

DG AGRICULTURE AND RURAL DEVELOPMENT
WORKING DOCUMENT, OCTOBER 2008

Disclaimer: this working document was prepared by the services of DG Agriculture and Rural Development for information purposes. It does not necessarily represent the views of the European Commission. This document is available in English only.

*BACKGROUND NOTE TO THE GREEN PAPER ON AGRICULTURAL PRODUCT
QUALITY*

MANDATORY LABELLING FOR EU ORIGIN

1. INTRODUCTION

Concerning mandatory origin labelling:

- What geographical reference could be used ('EU' or 'country')?
- What could be helped and what could be hindered by a system of compulsory EU and/or Country (MS) origin labelling? Can the Australian model be used ?
- What is the potential for other types of "origin" labelling (such as "EU farmed" retained for organics)?

Current horizontal food labelling rules are laid down in Directive (EC) No 2000/13 (hereafter 'the Labelling Directive'). They concern pre-packaged food to be delivered to the final consumer or to restaurants, hospitals, canteens or other similar mass caterers. The horizontal rules are not applicable to the wholesale trade, or exported products, and apply without prejudice to more specific legislation. Although one major recent amendment was introduced in 2003 (labelling of allergenic ingredients) most of the provisions date back to 1978.

The Labelling Directive is based on the principle that labelling, presentation and advertising of foodstuffs must not mislead the consumer as to the foodstuff characteristics or effects.

On origin, the provisions are covered by a general clause in Article 2(1)(a)(i):

labelling and methods used must not:

(a) be such as could mislead the purchaser to a material degree, particularly:

(i) as to the characteristics of the foodstuff and, in particular, as to its nature, identity, properties, composition, quantity, durability, origin or provenance, method of manufacture or production; [...]

(iii) by suggesting that the foodstuff possesses special characteristics when in fact all similar foodstuffs possess such characteristics;

And within the list of compulsory indications, Article 3(1)(8) provides for mandatory origin or provenance labelling:

... where failure to give such particulars might mislead the consumer to a material degree as to the true origin or provenance of the foodstuff;

For example, in 2003 a Spanish decree providing for compulsory labelling of the origin of canned asparagus, given the reasonable assumption by consumers that unless otherwise stated, it had Spanish origin. This was considered to comply with the requirement and therefore, the Commission did not oppose it.

2. SOME POSSIBLE IMPACTS

The impact of the labelling rules on businesses is thought to be limited: labelling is a marketing tool to differentiate one product from another. Typically changes can be accommodated in the usual lifecycle of a label (few months for branded products such as cereals or soft drinks, few years for niche products and commodity products such as sugar, salt or flour).

More difficult problems are related to labelling of information that the food business operator does not readily have – and so must create it or demand it from the supplier. Country of origin in particular for composite products is a case in point. Although consumers generally ask for more information on origin, the industry is used to source ingredients from different origins according to price and availability and a consistent use of country of origin presents difficulties.

The food business operators are primarily responsible for the implementation of food law including labelling. However national administrations have the obligation to verify the respect of the obligations and the correctness of the declarations made on the label.

3. REVISED LABELLING DIRECTIVE

The new Commission proposal, merging current labelling provisions with some new elements and nutritional labelling, has proposed to continue the current rules of obligatory origin labelling. A more detailed framework has been proposed however for voluntary origin labelling, especially with regard to products of livestock origin.

4 WHAT TYPES OF ORIGIN LABELLING ARE THERE?

‘Origin’: used for customs purposes and the subject of WTO Committee on Rules of Origin negotiations. In general two definitions can be used: the place of a product's last ‘substantial transformation’, or a definition related to the origin of the raw materials for agricultural products and foodstuffs.

‘Farmed’ or ‘Agriculture’: a new definition for origin was introduced in the Organic regulation, where organic produce will be labelled according to whether the raw materials come from EU or non-EU agriculture.

‘Made in’ or ‘Produced in’: for processed products, the place of production can more accurately be indicated by a ‘Made in’ indication. On the other hand, ‘Made in’ or ‘Packed in’ may conceal information about the origin of the raw material.

‘Ingredients from’: for processed products this indication can resolve confusion about whether the origin refers to the origin of the ingredients or the place of manufacture. In some cases (wine, olive oil), the indication "obtained in X from olives/grapes harvested in Y" is used.

‘Localisor’: normally origin labelling refers to a particular text apart from the brand or food name. For some foods a localisor is used, such as “Emmenthal française”, within the name of the product itself.

5. WHAT TYPES OF PLACE ARE THERE?

EU and non-EU: retained in the Organic regulation and may be used for honey in case of blends. 'Country of origin' could be used as an alternative on a voluntary basis when the product wholly originates from one country.

Member State and third country: Some observers consider that 'country of origin' labelling (COOL) gives a marketing advantage to the 'home' country within the single market. However COOL has been introduced for some products under EU legislation (fresh fruit and vegetables, etc...). COOL could be combined as an alternative to 'EU/non-EU' labelling, to allow traders to choose between 'EU/Non-EU' or 'MS/third country' origin (examples: extra virgin and virgin olive oil; honey).

Region and PDOs and PGIs:

For PDOs, the raw materials come from the area concerned – except for a few significant products where the raw material is sourced from a larger area within the same MS.

For PGIs, only one of the stages of production of raw materials need come from the zone. Where the origin of the raw material is not a factor, any national restriction on the origin of PGIs must be justified as an exception to the Single Market.

A few PDOs and PGIs come from places that are different from the name indicated, but normally within the same Member State. One example is Stilton cheese, named after the place it was brought to the market (Stilton) rather than the region of milk production and cheese manufacture.

6. LABELLING DIRECTIVE IMPACT ASSESSMENT

The Commission's impact assessment¹ including on origin labelling to support the new labelling proposal included the following points:

- As consumers tend to prefer products from their own countries, mandatory origin labelling has the potential to increase entrance barriers to markets in other MS... except for products with a strong connotation of origin...
- Allowing MS to introduce specific mandatory origin labelling requirement in response to justified demands, could produce a “scattered regulatory landscape across Europe”...
- Concerning cost, if the place of production is the origin, there would be no extra cost to businesses. If regulations require origin of ingredients to be indicated, costs will rise, but probably not too much for small producers.
- There may be label re-design costs to consider.
- If ingredient origin labelling is required, changes in sourcing will require changes in labelling.
- Study in the US put the increased cost of origin labelling for poultry at 0.01% and for fish at 0.64%. An Australian study showed that labelling the origin of ingredients would increase costs for processed foods by 1.4%.
- SMEs consulted would expect a positive impact from compulsory origin labelling.
- CODEX Committee on Food Labelling has not reached consensus on compulsory origin labelling.
- Many countries have introduced origin labelling for specific products, such as fish in the US. However, only Australia has introduced comprehensive compulsory COOL.
- Health and food safety are not improved by origin labelling... [but] often COOL is linked to food safety perceptions, especially in connections to certain health crises such as BSE or avian flu.
- While there is fairly clear support of origin labelling from consumers, the benefits and effects of origin labelling are far from being clear.

7. OVERVIEW OF CURRENT POSITION

General: if the consumer would be misled by failure to show the origin, then it is compulsory (Labelling Directive).

¹ Draft impact assessment report on general food labelling issues, accompanying the CIS. .

CMO labelling:

- (non-EU) only for imported **poultry meat** (country) **beef and veal** (born, raised and slaughtered indications; introduced post-BSE)
- (country, on a compulsory base) **fresh fruit and vegetables**. (NB : as from 1 Jan 2008 (R 1182/2007), COOL is compulsory in the EU for all fresh fruit and vegetables.
- (country or EU or, in case of blends, EU/non-EU, on a compulsory base) for **Extra virgin and virgin Olive oil**;
- (country or, in case of blends, EU/non-EU, on a compulsory base) **table wine**

Hygiene rules:

- (MS code for place of processing/transformation) all **livestock products**

Vertical directives:

- (country or, in case of blends, EU/non-EU, on a compulsory base) **honey**

Organic: (EU/non-EU) ‘farmed’: place of production of all raw ingredients. If only one country is concerned the Country name may be used.

Member State level: **Cheese** norms agreed in Codex in 2007 require country of origin labelling.

Annex

THE AUSTRALIAN MODEL

The Australian Country of Origin Labelling (COOL) Standard was enforced in June 2006 requiring retailers to differentiate local produce, as opposed to imported produce, at the supermarket shelf.

The legislation followed a study that concluded against the introduction of COOL. However, in Australia, there was sufficient enthusiasm for it to be introduced anyway. New Zealand does not apply the standard.

The main provisions of “Standard 1.2.11, Country of origin labelling requirements” are:

- Not applicable to food sold in restaurants, canteens, schools, self-catering...
- **‘Product of’** is the premium claim and the country of origin claimed must be the origin of each significant ingredient and all or virtually all the process of production or manufacture;
- **‘Made in’**: the goods must have been ‘substantially transformed’ in the country concerned and 50% of the costs of production must have been carried out in that country. ‘Substantial transformation’ means ‘a fundamental change... in the form or nature of the goods such that the goods are different before and after the transformation...’
- If ‘Made in’ is not possible, an **qualified claim** may be made: eg ‘Made in Australia from imported ingredients’, or ‘Packaged in Australia from local and imported ingredients’.
- **Packaged food** must be labelled with a statement:
 - where the food was ‘made’ or ‘produced’ or
 - identifying the country where the food was ‘made’, ‘manufactured’, or ‘packaged’ AND an indication of the ‘local’ or ‘imported’ origin of the ingredients.
- **Non-packaged food** a label in conjunction with the food:
 - identifying the country or countries of origin of the food;
 - or a statement that the food is a mix of local and/or imported foods.

THE US 'COOL' (FROM 2008)

- Mandatory Country of Origin Labelling: applies to muscle cuts of beef (including veal), lamb, chicken, goat, and pork; ground beef, ground lamb, ground chicken, ground goat, and ground pork.
- The labelling obligation will apply at retail level (defined as those handling fresh and frozen fruits and vegetables with an invoice value of at least \$230.000 annually, excluding therefore butchers for instance), excluding food service establishments (such as restaurants but also for instance salad bars or delicatessens located within retail establishment).
- Covered commodities include fresh or frozen beef (including hamburgers), lamb, chicken, goat and pork, fish and shellfish, fresh and frozen fruits and vegetables, peanuts, pecan nuts and macadamia nuts as well as ginseng. Processed food items are excluded.
- US country of origin for meat is defined as a meat from an animal born, raised and slaughtered in the US. If there is multiple country of origin, all origins have to be mentioned.
- The regulation foresees that the marking must be legible, conspicuously located, using only acceptable abbreviations, etc. Regional designations are fine, except for meat, fish and shellfish.
- As far as recordkeeping requirements are concerned, any person engaged in the business of supplying a covered commodity to a retailer, directly or indirectly, must make information available to the buyer about the country/ies of origin of the covered commodity.