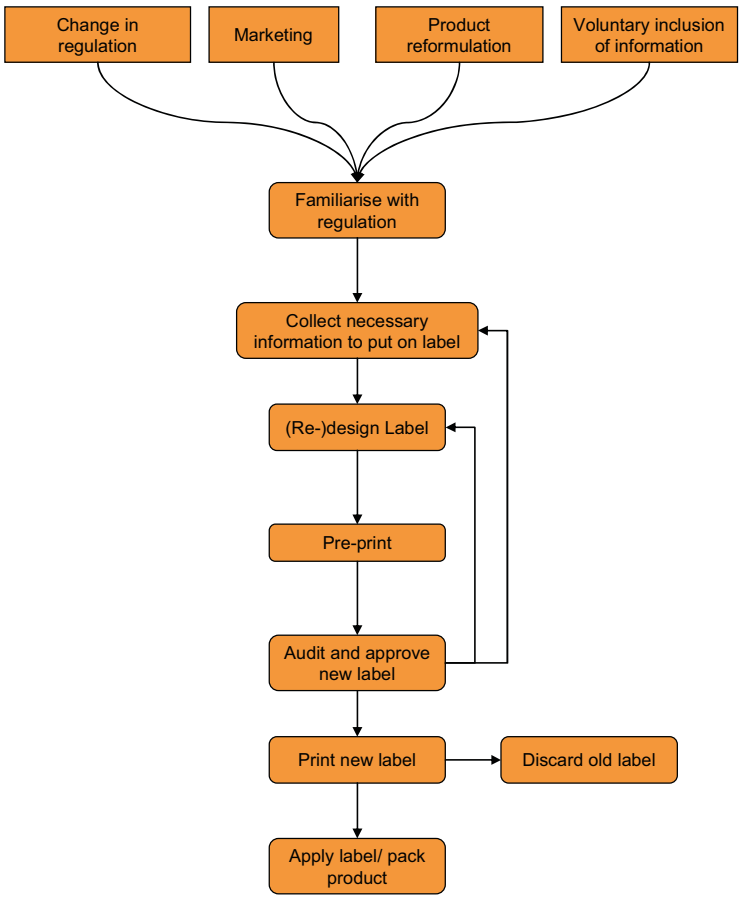
CHAPTER 4 Determinants of the firm's labelling costs

This chapter gives an overview of the labelling processes and costs for the food and retail industry. As horizontal labelling is often designed to overcome market failure, costs typically accrue to food producers and retailers, while the benefits accumulate predominately with the consumers of foodstuffs. While the benefits of horizontal food labelling are specific to the particular provision, the costs of the different regulations follow patterns that are best explained with reference to firms' food labelling processes. The insight into these, presented in this chapter, will then be used in the later stages of the impact assessment to gauge the effects of specific policy options of changing labelling regulation.

4.1 The food labelling process

The costs of labelling legislation and changes to labelling legislation occur primarily at company level – at the level of producers of foodstuffs and, to some degree, at the level of retailers of foodstuff. They occur either 'in-house', or as costs for outsourced services.[51] It is important to note that because labels are not changed for regulatory reasons alone, and food would be labelled in the absence of any regulations, the costs of food labelling legislation are not defined as the total costs of producing a food label, but only as the additional costs of including the specific requirements on the label. Figure 4.1 gives an overview of the major steps in the process of food labelling. The detailed steps of producing a label will be presented in the subsequent sections.

[51] Depending on the elasticity of demand and supply, these costs might be passed on to the final consumer, see Golan et al. "Economics of Food Labelling" 117–84



SOURCE: RAND

Figure 4.1: Labelling process

4.1.1 Label changes

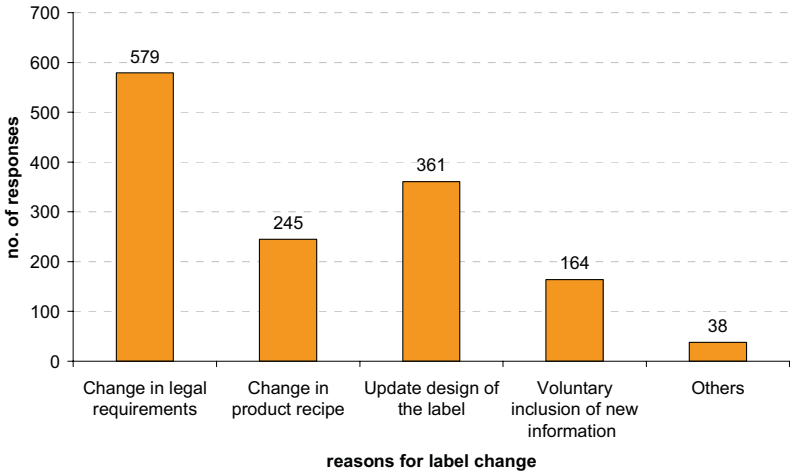
A label change can be triggered by various factors, the most common ones being:

- changes in regulation
- marketing reasons
- product reformulation and recipe changes
- adding additional information to the label.

Figure 4.2, which reports findings from the SME Panel, gives an impression of the relative importance of the different reasons for changing labels.[52] While changes in regulation are identified as the single most common reason for labelling changes, fewer than half of the respondents consider it the main reason for changing the label. Labels are usually changed by producers at regular intervals, for marketing purposes, to reflect changes in the recipes of the product or for various other reasons. The life cycle of a label may range from a few

[52] EICN, *SME Panel, data collection.* .

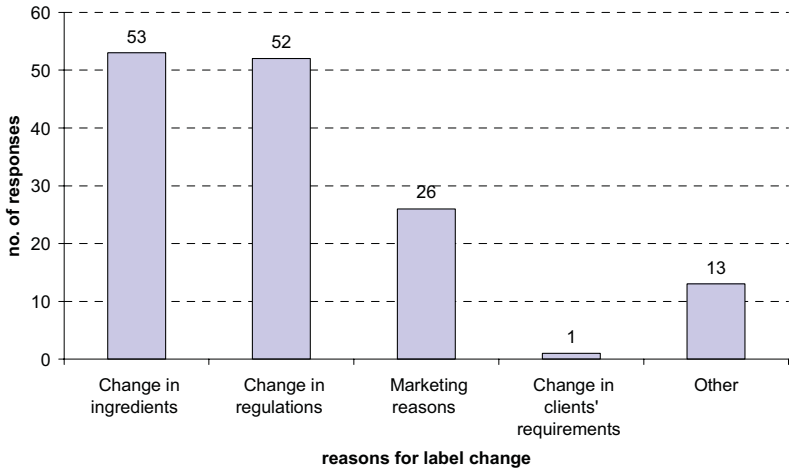
months for highly marketed, branded products, such as cereals or soft drinks, to a few years for niche products and commodified products, such as sugar, salt or flour.[53]



SOURCE: EICN (2006); Question 11

Figure 4.2: Reasons for modification of labels: 'What is the main reason for changing a product label?'

Somewhat similar results were obtained from the survey conducted as part of this impact assessment. Figure 4.3 below shows the reasons reported for modification of labels. Changes in regulations, ingredients and marketing requirements (i.e. the need to update the design of the labels) were the most commonly reported reasons for changes in labels.



SOURCE: RAND Survey

Figure 4.3: Most frequent reason to change a label

[53] EAS, *The introduction of mandatory nutrition labelling*.

If labels change frequently, regulatory changes can easily be incorporated into scheduled labelling changes at reduced cost.

In order to develop a cost model of labelling processes, a study for the United States FDA estimated the number of stock keeping units' labelling changes could be incorporated into scheduled label changes given different compliance periods.[54] Table 4.1 summarises these estimates. Using a transition period of 36 months, changes could be piggy-backed for all stock keeping units(SKUs) of branded products and 67 per cent of all private labels, i.e. non-branded products.[55] Unlike the current system in Europe, the US uses a system of uniform compliance dates, with new food labelling legislation coming into force every two years, leaving a maximum compliance period of 36 months and a minimum compliance period of 12 months.

Table 4.1: Proportion of SKUs that could be coordinated with a scheduled labelling change (US estimate)

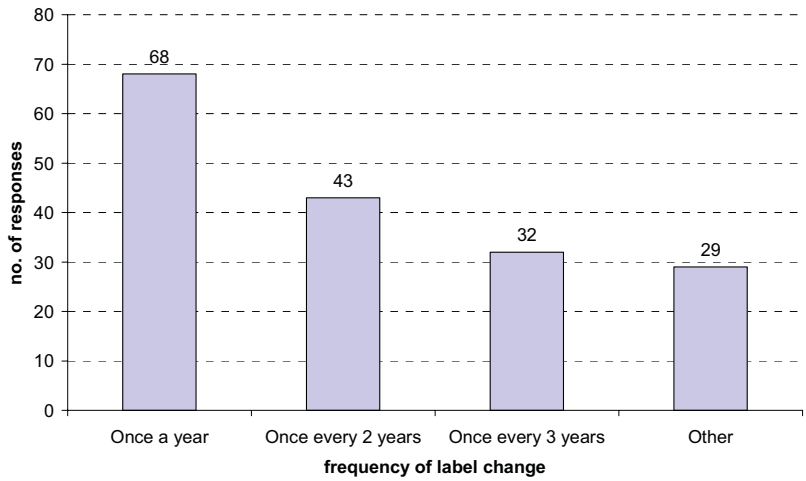
	Proportion of SKUs	
Compliance Period	**Branded product**	**Private Label**
6-month	5%	0%
12-month	33%	5%
24-month	67%	33%
36-month	100%	67%

Source: Muth et al. (2003) FDA Cost Model

When mandatory nutrition labelling was introduced in Australia and New Zealand, the lack of a sufficiently long transition period increased the costs for producers, who would have preferred a two-year transition period without further changes to the regulation.[56] However, some labelling requirements may shorten the life cycle of labels considerably. Producers with diversified, variable and seasonal sourcing, for example, may need to adapt their labels several times a year (and for different batches of the same product) under more detailed ingredient listing and country of origin legislation.[57]

According to data from our own survey, most food manufacturers change their product labels at least once every three years. This is similar to the American FDA cost model finding, described above. Figure 4.4 shows the distribution of survey responses by frequency of label change.

[54] M.K. Muth, E.C. Gledhill and S. Karns, *FDA Labeling Cost Model*, (prepared for Food and Drug Administration, RTI International 2003, Washington D.C., USA, 2003).
[55] It is worth noting that these numbers are estimates by the authors based on a number of interviews rather than grounded in statistical data. For the purpose of their model, these numbers are thus used as assumptions.
[56] Donovan Research, *Food Labelling Issues – Stakeholder Qualitative Research* (Report C01033 prepared for Australia New Zealand Food Authority, 2002).
[57] Centre for International Economics (CIE), *Feasibility of extending CoOL, A benefit cost analysis (*prepared for Food Standards Australia and New Zealand, Australia, 2006).



SOURCE: RAND Survey

Figure 4.4: Frequency of label change amongst respondents

4.1.2 Familiarisation with legislation

After the need for changing a label arose, the company has to familiarise itself with the legislation to establish the legal requirements for the new label. Costs related to this familiarisation occur as time spent on acquisition, familiarisation and understanding of the regulatory environment, or as fees for external consultants. It can be safely assumed that these costs vary with the:

- specificity of the regulation
- number of sources the regulation is found in
- clarity of the actual regulation.

A British administrative burden exercise estimated the costs attributed to familiarisation and understanding the regulation as being 13 per cent of all administrative costs (across all the regulation). An administrative measurement exercise conducted in Denmark estimated that the costs associated with familiarisation with food labelling legislation accounted for five per cent of the total administrative burden.[58]

4.1.3 Information to be provided on the label

If the information to be provided on the label is not readily available within the company, additional costs are involved in collecting this data. Typical missing data include:

- nutritional values for products, which is covered by the parallel impact assessment
- information on the country of origin of ingredients
- full ingredient listings in pre-products delivered by external suppliers.

[58] Ervers- og Selskabstyrelsen, *AMVAB Ministeriet for Familie og Forbrugeranliggender*, (conducted by Muusmann Research & Consulting and COWI A/S: Copenhagen, 2006).

4.1.4 Design costs

After the food business has collected all the necessary information to be presented, the design of the label is the next step. The design costs vary with the extent of the overhaul of the label, with a complete overhaul being the most expensive option. Table 4.2 gives cost estimates from US research, reflecting the bandwidth of actual costs that can occur in the design stage.

Table 4.2: Graphic design cost estimates (US)

Extent of redesign	One-colour change			Two-colour change			Full Redesign		
Cost estimate	low	medium	high	low	medium	high	low	medium	high
Graphic design	$300	$450	$600	$900	$1,350	$1,800	$1,500	$2,250	$3,000

Source: Muth et al. (2003), FDA Cost Model

If only minor changes in the label are required, the design phase might be skipped entirely, and the company might just add the additional information themselves and go straight to the printing phase. The two small companies we interviewed for the research were using computer software which allowed them to easily add and edit the information on the label, and which could be used to feed the information straight into the printing process.

4.1.5 Printing costs

The costs of the actual printing process vary considerably with the number of labels actually printed, with a smaller number of labels printed being more expensive, since fixed costs (such as printing plates) are a considerable factor. Additionally, the number of colours used significantly increases the costs of producing a label. Printing costs are estimated to be 15% higher for a five-colour label compared to a three-colour label.[59] If the production of labelling is in-house, label changes might produce sunk costs, as machinery might have to be adapted or even replaced. Table 4.3 gives an overview of the costs associated with changing the printing plates for different printing methods. The process of preparing a finalised design to be put on the printing plate is the pre-press phase; etching and engraving involves the actual process of producing the new printing plates. The costs of these two processes thus have to be combined to establish the total cost of changing the printing plates.

[59] EAS, *The introduction of mandatory nutrition labelling.*

Table 4.3: Prepress and Etching/Engraving Cost Estimates. Prepress and engraving costs are on an SKU basis and differ by printing method.

	One-Color Change			Two-Color Change			Full Redesign		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
Flexography									
Prepress	$245	$260	$550	$490	$520	$1,100	$1,470	$1,560	$3,300
Engraving	$150	$200	$500	$300	$400	$1,000	$900	$1,200	$3,000
Offset Lithography									
Prepress	$200	$215	$400	$400	$430	$800	$1,200	$1,290	$2,400
Engraving	$180	$290	$600	$360	$580	$1,200	$1,080	$1,740	$3,600
Rotogravure									
Prepress	$500	$550	$800	$1,000	$1,100	$1,600	$3,000	$3,300	$4,800
Engraving	$900	$1,350	$1,800	$1,800	$2,700	$3,600	$5,400	$8,100	$10,800

Source: Muth et al. (2003) FDA Cost Model

Writing off existing label stocks

Writing off existing stocks of food labels is also a relevant cost implication of labelling changes. To reduce costs, companies usually order packages and labels in bulk. A previous impact assessment illustrated the cost differences between different amounts of labels ordered based on information received from label suppliers: if the price of 100,000 adhesive labels is set as 100 per cent, that of 50,000 labels would be 122 per cent and that of 25,000 would be 150 per cent. Labels printed on pack need to be ordered in even larger amounts to be an economically attractive alternative; the same study estimates a minimum order amount of 1 million units. [60]

Data on the typical stock of labels is available for the UK, where a recent study commissioned by the UK's Food Standard Agency found that 69 per cent of companies use their labels within 12 months, and only 11 per cent need more than 24 months to use their labels.[61] However, small companies tend to use their label stock more slowly than large companies.[62]

Types of labels

Very generally, three types of labels can be distinguished:

- labels printed on pack
- labels applied to the packed product
- off-product labelling for food sold loose.

[60] Ibid.
[61] Leatherhead Food International, *Evaluating the Impact on Business of Changes to Nutrition Labelling Requirements in the UK* (project undertaken for the Food Standards Agency, 2006).
[62] Ibid.

Labels printed on pack have the longest lead time in label changes and are most expensive if stocks of labels have to be written off.[63] Applied labels, such as adhesive labels, shrink sleeves, etc. have shorter lead times and writing off stock is cheaper. Displays at the point of sale for food sold loose are a flexible and easy form of labelling to amend; however, the costs have to be borne by the retailers.[64] In addition, displays at the point of sale require trained staff to keep the information up to date and in accordance with legislation.

Size of labels

The size of labels can be an important factor increasing the cost of labelling. If labelling requirements exceed a product specific threshold, the producer might be forced to increase the size of the package to accommodate the necessary information, or increase the number of stock keeping units, for example by abstaining from multilingual labelling.[65] One of the interview respondents illustrated this with a chocolate bar, which currently only has a label on one side. Including more information would mean, in this case, including a label at the back of the pack, which would in turn require a new machine to stick adhesive labels to both sides of the final product.

Estimates from previous research suggest the following ranges of total costs of changing a label (see Table 4.4).[66]

Table 4.4: Estimates of total costs for changing a label per SKU

	Small change	Extensive redesign
Cost range	€ 2,000 – € 4,000	€ 7,000 – € 9,000

Source: EAS (2004): *The introduction of mandatory nutrition labelling in the European Union.*

4.2 Administrative burden

The administrative burden measurements can provide insights into the scale of the costs incurred by industry and, in some cases, per type of industry. We have found examples of such measurements in Denmark, the Netherlands, Sweden and the UK. These countries, in particular the Netherlands, have been at the forefront of the development of administrative burden measurements. (See table 4.5 below.) However, it is important to note that these exercises have tried to establish the current costs of compliance to industry. Therefore, they are not able to anticipate what the costs to industry arising from revisions in labelling regulations might be and where specifically these costs will be incurred. In addition, the data that the measurement exercises generate are not entirely comparable and therefore making generalisations of the impact across countries is challenging. Some countries, such as the UK, give an idea of the cost per information request, while other countries, such as the Netherlands, aggregate data. Therefore, it is difficult to arrive at

[63] EAS, *The introduction of mandatory nutrition labelling*.
[64] See Food Standards Agency, *Regulatory Impact Assessment Fish Labelling Regulation* (FSA, 2006).
[65] EAS, *The introduction of mandatory nutrition labelling* p.31.
[66] Ibid.

average costs or even comparable levels of administrative burdens. In short, these exercises can only give us an indication of:

- the scale of the burden
- the scale of the types of burden incurred
- the distribution of administrative burden according to type of regulation
- the distribution of costs across the food chain.

Table 4.5: Administrative burdens associated with food legislation and labelling regulations compared between countries

	Denmark	The Netherlands[67]	Sweden	UK
Definition of administrative burden used	Administrative activities (e.g. collection of information within the company) to meet data requirements, consisting of internal resource use in the form of the employees' time consumption and occasionally an external resource use in the form of costs to accountants, external experts, etc. In total, these administrative costs constitute the costs that are related to the performance of different administrative activities.	The costs to Dutch industry of complying with the information requirements of government regulation. These concern the collection, processing, registering, storage, and provision of information.	Administrative costs are defined as costs born by business to gather, store or transmit information which is required in regulation.	UK calculates the sum of internal, external and overhead costs to meet an information obligation and adjusts it for the business-as-usual costs (costs that would have been incurred in the normal business process), which gives a net administrative costs.
Total amount of total administrative burden associated with all food regulations identified	€ 554.9 million (current exchange rate) per year as of 2005 (all regulation within the Danish Veterinary and Food Agency)	€940 million per year as of January 2006	€ 913 million (current exchange rate) per year as of 2006	€180 million (current exchange rate) as of May 2005 over 53 regulations
Total amount of administrative burden associated with European regulations	(all regulation within the Danish Veterinary and Food Agency) Category A[68]: 45 % Category B: 26 % Category C: 30 %	Horizontal labelling regulations Category A: 95 % Category B: 0% Category C: 5%	€535 million per year	Category A: € 900.1 million Category B: € 12.5 million Category C € 0.005 million	Category A: 49% Category B: 49% Category C: 2%.
Total amount of administrative burden associated with food labelling	Horizontal labelling: € 93.2 million per year	€337.5 million per year	Horizontal labelling: € 62.5 million per year Vertical labelling: € 0.842 million per year Nutrition labelling € 2.8 million per year Traceability: € 37.9 million per year	UK assessed the impact of the 1996 Food Labelling Directives, total administrative costs were: 10.2 million (current exchange rate) or 6% of total administrative burdens. Net administrative costs adjusted for normal business practices were: €6.87 million (current exchange rate).
Distribution of total administrative burden per type of industry		Food production: 3.3% of total administrative burdens Packaging productions: 0.03%		Not given

[67] The Dutch measurement of administrative burden is compared to a baseline measurement undertaken at the time of the introduction of the overall regulation. Compared to this baseline measurement, administrative burdens in the 2006 report were €111 million less. For full details see, P.H. Bex and B.H. Duits, *Administratieve Lasten in de VWS Voedselketen* (Nieuwegein: SIRA Consulting, 2006). Interdepartmentale Projectdirectie Administratieve Lasten, *Meten is Weten: Handleiding voor het Definieren en Meten van Administratieve Lasten voor het Bedrijfsleven* (Den Haag, December, 2003).

[68] Category A is the European regulation with no discretion in implementation. Category B is European with domestic discretion, which accounts for 49%. Category C is domestic regulation with full discretion.

		Food and drinks industry: 33.5% Transport: 0.8% Wholesale and importing: 15.4% Retail: 26.5% Hotels and restaurants: 19.3%		
Type of administrative cost incurred	Horizontal labelling only: - Familiarisation with requirements: 5% - Collection of information. 5% - Text description: 30 % - Copying, distribution, archiving 60%		n.a.	62% of the administrative cost associated with complying with the Food Labelling regulations of 1996 was an internal cost. The remainder (38%) was external. The main categories of administrative burdens identified for the total measurement are: - Gathering and assessing relevant information/figures (28%) - Familiarisation with requirements (7%) - Reporting - including written descriptions, copying, filing, distributing or submitting information / reports (5%).

SOURCES:

Denmark: Ervers- og Selskabstyrelsen, *AMVAB Ministeriet for Familie og Forbrugeranliggender.*

The Netherlands: For full details see, Bex and Duits, , "Administratieve Lasten in de VWS Voedselketen". Interdepartmentale Projectdirectie Administratieve Lasten, "Meten is Weten: Handleiding voor het Definieren en Meten van Administratieve Lasten voor het Bedrijfsleven", Den Haag, December, 2003.

Sweden: NUTEK, *Näringslivets administrative kostnader på livsmedelområdet*, (Stockholm: NUTEK – Verket för Näringslivsutveckling, 2007).

UK: Food Standards Agency, "Food Standards Agency: Administrative Burdens Measurement Exercise: Final Report," (FSA, June 2006).

4.3 Company size

For a variety of reasons, SMEs are likely to incur relatively higher costs than larger enterprises from labelling changes. In general, SMEs command far fewer resources and cannot realise economies of scale in reacting to changes in labelling regulation, compared to large companies. These resources might be needed to:

- acquire information on the regulation
- comply with regulation by overhauling labels
- reposition and re-brand products affected by changes in consumer demands as a result of information disclosure.[69]

Overall, labelling requirements might lead to higher-per-unit costs for SMEs, thus reducing their competitiveness.[70] An analysis of British SMEs, in the wake of the full introduction of European regulation in 1993, found no considerable effects of the labelling regulation on SMEs' competitiveness.[71] However, a recent study shows that the introduction of mandatory nutrition labelling in the US increased the likelihood of SMEs exiting the food market compared to large companies.[72]

4.4 Mandatory vs. voluntary labelling

Economic theory suggests that firms will disclose information on their products as long as it increases the revenues from this product either through increased sales or through a higher premium.[73] This might lead to a spread of labelling information on positive food characteristics through the market and increased information for the consumers, the so-called 'unfolding theory'. However, evidence from the US, before and after the introduction of mandatory food labelling, suggests that 'incentives for voluntary disclosure of nutritional content by food processing did not generally result in reliable and consistent quality signals to consumers in the US'.[74] Following this reasoning, any mandatory labelling requirement would have a net cost to the producers.

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[69] Christine Moorman, Rex Du and Carl. F. Mela, "The Effect of Standardized Information on Firm Survival and Marketing Strategies," *Marketing Science* 24 no. 2 (2005): 263–274.
[70] Golan, "Economics of Food Labelling, 117–184.
[71] A. Cumbers, R. Leigh and D. Smallbone, "The Single European market and the new regulatory regime in the food sector: The impact on small and medium-sized manufacturing firms," *British Food Journal* 97 no. 4 (1995) 13–19.
[72] Moorman, *The Effect of Standardized Information,* 263–274.
[73] Golan, "Economics of Food Labelling, 117-184.
[74] Drichoutis, "Consumers' use of nutritional labels.

4.5 Opportunity costs

A third source of labelling costs is opportunity costs. Without labelling requirements, companies would make the best use of their labels for marketing purposes, which might include providing some information they assume the consumer will value, promoting their brand, etc. Labelling requirements limit the free use of the label for these purposes, thus reducing a perceived benefit for the company. Evidence about opportunity costs for the industry is rare. However, it seems reasonable to assume that opportunity costs increase with:

- the space taken by the mandatory labelling requirements
- the placement of mandatory requirements on the front of the pack
- the value of the brand marketed.

CHAPTER 5 Structure of legislation

Policy options

A) Bring together into one piece of legislation as many texts (vertical as well as horizontal) as possible in order to facilitate access to the legislation
B) Recast the horizontal provisions together, which means bringing together all the horizontal texts related to directive 2000/13/EC, leaving the product-specific rules in the vertical texts
C) The same as B, but putting vertical legislation in an Annex to the recast horizontal text

5.1 The evidence

The European Commission considers revising the structure of the horizontal food labelling regulation, by merging different legislative texts into one or only a few documents. Making the legislation more accessible through reducing the number of legislative texts has the potential of reducing the information costs for food businesses and might ease the implementation for often local agencies.

Complexity has been previously identified by various stakeholders as a major difficulty of the current legislation.[75] The interviews conducted with representatives from some of the Member States, food industry association, retail associations and small food producers reinforce this finding. Nearly all interviewees saw a potential benefit in reducing the complexity of the regulations. Two small companies without specialised labelling staff indicated they rely nearly exclusively on the staff of the local authorities and their guidance to update their labelling knowledge; they do not check the legislation on their own as they consider it 'incomprehensible'.

Administrative burden measurement exercises using "standard cost modelling" currently provide the only research-based account on this specific issue. Based on a number of interviews, a Swedish administrative burden measurement study identifies familiarisation with the legislation and identification of the actual requirements that have to be put on the label as 'one of the most time consuming steps' in the process of producing a label.[76] The UK Food Standards Agency conducted a similar measurement exercise for all regulation within its portfolio. Costs attributed to familiarisation and understanding the regulation were estimated as being 13 per cent of all administrative costs across all the regulation; however, no such estimate is available for the horizontal labelling regulation alone. An

[75] See e.g. DG SANCO, *Summary of the results for Labelling: competitiveness, consumer information*. See also The European Evaluation Consortium, *Evaluation of the food labelling legislation.*

[76] NUTEK, *Näringslivets administrative kostnader på livsmedelområdet* (Stockholm: NUTEK – Verket för Näringslivsutveckling, 2007).

administrative measurement exercise conducted in Denmark estimates that the costs associated with familiarisation with food labelling legislation account for 5 per cent of the total administrative burden.[77]

The companies surveyed by RAND Europe ranked familiarisation with the regulatory requirements last out of five cost drivers for labelling costs, indicating the relative importance of other factors.[78] Indeed, the interviews conducted with industry representatives, the small food producers and the Members States during the research indicated that a simplification of food labelling policy would also need a simplification of requirements, rather than just better presentation. During DG SANCO's consultation, some stakeholders pointed towards the advantage of having a legislative structure following the Codex Alimentarius, which makes it easier for stakeholders to become familiar with the regulation .[79]

The complexity of the structure of the legislation also impacts on the Member States' authorities actually implementing the regulations. Implementation is often done by local authorities, who are not specialised in labelling regulation and might experience difficulties themselves in interpreting the regulation.[80]

Introducing any of the proposed changes would require one-off costs borne by the European Union and the Member States in compiling and agreeing on the new single piece of legislation.

5.2 Assessing the policy options

Comparing the impacts of the policy options of restructuring the current legislation is fairly difficult, as there is no data available on the specific use and understanding of legislation by food producers and retailers or by Member States. Thus, while we can still assess whether a policy option would increase or decrease benefits, one has to be careful to compare the effects between two policy options.

A) Bring together into one piece of legislation as many texts (vertical as well as horizontal) as possible in order to facilitate access to the legislation

This policy option constitutes the largest overhaul of the legislation by merging all the legislative texts into one document.

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[77] Ervers- og Selskabstyrelsen, AMVAB Ministeriet for Familie.

[78] 17. What is the main reason for the amount of time spent on these tasks (please rank them: 1= main reason; 5=least important reason)?

1. Part of the usual labelling cycle (launch of new products, normal changes of labels)
2. It takes time to familiarise ourselves with the relevant regulations
3. There is a large number of regulations to comply with
4. Adapting to changes in the regulations
5. Other (please specify)

There were 72 responses to this question.

[79] The Codex Alimentarius is a collection of internationally recognised standards, codes of practice, guidelines and other recommendations relating to foods, food production and food safety and was established by the Food and Agriculture Organisation of the United Nations (FAO), and the World Health Organisation (WHO).

[80] Interviews with food producers, and Member State authorities.

For industry, the new document would be the single reference for food labelling issues, thus decreasing their information costs. However, such a comprehensive document would not necessarily be very clear and easy to use, which reduces this benefit for the industry.

To draft and adapt such a comprehensive document would require intensive work from the Member States and the European Union. It is likely also to be more difficult to agree upon, constituting a considerable burden. While having all labelling requirements in one text might help the enforcement of the regulation, being more accessible to the enforcement officers, there is a also a danger here of producing a single, overly complex document.

B) Recast the horizontal provisions together, which means bringing together all the horizontal texts related to directive 2000/13/EC, leaving the product-specific rules in the vertical texts

Option B would also improve the accessibility of the European labelling regulation for food producers and retailers. While Option B reduces the number of regulations, it maintains the general structure of horizontal and vertical regulation, which is well established internationally and also used in the Codex Alimentarius. Although producers would always have to look in two regulations (product-specific and horizontal) for one product, this option appears to be easier to follow as it avoids the danger of a bulky legislative text which contains more information than the individual company needs.

Producing the new horizontal text would also require substantial resources from the European Union and the Member States, but it might be easier to agree upon. Having all horizontal labelling requirements in one text and all other regulation in the vertical texts might also help the enforcement of the regulation, as the regulation becomes more accessible to the enforcement officers.

C) The same as B, but putting vertical legislation in an Annex to the recast horizontal text

Option C follows Option B but would collect all the vertical regulation in the annex of the document. While the status of such an annex is not entirely clear, the annex would be an easy way to find relevant vertical legislation for industry as well as Member States' authorities. However, to maintain its usefulness, the annex would need to be continuously updated to reflect the latest legislation. This would put a special burden on the legislative institutions and make the legislation less accessible.

CHAPTER 6 Scope of the legislation

6.1 Unpacked food

Policy options

A) Extending to food sold loose the requirement to indicate all the mandatory information that has to be provided on the labels of pre-packaged foods
B) Keeping the status quo and leaving it to the Member States to decide which pieces of information should be given to the consumer for food sold loose, and how
C) Deciding at the community level which pieces of information should be available for food sold loose, leaving it to Member States to decide on how it should be provided

6.1.1 Background

At present, Article 14 of directive 2000/13/EC on general food labelling leaves it to the Member States to adopt detailed rules concerning the manner in which the mandatory requirements are to be shown for non pre-packaged food:

'Where foodstuffs are offered for sale to the ultimate consumer or to mass caterers without pre-packaging, or where foodstuffs are packaged on the sales premises at the consumer's request or pre-packaged for direct sale, the Member States shall adopt detailed rules concerning the manner in which the particulars specified in Article 3 and Article 4(2) are to be shown. They may decide not to require the provision of all or some of these particulars, provided that the purchaser still receives sufficient information.'

Unpacked food is therefore not excluded from the legislation, but Member States may decide not to require the provision of *all* or some of those requirements, provided that the purchaser receives sufficient information. The reason for exempting food sold loose lies in the roots of the current EU legislation, which was designed to ensure the functioning of the internal market. Selling unpacked food, or packaging food on the sales premises at the consumers' request, has therefore been considered to be a matter for national authorities to regulate.[81]

The policy option anticipated by the European Commission proposes to extend the mandatory labelling provisions to food sold loose. Food sold loose usually comprises food that is not pre-packed, such as bakery and cakes or vegetables, as illustrated in Table 6.1.

[81] See task specification to this impact assessment.

For the purpose of this policy option, however, we will also include food sold through 'mass caterers', such as restaurants, canteens and sandwich shops.

Table 6.1: Examples of non-pre-packed products and outlets in the UK

Example of products include:	Examples of outlets include:
• products available at delicatessen counters	• multiple and independent food retailers
• home meal replacements	• delicatessens
• bakery and cakes	• butchers
• fruit and vegetables	• fishmongers
• confectionery	• greengrocers
• fish and meat	• bakers

Source: BNF (2004)

Consumers and unpacked food

Several studies on consumer attitudes and demands included questions on the demand for informative labelling of food sold loose and food sold in catering outlets. A focus-group-based study of consumers in 25 Member States, Switzerland, Norway and Iceland commissioned by DG SANCO found little demand for labelling of food sold loose: '*On the whole the consumers do not feel the need to be given further information and display a great deal of trust'*. [82] This is explained by the personal characteristics of the sale transaction and the closeness to the product, which can be viewed carefully or even touched. Products bought unpacked are usually bought for immediate consumption, so considerations of durability dates are usually less important to the consumers. There are some demands for origin information for some raw products (meat in particular) or information of production methods (e.g. organic). This study did not include labelling of prepared food at deli counters, etc.

A study conducted for the Food Standards Agency in the UK combined qualitative and quantitative research into consumer attitudes and demands towards labelling for food sold through catering outlets and food sold loose.[83] Seventy-four per cent of all UK adults buy loose food, and the respondents mentioned a wide range of information they would like to see. However, no one type of information is mentioned by more than a third of the respondents (See Table 6.2).

[82] OPTEM, *European consumers' attitudes*.

[83] MORI, *Consumer Information Needs for Food Sold Through Catering Outlets and Food Sold Loose* (summary report, research study conducted for Food Standards agency by MORI social research, London, 2000).

Table 6.2: Which, if any, of these things do you usually look for when shopping for loose foods?

Characteristic	% of respondents looking for the information
Basic ingredients used	34
If it contains GM ingredients	32
Presence of any additives in the food	32
Size of the portions	29
Country of origin of the food	27
Nutritional content of the food	24
If it contains an allergen I or a family member are avoiding	23
Method of cooking used if the food is pre-cooked	21
If the food is organically produced	19
Welfare conditions for animals	16
Whether it is suitable for vegetarians or not	13

Base: 774 GB adults who shopped for loose food.
SOURCE: Mori (2000)

A number of interviews conducted with consumer organisations for the evaluation of European Food labelling legislation in 2003 pointed to the particular importance of providing information on products sold on deli counters. In particular, allergen and durability information was requested for foods such as meat and cheese.[84]

The Dutch Ministry of Health, Welfare and Sport recently decided to undertake a pilot study to understand the labelling needs in the craft and trade sector. The goal was to demonstrate that there are ways to provide effective product information other than by labelling. Part of this pilot was research into consumer expectations and attitudes towards labelling for food sold loose. They surveyed 493 customers of ten bakeries and ten butchers, with the following results:[85]

- 60 per cent of consumers indicated that they never ask for additional information; 25 per cent reported asking occasionally; 11 per cent reported asking regularly, and 2 per cent reported asking often. Most of the questions involve the price, the date of expiry, and the ingredients used.
- In contrast, butchers reported that only 7 per cent of their customers ask for additional information; bakeries reported 3 per cent. Most questions involve allergen information and date of expiry.
- A comfortable majority of consumers is satisfied with the current provision of information. If the consumer had a choice on information provision, the two leading preferences are for labelling and information directly at the point of sale. Most consumers are interested in whether the product will retain its quality or is still reliable.
- In terms of availability of information, 60 per cent indicated that they would like to have information on the labels available at home; 25 per cent did not have a

[84] The European Evaluation Consortium, *Evaluation of the food labelling legislation.*
[85] Internal documents provided to us by the Dutch Ministry of Health, Welfare and Sport (2006).

preference, and 7 per cent would be satisfied with a folder containing adequate information in the shop.

Eating out: consumers and restaurants

As mentioned earlier in this report, there appears to be a trend of increasing food consumption away from home. Statistics from the US show that restaurants and fast-food outlets are significantly increasing their share of total food consumption. Long-term trends show that as household incomes have increased, and more women have entered the workforce, the share of household spending for prepared foods and meals has risen. By 2005, spending by households and businesses on food away from home accounted for 49 per cent of all food spending, up from 45 per cent in 1990 and 39 per cent in 1980. In other words, food consumption away from home is a significant and increasing part of household consumption.[86] This increasing trend is also noticeable in the United Kingdom; however, share of food eaten away from home is lower than in the US. In the UK:

- total expenditure on all food and drink rose by 1.7 per cent to £34.97 per person per week
- expenditure on total household food and drink rose by 2.2 per cent to £23.56 per person per week
- expenditure on food and drink recorded as eating out rose by 0.7 per cent to £11.41 per person per week (about 30 per cent of total expenditure)
- eating-out expenditure on just food was unchanged, a fall in real terms.[87]

[86] See Economic Research Service of US Department of Agriculture, http://www.ers.usda.gov/Briefing/FoodMarketStructures/foodretailing.htm

[87] See DEFRA http://statistics.defra.gov.uk/esg/statnot/efsstatnot.pdf

Table 6.3: Eating out lunchtime and in the evening (U.K.)?

Q10. Roughly how often, if ever, do you eat out at lunchtime? By eating out I mean buying a meal from takeaways or sandwich bars, or in canteens, restaurants, pubs, wine bars or clubs. Q11. Roughly how often, if ever, do you eat out at restaurants, pubs, or wine bars in the evening?				
	Q10. Lunchtime		Q11. Evening	
Base: All GB adults aged 15+ who have eaten out	Year 1992 (1,053) %	Year 2000 (928) %	Year 1992 (1,053) %	Year 2000 (928) %
3 or more times a week	19	17	1	2
1-2 times a week	17	19	9	12
Less than once a week to once a month	16	20	27	33
Less than once a month to once every six months	18	14	35	28
Less than once every six months	8	13	14	16
Never	22	17	14	8
Don't know	*	*	*	1

Source: Mori (2000)

Lacking comparable European data, Table 6.3 gives an overview of the eating-out habits of the British population. In this survey, 38 per cent answered that they were eating out at least once a week at lunchtime, while 24 per cent were eating out at least once a week in the evenings. Compared to a previous survey, these figures showed a slight increase in eating-out habits, with a reduction of the number of people never eating out at all.[88]

Evidence on consumer demands when eating out is sketchy and partially contradictory. The OPTEM study concludes that there is *'only rarely any genuine demand in this field'* for labelling, although there is little information provided at the moment. According to this study, consumers basically trust the restaurants and want to enjoy the atmosphere of a restaurant rather than worry about the food. Freshness, the origin of meat and fish, and the presence of allergens were found in this study to be of interest of some restaurant visitors.[89]

[88] MORI, *Consumer Information Needs*.
[89] OPTEM, *European consumers' attitudes*.

Table 6.4: Eating out information of interest (U.K.)

Q13. Which, if any, of the things on this list would you like to know about the food you might order from a . . . ?

i) takeaway or sandwich bar

ii) restaurant, pub, club or wine bar

And which, if any, would you not be at all interested in knowing about at a restaurant, pub, club or wine bar?

	Interested Takeaway		Interested Restaurant/pub/ club/wine bar		Not Interested Restaurant/pub/ club/wine bar	
Base: All who have been to each facility	Year 1992 (819) %	Year 2000 (723) %	Year 1992 (906) %	Year 2000 (818) %	Year 1992 (906) %	Year 2000 (818) %
Size of the portions	40	**39**	38	**36**	12	**17**
Basic ingredients	36	**38**	38	**35**	12	**15**
If it contains GM ingredients	-	**33**	-	**29**	-	**25**
If food is fresh/tinned/frozen/dried	44	**31**	49	**36**	11	**21**
Presence of additives	29	**30**	25	**21**	18	**16**
If it contains an allergen	-	**28**	-	**24**	-	**21**
Method of cooking	29	**26**	33	**30**	17	**19**
Nutritional content	25	**23**	24	**18**	20	**20**
If food is organic	9	**19**	9	**15**	36	**21**
Country of origin	12	**19**	12	**14**	37	**29**
Vegetarian / vegan	9	**18**	9	**17**	44	**27**
Welfare of animals	-	**18**	-	**13**	-	**22**

Source: Mori (2000)

A study conducted by MORI on behalf of the Food Standards Agency in the UK found that consumers are interested in a number of factors while eating out (see Table 6.4). Portion size and an indication whether food had previously been frozen were of prime concern to the consumer; however, each item was mentioned by only around a third of respondents.[90]

Allergens a prime concern

Of particular concern in labelling loose foods is health-related labelling information, in particular about allergens. Stakeholder research of the British Nutrition Foundation on behalf of the Food Standards Agency in the United Kingdom identified the labelling of allergens as a prime concern for improving information about food sold loose and through catering outlets.[91] Some evidence from recent medical research suggests, that 74 per cent of allergen-related food incidents can be linked to food sold loose or food sold in

[90] MORI, *Consumer Information Needs*.

[91] British Nutrition Foundation, *Preparatory Work on Improving Information in Catering Outlets and for Foods Sold Loose (LSA 13/258)* (final report commissioned by the Food Standards Agency, London, 2004).

restaurants.[92] Improving consumer information about allergens is thus an important health issue, even if the number of allergen sufferers might be relatively small. Between ≤ 20–30 per cent of the general population perceive themselves as having a food allergy or some other form of adverse reaction to food; however, estimates of the true prevalence of food allergy range between 1–2 per cent for adults and 5–8 per cent for children.[93] Due to this limited percentage of allergen sufferers, however substantial their actual number may be, consumer surveys might not be a reliable tool in estimating the importance of such information. Indeed, it does not appear as a priority in the surveys cited here.

Retailers of food sold loose

The proposed policy options are likely to have a distinct impact on the food retail sector. Typical retailers of food sold loose range from the butcher shop and bakeries to medium and large retailers offering fresh products and unpacked food at deli counters (see Table 6.1 above). If either policy option is introduced, retailers will incur costs for the provision of such information. If retailers provide information on their products, this is typically done by adhesive labels printed in stores or by displays at the point of sale. Unlike the extensive literature on labelling of pre-packed food, there is little literature available on the costs of labelling food sold loose.

A regulatory impact assessment conducted in the UK on the provision of increased information on the labels of fish, found only marginal costs in changing labels for fish sold at wet counters, which can be considered similar to food sold loose. On wet fish counters, labelling information is often given on pre-printed tickets displayed with the fish. Changing one of these tickets was estimated to cost around €4.50. Depending on the number of different products sold at the respective retailer, one-off re-labelling costs could thus be between around €45 for ten product lines, or up to €450 if a hundred products have to re-labelled.[94] Besides these displays at the point of sale, considered a cheap and flexible labelling option by most of our interviewees, some companies use adhesive labels printed in the store and then attached to the food. Generally, this solution is also rather flexible.

The Dutch pilot study on small retailers (bakeries and butchers) revealed the following characteristics of labelling behaviour.[95]

- On average, 20 per cent of total revenues is related to the sale of pre-packaged products. This involves an average of 34 products in bakeries and 47 different products in butcher shops.
- In terms of labelling, only about 50 per cent of pre-packaged products are labelled; 30 per cent are sometimes labelled, and 13 per cent are never labelled.
- Most shop owners label on a daily basis and need, on average, half an hour to print and apply the labels.

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[92] See e.g. M. Boden, R. Dadswell and S. Hattersley, "Review of statutory and voluntary labelling of food allergens," *Proceedings of the Nutrition Society* 64 (2005): 475_480 and M.H. Gowland, "Food Allergen Avoidance – the patient's viewpoint," *Allergy* 56 no. 67 (2001): 117–120.

[93] Boden, "Review of statutory and voluntary labelling".

[94] FSA, *Regulatory Impact Assessment.*

[95] Internal documents provided to us by the Dutch Ministry of Health, Welfare and Sport (2006).

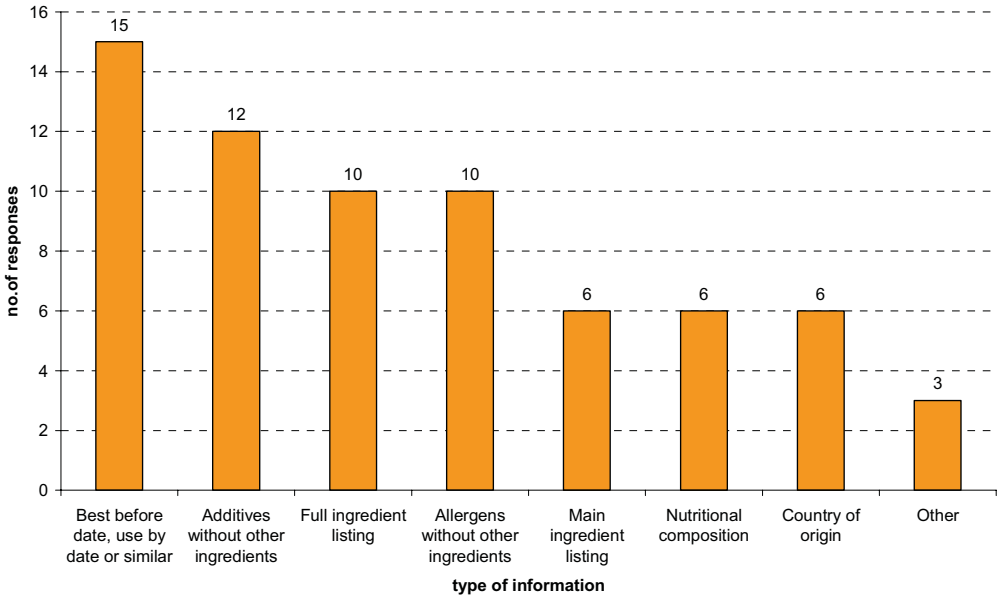
- Labels normally include the name of the products, the list of ingredients, weight and quantity, storage instructions, allergen information, date of production. None of the labels has nutrition information.
- Shop owners mostly provide a variety of other information about products sold in the store, for instance through signs. The information normally concerns allergen information and ingredients.
- Most shop owners are concerned about the additional administrative burden associated with the expansion of labelling regulations. Fifty-two per cent of bakers would like to see a more flexible arrangement in how information is provided to the customer. Forty-two per cent of butchers would like to have fewer pieces of information on the label.

The actual production of a physical label thus seems to be a rather unproblematic feature of extending labelling requirements to food sold loose. There are, however, important issues with generating and updating the information to be provided on the labels.

Food sold loose prepared by the retailer and sold at deli counters, such as sandwiches, pizzas or roasted chicken, might be based on recipes that change frequently, depending on available ingredients, etc. If, for example, full allergen and ingredient labelling is required, labels have to be changed frequently and, especially for allergens, the information must be accurate. This involves obtaining information from the food producers as well as training their own staff. For other foodstuffs, the required information should be readily available to the retailer from the producer although it will impose information costs on the retailers.[96]

The survey conducted by RAND Europe and DG SANCO contained a set of questions on food sold loose. The results obtained have to be interpreted carefully as only an unrepresentative sample of 32 companies was selling loose food.[97] Of these, 22 provided information that would usually be included on a label. Figure 6.1 gives an overview of the respondents' answers. We interpret the multiple answers (68) as different labelling practices for different products of the same company.

[96] Evidence obtained through interviews.
[97] The sample is out of 117 respondents at this stage of the survey.



SOURCE: RAND Survey

Figure 6.1: Which information do you provide for food sold loose that is usually used on food labels?

Due to severe limitations in the responses, no data on the costs involved in providing this information on the labels could be generated.

Restaurants and food labelling

According to EUROSTAT data, there are currently around 1.4 million restaurants, caterers and canteens in the European Union employing some 6.4 million staff. [98]

These companies would have to provide information on their food products at the point of sale. There are various ways to provide such information, for example:

- including it in the written menus
- putting it on clearly visible displays at the point of sale.

No systematic research has answered the question of how much such provision would cost.

Most of the information to be provided, such as ingredients used, should be readily available to the catering outlets. Some training might be required for the staff to be able to provide accurate and reliable allergen information. However, the nature of the products offered at catering outlets, with frequent recipes and ingredients changes, makes it difficult to keep information up to date. The UK Food Standard Agency conducted a draft partial regulatory impact assessment in preparing 'the introduction of voluntary guidance on the provision of allergen information for foods that are no pre-packed'.[99] It considered the

[98] NACE classification h553 to h555

[99] Food Standards Agency, "Draft Partial Regulatory Impact Assessment on 'Voluntary Guidance on the Provision of Allergen Information for Foods that are not Prepacked,'" 2006 http://www.food.gov.uk/multimedia/pdfs/allergenipria06.pdf

costs of introducing the provision of allergen information to be substantial, but did not quantify those costs. However, after conducting an initial consultation, the Food Standards Agency does not expect the costs to be borne substantially by SMEs, which would have an effect on the competitive market situation.

From the perspective of Member States' enforcement agencies, extending the mandatory allergen labelling to all food businesses would considerably increase the number of businesses to be supervised and monitored, resulting in a considerable increase in costs.

6.1.2 Assessing the policy options

A) Extending to food sold loose the requirement to indicate all the mandatory information that has to be provided on the labels of pre-packaged foods

Option A is the most extensive policy option. It would basically mean removing the exemption of Article 14 of the directive 200/13/EC and treating food sold loose in a similar way to pre-packaged food.

The evidence on consumer demand for information is patchy. Research indicates that consumers are not particularly interested in having all labelling information for food sold loose. There are, however, important exceptions, such as durability date and the origin of meat and in particular beef products. The provision of more information to consumers thus constitutes a clear benefit; however, a more targeted approach, providing information consumers ask for, might be sufficient to meet consumers' demands.

While allergen labelling is not a clear preference of all consumers, the negative health impact of not providing such information is apparent. Some evidence from recent medical research suggests that 74 per cent of allergen-related food incidents can be linked to food sold loose or food sold in restaurants.[100] The proposed policy option would thus constitute a clear benefit to consumers.

Costs are difficult to assess for businesses affected by this policy option, as there is a wide range of different and rather flexible labelling possibilities for companies providing food sold loose, which have not been costed in previous research. However, the dominant ways of providing such information, adhesive stickers and displays at the point of sale, are usually considered cheap and flexible labelling options. For restaurants, the inclusion of information on the menu is an option, other options being specific booklets or displays with additional information. All these ways of providing information can be considered as inexpensive, but they require trained staff to guarantee the accuracy and the currency of the information. This is of particular importance for allergen labelling.

The information necessary to put on the label should be readily available from the producers and wholesalers to retailers selling loose food, and for restaurants from their suppliers, but certain costs can be expected for companies in collating this information from different sources.

The proposed regulation clearly impacts on SMEs, as most specialised food retailers and restaurants are small or even micro companies. There is, however, no specific evidence that SMEs would be disadvantaged by such a regulation, apart from the general observation

[100] See e.g. Boden, "Review of statutory and voluntary labelling" and Gowland, "Food Allergen Avoidance".

that SMEs usually have fewer and less specialised resources at hand to handle labelling related requirements.[101]

As non–prepacked (loose) food is usually sold locally, there are neither single-market nor trade effects connected to this policy option.

For Member States' administrations, the proposed option means a substantial increase in the number of companies to be controlled with regard to compliance with labelling regulation, especially restaurants, as a British regulatory impact assessment states.[102]

B) Keeping the status quo and leaving it to the Member States to decide which pieces of information should be given to the consumer for food sold loose, and how

This is the status quo option. Thus there will be no additional costs or benefits involved with this policy option.

However, the current situation seems to be unsatisfactory, especially relating to the provision of allergen information to consumers. In addition, some Member States, for example the United Kingdom and Ireland, abstained from introducing wider national labelling requirements for food sold loose in anticipation of European legislation on this issue. A detailed impact assessment for this policy option would require an anticipation of Member States' future legislation on this issue, which is beyond the scope of this impact assessment. In principle, the additional benefits which can be achieved with this policy option could lay between none for the status quo and the same as for Option A. The same can be said for the costs. Legislation by the Member States might, however, produce a legislation that is better adjusted to the needs of its food businesses and thus lead to smaller cost increases.

C) Deciding at the community level which pieces of information should be available for food sold loose, leaving it to Member States to decide on how it should be provided

Option C would allow combining some aspects of the status quo regulation with that of the full extension of the labelling regulation to non pre-packed food. The policy option would allow the European Union to set a certain 'benefit level', while allowing the Member States flexibility in implementing the requirements.

As discussed above, the information on consumer demand for information is patchy, but it is clear that consumers are not particularly interested in having all labelling information for food sold loose, with important exceptions, such as durability date, origin of meat and beef products. The provision of more information thus constitutes a clear benefit to the consumers.

While allergen labelling is not a clear preference of all consumers, the negative health impact of not providing such information is apparent. Some evidence from recent medical research suggests that 74 per cent of allergen-related food incidents can be linked to food

[101] FSA, "Draft Partial Regulatory Impact Assessment".
[102] Ibid.

sold loose or food sold in restaurants.[103] If allergen labelling is included in this policy option, this would constitute a clear benefit to consumers.

This policy option gives the Member States more flexibility in implementing mandatory requirements. This flexibility can be used to tailor any legislative measure to the domestic characteristics of each Member State's food retail and food catering businesses. While the general cost considerations still apply, this might create an opportunity for a more cost-effective regime.[104]

As non–prepacked (loose) food is usually sold locally, there are neither single-market nor trade effects connected to this policy option, even if it leads to differential legislative requirements across the European Union.

For Member States' administrations, the proposed option means a substantial increase in the number of companies to be controlled in regard to complying with labelling regulation, in particular restaurants, as a British regulatory impact assessment states.[105] Member States might consider the implementation and enforcement issues when translating the requirements into national law.

[103] See e.g. Boden, "Review of statutory and voluntary labelling" and Gowland, "Food Allergen Avoidance," 117-120.
[104] FSA, "Draft Partial Regulatory Impact Assessment".
[105] Ibid.

6.2 Small packages

Policy options

A) Maintain the exemption from the full labelling requirement for small packages
B) Submit small packages to the same requirements as all other packages

6.2.1 Background

In the current labelling legislation, small packages only have to contain reduced labelling information:

"In the case of […] packaging or containers the largest surface of which has an area of less than 10 cm² only the particulars listed in Article 3(1) points 1, 4 and 5 need be given." These particulars are: *"(1) the name under which the product is sold; (4) in the case of pre-packaged foodstuffs, the net quantity; (5) the date of minimum durability or, in the case of foodstuffs which, from the microbiological point of view, are highly perishable, the 'use by' date;"*

Similar exemptions are made in countries in which nutrition labelling is mandatory. For example, in the US, the rules governing nutrition labelling in small packages is comprehensive. Food packages with a surface area of 40 sq. inches or less available for labelling are provided with a number of alternative formats for the label (such as linear labels or the use of certain abbreviations), to ensure that nutrition information can still be provided. If the packages are 12 sq. inches or less, a telephone number or an address to obtain nutrition information might be given instead of the nutrition information. This exemption (using a telephone number or address in place of the 'Nutrition Facts' label) is permitted "only if there are no nutrient content claims or other nutrition information on the product label".[106]

The case of small packages illustrates the trade-off between the different consumer demands of legibility and information, and the limits of the labels as a means of communication. Consumers demand an increasing amount of information on the label, while simultaneously demanding more legible labels.[107] There is no evidence to indicate that consumers require less information when the package sizes are smaller.

Unfortunately, the issue of small packages has not attracted much attention in the food labelling literature. However, the limitations of label sizes are a recurring theme in industry assessments of food labelling costs. The interviews conducted for the 2003 labelling evaluation reports rank label size as one of the most common difficulties in food labelling.[108] Problems aggravate if the products have multiple ingredients and have multilingual labels. The interviews we conducted with industry representatives and food producers confirmed this observation. One food producer acknowledged, for example, that

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[106] US Food and Drug Administration, "A Food Labelling Guide - Chapter V: Nutrition food labelling," (last checked 10th May 2007) http://www.cfsan.fda.gov/~dms/flg-5-1.html
[107] See e.g. OPTEM, *European consumers' attitudes*.
[108] The European Evaluation Consortium, *Evaluation of the food labelling legislation*.

he does not provide nutrition information on his products due to space constraints, although he has all the necessary information available and provides it on specification sheets to the wholesalers and retailers. A solution for this company would be to label the product, which currently uses adhesive labels, on both sides. However, this would require a new labelling machine and thus involve major costs.

There is very limited evidence of the impact on the food industry of extending mandatory labelling requirements to small and very small packages; in particular, there is no evidence on the actual feasibility of applying all the necessary requirements on a small package. However, there seem to be some apparent effects of extending labelling to small packages below 10cm², which can be derived from our understanding of the food labelling process described in Chapter 4.

6.2.2 Assessing the policy options

A) Maintain the exemption from the full labelling requirement for small packages

Option A retains the status quo and thus does not change the distribution of costs or benefits. However, it is worth noting very briefly the current distribution of consumer benefits and company costs.

Compared to normal-sized packages, consumers of small packages today get less information on the product they intend to purchase and have fewer opportunities to make an informed choice. On the other hand, it can be reasonably assumed that the costs of producing a label are currently lower for small packages than for large packages. Not having to label ingredients for example, removes a common reason for changing a label, that is, recipe changes.

Apart from the general observation that SMEs usually have fewer and less specialised resources at hand to handle labelling-related issues, no specific impacts for SMEs can be identified. Data does not allow us to say whether small packages are more or less likely to be produced by SMEs, which would have an impact of the distribution of costs between company sizes and types.

B) Submit small packages to the same requirements as all other packages

If producers were able to find a way to produce legible information on small packages, consumers would clearly benefit from the ability to make informed choices. If there are physical limits to the information that can be put on a label, any other form of making all the mandatory information available to the consumers, preferably at the point of sale, would be beneficial to consumers.

If it were feasible to put all the mandatory information on a small package, the costs for food producers would involve the whole costs for creating a label for the specific product.[109] Information would have to be acquired; the design adjusted and a new label produced. As it is unlikely that there will be any room left for multilingual labelling, the change might also increase the number of stock keeping units. These costs would,

[109] In terms of better understanding the limits of labelling, experimental designs with a typical sample of small packages and different font sizes would be insightful, to test the feasibility of the legislation.

however, be the same as those currently borne by all producers of other than small packages.

However, if it were physically unfeasible to put all the mandatory information on the small package, the producers would have to resort to increasing the package size. Increasing the package size but not the content of the package is likely to increase the labelling costs per unit of the sold foodstuff. On the other hand, increasing the content in line with the minimum package size, would not increase the costs per unit of the foodstuff, but reduce consumers' choice, as they would have to buy more of the foodstuff for a higher price than they would have done otherwise.

To accommodate labelling requirements, possible alternatives should be assessed, including a degree for flexibility in the format in which information should be provided. Another alternative would be to mandate the provision of information at the point of sale rather than on the package itself. This would not only minimise the costs to consumers (since enlarging packages to accommodate mandatory information is likely to be the most costly alternative) but it would also avoid additional waste and the use of resources to create these packages.

Apart from the general observation that SMEs usually have fewer and less specialised resources at hand to handle labelling-related issues, no specific impacts for SMEs can be identified. Data does not allow us to say whether small packages are more or less likely to be produced by SMEs, which would have an impact of the distribution of costs between types of sizes.

No effects on the functioning of the single market can be expected if the regulation were to be extended to small packages.

As the current regulation is compliant with international trade rules, no effects would be expected by extending this regulation to small packages.

Removing the exemption for small packages might ease the enforcement of the horizontal labelling regulation, as it makes labelling requirements more consistent and reduces a dimension of control: the package size. The interviewees from the Member States were, however, not able to give a more precise estimate of such an effect.

If package sizes increase due to the implementation of this option, waste from packages will increase in the Member States; this might be only a marginal effect. There are no specific studies available tailored to this question.

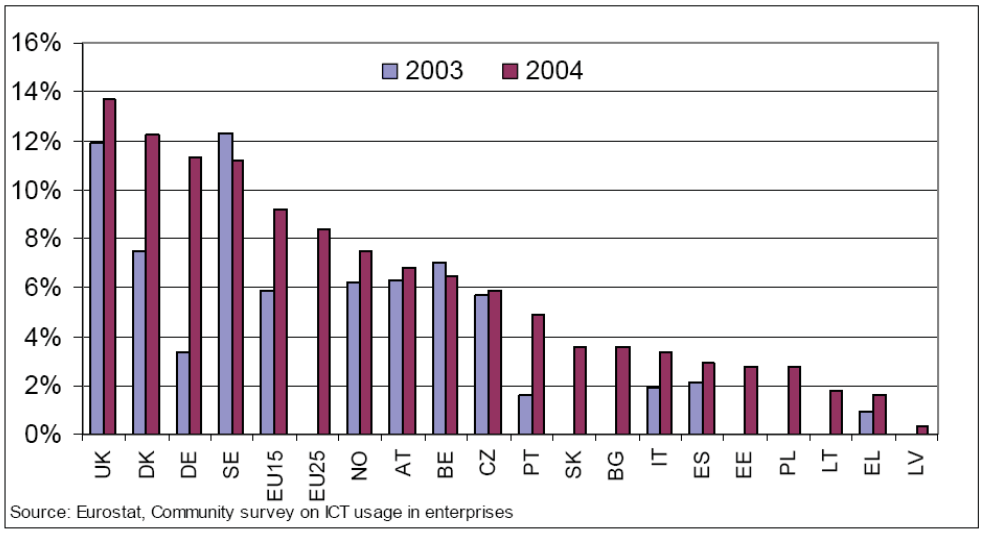
6.3 Distance selling

Policy option
A) Clarifying the scope of the labelling legislation to cover food distance selling (selling foodstuffs by Internet or catalogues).

6.3.1 Background

At the moment, distance selling constitutes only a small, although growing part of food retail sales.[110] Distance selling consists of Internet sales, and purchases from catalogues, leaflets, interactive television and press advertisements that include mail order forms. There is surprisingly little official European data available on distance selling and food retailing in particular, thus broader statistics have to be used to get an impression of the affected sector. Retail sales not-in-stores generated EUR 87.5 billion of turnover in the EU-25 in 2003, which represented 4.6% of the total for retail trade.[111] Distance selling as defined in this policy option constitutes only a share of this.

Growth in distance selling is mainly driven by the advent of new information and communication technologies (ICT), predominantly the Internet.[112] A survey conducted among companies in 2003 and 2004 illustrates the growing importance of e-commerce: the selling of products using ICT (Figure 6.2).[113]



SOURCE: European Commission (2005)

Figure 6.2: E-commerce revenue as a percentage of enterprises' total turnover 2003 and 2004

[110] Food Advisory Committee, *Review of Distance Selling* (final report, London: Food Advisory Committee, 2001).

[111] These activities cover retail sales via stalls, markets and door-to-door sales, as well as remote sales made via mail order, mobile sales or through vending machines. Enterprises specialising in retail sales via the Internet and home shopping channels are also included. All of these activities are classified within NACE Group 52.6 and are collectively referred to as the retail trade not-in-stores sector. Eurostat, *European Business*, (Luxembourg: European Commission, 2007).

[112] Food Advisory Committee, *Review of Distance Selling*.

[113] European Commission, *Information Society Benchmarking Report*, (DG INFSO, 2005).

So far the food business appears to be lagging behind other manufacturing sectors in the use of e-commerce, however this might be due to the fact that most foodstuff is sold to consumers by retailers, who are not covered in these statistics.[114]

6.3.2 Assessing the policy option

Under the current regulation, foodstuff sold through distant selling has to meet all the labelling requirements that food sold in stores have to fulfil. However, the legislation does not explicitly apply to distant sellers who, therefore, do not feel obliged to provide all information on the label to the consumer at the moment of sale. Thus the consumer will only know the exact characteristics of the product once it has been delivered. The policy option proposed by DG SANCO would clarify the scope so that the relevant mandatory labelling requirements will also be provided at the moment of sale in the case of food distance selling. In assessing the impact of this policy option, RAND Europe's research had to rely on the general understanding of consumer benefits and company costs and a review of distant selling by the British Food Advisory Committee, as virtually no research had been conducted into this specific labelling issue.[115]

The current situation negatively impacts on the consumers' ability to make informed decisions and to assess all relevant characteristics of the food product at the moment of sale. Thus, the consumers might not know:

- the exact ingredients
- the allergens contained in the food
- the nutritional values.

While the European directive on distant selling transactions normally includes a 'cooling-off period', in which the consumer can return the product without charge, foodstuffs might fall under an exemption for goods which *"by reason of their nature, cannot be returned or are liable to deteriorate or expire rapidly*".[116] Thus, consumers have less information available at the moment of sale, and once they can access the information, they might not be able to stop the purchase of a certain product. Such a situation infringes on consumers' right of informed choice and might result in the purchase of products which do not meet consumers' preferences.

The proposed policy option thus would constitute a clear consumer benefit, as it will allow better-informed choice and a better alignment of the consumer's preferences.

Moving to the costs side of the proposed regulation, the impacts on distant sellers are difficult to assess, as we do not have data available on:

- the distribution of sales volumes between different market channels

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[114] European Commission, *ICT and e-Business in the Food and Beverages Industry: ICT adoption and e-business activity in 2006* (ICT, e-Business W@tch, Sector Report No. 1/2006, Enterprise & Industry Directorate-General, 2006).

[115] Food Advisory Committee, *Review of Distance Selling*.

[116] The European regulation on distant selling is laid down in "Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts, which is transposed into national law by the Member States".

- the actual volume of sales
- the costs of changing the advertising media of distance selling (e.g. homepages, catalogues, TV shows).

The information to be provided at the moment of sale should be readily available to the retailers, as it is all contained on the label of the products; the retailer's only task is to transfer this information onto the advertising of the product. Given the flexibility of the medium, Internet sellers are in a position to display such information easily, for instance through a picture of the original label. For other means of selling, the provision of extensive information might be more expensive. For example, catalogues might need additional pages. For these cases, the Food Advisory Committee proposed flexible means of information provision, such as an Internet reference or a telephone number where the information could easily be obtained.[117]

However, there are rapidly changing pieces of information on labels, such as the durability information, which would require a regular, if not daily update of information. This would be feasible on the Internet and on flexible means of selling, such as TV shows and via telephone, but is virtually impossible in, for example, catalogues. In this case, there might be a need for an alternative provision of information, such as 'product best before at least 10 days after purchase', or similar general statements.

The cost implications of the proposed regulation can thus safely be assumed to differ between segments of the distance selling sector. The costs for the Internet-based distance selling – the most important and fastest growing segment of the businesses – are expected to be small, as long as daily information updates for a wide range of products are not required.

Apart from the general observation that SMEs usually have fewer and less specialised resources in order to handle labelling-related issues, no specific impacts for SMEs can be identified with this policy issue. Research commissioned by the European Commission suggests that SMEs are less likely to use e-commerce as a distribution channel.[118] As the authors of this study note, most SMEs distribute their products via wholesalers and retailers, so this observation might not reflect the situation of distance food retailers.

As long as the policy option implies the application of the food labelling standards to distance sellers across the European Union in the same way, no negative impacts on the single market can be expected.

The Food Advisory Committee's review pointed to the distance selling of food from outside the European Union. The extent of such trade into the EU is not known and further research would have to be conducted to assess the trade impacts of the proposed policy option and to find solutions which would also protect consumers' rights in the case of food imports into the European Union.[119]

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[117] Food Advisory Committee, *Review of Distance Selling*.
[118] European Commission, *ICT and e-Business in the Food and Beverages Industry*.
[119] Food Advisory Committee, *Review of Distance Selling*.

No negative or positive impacts on the Member States are expected, as the new policy option does not seem particularly difficult to monitor; it would simply mean comparing the label of a product with the advertising media (Internet, catalogue) of the distance seller.

There are no apparent environmental impacts of the proposed policy option.

CHAPTER 7 Mandatory requirements

7.1 Removing the obligation of declaring the same ingredient twice

Policy option:

A) Removing the obligation of declaring the same ingredient twice, once on the product description and a second time on the list of ingredients. This refers to the requirements concerning the following ingredients:

- caffeine
- phenylalanine, when there's already mention of aspartame in the ingredient list
- allergens – a lot of stakeholders are in favour of not repeating the allergenic source of an ingredient when the allergen is itself already declared in the ingredient list

7.1.1 Background

The European Commission is currently considering removing the obligation of declaring the same ingredient twice on the same label. This concerns three specific cases:

- caffeine
- phenylalanine (when there's already mention of aspartame in the ingredient list)
- allergens.

Currently, Directive 2002/67/EC requires that the presence of caffeine in food has to be clearly indicated. Where the amount of caffeine is in excess of a specific level (150mg/l) in beverages not normally containing caffeine, a warning message and an indication of the amount has to be provided. Excessive consumption of caffeine, consumption of caffeine during pregnancy, and consumption by children and teenagers might be linked to negative health effects such as increased arousal, irritability, nervousness or anxiety.[120]

The current European legislation requires the labelling of phenylalanine, when aspartame, an artificial sweetener, is used in the product. Similar requirements are in place in the US and in Australia and New Zealand. Once consumed, aspartame is metabolised, among other substances, into phenylalanine, a substance also present in natural proteins. Thus aspartame is a source of phenylalanine. Even though aspartame is recognised as being safe,[121] there is a small group of people who cannot safely consume aspartame. These are the sufferers of the inherited disease phenylketonuria (PKU), who are unable to metabolise

[120] Scientific Committee on Food, "Opinion on Caffeine, Taurine and D-Glucurono - g -Lactone as constituents of so-called 'energy' drinks" (expressed on 21January, 1999).

[121] Scientific Committee on Food, "Opinion of the Scientific Committee on Food: Update on the Safety of Aspartame SCF/CS/ADD/EDUL/222 Final," (Brussels, 10 December 2002).

the amino acid phenylalanine effectively, leading to the accumulation of potentially harmful levels. PKU is a serious, metabolic disorder, affecting 1 in 10,000 individuals and, if untreated, it can cause serious brain damage.[122]

With Directive 2003/89/EC, ingredient listing for foodstuffs was extended and the labelling of allergens, as listed in Appendix IIIa of the directive, became mandatory. The European Commission now considers removing the requirement of repeating the allergenic source of an ingredient when the allergen is itself already declared in the ingredient list, for example when an additive could be derived from fish, yet fish is already listed as an ingredient in the food.

7.1.2 Assessing the policy options

All three elements considered for change on the labels bear strong health connotations and are thus essential pieces of information for consumers to be able to make informed, healthy food choices. Even if it can be assumed that most of sufferers from PKU can be expected to know about the potential effects of aspartame and phenylalanine and that most consumers know that some types of drinks contain caffeine, the proposed option reduces the accessibility and clarity of information provided. The European Society for Phenylketonuria and Allied Disorders Treated as Phenylketonuria (E.S.PKU), representing the interests of PKU sufferers, thus advised against the removal of this labelling requirement. [123]

In the case of allergens, the policy option would seem to result in little changes in consumer benefits, although it would reduce consumers' overall knowledge of the foodstuffs they consume. However, if a product contains fish, an allergic consumer might not need to know whether another ingredient derived from fish is also present in the food.

From an industry perspective, the policy option could imply a small cost reduction, although the effects can be expected to be marginal. By requiring less labelling, space is freed up on the labels, which might be used for other purposes, such as marketing, or the label might even be reduced in size. Given, however, that this policy option might only remove a couple of words from the label, usually in small fonts, virtually no measurable cost effects can be expected in terms of producing the label. At the same time, the information requirements for the companies remain unchanged.

No specific impacts, on SMEs, the single market, international trade, the Member States and the environment are expected for this policy option.

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[122] Food Standards Agency UK, www.foodstandards.gov.uk (accessed May 25, 2007).

[123] See E.S.PKU homepage, http://www.espku.org/3.0/index.php?option=com_content&task=view&id=33&Itemid=21

7.2 Removing some existing derogations concerning the durability date

Policy option:
B) Removing some existing derogations concerning the durability date :
- soft drinks, fruit juices, fruit nectars and alcoholic beverages in individual containers of more than 5 litres, intended for supply to mass caterers (art. 9.5 fourth indent)
- pastry cooks' wares which, given the nature of their content, are normally consumed within 24 hours of their manufacture. (art 9.5 fifth indent). The removal of the exemption for bakers' cooks is still considered justified;
- individual portions of ice-creams (art.9.5 eleventh indent)

7.2.1 Background

Directive 2000/13/EC, Article 9.5 currently provides a number of exemptions (derogations) from mandatory labelling of the durability date. Three of these exemptions are being reviewed by the European Commission:

- soft drinks, fruit juices, fruit nectars and alcoholic beverages in individual containers of more than five litres, intended for supply to mass caterers
- pastry cooks' wares which, given the nature of their content, are normally consumed within 24 hours of their manufacture
- individual portions of ice-cream.

As a result of the specificity of this policy option, the evidence base for assessing it is extremely thin. This policy option has thus to be assessed using our general understanding of the costs of food labelling.

7.2.2 Assessing the policy option

Increasing the amount of information to consumers is usually considered a benefit to consumers as it increases the opportunities to make informed choices. However, to realise this benefit, there must be a certain consumer demand for the information to be provided.

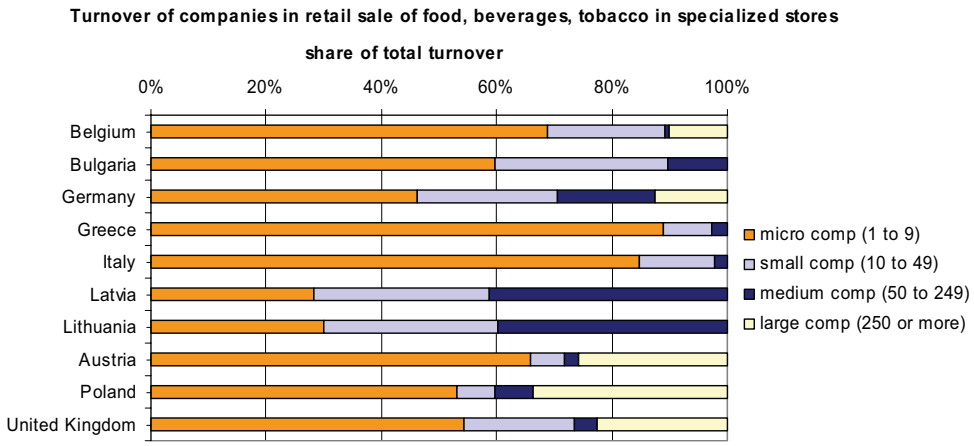
In the case of "soft drinks, fruit juices, fruit nectars and alcoholic beverages in individual containers of more than 5 litres, intended for supply to mass caterers", the ultimate consumer is not affected by the extension of the durability marking requirements, as it is still up to the mass caterers either to pass on the information about durability to the final consumers or to use it themselves before selling foodstuffs, which should, in any case, be part of their professional conduct.

There is some evidence that consumers want more information about food sold loose from small as well as large retailers (see above Table 6.2 and Figure 6.1). Information on durability has, however, not been mentioned in the study from the UK, which was dominated by the request for ingredient listing and information about food that has been genetically modified.[124] Evidence from our survey shows that 'best-before' information is already the most common information provided across the different food types. How much consumers value this particular information for pastry cooks' wares cannot be assessed. As the current derogation is only valid for products that are usually consumed within 24 hours, the value of such information to the consumer might be limited.

[124] MORI, *Consumer Information*.

Individual portions of ice-cream are so far exempt from durability marking, as they are thought to be consumed within a reasonable time and very durable if stored according to the instructions: below -5°C (1 to 1.5 years). Hygienic problems with ice-cream are rare, as the Austrian Agency for Health and Food Safety (AGES) reports.[125] However, while the products might still be safe after long storage, the product quality might deteriorate in terms of taste and look.[126] When purchasing such ice-cream products, the consumer has currently no way to assess the age of the product. The proposed policy option would thus enable the consumer to make a more informed food choice.

From an industry perspective, including these three product types in durability labelling requirements would generate information and labelling costs. It can be safely assumed that knowledge of durability for all three product types is available, as it is either needed by the producers for the same products in smaller containers or is needed for food safety reasons by the retailers. The marking of the durability date on packages for 5 litre containers, packaged pastry cooks' wares and portions of ice-cream might require changes in the production of the food labels, as durability is usually printed separately on a pre-printed label to keep it up to date. Depending on the current production technology, this is likely to require adjustments to the packaging technology used. In the case of pastry cooks' wares and individual portions of ice-cream sold loose, this information might be displayed on adhesive labels (pastry cooks' wares) or on tickets displayed at the point of sale, which is a fairly cheap labelling option.



SOURCE: EUROSTAT Database[127]

Figure 7.1: Turnover of specialised food, beverage and tobacco retailers by company size, 2004 data

[125] Agency for Health and Food Safety (AGES), „AGES: Kalt und süß — Speiseeis ist hygienisch unbedenklich," (press release, Vienna, 2006).

[126] See e.g. Institut Fresenius (2004), „News und Trends: Rätsel Mindesthaltbarkeitsdatum," Taunusstein, 30 January, 2004, http://www.institut-fresenius.de/verbraucherinformationen/verbraucherinformation/news_und_trends/raetsel_mindesthaltbarkeitsdatum_10373.shtml

[127] Due to data limitations and the confidential character of some of the statistics, no European average data (EU-27 or EU-25) can be provided and results are only shown for countries with complete data sets.

There is no specific evidence on the particular impacts of this policy option on SMEs, but given the strong role micro and small companies play in specialised food retailing, including bakeries and pastry shops (see Figure 7.1), it is likely that small companies will be more affected by the regulation concerning pastry cooks' wares.

There is no evidence that the proposed regulatory option will have an impact on the single market or particular trade issues.

Member States' administrations need to enforce the new regulation. This will create costs for food law enforcers of familiarisation, and for food producers of checking an increased number of products. Previous findings, confirmed by our interviews, indicate that the capacities for implementation and control are usually not increased with further legislative requirements coming into force, and that control authorities tend to prioritise food safety issues in times of strained resources, rather than labelling issues. Thus, there will be no additional costs involved in this small change of the labelling regulation. [128]

7.3 Requiring the following additional information

Policy option:
C) Requiring the following additional information:
- the alcoholic strength by volume for foods other than beverages (e.g. ice-creams, jams) where they contain more than 1.2% by volume of alcohol
- transfer additives
- indication where a meat has previously been frozen

7.3.1 Background

During the consultation process conducted by DG SANCO, some stakeholders proposed the inclusion of a number of new mandatory requirements for labels.[129] Three of these additional requirements were included in this policy option.

1. The alcoholic strength by volume for foods, other than beverages, containing more than 1.2% volume of alcohol does not have to be labelled under the current legislation; the policy option requires the presence of this amount of alcohol to be labelled either through a special mention or the listing of alcohol in the ingredient list.

2. Currently, additives, whose presence in a given foodstuff is solely due to the fact that they were contained in one or more ingredients of that foodstuff, provided that they serve no technological function in the finished product, or which are used as processing aids, are not listed. [130] While generally considered safe, after having passed the approval procedures, there is still a great deal of controversy around possible health effects of food additives. However, this discussion would exceed the scope of this impact assessment. Thus the question here is whether only some or all additives have to be labelled.

[128] EAS, *The introduction of mandatory nutrition labelling*.
[129] OPTEM, *European consumers' attitudes*.
[130] Directive 2000/13/EC, Article 6, Paragraph4. c) (ii).

3. Finally, some stakeholders asked for label information on previously frozen meat. There are two issues related to this policy option:
    - labelling previously frozen food is considered to be a quality issue by some consumers; if products are sold for example as 'fresh', they assume that ingredients have not been previously frozen
    - some consumer associations issued concerns about food safety when consumers re-freeze meat that had been previously frozen.

Due to the specificity of these three proposed options and the minor attention given to these options in the public as well as the scientific debate, there is virtually no usable, specific evidence to assess the impact of this policy option. As with some other options, this section thus has to rely on our more general understanding of the impacts of food labelling, based on the general food labelling literature presented in Chapter 4.

7.3.2 Assessing the policy options

All three new mandatory requirements have a consumer health aspect. Alcohol consumption is linked to negative health effects, in particular for vulnerable groups such as pregnant women, children and people who previously suffered from alcohol addiction. The proposed policy option would allow these groups to assess the content of alcohol in a food. For all other consumers, the proposed option would increase information on the food they intend to buy.

The labelling of all additives in food, including additives of ingredients and processing aids, would increase the amount of information to consumers and, therefore, the possibility of making an informed choice. However, including all additives would also increase the amount of information on the label and might reduce the legibility and the understandability of the information. For consumers who are interested in natural food, the information would be of importance and of a certain benefit.

While there is no sufficient evidence on the health effects of using previously frozen meat, this information could also constitute a consumer benefit.

To sum up, for all three additional requirements the evidence base does not allow us to estimate the likely positive health effects, nor is quantitative data on the actual consumer demand for this information available. Given the importance of information in making an informed choice, we can, however, assume a certain benefit in providing information.

All three additional requirements might lead to cost increases for the food producing and retailing industry. For all three options, information costs will increase as retailers have to gather information about the production process or certain ingredients in their food. These are likely to be especially pronounced for labelling the additives of compound ingredients, which need to be provided with complete documentation. Changes of the pre-products will also have to be reflected in the final products. Given a multitude of compound ingredients and frequent recipe and supplier changes, labelling all transfer additives will lead to a steep incline in labelling costs, quite similar to the costs of origin labelling of compound ingredients (see Figure 9.3).

The costs of adapting the labels would be in the normal range of changing a label, between €2,000 to €9,000 per SKU, and could be further reduced by synchronising the label

change with a scheduled revision of the label. Labelling the additives, however, involves a number of certain cost drivers.

1. If there are too many additives to list, space restrictions might require an increase of label size and/or the number of SKUs;
2. To guarantee the accuracy of information, the producer would have to respond to changes in the additives of pre-products, thus increasing the frequency of the label changes.

No specific impacts on SMEs, the single market, international trade, the Member States or the environment are expected for this policy option; however, there is no specific evidence supporting that assessment.

CHAPTER 8 Legibility of the information

Policy options
A) Maintain current rules: a broad requirement for the label to be legible
B) Be more prescriptive as to the presentation:
   B1) Introduce a minimum font/text size for the mandatory information
   B2) Provide that mandatory requirements should be clearly distinguishable from marketing information
   B3) Standardise the presentation of the information

8.1 Background

The current European labelling regulation contains a broad requirement that labels have to be easily visible, clearly legible and indelible. However, legibility of food labels has been at the centre of consumers' critique of the current labelling legislation. Further prescriptions on the legibility of food labels has so far been opposed by the business stakeholders, as they fear it will increase the costs of food labelling and reduce their flexibility.

Consumers and legibility of food labels

Studies show that the format of labels is an important element in 'maximising the possibility that labelled information will influence its audience'.[131] A review of various European studies of label usage amongst consumers found that one of the main causes of consumer dissatisfaction with food labels is that the size of print is often too small.[132] A recent review of available evidence on food labelling conducted by the Food Standards Agency sums up a number of key research findings concerning consumers' demands on the legibility of labels.[133]

- Nearly half of British consumers find current labels hard to read due to the text size.[134]
- A British study found that font size eight was found to be the minimum acceptable size for general information; however size ten was preferred for important information. Asked to judge existing products, a font size of six points

[131] Golan, "Economics of Food Labelling," 139.
[132] Schuttelaar and Partners, *Desk research report on labelling* (prepared for Ministry of Health, Welfare and Sports, The Netherlands, 2005).
[133] Food Standards Agency, *Food labelling Consumer Research: What Consumers Want. A literature review* (London: FSA, 2007).
[134] Food Standards Agency, *Consumer Attitude Survey 2006* (London: FSA, 2006).

was accepted when the information was clearly structured and presented in boxes, etc.[135]

- Nordic consumers also strongly support (74 per cent) the introduction of a minimum font size and favour the idea of a standardised presentation of information on the packages.[136]
- The size of the font was also reported as a problem in the OPTEM study, which stated that short-sighted or elderly consumers have difficulties in reading some of the labelling information.[137]
- In a qualitative study for the Food Standards Agency, specific support was found for the grouping of information into clearly visible and recognisable sections and the standardisation of information across products.[138]
- In addition, a number of studies found support for the increased use of signs and symbols to convey information to the consumer.[139]

Some American studies that compared various types of nutrition labels, using the mandated version as the control, found that the latter was preferred by consumers, and provided the best performance for identification of nutrients and understanding of values.[140] This suggests that careful development of format specifications for food labels might help consumers to better understand the information provided. This finding might also be transferred to the domain of horizontal labelling.

While this is important information in assessing the need for regulations on the legibility of labelling information, there is little research available on the impact that such a regulation would have on producers and retailers of foodstuffs.

Legibility requirements and costs to food manufacturers

The policy options under review concern only the presentation of information. As such, the costs for food producers and food retailers with own brand products will primarily occur through the redesign of the labels of the existing products. Unfortunately, there is little evidence available on the costs impacts of the specific policy options; however, we can draw on the costs estimates for redesigning the labels.

As stated above, costs for redesigning and adjusting the label printing processes range between €2,000 and €9,000 for a small or a comprehensive redesign. These costs can be considerably reduced if label changes due to regulatory changes are coordinated with labelling changes for commercial reasons; thus the incremental cost of making the required change would be less than if the changes were made separately. In fact, according to the

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[135] Food Standard Agency, *Food Labelling Requirements Qualitative Research* (final report, study conducted by Define on behalf of the FSA, 2006).
[136] The Nordic Council of Ministers, *Food Labelling. Nordic Consumer' Attitudes to Food Labelling (*TemaNord, 2007:513).
[137] OPTEM, *European consumers' attitudes*.
[138] FSA, *Food Labelling Requirements*.
[139] See overview in FSA, Food Labelling Consumer Research.
[140] J. Goldberg, C. Probart and R. Zak, "Visual search for food nutrition labels," *Human Factors* 41 no. 3 (1999) 425–37.

FDA Food labelling model, incremental costs might be zero.[141] The report also indicates that it is likely that the costs of redesigning a label are likely to be similar for large and small firms. 'Although larger companies may be able to obtain volume discounts, they are also likely to have more elaborate or sophisticated labelling that would cost more to design than labelling for products produced by smaller companies'.[142] The implication of this is that if new rules on food label legibility are introduced, which require changes to food labels, allowing an adequate time frame for compliance can significantly reduce the costs of redesigning food labels.[143]

The strongest impact on the food producers will arise from the space constraints on the food labels. The interviews conducted for the 2003 labelling evaluation reports label size as one of the most common difficulties in food labelling.[144] Problems aggravate if the products have multiple ingredients and have multilingual labels. More space-consuming labels might lead to an increase in SKU, as multilingual labels have to be dropped. To illustrate this connection, a study of the uptake of voluntary guidance on clear food labelling in the UK found, for example, that 'there is significant evidence to suggest that products with larger printable areas are statistically more likely to:

- follow Food Standards Agency advice on minimum font sizes and ensuring essential information is given top priority on the label
- provide "may contain" warnings
- highlight information on "fat per serving" and "calories per serving" either on the nutrition information or in a separate box
- carry multiple languages. [145]

In this study, only 2 per cent of the products with less than 100cm² printable surface presented the essential information in a font size of at least 10pt (8pt as an absolute minimum) and thus followed Food Standards Agency's guidelines.

8.2 Assessing the policy options

Option A) Maintain current rules: a broad requirement for the label to be legible

This is the status quo option, which would require no new regulations. However, consumers are clearly dissatisfied with the current legibility of food labels. Text size is the most common reason for complaints, but other forms of presentation are also demanded.

This option would impose no additional costs on food producers and retailers; they could improve the presentation of the information as they see fit. The uptake of voluntary

[141] Muth, *FDA Labeling Cost Model.*
[142] Ibid, 4–28.
[143] Due to low response rates and inconsistent data provided, the data on costs of nutrition labelling derived from our own survey is not reliable.
[144] European Evaluation Consortium, *Evaluation of the food labelling legislation.*
[145] CCFRA, *An Assessment of the Uptake of Food Standards Agency Guidance on Clear Food Labelling* (CCFRA Technology Limited, November 2005). A survey of UK-marketed pre-packed foods to determine the extent to which the Food Standards Agency Guidance on Clear Food Labelling is being followed.

guidance issued by the Food Standards Agency shows, however, only a reluctant pattern of more legible information provided. In 2005, around 56 per cent of the producers followed the advice to display information on the packages in two groups.[146]

Option B) Be more prescriptive as to the presentation

B1) Introduce a minimum font/text size for the mandatory information

To introduce a minimum font/text size for the mandatory information addresses the most urgent consumer need for clearer information. Studies from across the European Union[147], the United Kingdom[148] and the Nordic countries[149] show that consumers demand and value a minimum font size. Reportedly, a font size of eight, though preferably 10 points, is favoured by various consumers. The proposed regulation thus constitutes a clear consumer benefit; however, it stops short of further improving the legislation. Even with a minimum font size it might be difficult for consumers to find the relevant information on the package.

Mandating a minimum font size to the producers and retailers of food reduces their flexibility in the design of the label and has the potential to increase costs. Depending on the degree of pre-compliance, labels have to be redesigned and printing equipment etc. has to be adjusted; these activities will fall within the cost estimates of €2,000 to €9,000. As described above, the actual incurred or marginal costs of providing a minimum font size will be much lower if they can be integrated into the labelling cycle. Costs will, however, increase if space limitations lead to major adjustments of the food labels and if the number of SKUs to be produced increases due to less multilingual labelling. Respondents to the food manufacturers survey conducted for this research reported that increasing font sizes could lead both to the need for larger packages, and to an increase in costs for redesigning labels.

Adding a regulatory requirement increases the administrative burden for the companies which have to familiarise themselves with the regulation; however, in this case the burden is small because only the font size is added to the current legislation.

While general reasoning on the capacity of SMEs to implement labelling changes apply, there seem to be no special costs for SMEs in this policy option. One interviewee from a Member State indicated that more guidance on the presentation of information might help SMEs to produce better labels.

Member States' representatives we interviewed pointed out that a more detailed regulation on legibility would make it easier for Member States to implement legislation, as it leaves less room for interpretation of what is or is not considered legible. Apart from this, we could not find evidence of an impact on Member States.

As the proposed option would be applicable across the whole EU, the functioning of the single market would not be affected but enhanced.

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[146] CCFRA (2005), *An Assessment of the Uptake of FSA Guidance*.
[147] OPTEM, *European consumers' attitudes*.
[148] FSA, *Food Labelling Requirements*.
[149] Nordic Council of Ministers, *Food Labelling*, 2007:513.

No trade effects are expected from this regulation.

No distinct environmental impacts can be identified for this policy option. An increase in packaging sizes might increase the amount of waste; however, there is no particular evidence on this and in total that seems to be a minor effect.

B2) Provide that mandatory requirements should be clearly distinguishable from marketing information

This policy option tackles the legibility issue not by prescribing a font size but by aiming at a better layout of the information provided on the food label. Some evidence from the UK shows that consumers value the so-called sectioning of labels into clear areas containing specific kinds of information, for instance marketing, basic information and nutrition and ingredients. The proposed option would help to increase consumers' awareness of different kinds of information and would increase overall legibility; it is thus likely to constitute a benefit to the consumers.

Mandating the separation of mandatory information from marketing information reduces the flexibility of producers and retailers in designing and producing labels and has the potential to increase costs. Depending on the degree of pre-compliance, labels have to be redesigned and printing equipment, etc. has to be adjusted; these activities fall within the cost estimates of €2,000 to €9,000. As described above, the actual incurred or marginal costs of providing a minimum font size will be much lower if they can be integrated into the labelling cycle. However, costs will increase if space limitations lead to major adjustments of the food labels and if the number of SKUs to be produced increases due to less multilingual labelling.

Adding a regulatory requirement increases the administrative burden for the companies of familiarising themselves with the regulation; in this case, the burden is small because only regrouping of information is required by this new policy option.

While general reasoning applies on the capacity of SMEs to implement labelling changes, there seem to be no special costs for SMEs in this policy option. One interviewee from a Member State indicated that more guidance on the presentation of information might help SMEs to produce better labels.

Member States' representatives we interviewed pointed out that more detailed regulation on legibility would make it easier for Member States to implement legislation, as it would leave less room for interpretation of what is or is not legible. Apart from this, we could not find any evidence of an impact on Member States.

As the proposed option would be applicable across the whole EU, the functioning of the single market will not be affected but enhanced.

No trade effects are expected from this regulation.

No distinct environmental impacts can be identified for this policy option. An increase in packaging sizes might increase the amount of waste; however, there is no particular evidence on this and in total that seems to be a minor effect.

B3) Standardise the presentation of the information

Standardising the presentation of the information across producers and products is the most far-reaching option proposed by the European Commission. Standardisation would mean setting up in detail the way the mandatory information should be presented:

- its place on the label
- the minimum character size
- the spacing of words
- the type-face
- colours, etc.

This option takes account of the evidence, that standardisation is a way forward in improving consumers' understanding of food labels.[150] Evidence from the US on the understanding of nutrition labels suggests that standardised information helps consumers to find and understand information on labels.[151]

Standardising the presentation of mandatory requirements has the highest potential of increasing costs for food producers across the policy options discussed here. Depending on the degree of pre-compliance, labels have to be redesigned and printing equipment, etc. has to be adjusted; these activities will fall within the cost estimates of €2,000 to €9,000. It is likely that new regulation would require an extensive redesign for most of the products, so costs per SKU should be estimated to be at the upper margin of the cost estimates. As described above, the actual incurred or marginal costs of providing standardised mandatory information will be much lower if they can be integrated into the labelling cycle. Standardised mandatory information is the most space-consuming of the discussed policy options. This might lead to:

- an increase in SKU, as multilingual labels can no longer be produced
- an increase in package size
- or the necessary adaptation of machinery to increase the printable size of the product packaging.

Adding a regulatory requirement increases the administrative burden for companies in familiarising themselves with the regulation. Standardisation of information requires a considerable number of single prescriptions that have to be understood and followed by the food companies. This imposes information costs on the food producer and increases the risk of accidental non-compliance due to complicated regulation.

While general reasoning applies on the capacity of SMEs to implement labelling changes, there seem to be no special costs for SMEs in this policy option. One interviewee from a Member State indicated that more guidance on the presentation of information might help SMEs to produce better labels.

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[150] FSA, *Food Labelling Requirements*.

[151] Goldberg, "Visual search for food nutrition labels" 425–37.

Member States' representatives we interviewed pointed out that a more detailed regulation on legibility would make it easier for Member States to implement legislation, as it would leave less room for interpretation of what is or is not legible. Apart from this, we could not find evidence of an impact on Member States.

As the proposed option would be applicable across the whole EU, the functioning of the single market will not be affected but enhanced.

No trade effects are expected from this regulation.

No distinct environmental impacts can be identified for this policy option. An increase in packaging sizes might increase the amount of waste; however, there is no particular evidence on this and in total that seems to be a minor effect.

CHAPTER 9 Origin labelling

A) Introduce mandatory origin labelling for all foodstuffs
B) Keep the current rule for general food and adopt a sector-based approach, i.e. leave each sector to decide whether further rules should be adopted
C) Introduce mandatory origin labelling for all unprocessed food, meaning raw products, even when included in processed food
D) Keep the present approach: no mandatory origin labelling, and guidance to frame the voluntary use of geographical indications.

9.1 Background

To assess the impact of country of origin labelling, this section provides evidence on the consumer demand for origin labelling and the consumer benefits that can be attributed to the use of origin labels. It also compiles information on the costs of origin labelling for industry and assesses the market and trade effects the introduction of country of origin labelling might cause.

Consumer demand for origin labelling

Across the European Union, as various studies show, consumers like to see country of origin information on food products. A consumer study conducted in the Nordic countries in 2006 found strong support for country of origin information on foodstuffs.[152] Seventy-eight per cent of the consumers considered country of origin as important information to be found on foodstuffs. This replicates results from earlier Nordic studies, in which 86 per cent of respondents wanted country of origin labelling to be mandatory.[153] Research conducted in the UK provides a similar preference for mandatory country of origin labelling for all foodstuffs, with 80 per cent of respondents considering it important always to label country of origin on foodstuffs.[154] However, it is interesting that, in this research, country of origin is not a major factor taken into account by the consumers in their purchasing decisions. Indeed, only two per cent of consumers mentioned it spontaneously, that is unprompted, as an area of concern for them. A study conducted for Food Standards Australia New Zealand reports a similar behaviour: consumers reported country of origin

[152] Nordic Council of Ministers, *Food Labelling*, 2007:513.
[153] Nordic Council of Ministers, *Food Labelling*, 2001:573
[154] Mori, *Importance and Impact of Country of Origin of Food* (research study conducted for the UK Ministry of Agriculture, Fisheries and Food,2000).

information as being very important for them only after being prompted by the facilitators of focus groups.[155]

The preference of consumers for country of origin labelling is, however, not evenly spread across different food categories. Across countries, the origin of beef, other meat, and fresh and raw products is the prime concern of consumers, while the origin of ingredients of processed foods is of lesser importance to the consumer.[156] An evaluation of food labelling conducted in 2003 on behalf of DG SANCO found that consumers in France, the UK and Italy value origin information in particular for meat and primary products.[157] Another qualitative study commissioned for DG SANCO also found an interest in labelling for meat, but on other products, such as soft drinks, consumers were indifferent as they relied primarily on the brand for their purchase decision.[158] In the Nordic countries, this picture is similar: 92 per cent of consumers consider the origin of meat important or very important, and this even holds for meat products (smoked ham 88%, sausage 86%, pizza 79%) and for fruit and vegetables (79%). The meat content of ready meals was also the most important ingredient the consumers wished to be labelled in a UK study.[159]

In addition, British as well as Australian research reports consumers' confusion around the country of origin given today. The Mori study found that 77 per cent of the respondents believed that 'Produce of Britain' meant that the respective animal in a meat product was born, reared and slaughtered in Britain.[160] In Australia, where country of origin labelling for food has been mandatory for quite a while, consumers were unsure about different meanings of terms such as 'Produced in Australia' or 'Made in Australia'.[161]

Origin labelling and consumer benefits

While there is fairly clear support for origin labelling from consumers, the benefits and the effects of origin labelling are less clear. The idea of providing country of origin information is firmly grounded in the principle of allowing informed choice to the consumer, and constitutes a benefit to the society as such. Although it is difficult to quantify such benefits to the public,[162] one method is to use consumers' willingness to pay for origin-labelled food products. Umberger and colleagues conducted such a study on the special case of beef.[163] They found that consumers were willing to pay a premium of 11 and 24 per cent for steak and hamburgers respectively. An actual auction revealed a premium of 19 per cent for a steak labelled 'Guaranteed USA: Born and raised in the U.S.'. Using this data, VanSickle and colleagues calculated a total willingness to pay for origin-labelled beef of $2.7 billion.

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[155] Donovan Research, *Food Labelling Issues*.
[156] Food Standards Agency, Food Labelling Consumer Research.
[157] European Evaluation Consortium, *Evaluation of the food labelling legislation*.
[158] OPTEM, *European consumers' attitudes*.
[159] Mori, *Importance and Impact of Country of Origin of Food*.
[160] Ibid.
[161] Donovan Research, *Food Labelling Issues*.
[162] See e.g. J. VanSickle et al., *Country of Origin Labeling: A Legal and Economic Analysis* (Policy Brief Series PBTC03-5, International Agricultural Trade and Policy Center, University of Florida, 2003).

[163] W.J. Umberger et al., "Country of Origin Labeling of Beef Products: U.S. Consumers' Perceptions" (presented at the 2003 FAMPS Conference: "Emerging Roles For Food Labels: Inform, Protect, Persuade," Washington, DC, March 20–21, 2003, available online at: http://dare.agsci.colostate.edu/csuagecon/research/pubs/cool.pdf

However, country of origin information is often not sought by the consumer as valuable information in itself, but instead used to infer certain perceived qualities of the food product or make other choices which are related to the country of origin.

Food quality ranks among the most important associations with country of origin; for example, French wine and cheese, Italian pasta and olive oil are associated with certain qualities that the same food products from other countries are not perceived to have.[164]

Often, country of origin is also linked to:

- food safety, especially in connection with certain health crises, such as BSE or avian flue.

However, consumers fail to take into account that food safety and hygiene issues are already addressed in other legislation and that these standards do not differ between domestic and imported food.[165] Further aspects derived from the country of origin label are, for example;

- ethical considerations, such as animal welfare
- environmental impact connected to buying food locally or regionally.[166]

This link between the country of origin label and consumers' purchase decisions is important in understanding the benefits of country of origin labelling. Little research has been directed to the specific aspects of country of origin labelling of foodstuffs; however, a literature review by Lusk and colleagues draws lessons from the abundant marketing literature on country of origin labelling for the field of food labelling.[167] [168] One of the main findings is that there is a strong bias towards the consumer's own country in evaluating product quality, and that country of origin clues might indeed substantially influence purchase decisions. So called 'food nationalism' or 'consumer ethnocentrism' – the preference for a product which is produced at home, because it is perceived to be of better quality or because people act patriotically and want to support their own economy – has also been found in qualitative consumer research across Europe and Australia. The study by OPTEM, conducted in 28 European countries, concludes that,

'*Generally speaking, we also often see the existence of a form of "food nationalism" accompanied by the idea that the agricultural produce and foodstuffs of one's own country are better and more wholesome than those of neighbouring countries. Finally, some countries' products can be rejected for political or ethical reasons – this relating both to foodstuffs and other kinds of products.*'[169]

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[164] Lusk et al., "Consumer behaviour, Public policy, and Country-of-Origin Labeling," *Review of Agricultural Economics* 28 no. 2 (2006) 284–292.
[165] Mori, *Importance and Impact of Country of Origin of Food*, also: OPTEM, *European consumers' attitudes*.
[166] See e.g. Mori, *Importance and Impact of Country of Origin of Food*.
[167] Lusk, "Consumer behaviour" 284–292.
[168] For reviews of the marketing literature see, e.g. J.M. Pharr, "Synthesizing Country-of-origin Research from the Last Decade. Is the Concept still salient in an Era of Global Brands?" *Journal of Marketing Theory and Practice* 13 no. 4 (2005) 34–44; and P.W.J. Verlegh and J.E.M. Steenkamp, "A Review and Meta Analysis of Country of Origin Research," *Journal of Economic Psychology* 20 (1999) 521–546.
[169] OPTEM, *European consumers' attitudes*.

The costs for industry of origin labelling

Using our understanding of the necessary steps to produce a food label, we can identify the potential cost implications of country of origin labelling on firms' labelling costs:[170]

First, the company needs to collate the country of origin information of its products. The cost of acquiring this information depends on the actual definition of country of origin used and the extent to which country of origin information of single and compound ingredients has to be traced back. If origin means place of production, this information is readily available at no cost. If the regulations require labelling the origin of the ingredients, information costs are likely to rise depending on whether or not the relevant information systems are already established. Interviews with two small food-producers indicated that information on the country of origin of their food products could easily be included on their products.

Secondly, firms would incur one-off costs for changing their labels to include the information. If there are extensive, space-consuming labelling requirements, and if labels are already crowded, costs might be higher as labels might have to be redesigned or even new SKUs created.

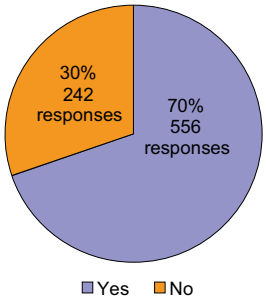
Thirdly, country of origin labelling might have a cost-driving effect for it requires increasingly frequent label changes. If country of origin labelling is extended to cover single ingredients, changes in recipes and sourcing would require changes on the label to cover the origin of the product adequately.

These potential costs for the whole industry are, however, reduced through the number of companies that already use such labels. Evidence from the SME Panel[171] suggests that a majority of companies (70 per cent) indicate the country of origin on at least some of their products already, and that around half of these companies provide country of origin information on a voluntary basis. Apparently, the decision to label the origin voluntarily is accompanied by the perception that the label provides them with a commercial advantage (see Figure 9.1).[172]

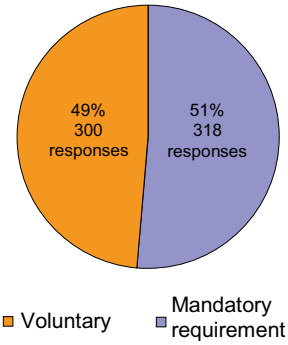
[170] Compare also: CIE, *Feasibility of extending CoOL, A benefit cost analysis"* (prepared for Food Standards Australia and New Zealand, Canberra, Australia: CIE, 2006).

[171] EICN, *SME Panel*.

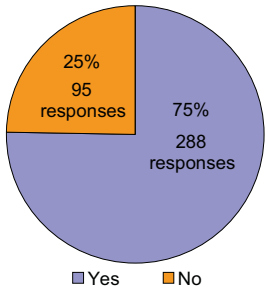
[172] These results, however, have to be interpreted with care, as there is some misfit between the number of respondents answering the sub-questions. One possible explanation for this is that companies with a range of products ticked both boxes if, for example, they had both products with mandatory labelling and some they labelled on a voluntary basis.



Do you include information on the origin of the product on your labelling?



If yes, why is it included?

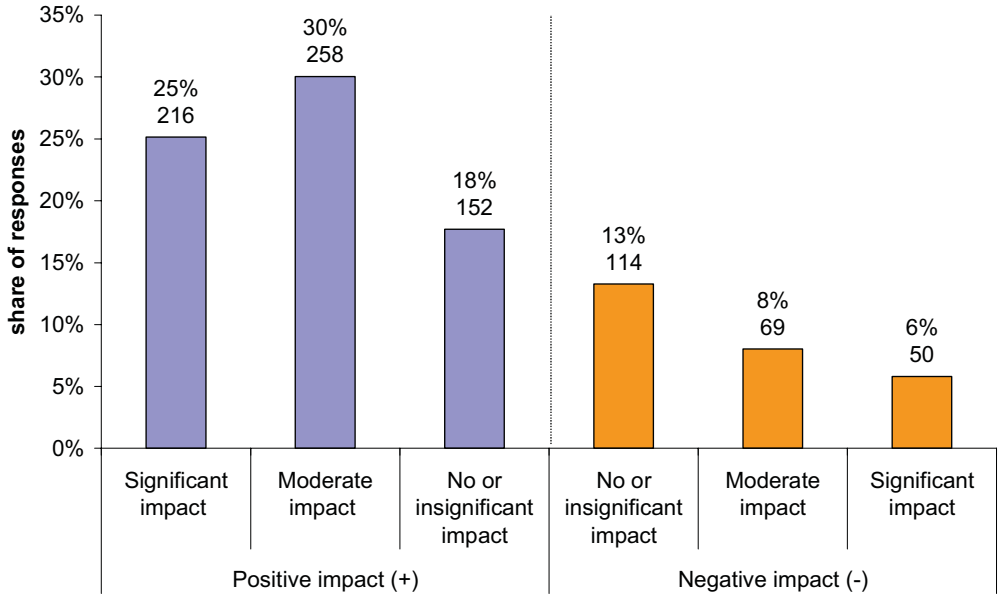


If included on a voluntary basis, does this information represent a commercial advantage for your products?

SOURCE: EICN (2006); Question 11

Figure 9.1: Country of origin labelling

In the same survey, companies were also asked whether they would expect a positive or a negative impact on their company from the introduction of mandatory origin labelling. More than half of the companies expected a significant or moderate positive impact on the company, while only 14 per cent expected a significant or moderate negative impact on their products.[173]



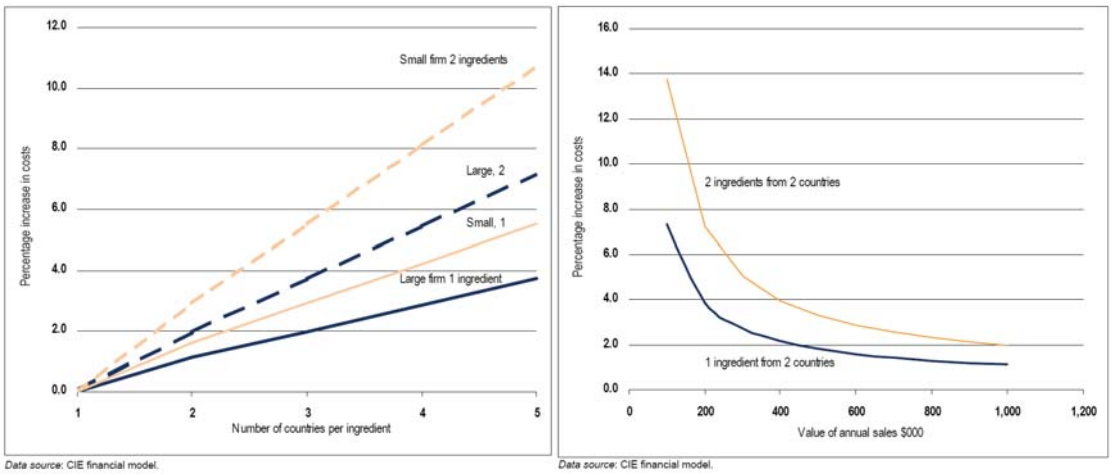
If mandatory origin labelling is to be considered, could you evaluate the impact on your products?

SOURCE: EICN (2006); Question 21

Figure 9.2: Impacts of mandatory origin labelling on food industry

[173] Again, these results have to be treated with care. As the total number of responses exceeds the number of respondents of the survey; companies might have estimated different impacts across their product ranges.

An impact assessment was conducted in Australia in preparation for the inclusion of food into Australian origin labelling legislation. It illustrates the possibility of steeply rising costs for labelling if ingredients from a number of countries have to be labelled. Due to the fixed cost character of the labelling cost per SKU, actual cost increases are higher for SKUs with a lower annual turnover.[174]



SOURCE: CIE (2006)

Figure 9.3: Cost or origin labelling in relation to number of countries and ingredients, differentiated by size of firm.

In the Australian case, the study cited above calculated an increase of production costs of 1.4 per cent on average for the implementation of extensive labelling requirements, with production costs rising considerably for SMEs. This estimate seems to considerably overestimate the costs of origin labelling.

1. It does not take into account that the labelling changes might coincide with scheduled changes;
2. It assumes extensive new processes and mechanisms will be needed to generate the country of origin information for all companies which are currently not compliant and dismisses the possibilities that the information might be taken forward from existing processes;
3. It has to be kept in mind that the options considered are very extensive origin labelling requirements.

Thus, it is not surprising that a slightly earlier impact assessment from New Zealand, basically assessing the impact of moving from voluntary to mandatory origin labelling, has far lower estimates of the total costs. For New Zealand, the estimate was a first-year cost increase of between 0.11 per cent and 0.86 per cent of food turnover, with a medium estimate of 0.48 per cent. Overall, the study estimated that costs will primarily occur as one-off costs for changing the labels, without an increase in running costs. This study

[174] CIE, *Feasibility of extending CoOL* .

concludes that most of the costs are 'small', 'incremental' or 'negligible'.[175] There are likely to be positive benefits in terms of customer value and the social value of right-to-know, but these are judged to be small to insignificant.

The introduction of the 2002 Farm Bill in the United States triggered intensive research into the costs and benefits of origin labelling. Originally, the 2002 Farm Bill envisioned country of origin labelling for fresh produce, red meats, peanuts and seafood to become mandatory by 2004, but it has now been postponed until 2008. The provisions for seafood and fish become mandatory in 2006.[176]

The US department of agriculture estimated the total costs of implementing the legislation of origin labelling to be between $582 million and $3.9 billion in the first year, and $458 million in annual costs thereafter.[177] The estimates of how these costs would influence prices are presented in Table 9.1.

Table 9.1: Estimates of introducing mandatory country of origin labelling in the US on prices of covered commodities

Product	Low-cost estimate	High-cost estimate
Fruit and vegetables	0.11 %	0.43 %
Cattle and sheep	0.05 %	0.24 %
Broilers	0.01 %	0.02 %
Hogs	0.05 %	0.07 %
Beef and lamb	0.07 %	0.27 %
Chicken meat	0.01 %	0.11 %
Pork	0.06 %	0.26 %
Fish	0.15 %	0.64 %

Source: Krissof et al. (2004)

This estimate has, however, been criticised for considerably overestimating the costs of labelling. VanSickle and colleagues estimate the additional cost of country of origin labelling as only a fraction of the costs identified by the USDA. They conclude that first-year costs for introducing country of origin labelling would only be between $70 million and $193 million, equalling a cost of between $0.0003 and $0.0008 of a pound of the covered commodities.[178] They explain the differences in cost by:

- an overestimation of the number of affected producers
- unsound assumptions about labour costs

[175] NZIER, *COOL revisited. Benefit cost analysis of Country Origin Labelling* (prepared for Food Standards Australia and New Zealand, 2005).
[176] See G.S. Becker, *Country-of-Origin Labeling for Foods* (CRS Report for Congress, Congressional research service, 2004).
[177] See B. Krissoff et al., *Country-of-Origin Labeling: Theory and Observation* (Electronic Outlook Report of the Economic Research Service, WRS -04-02, Washington, D.C.: United States Department of Agriculture, 2004 and the official proposal and impact assessment and Federal Register / Vol. 68, No. 210 / Thursday, October 30, 2003 / Proposed Rules).
[178] VanSickle, *Country of Origin Labeling*.

- neglect of already existing tracking and tracing systems which would allow country of origin information to be generated from existing records.

The United States General Accounting Office (GAO) criticised these figures on similar grounds, judging the assumptions the report makes on:

1. the extent to which the companies are keeping already the records
2. the types and numbers of businesses that would have to keep records
3. the number of hours that each affected business would have to spend in developing and maintaining a record
4. the labour costs per hour as 'questionable' and 'not well supported'.[179]

To sum it up, there are competing conclusions on the net benefit of the proposed labelling scheme in the US: while USDA concludes that costs will outweigh benefits, VanSickle and colleagues see a clear net benefit in introducing mandatory labelling.

These international studies might give an indication of the cost effects of origin labelling regulation; however, a number of factors limit the transferability of these results to the European case under study.

1. These studies were actually all considering different regulatory options, from a very light touch to full country of origin labelling even for ingredients, and including different definitions of origin.
2. Europe might differ considerably in underlying pre-compliance, business structures and already existing information systems.

Market and trade effects of origin labelling

An important aspect of country of origin labelling is possible market effects following introduction. There are two possible scenarios of introducing country of origin labelling in the European Union. These could be called:

1. market 'segregation'
2. market differentiation.

1. Given consumers' inherent 'food nationalism', consumers would increasingly buy domestic rather than imported food products. This would lead to a segregation of food markets within the European Union and the creation of virtual trade barriers, making it more difficult to sell imported food. Given the evidence on consumers' preferences for domestic food products reported above, this does seem to be a realistic effect of food labelling. However, it has to be taken into account that country of origin information is usually only one of a number of factors influencing actual purchasing decisions. More often than not, price, brand names and product characteristics might override the country of origin information.

[179] United States General Accounting Office, *Country-of-Origin Labeling for USDA and Industry to implement Challenging Aspects of the New Law (*report the Congressional Requesters, GAO-03-780, Washington, D.C., August 2003).

2. Using country of origin labelling as another quality signal, the food market could offer a wider variety of products, including products from the 'original country', such as Mozzarella from Italy or wine from France. In a case study, Clemens and Babcock show how Lamb from New Zealand was successfully turned into a brand; yet, while being able to considerably increase their market share, the producers were not able to sell the meat at premium prices.[180]

Studies of the European system of regional certification labels, Protected Designation of Origin (PDOs), show that consumers indeed value information on the region of production and are willing to pay a premium for such products.[181] However, PDOs show a clear relation between product origin, production methods, product taste and product quality, which is not given in the case of country of origin labelling. This limits the transferability of these findings to country of origin labelling.

9.2 Assessing the policy options

DG SANCO proposed four policy options to be assessed in this impact assessment. They will be discussed here based on the evidence presented above.

A) Introduce mandatory origin labelling for all foodstuffs

Consumers across the European Union demand country of origin information on foodstuffs; introducing mandatory origin labelling would ensure that all consumers are provided with this information across all types of foodstuff. Meeting consumers' demands and contributing to informed choice would clearly constitute a benefit compared to the current situation. However, to secure these benefits, the country of origin label has to be clear, understandable and not misleading to the consumer. Current labelling practices are poorly understood by consumers and are sometimes even misleading.

Mandatory origin labelling increases costs for the food industry; however, these are strongly dependent on the actual detail of the regulation, which has not been laid out in this policy option. Origin can be defined as:

- the last place of substantial transformation
- the origin of the main ingredients
- the final place in the production process, etc.

Each of the definitions has specific impacts on the costs of the labelling.

Given sufficient transition times and given that a considerable number of companies are already providing country of origin information, a simple labelling of the place of

[180] R. Clemens and B.A. Babcock, *Country of Origin as a Brand: The Case of New Zealand Lamb* (MATRIC Briefing paper 04-MBP 9, Midwest Agribusiness Trade Research and Information Center, Iowa State University, 2004).

[181] See e.g. K. Ittersum et al., "Consumers' Appreciation of Regional Certification Labels: A Pan-European Study," *Journal of Agricultural Economics* 58 no. 1 (2007): 1–23 and D. Skuras and A. Vakrou, "Consumers' willigness to pay for origin labelled wine. A Greek Case Study," *British Food Journal* 104 no. 11 (2002): 898-912.

production could be introduced at virtually no cost. However, costs increase sharply if single ingredients have to be labelled according to their country of origin and ingredients are sourced seasonally.

While general reasoning on the capacity of SMEs to implement labelling changes apply, there seem to be no special costs for SMEs in this policy option. Assuming that SME activities in the food sector have a more regional and national focus, their burdens might be even less than those of large companies.

Mandatory country of origin labelling has the potential to conflict with international trade rules when it becomes a practical barrier for trade inside the European Union. However, a legal assessment of the impact of the policy options on international trade rules was beyond the scope of this impact assessment.

As consumers tend to prefer products from their own countries, mandatory origin labelling for all foodstuffs has the potential to increase entrance barriers to markets in other Member States, except for products that have a strong link between origin and quality.

No particular effects could be identified on Member States. However, in enforcing the origin labelling requirements, it might be difficult for Member States' administrations to actually verify origin claims.

No particular environmental effects could be identified. Regional shopping by consumers could benefit the environment through reducing transport, however these effects are less likely for country of origin, rather than regional, labelling and would need further scientific enquiry.

B) Keep the current rule for general food and adopt a sector-based approach, i.e. leave each sector to decide whether further rules should be adopted

Consumers not only demand country of origin labelling, but also value country of origin information for particular products, notably meat. This policy option would allow for the introduction of different degrees of origin labelling for different food products, modelled after the different consumer demands for labelling, thus potentially increasing benefits for consumers. However, this option would have no immediate effect on the availability of country of origin labelling for the consumer.

Scattering country of origin regulation across a multitude of vertical regulations runs counter to the objectives of simplifying regulation and reducing administrative burdens. Codifying country of origin labelling in various legislative texts increases information costs for producers who have to determine the actual legal requirements for the range of their products. Depending on the regulatory activity within the food sectors, this option might be cheaper than Option A, as long as only some sectors opt for origin labelling. Sectoral regulation can, however, lead to mandatory origin labelling across all food types, and is then likely to be the more expensive option, as it entails considerably higher information costs.

While general reasoning applies on the capacity of SMEs to implement labelling changes, there seem to be no special costs for SMEs in this policy option. Sectoral regulation entails the possibilities of more targeted regulation, which can decrease the burden on SMEs.

As in Option A, sectoral country of origin labelling has the potential to conflict with international trade rules when it becomes a practical barrier for trade inside the European Union. However, a legal assessment of the impact of the policy options on WTO rules was beyond the scope of this impact assessment.

As consumers tend to prefer products from their own countries, origin labelling for all foodstuffs has the potential to increase entrance barriers to markets in other Member States, except for products that have a strong link between origin and quality.

If origin-labelling regulation is spread across different vertical regulations, regulations would differ between different food types and enforcement of origin labelling would become more difficult for food enforcement agencies at Member States level.

No particular environmental effects could be identified. Regional shopping by consumers could benefit the environment through reducing transport; however, these effects are less likely for country of origin labelling than for regional labelling and would need further scientific enquiry.

C) Introduce mandatory origin labelling for all unprocessed food, meaning raw products, even when included in processed food

Consumers not only demand country of origin labelling, but also value country of origin information for some products. Raw products, such as red meat and vegetables, are among the products for which country or origin information is most sought after. Additionally, this policy option would provide country of origin information for ingredients. This option would thus tackle a prime concern of consumers and constitute a major benefit to them. However, a label indicating a number of countries of origin for a processed food might not convey a specific message to the consumer.

Providing origin information for single ingredient, unprocessed food requires a certain degree of tracking and tracing of the products, but does not seem to substantially increase costs for food producers. The impact assessment conducted in the US, basically covering raw food, is similar to this option. Considered to overestimate considerably the costs of labelling, it calculates cost increases from, for example, 0.01 per cent for chicken meat and 0.64 per cent for fish. Labelling different raw products within processed food, however, has the potential to increase costs considerably for food producers, as an Australian study shows. Seasonal sourcing of raw products might require several different labels a year and thus multiply labelling costs.

Frequent label changes magnify the disadvantaged position of SMEs in producing labels; this option might thus put an additional burden on SMEs.

As consumers tend to prefer products from their own countries, origin labelling for all foodstuffs has the potential to increase entrance barriers to markets in other Member States, except for products that have a strong link between origin and quality.

No particular effects could be identified for Member States, although it might be difficult to verify origin claims, depending on the complexity of the regulation.

No particular environmental effects could be identified. Regional shopping by consumers could benefit the environment through reducing transport; however, these effects are less

likely for country of origin, rather than regional, labelling and would need further scientific enquiry.

D) Keep the present approach: no mandatory origin labelling, and guidance to frame the voluntary use of geographical indications

While this option retains the regulatory status quo, it might improve some consumers' understanding of country of origin information. Guidance to frame the voluntary use of geographical indications might reduce misleading information on labels, such as 'British sausages', if the meat was actually imported. Harmonisation of labelling between producers might also increase the value of the information to the consumer, if it is presented in an easy-to-read and recognisable way.

Voluntary guidelines impose no costs on the food industry; indeed they might have the potential to decrease some information costs and encourage the voluntary use of country of origin labels. However, a voluntary regime does not change the incentives of companies to label country of origin information. Thus, companies will label country of origin only as far as it constitutes a commercial advantage to them, which would not necessarily fulfil the information needs of consumers. In the market place, a reliable and trusted country of origin label might constitute a valuable marketing asset increasing the competitive situation of some producers.

No particular effects on SMEs could be identified.

Member States appear not to be affected by such a solution; the impacts of the current regulation would continue.

No particular environmental effects could be identified. Regional shopping by consumers could benefit the environment through reducing transport; however, these effects are less likely for country of origin, rather than regional, labelling and would need further scientific enquiry.

CHAPTER 10 Labelling of alcoholic beverages

Policy options:

A) Full ingredient listing for all alcoholic beverages
B) Ingredient listing except for alcoholic beverages that result from the fermentation process of one ingredient, which would in fact exclude a lot of traditional alcoholic beverages and compel those containing additives and flavouring to declare it.

10.1 Background

'*Alcoholic beverages, defined as containing more than 1.2% by volume of alcohol, are covered by the food labelling directive. Article 6 (3) states that 'In the case of beverages containing more than 1.2% by volume of alcohol, the Council, acting on a proposal from the Commission, shall, before 22nd December 1982, determine the rules for labelling ingredients'. However, the Council never agreed on the proposals that were submitted over the decades to fill this gap. As a consequence, there is currently no compulsory ingredient listing for alcoholic beverages.*'[182]

In filling this gap, DG SANCO is considering the introduction of two options concerning the ingredient labelling of alcoholic beverages.

There is little specific evidence on the impact of extending horizontal labelling requirements to alcoholic beverages. A number of consumer surveys have included questions on consumer demand for ingredient listing, but there are no independent cost estimates on the impact of introducing labelling. So far discussion has concentrated on the costs and effectiveness of alcohol warning labels, which are, however, not the subject of this impact assessment.[183]

Consumers' interest in ingredient listing on alcoholic beverages

The focus-group-based study by OPTEM found little consumer demand for ingredient listing on wine and beer. Most of the consumers point out the pleasure product characteristics of beer and wine and see no additional value in disclosing composition.[184] In contrast, a study conducted by the UK Food Standard Agency reported that a majority of

[182] Task specification for this impact assessment.
[183] For consumers' use of alcoholic warning labels see: FSA, *Food Labelling Consumer Research*.
[184] OPTEM, *European consumers' attitudes*.

consumers (64 per cent) support ingredient labelling for alcoholic beverages and half of the respondents answered they would make use of such information.[185] In the 2003 Evaluation conducted on behalf of DG SANCO, consumer representatives identified 'extending basic labelling to all food and drink' as one of the four most important issues not sufficiently met by the current legislation.[186] To sum up, there seems to be at least some degree of consumer demand for ingredient labelling on alcoholic beverages.

Alcoholic beverage industry and ingredient listing

Industry positions on this labelling issue are diverse.

- The European brewing industry acknowledges consumer demands for ingredient information and does not oppose extending the requirements of Directive 2000/13/EC to beer.[187]
- The European Spirit industry as represented through the European Spirits Organisation (CEPS) also does not oppose ingredient listing for their beverages:

  "*CEPS long standing position is to support the principle of compulsory ingredient listing for spirit drinks provided that the same rules apply to all alcoholic drinks. We see no reason why spirits should be treated differently from other foodstuffs in this respect.*"[188]
- A position paper by the international Federation of Wine and Spirits (FIVS), however, shows strong resistance to extending the labelling requirements to wine, pointing out the particularities of its production process.[189]

Besides these position papers, there are no available independent and plausible estimates for the costs of extending ingredient listing to the alcoholic beverage industry. The estimate put forward by FIVS in a communication to the project team of annual costs of €297.2 million seems to grossly overestimate the additional cost for labelling, and thus does not accurately reflect the costs for industry.[190] In addition, no cost information on the labelling of alcoholic beverages could be obtained through the survey. Out of a total of 24 respondents producing or retailing/wholesaling alcoholic beverages, 11 provided ingredient information. Only two companies, of which one was a wholesaler, provided cost estimation; thus we could not generate any usable cost information.

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[185] FSA, *Food Labelling Consumer Research*.

[186] European Evaluation Consortium, *Evaluation of the food labelling legislation*.

[187] See the brewers' position papers: The Brewers of Europe, "A Second Submission, Comments on the DG SANCO informal draft discussion paper on the EU Strategy on Alcohol," (presented at the Alcohol & Health Working Group meeting, March 7–8, 2005) and The Brewers of Europe, "A First Submission in the context of DG SANCO's First Draft Working Paper, on a 'Coordinated Approach in Europe to Tackle Alcohol-Related Harm,', (September 2004).

[188] CEPS' (The European Spirits Organisation) position on ingredient labelling cited from their website, http://www.europeanspirits.org/TheChallenge/Labelling.asp (accessed May 22).

[189] FIVS (International Federation of Wines and Spirits), "EU-Food Labelling Survey Response from FIVS on Ingredient Listing for Wine," (position paper obtained through personal communication, 2007).

[190] The calculations are based on a cost increase per label of €0.20. If you compare this data to the average price of an adhesive label for a bottle of carbonated beverages of between €0.011 and €0.025 as used in the FDA's labelling cost model, these assumptions seem to overestimate the effect of alcohol labelling considerably.

Given this scarcity of specific evidence, the assessment has to rely on the information on the general costs of food labelling. First, for companies not presently labelling the ingredients, certain one-off costs of familiarising themselves with the regulation can occur. Secondly, the information to put on the label – the ingredients of the products – should be readily available to the producers as it can be expected that producers keep records of the ingredients they use. However, some ingredient information, particularly for mixed alcoholic beverages or for must in the wine production, would need to be required from suppliers.

In the next step, the labels have to be adjusted. Including a list of ingredients appears overall as a small change, rather than a major redesign, to the product label. It can thus be assumed that costs for changes fall within the lower ranges of the estimates presented in Chapter 4 of €2,000 to €4,000. Given a sufficient transition time, it is likely that no additional costs for the design and printing of the labels would be incurred, if changes can be done within the normal labelling cycle. The submission of FIVS points to the specificities of wineries, which apparently change their ingredients relatively often and on a short timescale, which would require more frequent labelling changes and thus might result in higher costs.[191]

The fact that producers of non-alcoholic beverages currently supply ingredient and often also nutrition information on their products in similar packages to those of alcohol producers (bottles, cans, TetraPak, etc.) suggests that there are no particular problems with package size for this policy issue. However, if including ingredient information leads to a reduction of multilingual labelling due to space limitations, this might impact on the number of necessary SKUs. Of the 24 producers of alcoholic beverages surveyed, 17 use multilingual labels on their products, which is above the average of the survey (around half of the surveyed companies use multilingual labels). Out of these 17, ten use bilingual or trilingual labels. Given these answers, a slight increase in SKUs might not be avoidable. FIVS provided us with an estimation of this effect for the wine industry; however, with an estimated increase of SKUs by 50 per cent and cost increases of €0.34 per 9l case, these costs seem to be vastly exaggerated.[192]

The responses from the European Spirits Organisation and The Brewers of Europe suggest that the overall effect of introducing ingredient listing for their products does not appear to be an issue of particular cost concern.

The value that consumers put on beverages prepared according to traditional principles might lead to a favourable market position for such producers. A typical example would be beer brewed according to the German 'Reinheitsgebot' (German purity law), without using additives beyond the traditional ingredients. If there is a consumer demand for such products, mandatory ingredient labelling would make the characteristics of such products more visible to the consumer. While such effects are possible, the authors are not aware of any evidence pointing in this or the opposite direction.

[191] FIVS, *EU-Food Labelling Survey Response*.
[192] Ibid.

10.2 Assessing the policy options

A) Full ingredient listing for all alcoholic beverages

This option would subject all alcoholic beverages to mandatory ingredient listing as required for all other pre-packed foodstuffs. In disclosing all ingredient information, this policy option supports consumers' right to informed choice and thus they benefit the most; it is, however, doubtful whether a large number of consumers would actually use this information in their purchasing decisions, as consumer surveys show only a moderate interest in ingredient labelling for alcoholic beverages.

Labelling ingredients for alcoholic beverages might increase costs for the producers of alcoholic beverages; however, these can be expected to be small. The ingredient information should, in most cases, be readily available; where there are a lot of pre-processed ingredients, obtaining the complete ingredient list might be more costly. Providing the information on the label requires a minor label change in the range of €2,000 to €4,000, per SKU, and even less for small companies using more flexible labelling techniques. If the change of legislation is introduced with a sufficient transition period, these costs can be nearly completely incorporated into the regular labelling cycle, with, for instance, no old labels having to be discarded. While generally few size-related labelling costs can be expected, (compare labels on non-alcoholic beverages), the new option might lead to an increase in SKUs, as multilingual labelling has to be reduced.

While general reasoning applies on the capacity of SMEs to implement labelling changes, there is no evidence available on special costs for SMEs for this policy option.

As the proposed regulation will cover the whole European Union, no negative single market effects are expected.

No particular effects on Member States could be identified. The inclusion of alcoholic beverages into labelling requirements might, however, increase the number of products that have to be checked by national administrations.

No particular environmental effects could be identified.

B) Requiring ingredient listing except for alcoholic beverages that result from the fermentation process of one ingredient, which would in fact exclude a lot of traditional alcoholic beverages and compel those containing additives and flavouring to declare it

Option B excludes a substantial part of the alcohol industry and alcohol production from the labelling requirements, thus reducing costs to industry, but also benefits to consumers. The exclusion of 'alcoholic beverages that result from the fermentation process of one ingredient' would exclude wine, beer, cider and similar drinks from this legislation.

Figure 10.1 shows beverage consumption, and illustrates the importance of beer and wine, across Europe.[193] The intake of beer and wine exceeds the intake of carbonates (soft drinks) in all countries.

[193] This table does not include fruit juices. Tea and coffee are also excluded.

Consumption of beverages per capita (litres per year)

	Pure alcohol, 2003 (1)	Spirits (pure alcohol), 2003 (1)	Wine, 2003 (2)	Beer, 2004 (3)	Carbonates, 2003	Bottled water, 2003 (2)
BE	11	1.4	25	93	104	134
CZ	16	3.8	11	157	130	87
DK	12	1.1	32	90	78	17
DE	13	2.0	24	116	82	125
EE	12	4.9	6	:	34	25
EL	9	1.6	22	39	59	59
ES	12	2.4	34	78	102	133
FR	12	2.4	55	33	42	142
IE	13	1.9	15	108	120	26
IT	10	0.4	51	30	53	198
CY	11	3.9	:	58	:	:
LV	10	6.1	7	:	28	37
LT	10	3.7	7	81	36	26
LU	18	1.6	56	107	:	:
HU	14	3.5	32	:	69	58
MT	7	0.7	10	:	:	:
NL	10	1.5	22	78	73	19
AT	13	1.4	29	109	90	101
PL	8	1.3	2	75	41	48
PT	11	1.4	53	62	53	84
SI	12	0.4	44	84	:	58
SK	12	3.5	11	:	74	64
FI	9	2.1	9	84	60	16
SE	7	0.9	17	52	71	20
UK	11	1.8	18	101	99	23

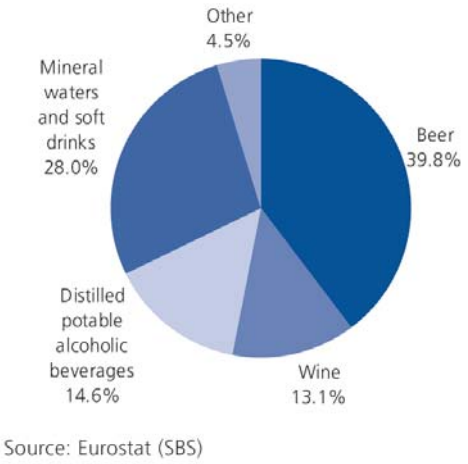
(1) Estimated amount of pure ethanol, as calculated from official statistics on local production, sales, imports and exports, taking into account stocks and home production.
(2) Apparent consumption based on sales.
(3) Greece, Spain and Luxembourg, 2003.
Sources: for pure alcohol and spirits - World Health Organisation, estimates of pure ethanol for those over 15 years old, http://www.euro.who.int/hfadb; for wine - International Organisation of Vine and Wine, http://www.oiv.int; for beer - The Brewers of Europe, http://www.brewersofeurope.org (except for Czech Republic, Slovakia and Cyprus) and Kirin Brewery, http://www.kirin.co.jp/english (for Czech Republic, Slovakia and Cyprus); for carbonates - Union of EU Soft Drinks Associations, http://www.unesda-cisda.org; for bottled water - European Federation for Bottled Waters, http://www.efbw.org

SOURCE: Eurostat (2006)

Figure 10.1: Consumption of beverages per capita (litres per year)

Leaving out this substantial share of consumers' beverage consumption would considerably reduce the benefit of the proposed policy option. The current understanding of consumer demand for labelling of alcoholic beverages is not detailed enough to judge whether consumers want such an exemption or whether they would value such information.

The same holds true if we look at the industry side. The production of beer and wine contributes more than 50 per cent to the value added of the total beverage industry and even more to the alcoholic beverage industry (see Figure 10.2). Option B thus imposes fewer costs on the industry as a whole; however, individual businesses not exempt from ingredient listing have to bear the same cost per SKU as in Option A.



SOURCE: Eurostat (2006)

Figure 10.2: Manufacture of beverages (NACE Group 15.9) Breakdown of sectoral value added, EU-25, 2003 (%)

Although we consider the overall costs of ingredient labelling as being very small and not decisive for the businesses' cost structure, the proposed Option B imposes uneven burdens on producers of alcoholic beverages, slightly improving the competitiveness of some companies while slightly reducing the competitiveness of others.

While general reasoning on the capacity of SMEs to implement labelling changes applies, there is no available evidence on special costs for SMEs for this policy option. SMEs might be overrepresented in the production of 'traditional' alcoholic beverages, such as wine and beer, but there is no sufficient data to support such an assumption.

As the proposed regulation will cover the whole European Union, no negative single-market effects are expected. However, as illustrated above, theoretically, there are possible effects on the distribution between the markets for traditional and non-traditional alcoholic beverages.

No particular effects could be identified on Member States. The inclusion of alcoholic beverages into labelling requirements might, however, increase the number of products that have to be checked by national administrations.

No particular environmental effects could be identified.

CHAPTER 11 Comparing the policy options

11.1 A framework for comparison: Scoring the policy options

The policy options presented above are discussed along a number of potential impacts for each policy option. As discussed in the introductory chapter, these impact categories are based on the underlying tender documents for this research project and reflect the impact assessment guidelines of the European Commission.[194] They cut across the main stakeholder groups as well as they cover the economic, social and environmental impacts. In addition, the impacts on international trade are considered, where relevant evidence could be retrieved. The seven impact categories used to structure the discussion policy options were:

1. Consumers
2. Industry
3. SMEs
4. Single market and competitiveness
5. Trade
6. Member States
7. Environment

Certain characteristics of the policy options discussed here complicate the direct comparison of the impacts of the different policy options against each other. First, the large number of policy options does not allow for a direct comparison of each policy option against every other option. Comparing each policy options against every other option would easily lead to an unmanageable number of possible combinations. Second, due to the variety of specific questions they address, the policy options are not mutually exclusive. That means that a number of policy options could be combined to certain "legislative scenarios", rather than that only one of the policy options can be chosen at any time. Finally, the difficulties in quantifying the impacts across the seven impact categories require a more qualitative approach to comparison than originally envisaged.

[194] EC, *Impact Assessment Guidelines*, 791, Brussels: European Commission (SEC) 2005.

To overcome these difficulties we decided to employ a framework for comparison, which combines a basic multi-criteria analysis[195] along the impact categories we identified before with a scoring mechanism. This approach allows us to compare the policy options by using at least some kind of "standard measure", without however, loosing the richness of the qualitative assessment. The framework summarises the evidence, discussed in the previous chapters, of the likely impact of each policy option and attributes a certain assessment of the impacts to each policy options. We used the following scoring system:

++	Evidence of substantial increase in benefit/reduction of costs in a particular area (e.g. for consumers, individual producers or market competitiveness) compared to the status quo.
+	Evidence of some increase in benefit/reduction of costs in a particular area compared with the status quo.
≈	Evidence of no change in a particular area compared to the status quo; no net benefits/costs expected.
-	Evidence of some reduction of benefits/ increases in costs in a particular area compared to the status quo.
--	Evidence of substantial reduction of benefits/increases in costs in a particular area compared to the status quo.
?	There is no available evidence to indicate change in costs or benefits in a particular area compared to the status quo.

This scoring method assesses each option according to its impact in comparison to the current policy regime, which is used as the baseline of our assessment. Thus, a policy option which maintains the status quo will be scored as *no change* in benefit or costs. In addition, this scoring system allows us to rank the policy options across the impact categories. All policy options have been scored jointly by the RAND Europe study team to ensure consistency and to counter individual points of view and biases.

The evidence gathered during this research is summarised and organised in one table per policy issue and then scored, allowing for a clear link between the information and the scoring exercise. The tables can be found in the following sections.

[195] A multi-criteria analysis compares the positive and negative impacts of different policy options expressed in a mixture of qualitative, quantitative and monetary terms, and is one of the options proposed by the European Commission in summarising the evidence of impacts assessments (ibid.).

11.2 Synthesis

Table 11.1: Structure of legislation

Impact category	Option A		Option B		Option C	
	Bring together into one piece of legislation as many texts (vertical as well as horizontal) as possible in order to facilitate access to the legislation		**Recast the horizontal provisions together, which means bringing together all the horizontal texts related to directive 2000/13/EC, leaving the product-specific rules in the vertical texts**		**The same as B, but putting vertical legislation in an Annex to the recast horizontal text**	
1. Consumers	• Not applicable		• Not applicable		• Not applicable	
2. Industry	• Easy to access because only one piece of legislation • Size of single legislation might be difficult to handle	+	• Easy to access, as limited number of relevant legislation for each company • Structure follows established international patterns	+	• Easy to access, as limited number of relevant legislation for each company • Structure follows established international patterns • Annex might be useful source of immediate access to the legislation but needs constant updates	+
3. SMEs	• SMEs tend to have more difficulties in accessing and understanding legislation • As there are no substantial changes to the legislation, the improvement of restructuring legislation might be minimal	≈	• SMEs tend to have more difficulties in accessing and understanding legislation • As there are no substantial changes to the legislation, the improvement of restructuring legislation might be minimal	≈	• SMEs tend to have more difficulties in accessing and understanding legislation • As there are no substantial changes to the legislation, the improvement of restructuring legislation might be minimal	≈
4. Single market and competitiveness	• No effect on the single market	≈	No effect on the single market	≈	• No effect on the single market	≈
5. Trade	• No trade effects could be identified	?	• Similar structure to Codex Alimentarius might ease access for international producers	?	• Similar structure to Codex Alimentarius might ease access for international producers	?
6. Member States	• After substantial one-off costs for revising the legislation, it might be easier to apply for Member States' public administrations than the current legislation • Single piece of legislation might be less flexible	≈	• After substantial one-off costs for revising the legislation, it might be easier to apply for Member States' public administrations than the current legislation	-	• After substantial one-off costs for revising the legislation, it might be easier to apply for Member States' public administrations than the current legislation • Annex might need permanent updates, requiring resources	-
7. Environment	• Not applicable	?	• Not applicable	?	• Not applicable	?

Table 11.2: Scope of the legislation: Unpacked food

Impact category	Option A		Option B		Option C	
	Extending to food sold loose the requirement to indicate all the mandatory information that has to be provided on the labels of pre-packaged foods		**Keeping the status quo and leaving it to the Member States to decide which pieces of information should be given to the consumer for food sold loose and how**		**Deciding at the community level which pieces of information should be available for food sold loose, leaving it to Member States to decide on how it should be provided**	
1. Consumers	• Consumers demand more information, although not all information of pre-packed food is necessary for them • Allergen information is important to prevent dangerous allergic effects among consumers of non pre-packed food	++	• Consumers do not currently get all the necessary information they want (allergens)	≈	• Option will allow targeting of main consumer demands • Allergen information is important to prevent dangerous allergic effects among consumers of non pre-packed food	+
2. Industry	• Specialised food retailers and restaurants will be affected by regulation • Businesses use flexible instruments to label, such as displays or sticky labels printed in shop, that are easy to change and adapt • Costs for collating and maintaining information	--	• No cost increases for this option	≈	• Specialised food retailers and restaurants will be affected by regulation • Businesses use flexible instrument to label, such as displays or sticky labels printed in shop, which are easy to change and adapt.. • Costs for collating and maintaining information • National regulation might reduce costs by tailoring regulation to own business	-
3. SMEs	• Although most of the affected companies will be SMEs, no particular disadvantages for these companies could be identified	≈	• Although most of the affected companies will be SMEs, no particular disadvantages for these companies could be identified	≈	• Although most of the affected companies will be SMEs, no particular disadvantages for these companies could be identified	≈
4. Single market and competitiveness	• Given the local characteristics of selling loose food and selling food in restaurants, no effects on the single market are expected	≈	• Given the local characteristics of selling loose food and selling food in restaurants, no current effects on the single market are expected	≈	• Given the local characteristics of selling loose food and selling food in restaurants, no effects on the single market are expected	≈
5. Trade	• Given the local characteristics of selling loose food and selling food in restaurants, no effects on international trade are perceived	≈	• Given the local characteristics of selling loose food and selling food in restaurants, no effects on international trade are perceived	≈	• Given the local characteristics of selling loose food and selling food in restaurants, no effects on international trade are perceived	≈
6. Member States	• A substantial number of businesses have to be monitored for the labelling practices; this can increase costs of Member States' enforcement authorities	-	• No particular costs are currently associated with implementing the labelling of food sold loose	≈	• A substantial number of businesses have to be monitored for the labelling practices; this can increase costs for Member States' enforcement authorities.	-
7. Environment	• There are no reported environmental impacts	?	• There are no reported environmental impacts	?	• There are no reported environmental impacts	?

Table 11.3: Scope of the legislation (2): Distance selling and small packages

Impact category	Distance Selling: Option A		Small packages: Option A		Small packages: Option B	
	Clarifying the scope of the labelling legislation to cover food distance selling (foodstuffs selling by internet or catalogues)		**Status quo**	≈	**Extend current legislation to all packages**	
1. Consumers	• Policy option will increase consumers' ability to exert informed choice at the moment of sale • Distance selling into the European Union will not be covered by the proposed option; thus, not all distance selling will be covered, reducing consumers' benefit	+ +	• Consumers get less information on small packages than on other packaged food	≈	• Consumers' information will be improved, if information still legible • Some small packages might be removed from the market, reducing consumers' choice	+
2. Industry	• Information is readily available to the industry • Impacts on industry are expected to differ between different retail channels. Sales via the internet would bear the lowest costs; space limitations in printed media will lead to higher costs • Some information may need daily updates, which increases costs	-	• Reduced labelling requirements allow for cheaper production of labels	≈	• If all information can be provided on existing labels, the costs for labelling will increase to the same level per SKU as for normal-sized products	-
					• Cost might increase even further, if larger packages have to be designed, labelled and used.	--
3. SMEs	• No particular effects on SMEs could be identified	≈	• No particular effects on SMEs could be identified	≈	• No particular effects on SMEs could be identified	≈
4. Single market competitiveness	• Depending on the uniformity of regulation across Europe, no effects on the single market can be expected	≈	• No effect on the single market	≈	• No effect on the single market	≈
5. Trade	• Distance selling into the European Union will not be covered by the proposed option	≈	• No effect on international trade	≈	• No effect on international trade	≈
6. Member States	• The policy option appears easy to implement	≈	• The current legislation establishes an exemption which imposes slight additional burdens to monitor	≈	• The policy option appears easy to implement • Option reduces regulatory complexity	+
7. Environment	• No environmental impacts are expected • There is, however, no evidence available supporting such reasoning	?	• No environmental impacts	≈	• No impact if package size can be kept.	≈
					• If package size has to be increased, this will result in an increased use of resources and increasing volume of waste	-

Table 11.4: Mandatory requirements

	Option A		Option B		Option C	
Impact category	**Removing the obligation of declaring the same ingredient twice**		**Removing some existing derogations concerning the durability date**		**Requiring the following additional information :** • the alcoholic strength by volume for foods other than beverages (e.g. ice-creams, jams) where they contain more than 1.2% by volume of alcohol • transfer additives • indication where a meat has previously been frozen	
1. Consumers	• Consumers' information will be reduced, in particular for phenylalanine and caffeine • The information necessary for making an allergen-conscious food choice will not be compromised; it will, however, be less detailed	-	• The extension to beverages in containers above 5l will neither directly benefit or harm the consumer • A few consumers demand durability information on food sold loose; however, this is not an urgent demand • Ice cream: option increases consumers ability to make a quality food choice	+	• There appear to be health-related and consumer-choice-related benefits to this policy option; however, there is no evidence to support these assumptions • Consumer demand for this information is unclear	?
2. Industry	• While reductions in costs for industry seem to be possible, they can be expected to be marginally smaller	≈	• For packaged food, extension requires adaptation of labelling hardware • For food sold loose, limited costs for displays at the point of sale	-	• The policy option will increase the costs for food producers by requiring space on the label, increasing information costs and potentially increasing the frequency of label changes • The inclusion of transfer additives can increase costs considerably if it requires intensive tracing and frequent label changes	-
3. SMEs	• No impact expected	≈	• Due to the dominance of micro and small companies in the specialised retail sector (bakeries/pastry shops), SMEs might be negatively affected	-	• No impact expected	≈
4. Single market and competitiveness	• No impact expected	≈	• No impact expected	≈	• No impact expected	≈
5. Trade	• No impact expected	≈	• No impact expected	≈	• No impact expected	≈
6. Member States	• No impact expected	≈	• Although more requirements have to be enforced, it is unlikely that costs will actually increase for Member States		• Although slightly more requirements have to be enforced, it is unlikely that costs will actually increase for Member States	≈
7. Environment	• No impact expected	≈	• No impact expected		• No impact expected	≈

Table 11.5: Origin labelling

Impact category	Option A		Option B		Option C		Option D	
	Mandatory origin labelling for all foodstuffs		**Status quo plus sector rules**		**Mandatory labelling for unprocessed food**		**Status quo plus voluntary guidance**	
1. Consumers	• Allows informed choice • Consumers appreciate country of origin labelling	+	• No immediate effect on availability of country of origin information • Consumers appreciate country of origin labelling • Regulation would allow for differentiation between food types	≈	• Allows informed choice • Would target the information consumers are most interested in and even includes ingredients	++	• No immediate effect on availability of country of origin information • Consumers appreciate country of origin labelling • Benefits of standardised presentation and phrasing possible	≈
2. Industry	• Cost depends on actual definition of origin • No or very small costs if simple definition of origin	-	• Scattered country of origin legislation increases information costs • No impact if vertical regulation stays the same	-	• Tracking and tracing increases information costs • Might require more frequent labelling changes in case of regional sourcing	--	• No additional costs to food producers • There might be benefits from having a standardised, easy-to-follow format	≈
3. SMEs	• No particular effect for SMEs discernible • Regional consumption patterns might benefit small producers	≈	• No particular effect for SMEs discernible • Regional consumption patterns might benefit small producers	≈	• Higher frequency of label changes disadvantages SMEs • Regional consumption patterns might benefit small producers	-	• With guidance, SMEs might find it easier to use country of origin labelling • However, no real effect on SMEs discernible	+
4. Single market and competitiveness	• Ethnocentric consumption patterns might lead to a fragmentation of food markets and create virtual trade barriers • Possibility to increase marketing of national speciality products	-	• No effects as no immediate effect on availability of country of origin information	≈	• Ethnocentric consumption patterns might lead to a fragmentation of food markets and create virtual trade barriers • Possibility of increasing marketing of national specialty products	-	• No effects, as no immediate effect on availability of country of origin information • Market will only provide information if it constitutes economic benefit to company	≈
5. Trade	• Depending on the concrete rule, there might be conflicts with WTO rules	?	• Depending on the concrete rule, there might be conflicts with WTO rules	?	• Depending on the concrete rule, there might be conflicts with WTO rules	?	• Depending on the concrete rule, there might be conflicts with WTO rules	?
6. Member States	• No significant effect on Member States' public administrations • Validity of country of origin information might be difficult to	≈	• Spreading country of origin legislation across vertical legislation makes enforcement more difficult	-	• No significant effect on Member States' public administrations • Validity of country of origin information might be difficult to	≈	• No significant effect on Member States' public administrations	≈

Table 11.5: Origin labelling

Impact category	Option A		Option B		Option C		Option D	
	verify				verify			
7. Environment	• Regional consumption patterns might benefit environment through less transport; however, no evidence on such an effect	?	• Regional consumption patterns might benefit environment through less transport; however, no evidence on such an effect	?	• Regional consumption patterns might benefit environment through less transport; however, no evidence on such an effect	?	• Regional consumption patterns might benefit environment through less transport; however, no evidence on such an effect	?

Table 11.6: Legibility

Impact category	Option A Status quo		Option B Be more prescriptive as to the presentation					
	Maintain current rules: a broad requirement for the label to be legible		**B1) Introduce a minimum font/text size for the mandatory information**		**B2) Provide that mandatory requirements should be clearly distinguishable from marketing information**		**B3) Standardise the presentation of the information**	
1. Consumers	• Consumers are dissatisfied with the current situation as labels are difficult to understand and read	≈	• This policy option addresses a key concern of consumers • However, it tackles only one reason for the bad legibility of labels	+	• This policy option has the potential to increase the legibility of the information and makes it easier to find the mandatory information	+	• Depending on the precise requirements, standardisation allows the best consumer information and informs the consumers in an optimal way	++
2. Industry	• The current regulation allows a flexible presentation of information	≈	• The policy option might lead to some cost increases for companies with multilingual and small labels • Coordination with other label changes might make costs marginal • Increase in prescription constitutes additional administrative burden	-	• The policy option might lead to cost increases for companies with multilingual and small labels • Coordination with other label changes might make costs marginal • Increase in prescription constitutes additional administrative burden	-	• This policy is the most expensive option for companies • The policy option might lead to cost increases for companies with multilingual and small labels • Coordination with other label changes might make costs marginal • Increase in prescription constitutes additional administrative burden	--
3. SMEs	• There is no evidence on how the current regulation impacts on SMEs	≈	• There is no evidence on how the policy option might impact on SMEs • Guidance might help SMEs to develop better labels	≈	• There is no evidence on how the policy option might impact on SMEs • Guidance might help SMEs to develop better labels	≈	• There is no evidence on how the policy option might impact on SMEs • Guidance might help SMEs to develop better labels	≈
4. Single market and competitiveness	• The current regulation harmonises requirements across Europe enhancing the single market	≈	• There are no effects on the single market expected	≈	• There are no effects on the single market expected; however, there is no specific evidence on this.	≈	• There are no effects on the single market expected; however, there is no specific evidence on this.	≈
5. Trade	• There are no trade issues with this policy option	≈	• There are no trade issues with this policy option; however, there is no specific evidence on this	≈	• There are no trade issues with this policy option; however, there is no specific evidence on this	≈	• There are no trade issues with this policy option; however, there is no specific evidence on this	≈

Table 11.6: Legibility

Impact category	Option A Status quo		Option B Be more prescriptive as to the presentation					
6. Member States	• Some Member States find it difficult to implement the current regulation as it allows for too much interpretation	≈	• Some Member States might find it easier to implement detailed regulation	+	• Some Member States might find it easier to implement detailed regulation	+	• Some Member States might find it easier to implement detailed regulation	+
7. Environment	• There are no environmental impacts connected to this policy option	≈	• An increase in packaging size might have a negative environmental impact; there is, however, no evidence on such an effect	?	• An increase in packaging size might have a negative environmental impact; there is, however, no evidence on such an effect	?	• An increase in packaging size might have a negative environmental impact; there is, however, no evidence on such an effect	?

Table 11.7: Ingredient listing on alcoholic beverages

Impact category	Option A		Option B	
	Full ingredient listing except for all alcoholic beverages		**Require ingredient listing except for alcoholic beverages that result from the fermentation process of one ingredient**	
1. Consumers	• Full ingredient listing increases consumers' opportunity for informed choice • Consumer demand for labelling seems to be modest	++	• Exemptions include the major parts of alcohol industry, reducing the benefits from the proposed regulation	+
2. Industry	• Requires labelling changes of € 2,000 to 4,000 per SKU • Labelling costs are expected to be marginal if transition periods are long enough • Might lead to a small increase in SKU for some companies	-	• No costs for exempt types of producers • Requires labelling changes of € 2,000 to 4,000 per SKU • Labelling costs are expected to be marginal if transition periods are long enough • Might lead to a small increase in SKUs for some companies	-
3. SMEs	• While general reasoning on the capacity of SMEs to implement labelling changes apply, there is no evidence on special costs for SMEs available for this policy option	≈	• General reasoning on the capacity of SMEs to implement labelling changes applies • If SMEs are overrepresented in traditional alcoholic beverage sectors, they would benefit from the exemption	≈
4. Single market competitiveness	• No impact expected	≈	• No impact expected	≈
5. Trade	• No impact expected	≈	• No impact expected	≈
6. Member States	• No particular effects could be identified on Member States; the inclusion of alcoholic beverages into labelling requirements might, however, increase the number of products that have to be checked by national administrations	≈	• No particular effects could be identified on Member States; the inclusion of alcoholic beverages into labelling requirements might, however, increase the number of products that have to be checked by national administrations	≈
7. Environment	• No impact expected, no evidence	?	• No impact expected, no evidence	?

CHAPTER 12 Monitoring and evaluation

12.1 Introduction

This chapter outlines how the European Commission may wish to plan for the monitoring and evaluation of the proposed labelling regulations. The EC Impact Assessment Guidelines (2005) state that an effective monitoring regime should '*set measurable indicators to cover both the quality of outcomes and the implementation process, and define plans for evaluation*'.[196] However, there are many important challenges to effective monitoring and evaluation of policy in both general and nutrition labelling areas, including the following.

- Many impacts are not easily quantifiable.
- Many of the costs vary with the type and size of industry (costs therefore can be particular and unique, rather than generalisable).
- It is difficult to break down any specific cost or benefit by policy option (i.e. disaggregate impacts to the specific policy options).
- There may be significant time lags between the intervention and benefits (e.g. health outcomes).
- There are issues around attributing outcomes, such as wider health benefits, to specific policy options.

At the same time, evaluation of European Union activities is essential and a legal requirement. An effective labelling policy needs clear objectives and targets, and the attainment of or progress towards targets should be monitored and evaluated at EU and national levels. Monitoring and evaluation serve to give feedback to political decision makers, administrators, and everyone who is responsible for the implementation of the related policies. Monitoring indicators are also useful for international comparison and evaluation.

[196] EC, *Impact Assessment Guidelines*, 791, Brussels: European Commission (SEC) 2005.

12.2 Monitoring

The OECD has defined monitoring as 'a continuous function that uses the systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indicators of the extent of progress in the use of allocated funds'.[197] In the case of general and nutritional labelling, there are three main objectives identified in the task specifications for these impact assessments.

1. The objective of both nutrition and general labelling revisions is to make information (nutrition and general) more widely available and more easily understandable to the consumer.
2. General labelling revisions aim to modernise and simplify current rules, taking into account experience of previous directives as well as the general goals in the European Commission around simplification and better regulation.
3. New legislation will also need to:
   - meet the needs of industry
   - be proportionate in terms of burdens placed upon industry
   - allow for flexibility and innovation by industry in labelling
   - protect the single market.

For monitoring to be effective:

- the number of indicators needs to be manageable
- the indicators need to be measurable over a period of time.

A small number of indicators would increase the likelihood that indicators will be measured. There are resource implications to monitoring and the European Commission often relies on Member States to gather monitoring data. Member States are less likely to be able to provide information on a long list of indicators over time. It may seem obvious to observe that indicators need to be measurable over time. However, as stated earlier, it is difficult to quantify many of the impacts linked to these labelling revisions and the development of indicators could have similar problems. Monitoring of indicators will have to take into account:

- the problems of attribution
- the challenge of measuring indicators over time (especially in cases where there is a time lag between the intervention and the outcome)
- the difficulties in assessing the counterfactual (baseline without the labelling revisions).

In some cases, it might be necessary to accept the limitations of attribution and use less specific and more aggregate indicators to monitor the impact of labelling regulations.

[197] Jody Zall Kusek and Ray C. Rist, *Ten steps to a results-based monitoring and evaluation system* (World Bank; Washington, 2004).

These indicators might reflect on the impacts of a number of programmes and initiatives, and labelling and its impact might have to be seen as part of a portfolio of interventions.

Indicators are likely to be identified from the following sources:

- monitoring indicators in countries such as Australia and the United States that have relatively extensive mandatory labelling regimes
- general household surveys that show whether consumer understand labelling information and how they are likely to use it
- health statistics that give obesity rates, cancer rates, and rates for other assorted diseases in the general European population
- monitoring of Healthy Life Years indicators and other aggregate public health indicators
- administrative burden measurement exercises across Europe that establish the additional burden of regulations
- industry surveys that aim to establish the views of industry on the complexity of legislation to be implemented
- statistics on the complaints received by national governments on the difficulties of enforcement of legislation by their agencies
- price statistics to chart the development of the absolute and relative prices of food
- enterprise statistics and market analyses to measure food production and turnover, wholesale and retail sales, company turnover, and other microeconomic developments
- statistics on international trade outside and inside the European Union.

Academic literature and other research may provide some monitoring data; however, these sources are unlikely to provide reliable and comparable data over time. Table 12.1 gives an overview of monitoring indicators, based on economic indicators, that could be considered in monitoring the objectives of the European Commission as set out in the task specifications for general and nutritional labelling. In terms of the burden placed on industry, particular attention should be paid to monitoring the impact on specific types and sizes of industry.

Table 12.1: Monitoring indicators for European Union labelling regulations

Specific objective	Monitoring indicators
To make information more widely available **To make information easier for the consumer to understand**	• Measurement of disease rates and Healthy Life Years indicators • Weekly or monthly household expenditure on specific subtypes of food (fruit and vegetables, high-fat foods, etc.) • Number of lives lost to poor diets • Expenditure by the European Union and Member States on information provision on benefits of healthy food to consumers
To simplify current rules and regulations	• The measurement of administrative burdens in several Member States to understand the impact of specific regulations over time • Total cost of compliance with food labelling regulations
To meet the needs of industry	• The total cost and relative cost to industry of changing labels[198] • The relative price and absolute price of labelled and packaged food over time • The cost to industry of a potential increase in the size of the label required • The cost to industry of displacement of information on labels
To avoid unnecessary burdens on industry	• The measurement of administrative burdens in several Member States to understand the impact of regulation over time • Administrative burden broken down per type of industry and per type of food production • Total cost of compliance of industry with food labelling regulations
To allow for innovation in labelling practice	• The cost to industry and investment by industry of providing additional food information beyond compliance with existing regulations
To protect the single market	• The relative price and absolute price of labelled and packaged food over time • The relative cost and absolute cost of marketing labelled and packaged food in and across the European Union

12.3 Evaluation

This section shows how successful evaluations of the proposed policy options could take place. An evaluation is a 'judgement of intervention according to their results, impacts and the needs they aim to satisfy'.[199] The European Commission has an obligation to perform regular evaluations of its activities centred on the responsibilities of operational DGs and Services covering their main expenditure programmes. Most evaluations consist of four phases. Each of the four phases of evaluation should be carried out with the same attention to internal logic and external validity. These phases are:

[198] We propose that the European Commission could develop a cost model to understand the costs of changing labels, based on a number of parameters involved in printing and packaging, see Muth et al, *FDA Labelling Cost model*. Parameters include: affected product category; affected parts of labelling; type of analytical testing; type of market testing; period of compliance. This systematic measurement could provide a uniform benchmark across the European Union.

[199] Definition used in the glossary annexed to the White Paper on Reform and The Communication on Evaluation (SEC (2000) 1051).

1. the structuring phase, to establish the logic of the intervention and identify the evaluation questions, the data needs, and appropriate methodologies
2. data collection (and in this case the need for speed will mean exploiting existing data sources as far as practicable)
3. data analysis, using such tools as qualitative analysis, modelling, etc.
4. arriving at conclusions and judgements, including techniques such as impact assessments, cost–consequence or cost–benefit analyses, stakeholder assessment and balanced score-cards.

In most evaluations, it is useful to identify the evaluation question and break it down into its constituent, researchable parts. This can be done by developing a logic model of the intervention.[200] Logic models allow the evaluators to derive the key evaluation domains.

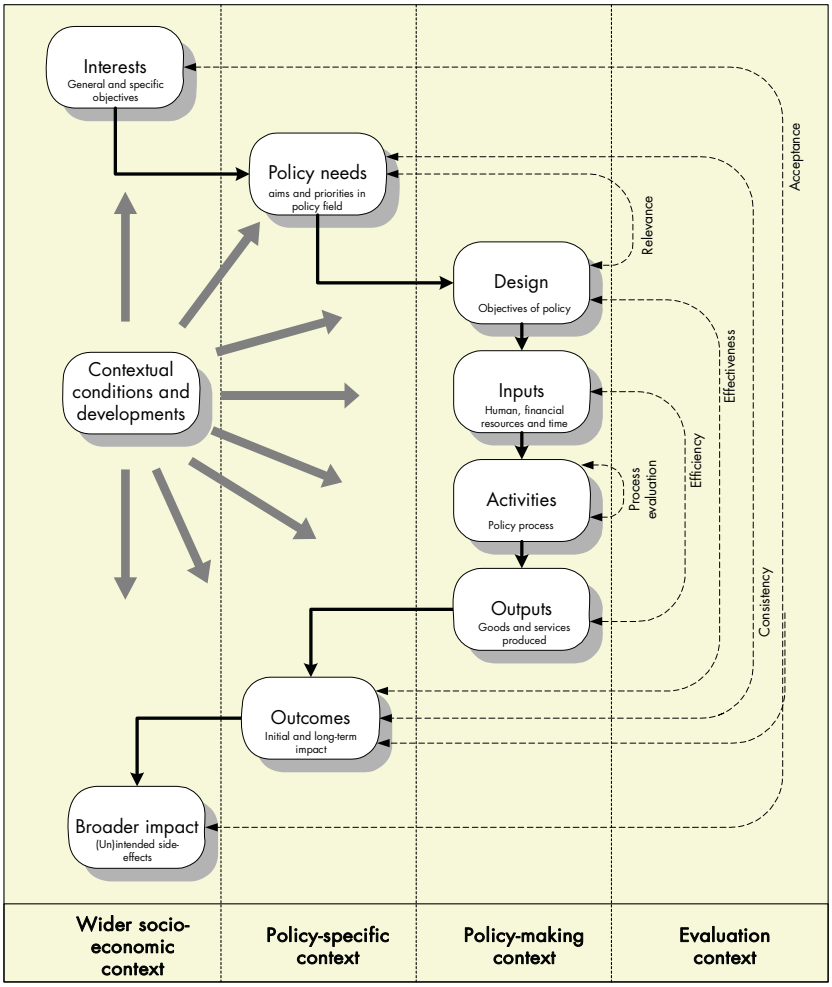
The domains are:

1. **relevance** – this focuses on the relationship between policy needs and objectives
2. **process evaluation** and implementation log – this examines the relationship between throughput and outputs
3. **efficiency** – this concerns the link between inputs (resources and time) and outputs, allowing us to identify how well resources are being used in producing the outputs that are expected and required
4. **effectiveness** – this is defined as the relationship between objectives and outcomes. This measures the ability of the project to deliver the appropriate outcomes derived from its vision
5. **utility** – this focuses on the link between policy needs and outcomes, identifying how successful the project has been in producing appropriate results with respect to its aims
6. **sustainability and social acceptance** – this concerns the relationship between interests and outcomes and externalities. This includes assessing the impact of the project in terms of wider social acceptance and also in terms of financial and partnership sustainability.

The evaluation of policy interventions is multi-dimensional, involving different *levels* (European, national and local) and *stages* (input–process–output). A logic model can help understand input–process–output relationships. Figure 12.1 provides an overview of the different stages and levels in the development and implementation of a policy. The boxes identify the evaluation criteria. Each measure can have a distinct information demand. Assessment of effectiveness, for instance, involves a comparison of the outcomes and the initial aims of the policy (i.e. design phase). An evaluation framework requires indicators to measure outputs and outcomes. Evaluation criteria are defined specific to each policy intervention. These criteria can be quantitative or qualitative. Success is the crucial measure of evaluation. However, the measurement of success depends upon the viewpoint taken. Different stakeholders may have different viewpoints. First, there may be differences in opinion as to how the policy should perform with respect to a single criterion. Second,

[200] http://www.wkkf.org/Programming/ResourceOverview.aspx [See my note in References RC]

stakeholders may focus on different criteria for success. With respect to these different criteria, the evaluation should examine the extent to which the effects match the goals, needs and interests, the relevance of the policy objectives, and the quality and efficiency of the process. Figure 12.1 also distinguishes different levels related to policy development and implementation: from the wide socio-economic context to the specific policy-making context. In evaluating the impact of a policy, the activities at a lower level will have to be logically correlated to goals or desires at a higher level. Conversely, in order to understand the impact at higher levels, knowledge of activities at lower levels is required to attribute success to policy interventions.



SOURCE: RAND

Figure 12.1: Logic models in policy evaluation

CHAPTER 13 Conclusion

This *ex-ante* impact assessment of the revision of the horizontal food labelling regulation attempted to address the following three main questions.

- Which positive and negative effects may occur as a result of the revision of the existing legislation?
- Who are the primary stakeholders that will be affected or involved in the process?
- How high are the costs and benefits going to be?

The first two questions involved a balanced, objective analysis of the possible impacts of the policy options and the distribution of these impacts among stakeholders. The third question concerns the quantification of the impacts, which can be highly problematic. As discussed throughout the report, evidence is often scarce and, where available, can be contradictory. In order to be comprehensive and exhaustive, this impact assessment would have necessitated evidence that does not yet exist, so attribution and causality are consequently difficult to prove.

Nonetheless, this study collected relevant data and conducted a qualitative analysis that, to the extent possible, aimed to shed light on the potential social and economic impacts of the Commissions' proposed policy options. The study supports DG SANCO in its own regulatory impact assessment exercise, which evaluates the impacts of the revision of the food labelling legislation. This report referred to a wide range of sources, including peer-reviewed research from Europe and elsewhere, studies conducted by and for the European Commission, a survey of food producers, and 12 key-informant interviews.

This report then synthesised and analysed relevant evidence on the possible impact of the different policy options to different stakeholders. It focused primarily on consumers, industry as a whole and SMEs in particular, and Member States' public administrations. While this report provides a framework for comparing the possible costs and benefits of each policy option against the others, it does not make recommendations in terms of which policy option should be pursued, if any.

In addition, it was beyond the scope of this research to assess the extent to which the various policy options under the different headings can be combined into a consistent set of policy instruments.

This work therefore acknowledges that further evaluation and discussion will be necessary, not only within the European Commission and relevant DGs, but also between the Commission and the different stakeholders, including Member States' administrations, producers, consumers and health professionals.

13.1 Key findings

The following section summarises the key findings for each policy issue under consideration.

13.1.1 The costs of food labelling legislation to producers are small, but can increase considerably for specific labelling requirements

Food producers and food retailers bear most of the costs of changes in labelling regulation as long as they are not able to pass on the costs to the consumers. However, the cost of food labelling regulation, defined as the additional costs of including the legislative requirements, might be marginal or even zero in some cases.

While there have been attempts in the US to develop a comprehensive cost model which quantifies the cost effects of food labelling changes, such a tool is missing in the European context. Although we can fairly comfortably describe the cost mechanics for food-producing companies, we cannot, however, quantify the effects of each option. A number of general factors are likely to increase or decrease the cost of food labelling across the different policy options.

- Information costs related to the understanding of the current legislation depend on the accessibility, understandability, consistency and clarity of the regulation.
- Information costs incurred in collecting the necessary information to put on the label increase with the amount of information to be labelled, the difficulty of acquiring the information and the frequency of updates.
- Design costs of the label increase with the extent of the label overhaul, and the complexity (colours) of the label.
- Printing costs depend on the number of colours used and the necessary adaptations to hardware (printing plates/upgrade of machines).
- The stock of printed labels to be written off increases/decreases the one-off costs of changes.
- Different label types bear varying changing costs. Adhesives labels and displays at the point of sale are cheaper to change than labels printed on pack.
- Labelling changes due to regulatory changes can be implemented more cheaply, or even at no additional cost, when they can be done in parallel with changes within the normal labelling cycle of the company.
- Labelling changes might lead to substantial increases in costs, if they require an increase in the number of stock keeping units a company produces.
- Space limitations can lead to an increase in costs for producing a label, by increasing the package size or the number of necessary stock keeping units.

Small and medium-sized enterprises (SMEs) are likely to face relatively higher costs due to labelling changes. In general, SMEs command fewer resources and cannot realise economies of scale in reacting to changes in labelling regulation compared to large companies. These resources might be needed to acquire information on the regulation and to comply with regulation by overhauling labels, but also to reposition and re-brand products affected by changes in consumer demands as a result of information disclosure.[201] Overall, labelling requirements might lead to higher-per-unit costs for SMEs, thus reducing their competitiveness.[202]

13.1.2 The structure of legislation has only a small impact on total labelling costs

The structure of the legislation affects how easy it is for stakeholders to familiarise themselves with the legislation. The proposed changes have the potential to reduce the information costs associated with the legislation. The available evidence suggests, however, that costs of gathering information constitute only a small part of the overall costs of administrative burdens related to food labelling. Information costs are estimated to contribute to up to 5 per cent to labelling costs in Denmark and up to 13 per cent of all food legislation in the United Kingdom. Changes in the structure of the legislation thus might have a positive impact on the cost of producing labels, but this impact is likely to be small.

13.1.3 Scope of the legislation

Better information on allergens is the main benefit of labelling food sold loose

Consumers and some Member States consider information on potential allergens as very important for food sold loose (through catering/restaurants/retailers). Anecdotal evidence suggests that most food allergy incidents happen outside the home and can be traced back to food sold loose. However, consumer demand for other information is limited. Tracing the relevant information on allergens for food sold loose, and keeping it up to date, imposes costs on the food industry. As this information is most likely to be presented on menus in restaurants and on displays for food sold loose at counters, trained staff are required for daily updates. Due to the nature of transactions, the provision of labelling information for food sold loose has no single market impact, thus different national legislations would not pose additional burdens on the food industry. There are no reliable cost estimates for labelling food sold loose, but they are expected to be reasonably small.

Distance selling can be included in food labelling legislation at small costs

Distance selling constitutes only a small, although growing, part of food retail sales. Virtually no research has been conducted into the specific labelling issues surrounding the distance selling of food, so RAND Europe's research had to rely on the general understanding of consumer benefits and company costs, on arguments brought forward by stakeholders and on analyses by Member States in judging the possible effects of the policy option.

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[201] Moorman, *The Effect of Standardized Information.*

[202] Golan, "Economics of Food Labelling".

Under the current regulation, foodstuff sold through distant selling has to meet identical labelling requirements to food sold in stores. However, distance sellers are not obliged to provide all information on the label to the consumer at the moment of sale. This situation means that the consumer is unable to exert informed choice and to assess all the relevant characteristics of the food product at the moment of sale. Given the technical possibilities of the Internet as the main distance selling channel, RAND Europe estimates that the costs of actually providing all information on the label also at the point of sale are small.

Extending labelling requirements to small packages can be expensive and requires further research

There is very limited evidence on the impact of extending mandatory labelling requirements to small and very small packages. However, there would seem to be some apparent effects if labelling were to be extended to small packages below 10cm²:

- information would become illegible if squeezed onto small packages
- labelling machineries might have to be adapted to print on various sides of a product
- package size might have to be increased to meet labelling requirements, leading to negative environmental impacts.

If producers find ways to produce legible information on small packages, consumers will clearly benefit from a better informed choice. To accommodate labelling requirements, possible alternatives should be assessed, including allowing for flexibility in the format in which information should be provided. Another alternative would be to mandate the provision of information at the point of sale rather than on the package itself. This would not only minimise the costs to consumers (since enlarging packages to accommodate mandatory information is likely to be the most costly alternative) but it would also prevent additional waste and resources used for the creation of these packages..

13.1.4 Mandatory requirements

Under the heading of mandatory requirements, a number of diverse and very specific policy options were proposed. However, no separate body of evidence exists to assess the impact of these policy options. Research had to rely on generic sources of labelling requirements to assess the impacts of:

1. removing the obligation of declaring the same ingredient twice
2. removing some existing derogations concerning the durability date
3. requiring additional information.

Declaring ingredients once rather than twice reduces clarity for consumers at marginal cost savings for food producers

Declaring only once those ingredients declared twice frees up space on the food label which might be used for other labelling requirements, for instance to increase visibility or for marketing purposes of the food producers. This slightly eases the burden on the food industry. There are, however, health risks associated with not labelling caffeine and phenylalanine, which are likely to outweigh the small advantages for the industry.

Removing derogations in the durability date allows consumers to assess the quality of certain food products better but at additional costs for the food industry

Removing derogations in the durability date has an impact on food producers, who would now have to provide this information. However, it must be assumed that the information should already be available and only small costs would thus occur for the inclusion on the label or for information at the point of sale. Consumer benefits are, however, equally small. There are no benefits for including containers above 5l for mass caterers. For pastry cooks' wares and single portions of ice-cream, the proposed option allows the consumer to make a better informed food choice.

The impact of requiring additional information on the food involves additional cost for the food industry for unclear consumer benefits

There was virtually no evidence on consumer demands and benefits available in this area. Some of the information might have health impacts; however, there was not enough evidence available to assess whether there would be strong consumer benefits from this policy option. On the other hand, the option would involve small to large additional costs for the food industry, depending on the extent to which transfer additives are used and have to be labelled.

13.1.5 **The legibility of the information is a prime concern of the revision; improvements will lead to modest to large cost increases for food producers**

Legibility of food labels is a prime concern of many consumers, as survey data from across Europe shows. Consumers prefer legible information in a readable font size; one study identified a font size of 8pt as the minimum. In addition, consumers prefer standardised information that allows them to locate the mandatory information easily on the package. Evidence from the US suggests that mandatory requirements for nutrition labelling did improve readability and were achieved at a modest cost to industry.

Mandating legibility requirements increases the costs to industry if it requires more space on the label. This can be generated by dropping marketing information, by refraining from using multilingual labels, or by increasing the size of the label.

13.1.6 **Origin labelling is demanded by consumers and could lead to significant increases in labelling costs depending on the extent of the requirements and the definitions of origin**

Throughout the European Union, consumers like to see country of origin information on food products. The labelling of meat products, and beef in particular, is seen as the top priority; however, this is not covered by the proposed revision. Benefits to the final consumer occur primarily by increasing the possibilities of informed choice. However, food safety or health benefits cannot be assumed, as national and imported food is subject to the same safety regulations.

There is little European evidence on the cost implications of introducing mandatory origin labelling. However, there is evidence around the introduction of country of origin labelling for a number of raw and fresh products in the US, and origin labelling for packed and processed food in Australia. Both concluded that there are substantial net costs in implementing the regulation, predominantly for food producers and retailers.

European survey data suggest that around half of the companies already provide origin information; of the companies surveyed in this study, 42 per cent are already using origin labelling. Country of origin labelling has the potential to increase labelling costs considerably if it leads to frequent labelling changes, is linked to extensive tracking of ingredients and requires considerable space on the package.

Mandatory origin labelling involves difficult definitional issues to ensure country of origin information is meaningful and that misleading labelling is discouraged. However, such a definition was not part of the policy option.

A number of market effects could be attributed to the introduction of country of origin labelling; however, no specific studies have been conducted in the European context to estimate any such effect. So called 'food nationalism' or broader 'consumer ethnocentrism' is particularly relevant in country of origin labelling. Consumers might choose national food over foreign food, which might lead to an increased segmentation of food markets across Europe undermining the single market. In addition, any country of origin labelling has to be seen in the context of possible conflicts with international trade regulations. On the other hand, country of origin labelling might be used as a marketing tool to advertise specific food qualities.

13.1.7 Labelling of alcoholic beverages can easily be implemented by alcoholic beverage producers at low costs

There is little evidence on the impacts of extending horizontal, mandatory labelling requirements to alcoholic beverages, which so far have been exempt from regulation. The level of consumer interest in ingredient labelling of alcoholic beverages is unclear. A qualitative study commissioned by DG SANCO finds no evidence of particular consumer interest, while data from the UK and the Netherlands suggest a certain interest in ingredient listings for alcoholic beverages.

While the actual ingredient listing should be readily available to the company, introducing ingredient listings will impose costs on the producers of changing and printing new labels. The value consumers put on beverages prepared according to traditional principles might lead to a favourable market position for producers who can show through their ingredient listing that they adhere to such principles.

13.2 The evidence base needs to be developed

We conclude this impact assessment with some thoughts about the evidence base available to the researchers. In analysing the policy options proposed by DG SANCO and assessing their possible impacts, RAND Europe encountered considerable difficulties in finding relevant data and evidence. Although this can be partly attributed to the specificity of these policy options, there is a real need for further research into two distinct issues of food labelling.

First, in assessing consumer benefits we had to rely mainly on consumer surveys as an indication of consumer interest in a specific policy option. However, this data is patchy; it usually covers only a handful of European countries and discusses only a few of the relevant policy questions. While we use this data as a proxy for what consumers actually

want and value, legitimate concerns can be raised against this assumed link between considering something important after being prompted in a survey and actual benefits for consumers. There was, however, no data available to us that showed observed preferences, for instance consumers' actual purchase decisions; it would be thus of great value to develop research into this area.

Secondly, the information on the costs of food labelling to food producers needs to be further developed. Information so far is patchy, and mostly derived from survey data with some inherent biases, such as incentives for companies systematically to over-report costs and underestimate benefits. In particular, there are no studies available that look at the impact of food labelling on SMEs – the group of food businesses thought to be most vulnerable to changes in labelling regulation. While a detailed cost model exists for the US, which allows cost estimates for changing food labelling regulation on an economy wide basis, no such information is available for the European Union. Constructing such a model for the EU would be of great value in assessing the impacts of changes in food labelling regulation.

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APPENDICES

Appendix A: List of interviewees

International experts

Alan Mathios, Professor, Human Ecology, Cornell University, U.S

Elise Golan, Ph.D., Deputy Director for Research, Food Economics Division, Economic Research Service, USDA

EU Member State Public Administration officials

Birgitta Lund, Food Standards Department, National Food Administration, Sweden

Claire Boville, Head of Promotions, Nutrition Labelling and Dietetic Foods Branch at the Food Standards Agency, U.K

Jan-Willem van den Brink, Ministry of Health, Welfare and Sports, Department of Nutrition and Health Protection, The Netherlands

Petr Cejka, Lawyer, Legal and Foreign Affairs Unit, Czech Agriculture and Food Inspection Authority, Czech Republic

Dr Theresa Ekong, Labelling, Standards and Allergy Division Food Standards Agency, U.K

Almudena Rollán, Agencia Española de Seguridad Alimentaria y Nutrición, Spain

Food Producer Organization representatives

Noëlle Vonthron, *Adviser on Food Policy and Consumers*, EuroCommerce, Belgium

Sabine NAFZIGER, Director, Consumer Information, Diet & Health, Confederation of the Food and Drink Industries of the EU, Belgium

Food producers

Bean Thinking Ltd. – U.K.

The Wicked Cake Company – U.K.

Appendix B: Survey results

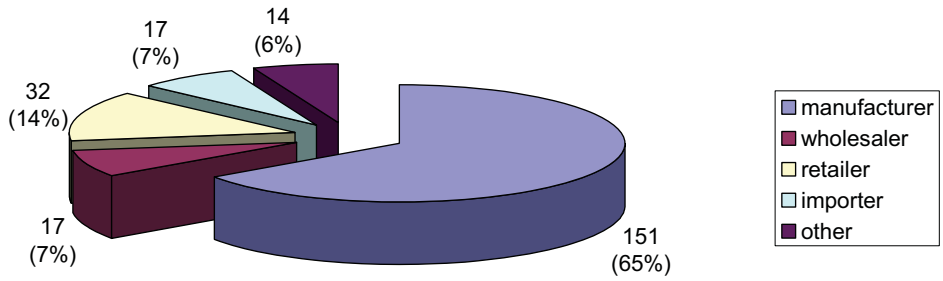
Survey Results Summary

During March to April 2007, RAND Europe undertook a stakeholder survey to assess the potential economic, social and environmental impacts of different policy options in food labelling. The 40-quesiton-long survey was posted online on a designated website, www.foodlabelsurvey.eu. A total of 211 companies participated in 25 countries (EU 27, except Luxembourg and Lithuania) participated the survey. Results of the survey are summarised in the following.

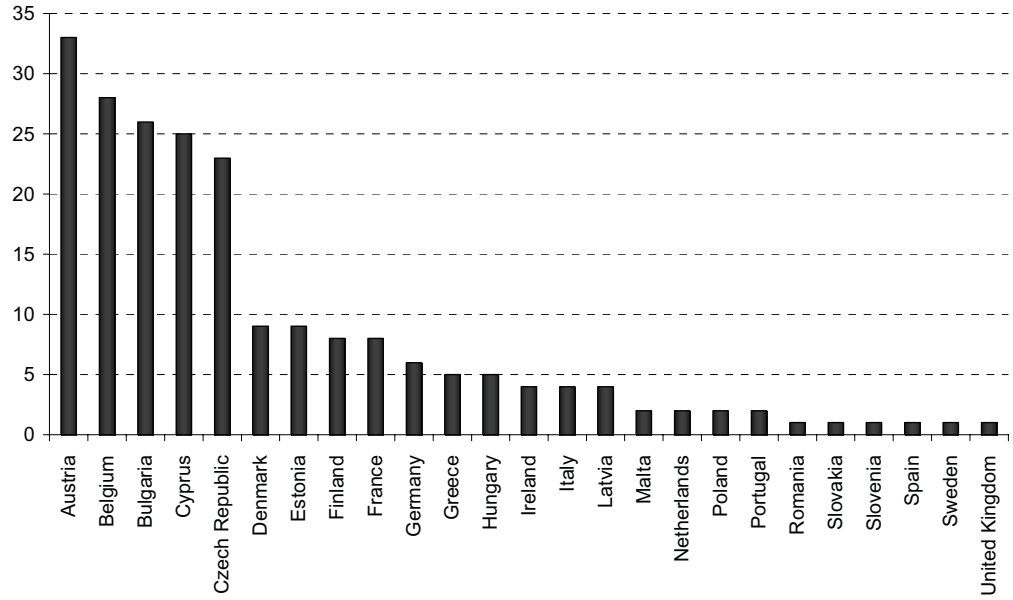
Responses to the open questions are given in *italics* and have not been edited.

I. General information

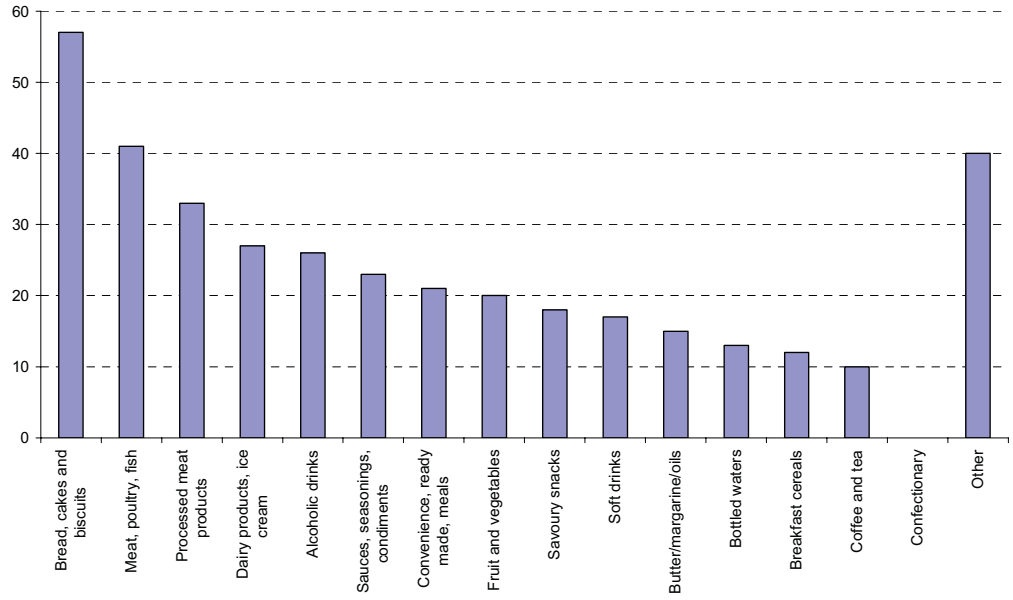
Are you a food: a) manufacturer, b) wholesaler, c) retailer, d) importer, e) other?



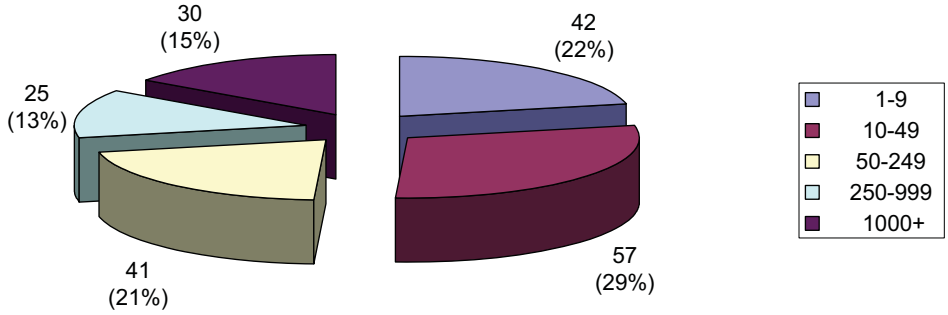
In which country is your company or factory based?



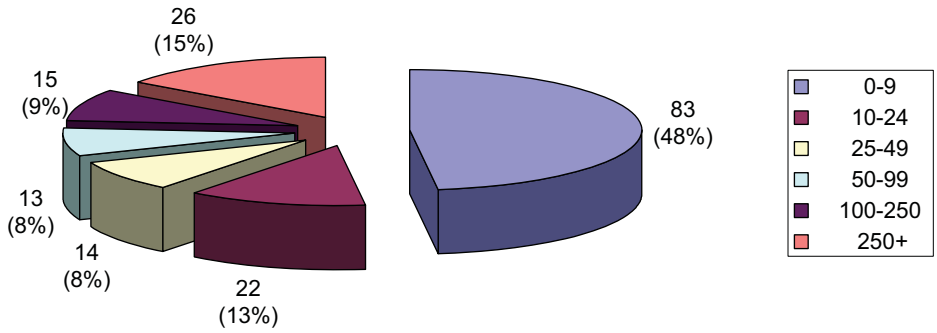
Which sector of the food production industry do you belong to?



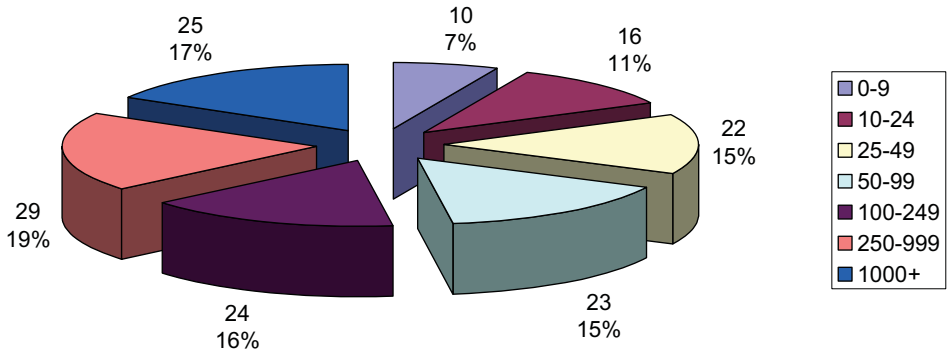
Approximately, how many staff does your company have?



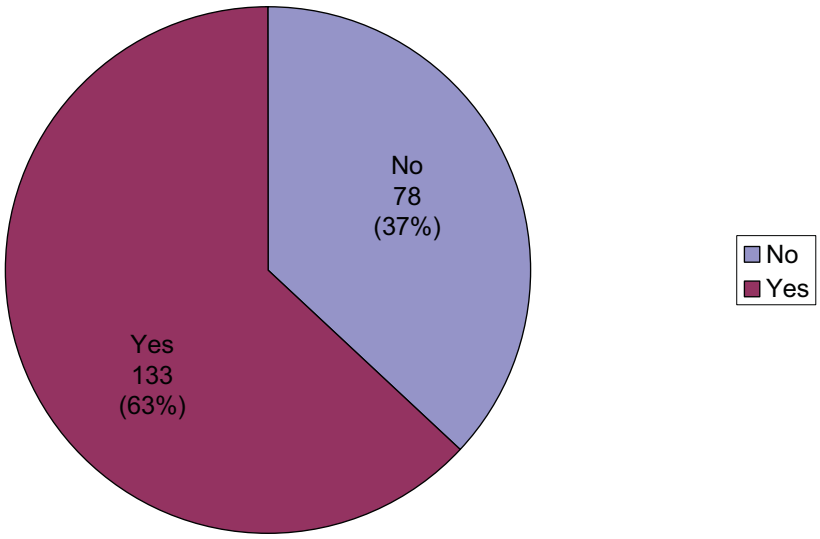
What is your annual turnover (in millions EUR)



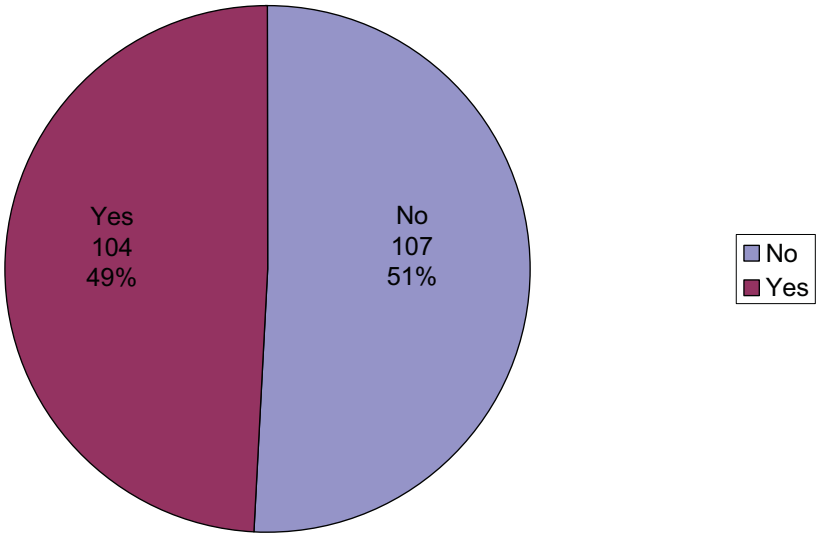
How many stock-keeping units do you have? (i.e. the total number of products and the different packaging sizes or types)



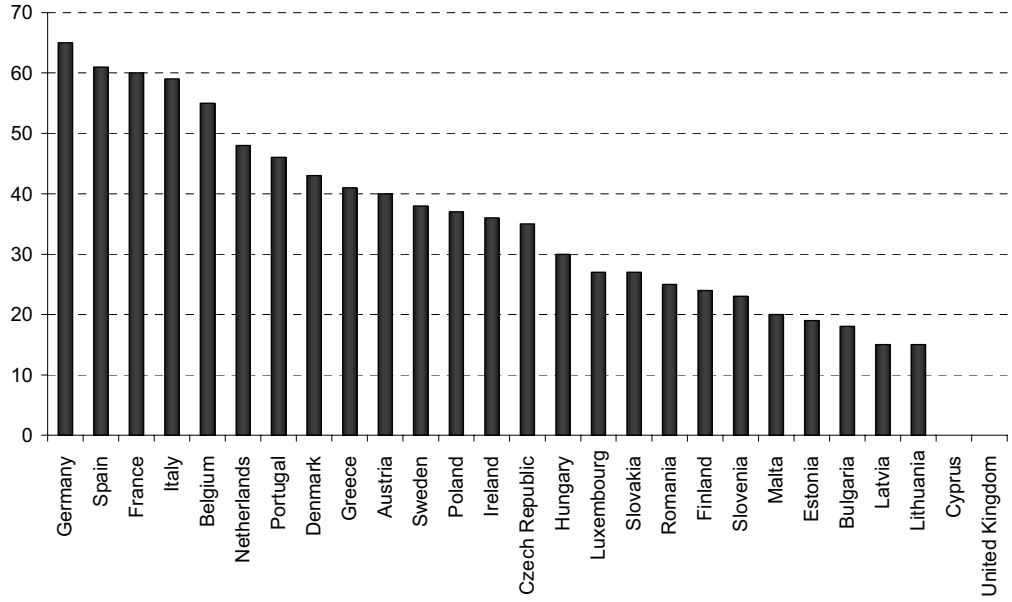
Do you produce pre-packaged food or beverages? YES/NO



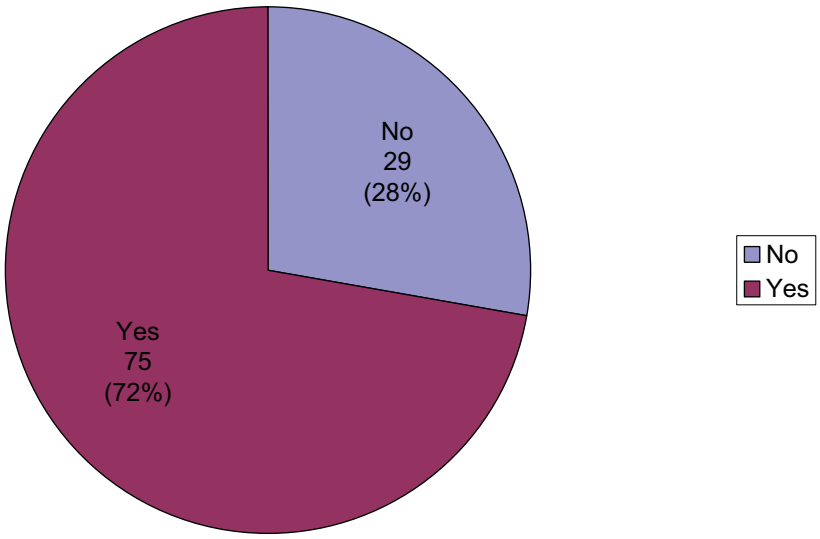
Do you distribute your products in more than one Member State? YES/No



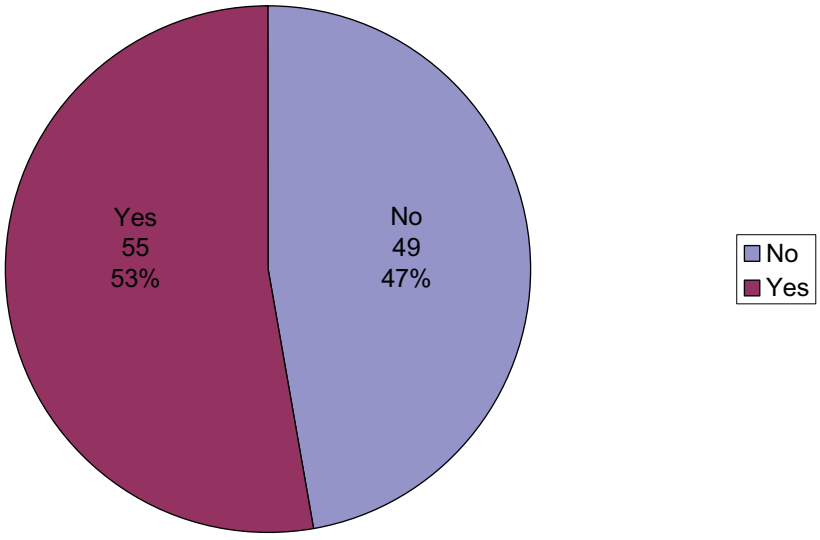
If you answered YES in question 4: Please tick the European Union countries in which your products are distributed:



Do you produce different labels for the different countries in which your products are distributed? YES/NO



If you answered YES to the previous question does it add to the cost of labelling? YES/NO



If YES how does it add to the cost of labelling?

43 responses:

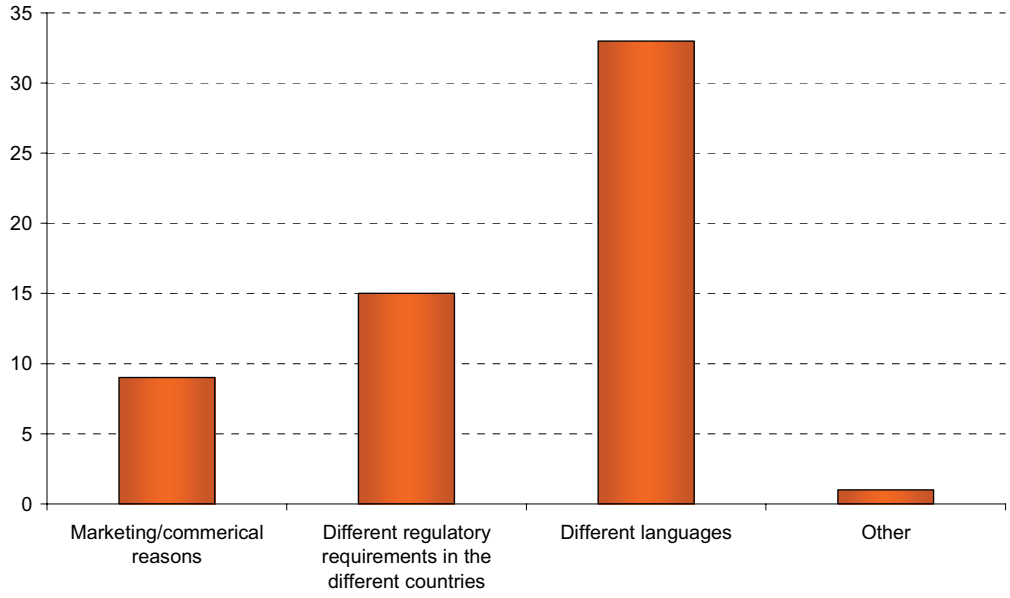
- *extra development; more types of labels; more work to put them on*
- *MORE STOCKAGE*
- *It depends on the situation*
- *we must maintain stocks of more than one label per product*
- *extra programming*
- *Translation costs, multiple variants of labels because labels are too small to cover all European languages*
- *due to space limitations on label, many labels are normally needed which makes production and distribution less efficient and more costly.*
- *Different physical labels when do not use multi-lingual / Logistic complexity to produce smaller quantities for different countries / Regulatory affairs costs for new Member States*
- *8%*
- *more 25 % then the normal labels*
- *For the identical product we need 5 different packaging in order to cover all regulations in the different countries. Extra artwork, extra stock of packaging material, extra stock for each version .*
- *Translation costs, Cost due to specific packaging*
- *MARKETING AND LANGUAGES*
- *Different stocks of cans*
- *10-15%*
- *more labels need a bigger warehouse, and more fix cost for new labels*
- *Different art work and translation*
- *To change the labels adds 25 % to the cost of labelling.*
- *Cost with label design + Printers Cost to produce small runs of labels + extra cost in storing different labels + extra bottling costs due to small bottling runs*
- *it depends about the contract*
- *we need to print a label especially for the country we send our product*
- *normally it is small quantities so they are more expensive.*
- *some labelling are specific, mainly for "third countries"*
- *Different types of labelling need to be separated on stock*

- *article is related to labelling; this means that we stocks of the same article for each label*
- *direct price of product*
- *More types, less quantity / each, higher unit prices*
- *more work of translating*
- *more work of translating*
- *0,08 EUR*
- *development of different labels, translation costs*
- *It multiplies the cost every time an amendment needs to be done on the labels. In addition to the cost of the translations.*
- *It multiplies the cost of the labels and the printing. Plus the cost of the translations*
- *Increased labelling creation costs and an increased number of different labels that need to be produced.*
- *redesign of the label and packaging, production of the printing plate*
- *We have to have different backlabels on the products and thus different SKUs for different countries*
- *Stock holding of labels, artwork & associated reproduction costs, management time*
- *We need a new design of the label for every country, plus new films and we have to stock a big amount of labels for every market.*
- *Costs of production: from Human resources: estimation of 24h man work (at a rate of 45€ in average). Difficult to give a precise answer, because depends of the category of the product, differs from one other.*
- *translation and production of the label*
- *Translation into local language. Several references for the different countries and additional inventory cost.*
- *Bulk buying discounts are reduced.*
- *Increases complexity of the manufacturing and logistics process to include so many very small volume stock keeping units*

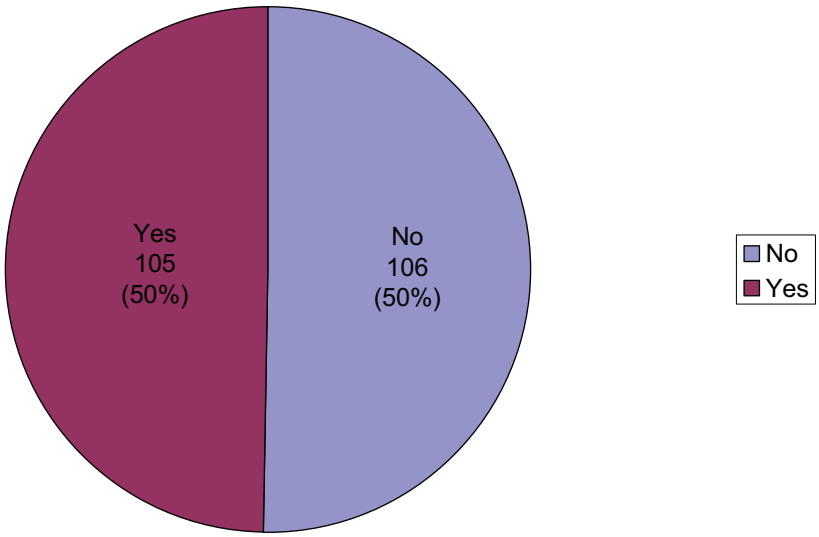
If you answered YES to question 4.ii are labels different because of: (please rank in order of importance (1= most important reason 4= least important reason)

- Marketing / commercial reasons
- Different regulatory requirements in the different countries
- Different languages
- Other (please specify)

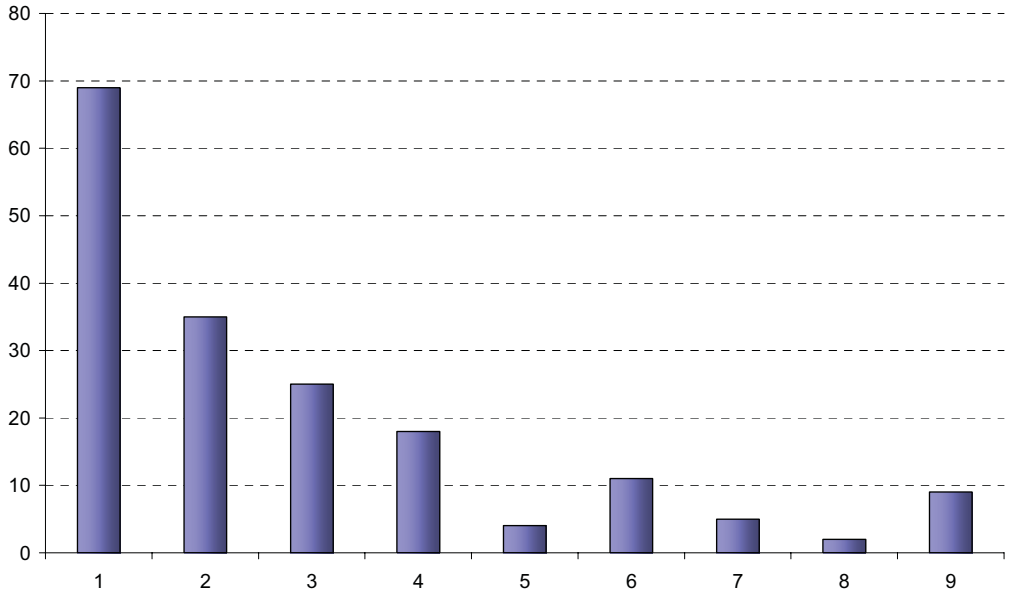
Total number of respondents ranked the reason as the most important:



Do you produce multi-lingual labels? YES/NO



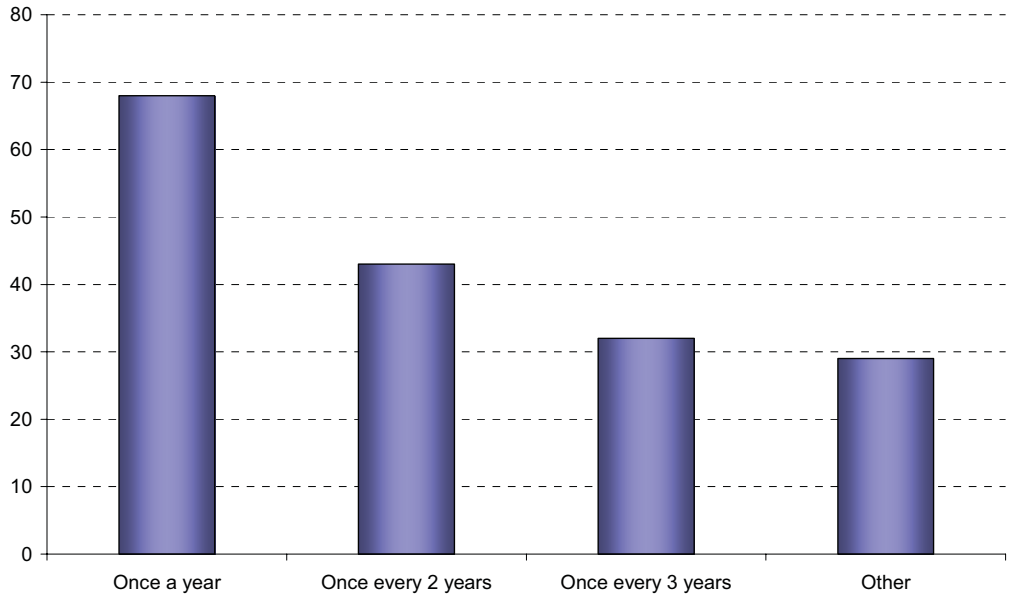
If yes, what is the maximum number of languages on one product label?



I.2 Changes in labels

We would like to understand how often you change the label of a product and the main reasons for the changes.

On average how often do you change the labels of your stock-keeping units?



Those who answered "Other" provided the following comments:

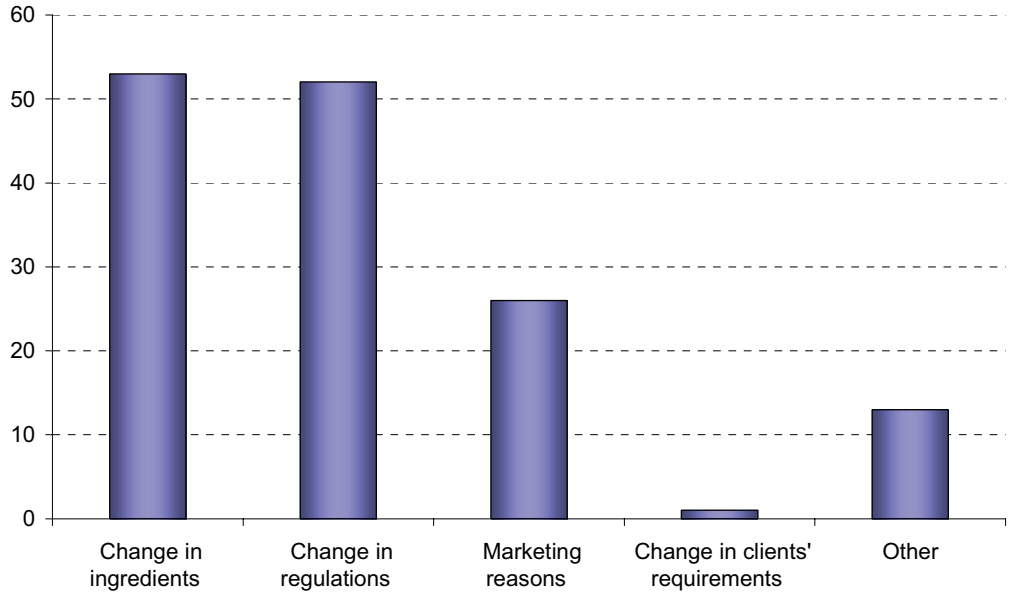
- *when required to by legislation*
- *as required by supplies of raw material*
- *Diary*
- *none*
- *weekly*
- *or when legislation change*
- *stocks only some month*
- *No rules, it depend of regulation and recipe modifications*
- *Not regular / More than 3 years*
- *when needed*
- *don't*
- *often : 2 times a year*
- *when required*
- *as required*

- *every 4th month*
- *We have been using the same label for 250 years. Whenever there is a change in regulation we need to change the label*
- *never*
- *06-Jul*
- *depending on customer's demand and regulations*
- *It's depends from the specification may be 1 year or 2 year or six months*
- *ONLY WHEN NECESSARY*
- *more often*
- *when necessary e.g. new law, new marketing idea*
- *real time*
- *Once every month*
- *steeds als er iets aan de ingrediënten veranderd*
- *Only when necessary*
- *more often*
- *2 or 3 times a year, to be assured of the completeness of the label*
- *2 x per jar*
- *5 times in a year*
- *when the recipe changes*
- *As required*
- *when we discover an omission*
- *We change the label content every batch produced, because we print different labels for different products and different batches*
- *or in order to comply with any updated legislative requirements*
- *different*
- *This varies from category to category*

Please rank, in order of frequency the reasons why the labels are changed (1=most frequent reason for change; 5=least frequent reason for change):

- Change in regulations
- Change in ingredients
- Change in clients' requirements
- Marketing reasons
- Other (please specify)

No. of respondents ranked the option as the most important:



I.3 Costs of food labelling

We would like to understand the costs associated with making a label and the activity that is associated with the costs.

What is the per-unit average cost of production in euro across your range of stock-keeping units?

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

What is the average cost of labelling per stock-keeping unit (i.e. designing and applying the label)

- in Euros and
- as a percentage of the average total production costs of a stock-keeping unit?

	min	max	mode	sample size
micro company (1-9 employees)	1%	25%	3%	12
small company (10-49 employees)	<1%	30%	10%	15
medium company (50-249 employees)	<1%	50%	n/a	9
large company (250+ employees)	1%	20%	n/a	8

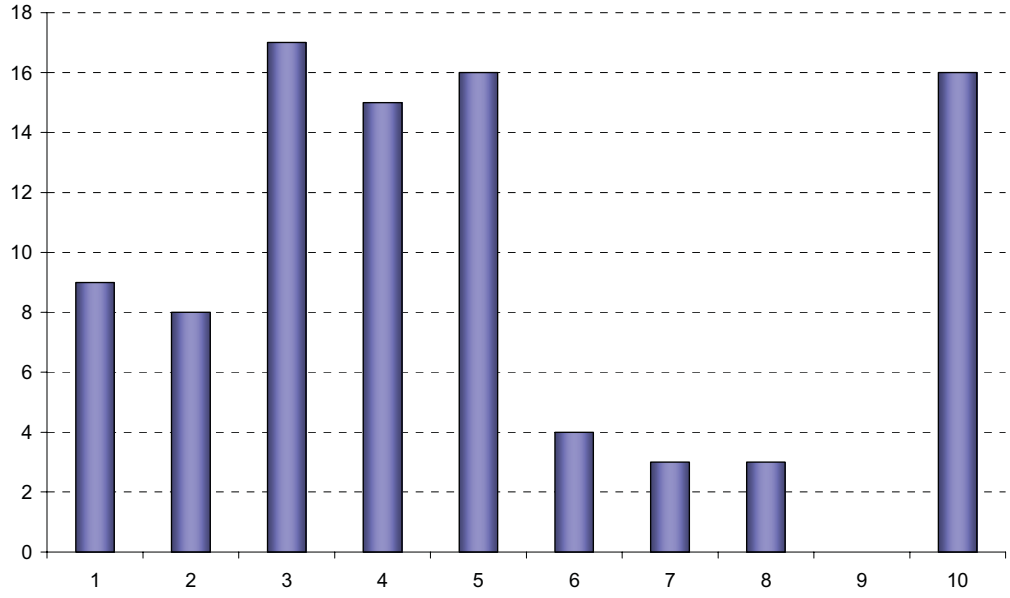
- Note: the above table shows the costs of food labelling a percentage of the average total production costs. A total of 48 respondents answered this question, but only 44 provided corresponding company size data.

When you produce a new label, what is the average cost (direct and indirect), associated with the following tasks (outsourced or not)? Please estimate this cost as a percentage of the total cost of the production of the label.

  - Identification of the information legally required on the label (identifying and understanding the regulations that apply; obtaining relevant information to comply with labelling regulations; obtaining data for the label through analysis, etc.)
  - Translation for labelling in different languages
  - Redesign of the label and packaging
  - Production of the printing plate
  - Printing of the label
  - Audit and inspection associated with compliance with the labelling regulations
  - Other (please specify)

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

How many times in the last 10 years have you changed labels, solely as a result of a change in labelling regulations?



What was the average cost per stock-keeping unit of changing the labels specifically due to a past change in the labelling legislation?

i. no costs specifically due to changes in legislation

ii. average cost in euros, and

iii. as a percentage of the average total cost of a stock-keeping unit.

- Answer ranges from 0% to 56%.

I.4 Administrative costs of labelling

How much time (in man-hours, including work of external consultants) on average per year do you estimate your company spends on the following tasks?

- Determination of the information legally required on the label (identifying and understanding the regulations that apply; obtaining relevant information to comply with labelling regulations; obtaining data for the label through analysis, etc.)
- Translation for labelling in different languages
- Redesign of the label and packaging
- Production of the printing plate
- Printing of the label
- Audit and inspection associated with compliance
- Submitting information to the regulator
- Other (please specify)
- Total

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

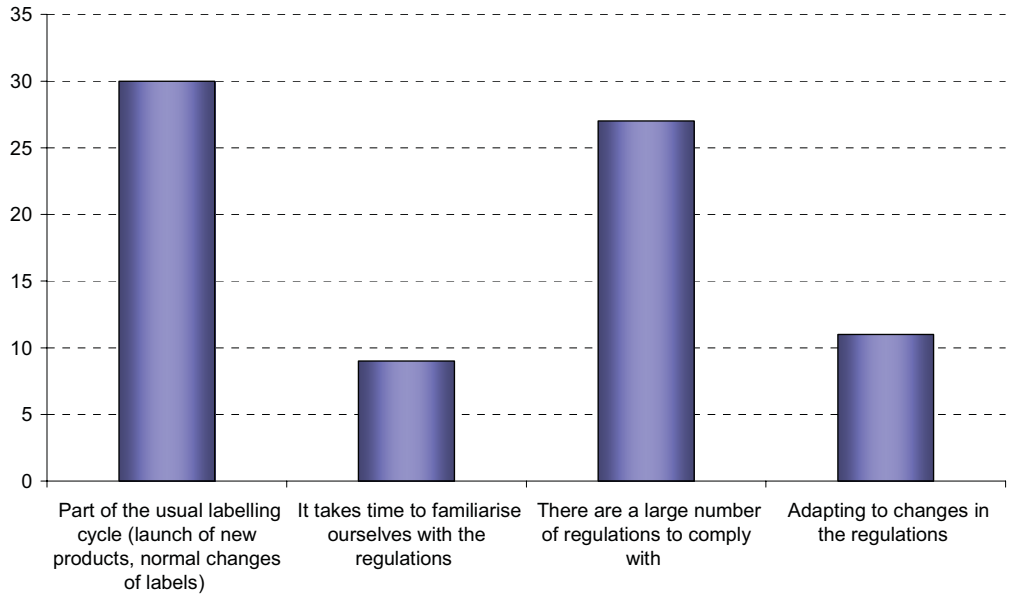
What is the average cost per hour of staff (across grades) working on these tasks (as above)?

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

What is the main reason for the amount of time spent on these tasks (please rank them: 1: main reason; 5=least important reason)?

- Part of the usual labelling cycle (launch of new products, normal changes of labels)
- It takes time to familiarise ourselves with the relevant regulations
- There is a large number of regulations to comply with
- Adapting to changes in the regulations
- Other (please specify)

No. of Respondents ranked the reason as the most important:



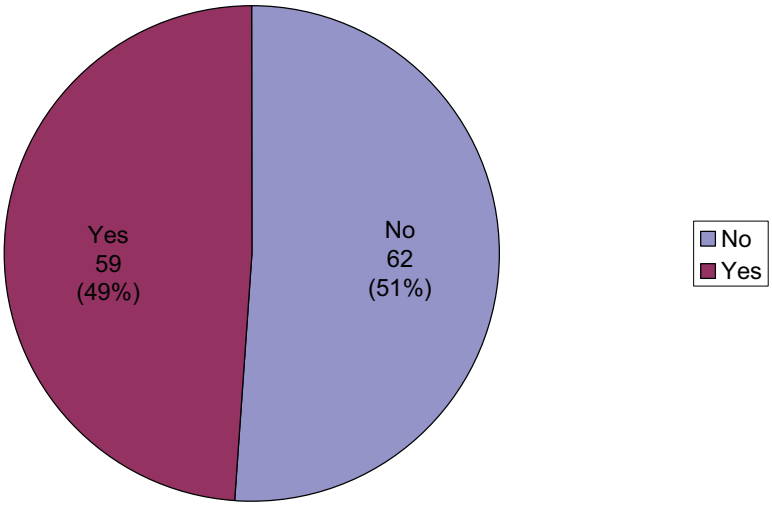
- Many respondents struggled with the on cost questions in the above, and decided to give up on answering the questionnaire. The total number of respondents dropped to 121 from this point on.

II. Questions related to the revision of Directive 2000/13/EC relating to the labelling, presentation and advertising of foodstuffs

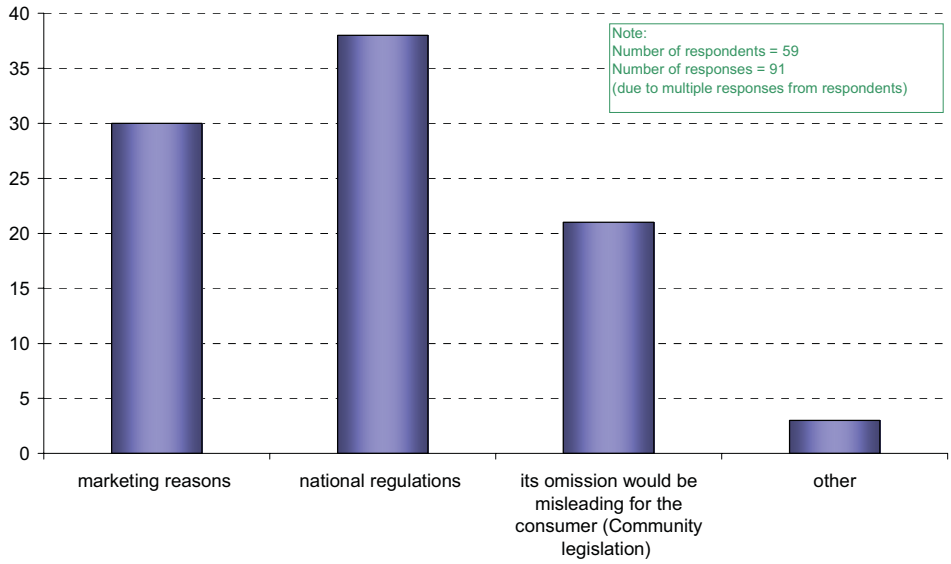
II.1 Costs associated with origin labelling

We would like to know whether there are any specific costs associated with providing information on the country of origin of products. These questions do not pertain to Protected Designation of Origin labelling and Protected Geographical Indication labelling, which fall outside of the scope of regulatory changes.

Do you include country of origin labelling on your products? YES/NO



If YES to question 18: what are the reasons for indicating origin labelling



i.

If you answered YES to question 18; what are the specific tasks and consequences associated with origin labelling? (i.e. those tasks that only apply to specifying country of origin for your stock-keeping units, so excluding printing, general administrative tasks, etc.).

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

Do you label fresh meat other than beef? YES/NO

- If YES, can you estimate the costs that would be associated with including country of origin on the label in terms of:
    - average cost in Euros per stock keeping unit, and
    - as a percentage of the average total costs of producing a stock-keeping unit?
- 18 out of 121 respondents answered yes, and only 5 of which provided cost data. The costs reported range from 0 EUR to 1400 EUR (i.e. 0% to 28%).

Do you produce processed single ingredient food products, (such as tomato concentrate)? YES/NO

- If YES, can you estimate the costs that would be associated with including country of origin on the label in terms of:
  - average cost in Euros per stock keeping unit, and
  - as a percentage of the average total costs of producing a stock-keeping unit?

- 21 out of 121 respondents answered yes, and only 7 of them provided cost data. The costs reported range from 0 EUR to 25000 EUR (i.e. 0% to 15%).

Do you produce dairy products? YES/NO

- If YES, can you estimate the costs that would be associated with including country of origin on the label in terms of:
  - average cost in euros per stock keeping unit, and
  - as a percentage of the average total costs of producing a stock-keeping unit?

- No respondents produced dairy products.

Do you produce multi-ingredient processed products? YES/NO

- If YES, for each of the following options can you estimate the costs that would be associated with including country of origin on the label:
  - indicating the place of last transformation of the product average cost in euros per stock keeping unit, and as a percentage of the average total costs of producing a stock-keeping unit?
  - specifying the provenance of the main ingredient(s) average cost in euros per stock keeping unit, and as a percentage of the average total costs of producing a stock-keeping unit?
  - specifying the provenance of all individual ingredients average cost in euros per stock keeping unit, and as a percentage of the average total costs of producing a stock-keeping unit?

- 58 out of 121 respondents answered yes. 12 of them provided cost data. The reported costs associated with indicating the place of last transformation of the products range from 0 to 5000(in percentage term the range is between 0% and 20%). The reported

costs associated with indicating the provenance of the main ingredient(s) range from 0 to 5000(in percentage terms the range is between 0% and 45%). The reported costs associated with specifying the provenance of all individual ingredients range from 0 to 5000(in percentage term the range is between 0% and 60%).

Costs associated with labelling alcoholic beverages

Do you produce/label alcoholic beverages, defined as those containing more than 1.2% by volume of alcohol? YES/NO

- Only 118 respondents answered this question, of which only 24 produced alcoholic beverages.

  If NO, proceed to question 27 (internal)

  If YES, we would like to know the costs specifically associated with providing information on the ingredients of your products on the label.

Do you provide ingredient listings on the label of your alcoholic beverages? YES/NO

- Only 11 of them provided ingredient listings on the label of their products.

Please specify the type of products:

  - Wine
  - Beer
  - Spirits
  - Mixed drinks (e.g. alcopops)
  - Other (please specify)

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

If you answered YES to question 25; what are the specific tasks associated with including ingredients list on your label? (i.e. those tasks that only apply to including ingredients list, so excluding printing, general administrative tasks, etc.).

Please specify these tasks:

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

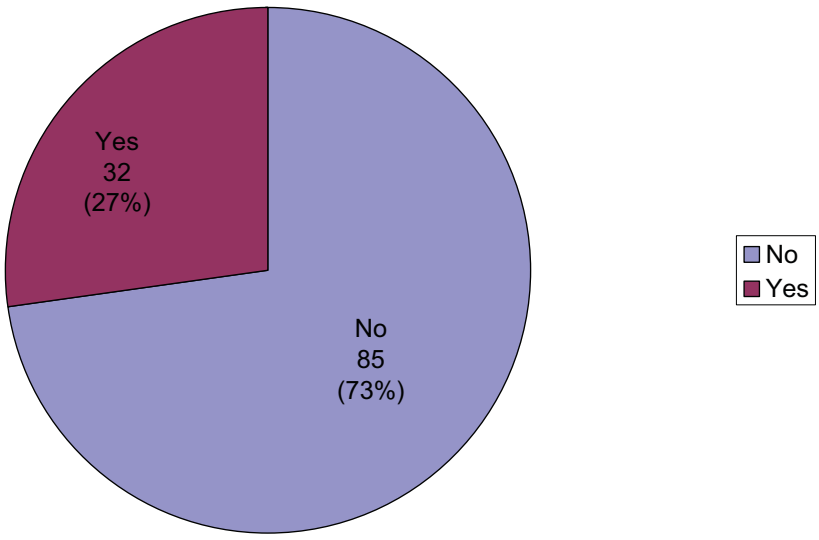
- Can you estimate the costs of these tasks associated with including ingredients list on the label of the alcoholic beverages in terms of:

- per stock keeping unit average cost in euro and
- as a percentage of the average total costs of producing a stock-keeping unit?

- Two respondents reported on the costs associated with including ingredients lists on the label of the alcoholic beverages. One reported 0 EUR; the other reported 1400 EUR.

Costs associated with providing information on food sold loose or not pre-packed

Do you produce food sold loose? YES/No



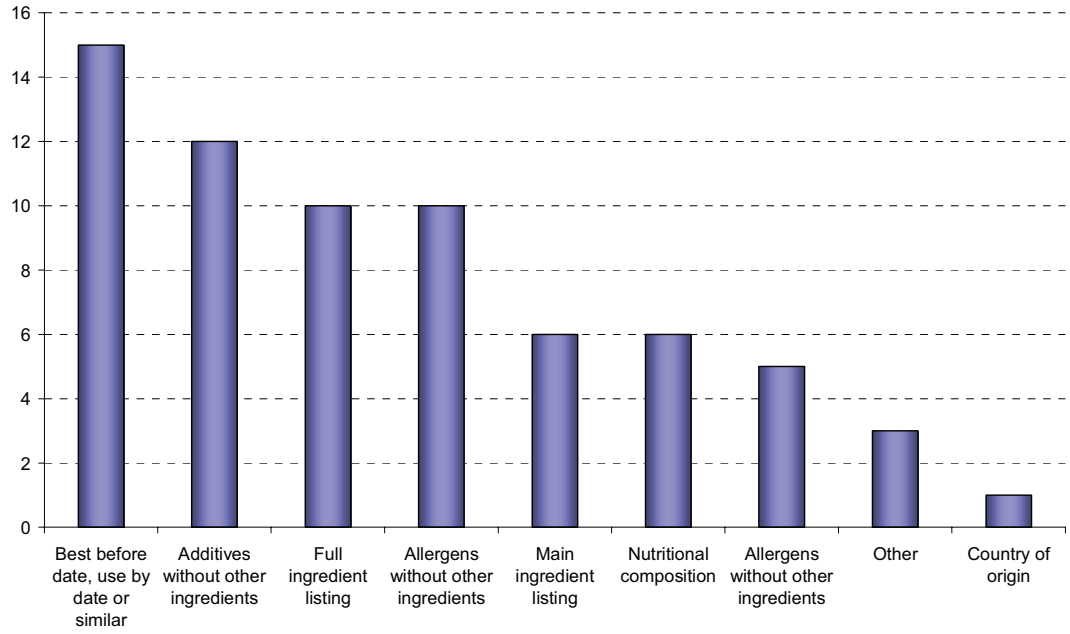
For food sold loose do you provide any information that is usually included on labels (e.g. best before date, allergens, country of origin, nutrition information, etc.)? YES/NO

If YES, please specify the type of information, how the information is provided, the tasks associated with providing this information (please specify), and the estimated cost per stock-keeping unit of providing this information

Type of information	Tick if its provided	How it is provided	Specify tasks associated with providing	Average cost of tasks per stock-keeping unit of providing

			information	information
Full ingredient listing				
Main ingredient listing				
Allergens without other ingredients				
Additives without other ingredients				
Nutritional composition				
Country of origin				
Best before date, use by date or similar				
Other				

- Due to poor quality of the responses, we are only able to summarise the results of this question in term of types of information provided:



If NO:

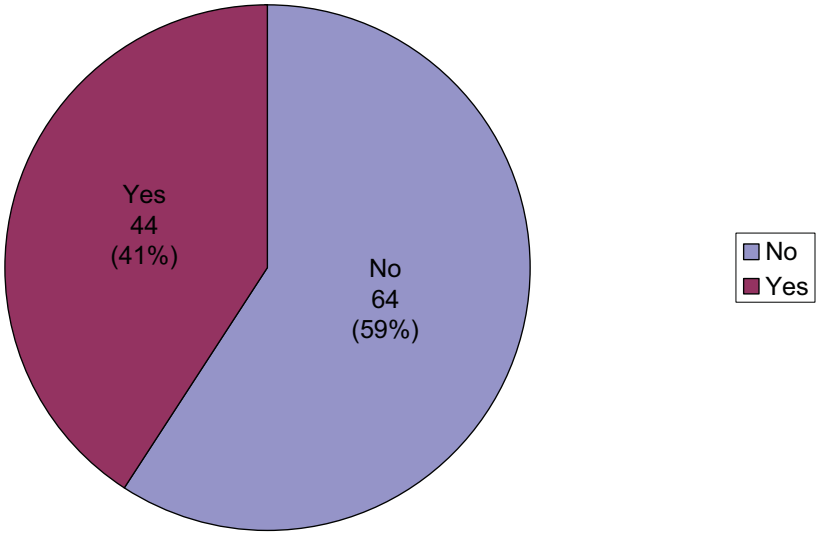
- Imagine that certain food labelling requirements (such as ingredients listing, allergen declaration) was extended to food sold loose. Please could you estimate the average cost per stock-keeping unit in euro with providing the information indicated below on food sold loose:

Type of information	How information might be provided	Average cost per SKU of providing this type of information
Full ingredient listing		
Main ingredient listing		
Allergens without other ingredients		
Additives without other ingredients		
Nutritional composition		
Country of origin		
Best before date or similar		
Other similar		

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

III. Questions related to the revision of Council Directive 90/496/EEC on nutrition labelling for foodstuffs

Do you provide any nutrition information (such as the amount of energy or nutrients per 100g or per portion) on your labels? YES/NO



Further analysis of the data by size of company:

	Yes	No
micro company (1-9 employees)	3	16
small company (10-49 employees)	8	19
medium company (50-249 employees)	5	13
large company (250+ employees)	26	8

If Yes,In terms of percentage of stock-keeping units, where on the label is the nutrition information presented?

Place of information	Percentage of SKU with this format
No nutrition information included on the label	
Front of pack or main display panel	
Back of pack	
Both front of pack and back of pack	

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

If yes, among those products that include nutrition information, what is the percentage of the stock-keeping units that present such information in tabular form or linear form?:

Format	Percentage of SKU with this format
Tabular form	
Linear form	

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

If you currently use linear form for nutrition information, what is the main reason why the information is provided in this format on the label? Please tick:

- Space constraints due to including the information in several languages
- Space constraints due to design of the label
- Space constraint due to a legal limit on permitted size of packaging
- Other (please specify)

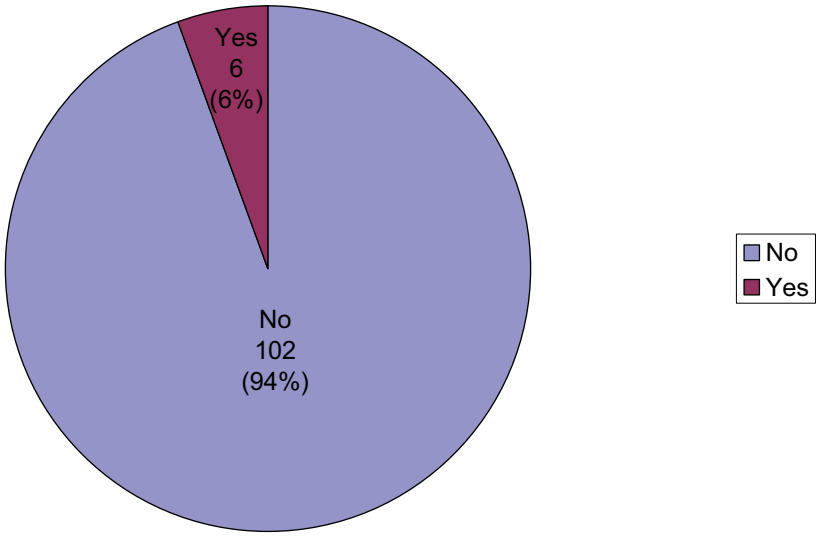
- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

Which items of nutrition information are specified on your labels (for example carbohydrates, calories, fat, sugar, etc.)? Please complete the table below:

Nutrients	Percentage of products with this information on the front of the pack	Percentage of products with this information on the back of the pack
Energy (calories/joules)		
Protein		
Fat		
Saturated fats		
Polyunsaturated fats		
Mono-unsaturated fats		
Carbohydrate		
Sugars		
Fibre		
Sodium/salt		
Vitamins		
Minerals		
Others (please specify)		

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

Do you provide information on trans fatty acids (TFA) on your products? YES/NO



What are the specific tasks associated with including nutrition information on the label? (i.e. those tasks that only apply to changing the nutrition information on a label, so excluding printing, general administrative tasks, etc.).

- Please specify these tasks:

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

Can you estimate the costs of these tasks associated with including nutrition information on the label in terms of:

- per stock keeping unit average cost in euro and
- as a percentage of the average total costs of producing a stock-keeping unit?

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

IV. Questions related to legibility of labels

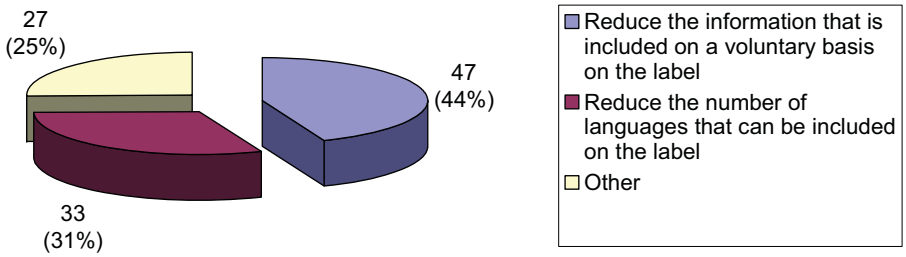
Would there be an impact on your company if a minimum font size for all mandatory information on your labels was established (please indicate yes or no and the percentage of stock-keeping units (SKUs) affected)?

i.	1.25mm	yes/no	% of Stock-keeping units
ii.	1.5mm	yes/no	% of Stock-keeping units
iii.	1.75mm	yes/no	% of Stock-keeping units
iv.	2mm	yes/no	% of Stock-keeping units
v.	2.25mm	yes/no	% of Stock-keeping units
vi.	2.5mm	yes/no	% of Stock-keeping units
vii.	2.75mm	yes/no	% of Stock-keeping units
viii.	3mm	yes/no	% of Stock-keeping units

- Due to severe problems with the quality of the responses, we are unable to summarise the results of this question.

If yes – what would be the impact?

- Reduce the information that is included on a voluntary basis on the label
- Reduce the number of languages that can be included on the label
- other – please specify



For those who answered "Other", some of them provided comments:

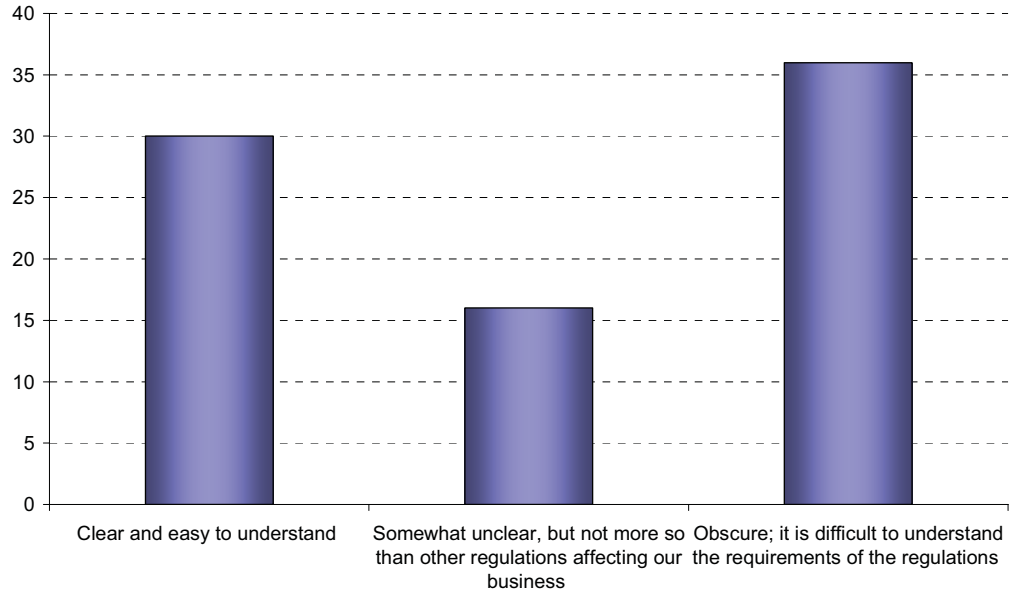
- *Would not be able to include all mandatory info on smaller tub labels*
- *masking provenance*
- *costs to change all the labels*
- *make label bigger*
- *If mandatory, we would be obliged to have multiplicity of labels per language, that we do not have to day.*
- *marketing reasans*
- *Cost of label changes*
- *content can be misunderstood*
- *Move to peel and read label. Packaging Regs issues*
- *label would be too small*

- *lack of space!*
- *Have to start over again with the hole process of labelling.*
- *te grote etiketten en slordige verakkingen*
- *The appearance of the product. For example: It's not possible to put a 10x5 sticker (if the text fits on it!) on a little box of 2 bonbons. The label should not be too prominent on the product.*
- *All of above*
- *the label has to fit to the package !*
- *The font size used on packs varies, usually depending on the size of pack. We operate to best practice standards provided by the UK IGD*
- *design changes*
- *Proliferation of labels/withdrawal from small markets*
- *Might result in creation of new pack size to accommodate all the mandatory information.*
- *A lot of mandatory requirements for our products. Cannot increase font type.*
- *Label redesign required*

V. Closing questions

In your view, the existing body of regulations around general and nutrition labelling of foodstuffs is

- Clear and easy to understand
- Somewhat unclear, but not more so than other regulations affecting our business
- Obscure; it is difficult to understand the requirements of the regulations
- Other



For those who answered "Other", they had the following comments:

- *the EU regulations are clear, it is the national interpretations and exceptions that constitute the problems.*
- *it is a nightmare to find the applicable rules amid horizontal and vertical legislation*
- *clear but gives to many information to the consumer*
- *for a lot of product there is a surplus of information*
- *especially for complexe products, with multi-ingredients (the ingredients list is very difficult to understand for the people)*
- *Legislation related to labelling is often very complex, with different texts having been adopted over decades. It is difficult to cope with the diverging*

interpretations of Member States, even between different regions of a same MS. Regulations and maximum harmonisation with regards to mandatory labelling would be more straighforward for operators

Are there any issues that impact on the cost of cost of labelling that this questionnaire has not taken into account?

15respondents responded to this question:

- *Not so much cost, more space/size issues. Very difficult to fit all information required on small tubs.*
- *Obligatory nutritional labelling would be too costly for my business, and would possibly not serve the purposes required at this time. Changes in our understanding of nutritional requirements are on-going, what may seem appropriate this year may prove to be different at a future date. Each consumer has such varying requirements, does it make sense to try to address all the variations in dietary needs for each individual?*
- *the requests from health agents about the ingredients that we not produce but are included in the mixture, they are mandatory*
- *imposed use of colour: obligatory blue line for beef with 'safe marrow' could be solved in a cheaper way*
- *The costs (money and hours) for labelling are ever increasing. The national regulations on labelling are vast and inconsistent. The reviews and controls made by the authorities seem to be arbitrary. Thorough label reviews by labelling consultants in each of the country have to be done and they are quite expensive. The results of these review shows that national interpretations of the EU regulations sometimes are contradictory and do not simplify trade, on the opposite.*
- *The proportion between cost of labelling and 500 million consumers real interests and understanding, to be checked through street-surveys and tests*
- *How to reach a one single EU regulation? Same rules for everybody*
- *To summarize, the costs impact is very important for our company (10% of the results. It is difficult to express it in % of cost average - SKU-because of the very different products of our ranges). It could be reduced by coordinating the applications of the regulation in the time and also by increasing the delay (more than 3 years)*
- *The ban on rewriting labels that are non sufficiently readable is making the import business difficult.*
- *We are a very small company, the pressure and costs of labelling is out of proportions comparing to the large companies.*
- *Changing the regulations at set intervals every 2/3 years - rather than continuously*
- *The cost of software and service*

- *The questionnaire had quite a difficult approach to the different tasks and costs because for example the country specific languages are not separated as a cost per label but rather cause a different SKU which is al larger question due to logistical problems and production runs – label changes in the lines and so on*
- *Timing of changes, both in terms of time allowed for compliance and date for compliance. With adequate notice, mandatory changes could be incorporated in normal label renovation process at small added cost. Increasing amount of information risks impacting legibility as there is very limited additional space available on a beer bottle to "grow" the label (would also be a capital cost to change label handling equipment.*
- *NO.*
- *1) The questionnaire has not mentioned the issue of multi-languages, which is sometimes a regulatory requirements (i.e. in Multi-lingual countries), and often a commercial requisite (cf. massification of production in order to reduce costs and benefits from economies of scale). 2) Also, in view of the increasing awareness of global warming, necessary energy savings, the issue of the reduction of the size and weight of packaging, in order to improve logistics and transport efficiencies, as well as waste reduction, need to be taken into account. The revision of labelling requirements will have clear impacts on the packaging policy. These reviews must go hand in hand, and should not come in contradiction with the EU global environmental agenda. In this perspective, other means of consumer information, besides labelling, might be worth considering as well. 3) To end with, this survey seems to overlook some specificities linked to particular products. For instance, food sold loose, which is aimed at being sold and consumed locally (cf. very short shelf life) should be dealt with at local level. There subsidiary should apply in order to take into account local and national prerequisites (For instance, in France, distinction between bakery and pastry...).*
- *Our products are niche products (metabolic and dietary products). If we cannot have multilingual labelling because of the font size, costs will be too high and the reference will disappear*
- *Development cost of specification systems*
- *Label write-off is a large one-off cost which occurs when deadlines for compliance with new legislation are short and restricted to a finite date that products should not be on the market rather than not manufactured.*