



Agra CEAS Consulting (FCEC)
and **Areté** Research & Consulting in Economics as sub-contractor

**Study on the application of rules on
voluntary origin labelling of foods and on the
mandatory indication of country of origin or place of
provenance of meat used as an ingredient**

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AIIPA - ASSOLOMBARDA

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Grounds for Areté's involvement in the study

1. Experience in policy evaluation dating back to 2002
2. Involved as lead contractor or sub-contractor in studies funded by DG AGRI, DG SANTE, DG ENTER, DG JRC focusing on the agribusiness system and the related policies
3. Consultant to agribusiness companies and sector organisations in the food industry
4. Fruitful experience of co-operation with AGRA CEAS, lead contractor for the study

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Policy context for the study

Policy context for the study

Reg. (EU) No 1169/2011 of the European Parliament and of the Council on the provision of food information to consumers (“FIC Regulation”)

- Policy framework for **voluntary origin indications** (Article 26(3)) - **VCOOL**
- Provisions on mandatory indication of country of origin or place of provenance of unprocessed meat of pigs, poultry, sheep and goats
- Requires the Commission to produce reports to examine the feasibility of **mandatory origin labelling – MCOOL** for other categories of foods;
 - 7 reports covering:
 1. types of meat other than beef, swine, sheep, goat and poultry;
 2. milk;
 3. milk used as ingredient in dairy products;
 - 4. meat used as an ingredient;**
 5. unprocessed foods;
 6. single ingredient products;
 7. ingredients that represent more than 50% of a food.

Terms of reference for the assessment on VCOOL

Terms of reference for the assessment on VCOOL

Study objective: assessing the **impact of different options for the modalities of application** of the provision governing the use of VCOOL as laid down at Article 26(3) of FIC Regulation

Scope and key themes

- Current use of voluntary origin labels in the EU and sourcing practices
 - Recognition by consumer and competent authorities of origin indications for “primary ingredient”
 - Stakeholders’ understanding of “primary ingredient” and its origin
 - Origin to be considered for the application of the rules
- *In view of the **options for origin labelling** => study of the **impact of possible modalities of indicating the origin of “primary ingredient”** (including vs. the **origin of the final food**)*

Terms of reference for the assessment on VCOOL

Policy options

- ***Origin to be considered for the application of the rules***
 1. **Option 1** = origin information corresponding to the place where the primary ingredient underwent its last, substantial, economically justified transformation
 2. **Option 2** = origin information corresponding to the place where the raw ingredient originates, such as the place of harvest or place of farming
- ***Modalities of indicating the origin of primary ingredients (PI)***
 1. **Modality 1** = origin/provenance of PI declared at the same level of precision than final product (e.g. product – country / PI – country)
 2. **Modality 2** = origin/provenance of PI declared at a higher level of precision than final product (e.g. product – EU / PI – third country “X”)
 3. **Modality 3** = origin/provenance of PI declared at a lower level of precision than final product (e.g. product – country / PI – non-EU)

Terms of reference for the assessment on MCOOL for meat used as an ingredient

Terms of reference for the assessment on MCOOL

Study objective: examine the need for the consumer to be informed regarding the origin of meat ingredient(s) and the operational feasibility of providing the mandatory indication of the country of origin or place of provenance of meat ingredients, *in case the introduction of mandatory labelling is deemed necessary*

Scope and key themes

- Consumers' interest in the origin of meat ingredients
- Characteristics of the food supply and processing chain in relation to meat preparations, meat products and other meat containing processed foods
- Identification, description, analysis of economic, social, and environmental impacts of potential options for labelling the origin of meat ingredients

Terms of reference for the assessment on MCOOL

Policy options

➤ *Geographical level of origin labelling*

1. **Option 1** = origin labelling based on a) EU/non-EU origin or b) EU/third country;
2. **Option 2** = labelling indicating the Member State or third country;
3. **Option 3** = other geographical entities as place of provenance.

➤ *Modalities for the definition of origin*

Unprocessed meat ingr., minced meat, mech. separated meat, meat prep.

1. **Modality 1** = Origin split in three stages: "born, raised and slaughtered" following the beef origin labelling or any different combinations
2. **Modality 2** = Origin determined according to the customs origin definition: slaughter and minimum period of raising prior to slaughter

Meat ingredients used as meat products to produce multi-ingredient foods



1. **Modality 1** = Origin as determined in accordance with the Union Customs Code (mainly country of the last substantial transformation).
2. **Modality 2** = More extensive origin information related to the provenance of the fresh meat from which the meat product is produced

**MCOOL – main findings and conclusions:
consumers' attitudes on MCOOL and
willingness to pay**

Consumers' attitudes on MCOOL and WTP

Key conclusions

Results of **FCEC consumer survey** (consistent with reviewed consumer research)

- Origin of food products = **fifth most important aspect influencing consumers' purchase decisions** (out of 11 aspects considered), behind: taste; best-before / use-by dates; appearance; price
- Looking at different categories of meat products, the importance attached to the indication of origin is – on average – relatively **higher for meat preparations and processed meat** than for prepared food containing meat 
- Discrepancy between declared **strong interest to know more on the origin of meat ingredients AND low willingness to pay** (but also actual rather than declared purchasing behaviour) => “**consumer paradox**” 

Consumers' attitudes on MCOOL and WTP

Key conclusions

FCEC consumer survey (*continued*)

- Highest interest to know the “**country where meat was produced**” (nearly 50% of consumers - EU average); less interest for more general (e.g. “produced in the EU or outside the EU”) or more specific origin information (e.g. “country where the animal was born/raised/slaughtered”)
- **Significant differences between Member States** (interest in origin information; understanding of origin information; etc.)

Other evidence


- Consumers' *actual* purchasing behaviour often not in line with *declared* strong interest in origin information => **economic importance of voluntary schemes concerning the origin of meat ingredients in meat and meat-based products is generally limited**, with few significant exceptions (*Viande Porcine Française (VPF)* in France; *UK Voluntary Principles*)

MCOOL – main findings and conclusions: impacts on procurement costs

Impacts on procurement costs

Key conclusions


Technical feasibility for FBOs

- Technical feasibility of different options and modalities = **key issue for FBOs**
- **Option 1** (*origin labelling based on a) EU/non-EU origin or b) EU/third country*) = **more feasible** (or at least less challenging) than the other options
- In general **only Modality b.1** (*origin as determined in accordance with the EU Customs Code – mainly country of the last substantial transformation*) under Option 1 is considered **technically feasible by FBOs** (especially in the case of use of meat ingredients for the production of multi-ingredient foods)
- Other options/modalities = **not feasible** due to:
 - **Incompatible sourcing patterns and practices** for live animals and fresh/unprocessed meat. 
 - **Need to switch to smaller production batches, and/or to interrupt continuous phases of the production process** (to achieve segregation by origin within the plants) => serious inefficiencies
 - **Systematic adaptation of labelling/packaging to changes in the origin(s) of meat** used as ingredient, especially in case of frequent changes in origin.

Impacts on procurement costs

Key conclusions

Cost of implementation of technically feasible options

- Costs (and feasibility) of **traceability** = **key concern** (*significant adjustments to achieve full (cumulative) traceability along the supply chain; additional traceability costs +3-10% of total production cost for meat preparations/meat products; prepared meals*)
- Additional costs stemming from **option 1** (*origin labelling based on a) EU/non-EU origin or b) EU/third country*) = **generally lower, or much lower**, than additional costs from **option 2** (*labelling indicating the MS or TC*). 
- Four **most impacted cost items**:
 1. adaptation of **sourcing practices** and possible changes in the mix of suppliers
 2. adaptation of **production process** of the final product
 3. adaptation of **packaging and labels/labelling process**
 4. implementation/adaptation of **traceability** (taking into account the features of existing systems)
- If **trimmings/fat** are covered by MCOOL => impossible to implement traceability => no use of these co-products => **additional losses** (foregone revenue)

MCOOL – main findings and conclusions: impacts on labelling costs

Impacts on labelling costs

Key conclusion

- Frequent change of origins => extremely frequent changes of packaging and labels and additional investment in printing equipment => **underutilization of packaging lines and increase in waste packaging material.**

Some evidence for impacts on labelling costs

% increase with respect to total production cost; Option 2 (MS/TC)

- CLITRAVI (EU average): cooked sausages +2-5%; cooked ham +1-3%.
- ASSICA (Italy): mortadella and cooked ham = +3% or more.
- BMPA (UK): sausages +2-5%; burgers +6-10%
- ECFF (EU average): prepared meals with meat-based ingredients = +3-5%

MCOOL – main findings and conclusions: impacts on control costs for operators

Impacts on control costs for operators

Key conclusion

- The level of the cost increase would depend on the **complexity of the controls**, which can vary according to:
 1. Whether meat used as ingredient is a **single cut from one source only** or is **multiple cuts from different origins**
 2. **Type of products** and **type of FBO** (risk profile; 'lighter' or 'stricter' controls of compliance to EU food hygiene rules)
 3. **Level of geographical detail requested** (EU/non-EU; MS/TCs; other geographical specifications)
 4. **Level of traceability along the chain**: completeness and form (paper documents or electronic) of origin documentation available from previous operator in the supply chain

Some evidence for impacts on control costs

% increase with respect to total production cost; Option 2 (MS/TC)

- CLITRAVI (EU average): cooked sausages and cooked ham +8-12%.

Overview of current state of play for COOL-related policy framework

State of play for COOL-related policy framework

Implementing act on the application of Article 26.3 (b) – voluntary origin indications - VCOOL (pending)

- Commission's Impact assessment in September 2013
- *Article 26(3)(b) does not apply as long as the implementing act is not adopted*

FCEC study on the application of rules on voluntary origin labelling of foods and on the mandatory indication of country of origin or place of provenance of meat used as an ingredient

Report on the mandatory origin indication of meat ingredients - MCOOL

- Adopted on 17 December 2013 (+ Commission Staff Working Document)
- Factual report without proposals for action (or no action)
- Discussion with EU Ministers in March 2014
- Member States have different positions

State of play for COOL-related policy framework

Implementing act on mandatory origin labelling of meat from swine, goat, sheep, poultry

- Adopted on 14 December 2013 (Reg. 1337/2013)
- Applies from 1 April 2015

Other reports on mandatory origin labelling

- Milk, milk used as an ingredient in dairy products, and types of meat other than beef, swine, sheep, goat and poultry: **DG AGRI competence** (*an external study has been commissioned*)
- Unprocessed foods, single ingredient products, and ingredients that constitute over 50% of a food: **DG SANTE competence** (*an external study has been commissioned*)

Thank you for your attention

Contacts

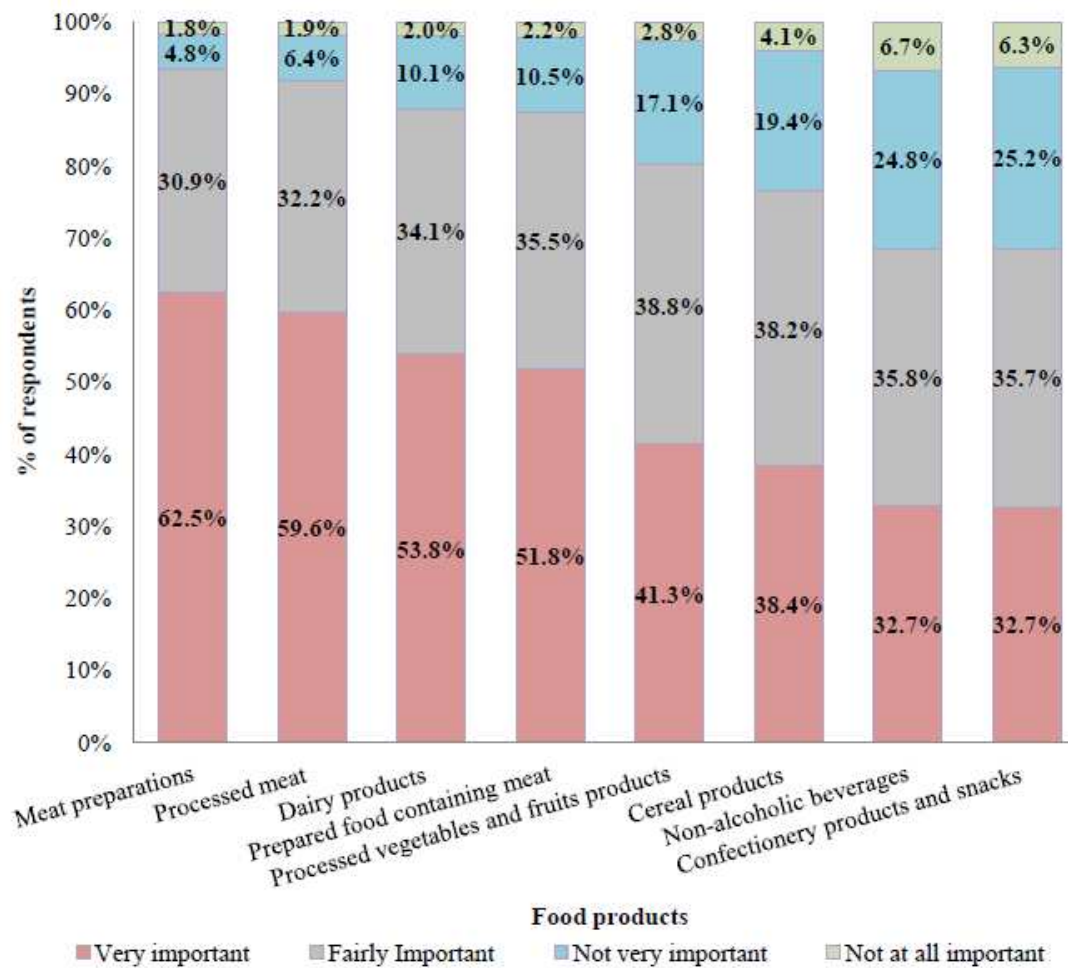
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Consumers' attitudes on MCOOL and WTP

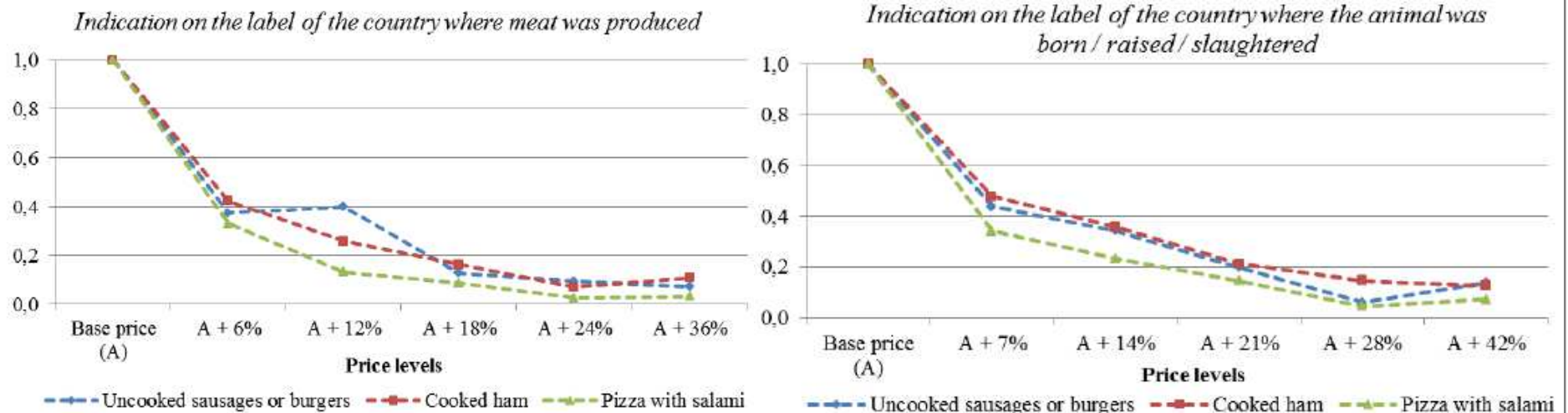
How important is it for you that the origin is indicated on the label for each of the following food products / beverages?



Consumers' attitudes on MCOOL and WTP

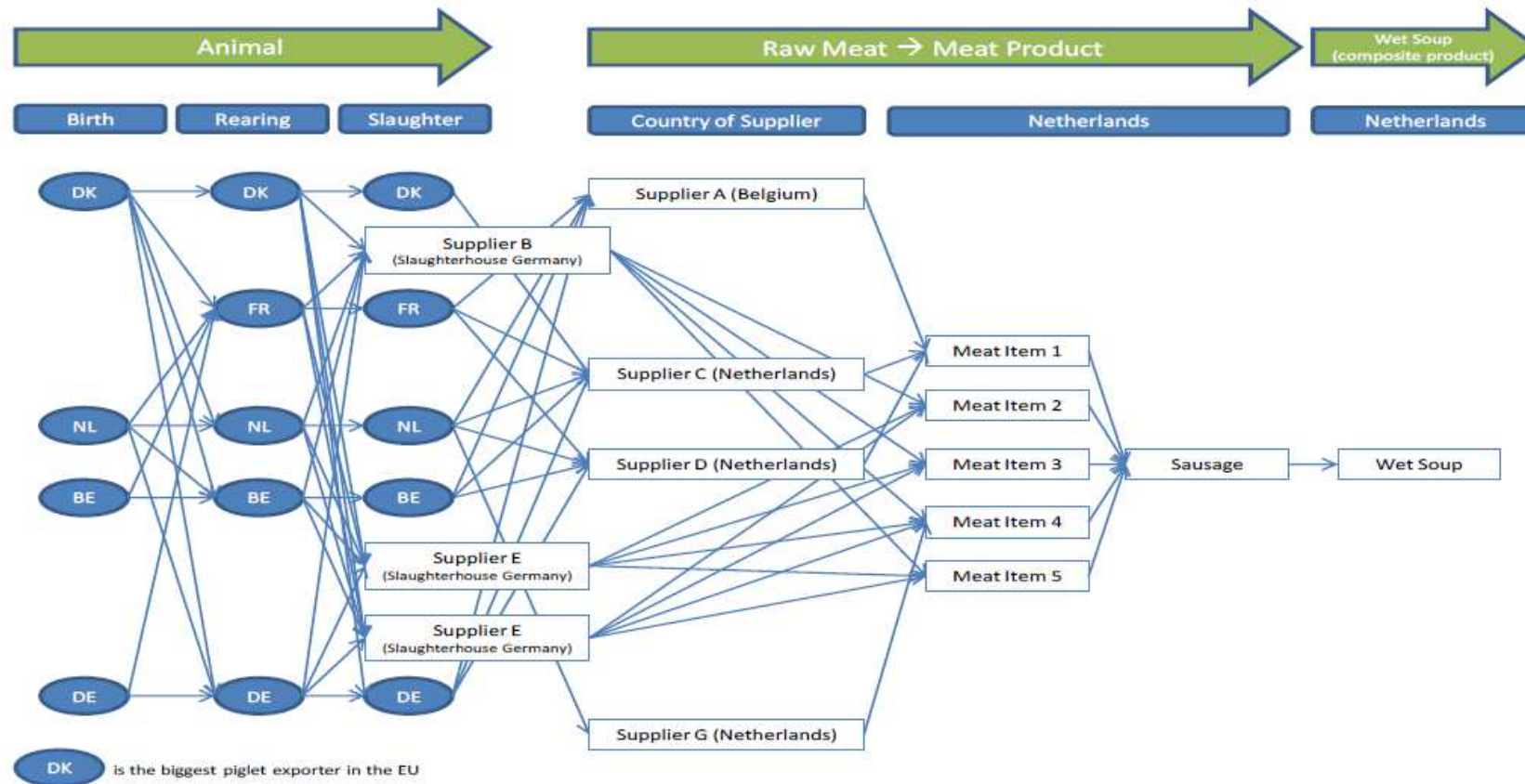
Figure 10: WTP according to the level of detail provided on the indication of origin (average data for 15 EU countries)

Note: Assuming as equal to 1 the prevalence of consumers who are willing to pay the base price (A), the graph represents the relative prevalence of consumers willing to pay different price options.



Impacts on procurement costs

Figure 8: Structure of the supply chain: pigmeat sausages for final consumption and used as ingredient in food product

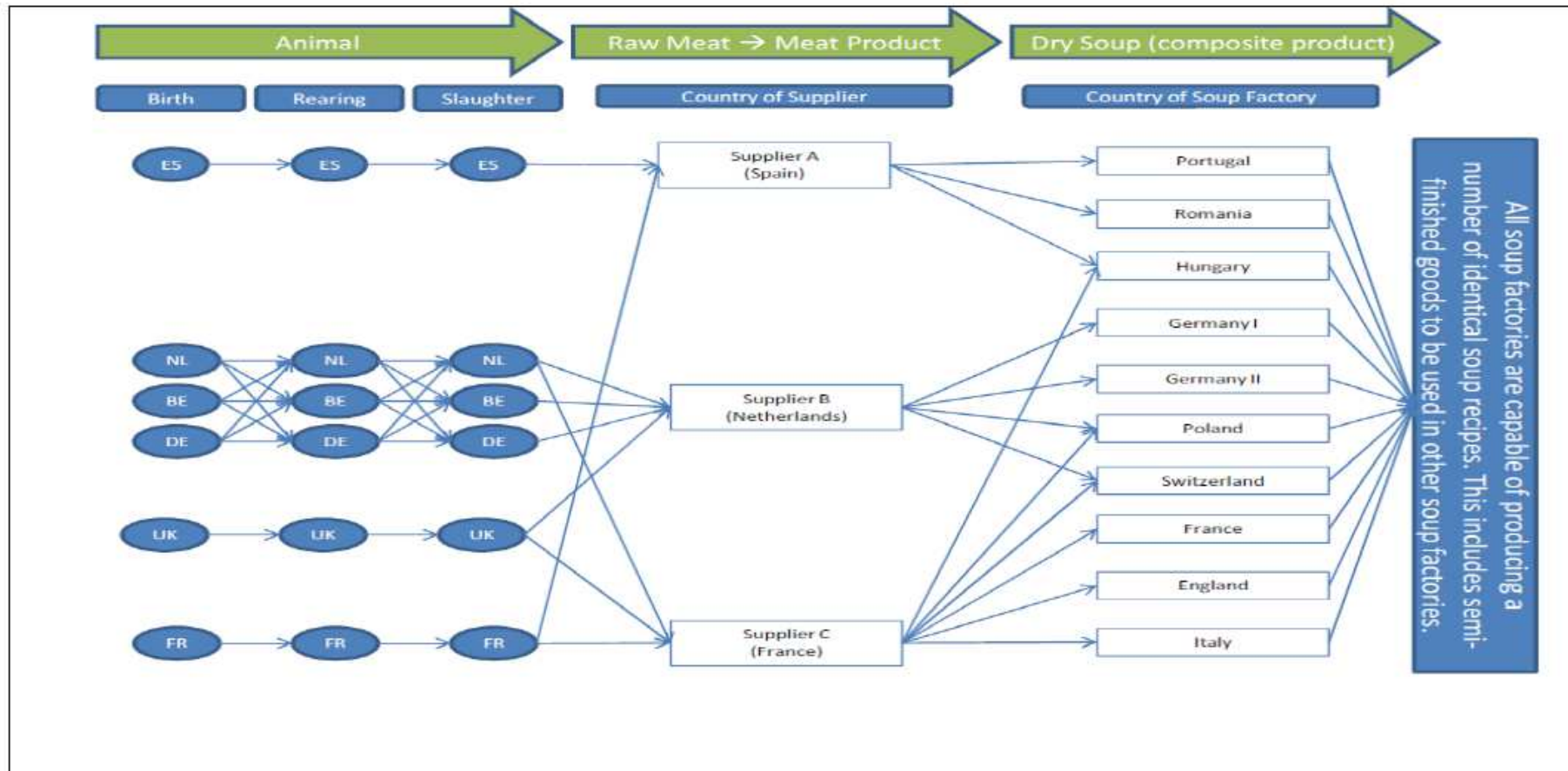


Note: this figure represents the supply chain for uncooked sausages (cat I), cooked sausages (cat III) and sausages used as ingredient in food products (cat II).

Source: CLITRAVI

Impacts on procurement costs

Figure 9: Structure of the supply chain: chicken-based meat ingredient



Source: CULINARIA EUROPE



Impacts on procurement costs

“Mortadella” and cooked ham: breakdown of estimated additional costs (Italy)

CLITRAVI IT member association ASSICA provided estimates of indicative increases for specific cost items in the production of “Mortadella” (Bologna sausage, typical Italian product) and cooked ham, stemming from implementation of MCOOL for meat used as ingredient, under the following scenarios:

1. EU / non-EU or EU / TC origin information (Option 1)
2. MS / TC origin information (Option 2).

The estimated increases for the various cost items are reported in the table.

Type of product	Cost items	Option 1 (EU/non-EU or EU/TC) % increase	Option 2 (MS / TC) % increase
“Mortadella”	Raw materials (meat)		+13-15% (use of IT meat) +10% (use of meat from another MS)
	Labour & management	+0.5%	+10%
	Packaging & labelling	+0.5%	+3% or more
	Total production cost	+1%	+20-30%
Cooked ham	Raw materials (meat)		+33% (use of IT meat) +20% (use of meat from another MS)
	Labour & management	+0.5%	+10%
	Packaging & labelling	+0.5%	+3% or more
	Total production cost	+1%	+10-35%

Source: ASSICA

Impacts on procurement costs

Prepared meals: breakdown of estimated additional costs

ECFF estimates an *average additional cost of 15-25%*, broken down as follows:

- Adaptation of sourcing practices for ingredients: +3-5%
- Adaptation of production of the final product: +3-5%
- Adaptation of packaging and labelling: +3-5%
- Adaptation of marketing practices of final product: +3-5%
- Adaptation of traceability: +3-5%

Additional costs mainly derive from:

- changes in supply sources and suppliers (the latter must be able to provide single-origin meat ingredients, or at least to provide all the required information concerning the origin of such ingredients),
- selection and audit of suppliers,
- re-organisation of storage and production
- increase in waste (unused meat ingredients; unused packaging & labels)
- modification of labels (approximately €2,000-3,000 per reference)
- downtime of packing lines for systematic update of packaging and labels
- management of label and packaging stocks in the plant and in the printers

