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IMPACT ASSESSMENT REPORT

accompanying the

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

**Options for animal welfare labelling and the establishment of a European Network of
Reference Centres for the protection and welfare of animals**

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INTRODUCTION

Animal Welfare is an increasing concern of today's society. Today the farming of animals is no longer viewed by European consumers simply as a means of food production. Instead it is seen as fundamental to other key societal goals such as food safety and quality, safeguarding environmental protection and sustainability. Although major consumer segments have become increasingly price sensitive, consultations carried out by DG SANCO and the results of several Eurobarometer surveys revealed that a significant percentage of European consumers¹ respond that they are willing to pay more or would change shopping habits in order to buy animal welfare friendly products, while the vast majority also believes that similar animal welfare standards should be applied to food products imported from outside the EU. All these aspects are taken into account in the development of EU animal welfare policies which are founded upon long-standing legislation (Annex III) based on clear scientific principles, public concerns, and stakeholders' input.

In the course these stakeholder consultations on animal welfare it has become clear that a strategic framework for EU action is needed. Options for action covered by this framework are included in this report. This Impact Assessment provides analysis to support the development of strategic orientations in the field of animal welfare labelling and the establishment of a network of references centres for animal welfare.

The aim of the Commission initiative is to allow an open and informed debate at Council and Parliament level on the possibility of establishing animal welfare labelling and a network of reference centre/s for animal welfare. This initial impact assessment outlines the potential sectors impacted by the options outlined. At this stage the Commission does not outline any commitments already agreed for action but explores various legislative proposals that could be used to establish animal welfare labelling and a network of reference centre/s for animal welfare (areas highlighted in the Community Action Plan on the Protection and Welfare of Animals). Any firm policy decisions that may be taken forward as a result of this debate would be subject to further impact assessment exploring the cost of the proposed action.

The first Community Action Plan on the Protection and Welfare of Animals 2006-2010 (COM (2006) 13 final)² defines the direction of the Community policies and the related activities for the coming years to continue to promote high animal welfare standards in the EU and internationally considering animal welfare as a business opportunity while respecting the ethical and cultural dimension of the issue.

This plan highlights the importance of consumer information as part of a comprehensive communication strategy on animal welfare. Enabling consumers to make informed purchasing decisions has the potential to give an economic incentive to industry to improve the welfare of animals. A clear label identifying the "level" of welfare applied could represent an effective marketing tool as currently used for the identification of certain agricultural products with particular regional attributes. Such a system of

¹ 57 % are willing to pay more for hen's eggs sourced from an animal welfare friendly production system (Special Eurobarometer 229 - Wave 63 (2005)), and 61 % are willing to change their usual place of shopping in order to be able to buy more animal welfare friendly food products (Special Eurobarometer 270 – Wave 66 (2006)).

² http://ec.europa.eu/food/animal/welfare/com_action_plan230106_en.pdf

classification will need to be based on standardised scientific indicators well recognised both in the EU and internationally, and underpinned by research, in order to facilitate accurate marketing of these products.

Furthermore, the Action Plan envisages the creation of a “European Centre or laboratory for the protection and welfare of animals”, which could serve as coordinating body for the different initiatives related to the animal welfare labelling, such as maintenance of welfare indicators, certification and auditing schemes. In addition, the Centre could perform tasks in particular in relation to harmonisation and coordination, policy advice and sharing of best practices, education and training and dissemination of information. The Centre should also facilitate the preparation of relevant socio-economic studies and impact assessments. The Action Plan suggests developing standardised animal welfare indicators in order to provide a science-based tool to make animal welfare measurable. The Commission already supports an important research project, the Welfare Quality Project³, which will serve as basis for elaborating such indicators and for the classification of animal welfare standards applied. Such a classification system could be used for product labelling providing consumers with transparent and reliable information. After assessing the objective of the Action Plan it was considered that considering options for the establishment of a European Network of Reference Centres for the protection and welfare of animals (ENRC) coordinating existing resources would be a better way to achieve the goals in the Action Plan rather than establishing a new independent body. An ENRC could in this context provide technical support for the further development of the system, including certification of animal welfare conditions.

The Conference “Animal Welfare – Improving by Labelling?” (Brussels, 28 March 2007), organised by the European Economic and Social Committee, the European Commission and the German Presidency enabled broad discussions to take place with representatives of all stakeholder groups. This conference concluded that labelling could under certain conditions contribute to improving animal welfare.

The Council of Ministers adopted in May 2007 Conclusions on Animal Welfare Labelling⁴, inviting the Commission to present a report on animal welfare labelling in order to allow an in-depth debate on this issue. To further assess this issue, the Commission launched in December 2007 a feasibility study discussing with stakeholders the topic of animal welfare labelling in order to prepare a Commission report. The aim of the study was considering options to deliver to consumers animal welfare-related information on products of animal origin in relation to a broader communication strategy towards consumers on animal welfare and to assess different possibilities for the establishment of a Community Reference Centre for Animal Protection and Welfare.

It should be noted that this initiative goes on in parallel with the planned Communication on Agricultural Product Quality policy. SANCO is aware of the need for this policy to complement other existing labelling policies – the EU Organic label, the Eco-label – and potential new policies - DG Agri's product quality proposal and SANCO's food information policy. It will be important that the systems are coherent and compatible, i.e. they complement one another in delivering policy outcomes and that they are introduced in a consistent manner to prevent stakeholders and consumers receiving mixed and confusing messages.

³ <http://www.welfarequality.net/everyone>

⁴ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/93986.pdf

A close cooperation between DG SANCO and other DGs has taken place along the process through ISSG meetings, bilateral meetings, written correspondence to ensure coherence and consistency between the new proposed labels and the existing schemes in place.

EXECUTIVE SUMMARY

In 2006, the Community Action Plan on the Protection and Welfare of Animals 2006 – 2010 was adopted. This plan highlights the importance of consumer information as part of a comprehensive communication strategy on animal welfare and the planned establishment of a European centre for animal welfare.

Three Eurobarometer surveys were carried out in 2005 and 2006 on animal welfare. The results showed that there is strong public support for the idea of a label or logo of some type to give information on animal welfare in food production.

In December 2006, DG SANCO published a **summary of the results for the consultation** ‘Labelling: competitiveness, consumer information and better regulation for the EU’⁵, which also covered animal welfare labelling. The vast majority of contributors consider information on the animal welfare conditions under which food is produced to be relevant for consumers and a potential marketing opportunity for producers and retailers.

In May 2007, the Council of Ministers adopted conclusions on animal welfare labelling⁶, inviting the Commission to present a report on this issue in order to allow an in-depth debate.

Following on from the Action Plan and the surveys, DG SANCO has started to explore various legislative and non-legislative options for animal welfare labelling and for a network of reference centres for animal welfare in order to further the debate. However, neither initiative is intended to raise animal welfare standards as such. The aim of the labelling initiative is to increase consumer understanding of animal welfare, among other options, by the information provided on the labels, and the proposal for reference centres is intended to harmonise accepted animal welfare standards and to promote the sharing and use of best practice in animal welfare systems. To help prepare its report, DG SANCO commissioned a study to assess the feasibility of different options for indicating animal welfare-related information on products of animal origin and for establishing a Community Reference Centre for Animal Protection and Welfare. This study was conducted by **Civic Consulting** (lead), with some input from **Agra CEAS Consulting**, of the Food Chain Evaluation Consortium (FCEC).

The study concluded that a key issue for consumers where animal welfare is concerned was the lack of information on food products regarding animal welfare standards. In the course of the study, the consultants found various reasons for the lack of information on the market, including:

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http://ec.europa.eu/food/food/labellingnutrition/betterregulation/competitiveness_consumer_info.pdf.

6

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/93986.pdf.

- the absence of a harmonised system of animal welfare standards for labelling purposes;
- the difficulty in communicating to the consumer in a clear way the difference in animal welfare standards across food products; and
- the evolution of different animal welfare labelling schemes across Europe, creating differentiation between goods and a non-levelled playing field for operators.

Taking into account the findings from the comprehensive stakeholder consultation carried out during the external feasibility study, the Commission explores policy options in the report to address the current lack of consumer information and inequities in the Single Market, including the possibilities for a voluntary/mandatory animal welfare labelling scheme and the establishment of a European Network of Reference Centres to share best practice on animal welfare. At this stage, the report does not outline any commitments already agreed for action, but simply examines various options that could be used to address the objectives of the Action Plan.

The Impact Assessment provides analysis to support the development of strategic orientations on how to better communicate in the field of animal welfare and the establishment of a network of references centres for animal welfare, as set out in the report. The report, scheduled for autumn 2009, will not contain definitive legislative proposals — these will be put forward if needed, and be accompanied by their own specific impact assessments.

Given the different impacts of the areas covered in the report, the impact assessment has been divided into two parts — the first concentrating on the impacts of different options for improving the communication to consumers on animal welfare related to livestock products and the second exploring the impacts of establishing a Network of Reference Centres.

Part I: Animal Welfare Labelling

DG SANCO is exploring the possibility of establishing a system of animal welfare labelling to improve consumer information on welfare standards and existing welfare schemes and to harmonise the internal market to prevent widely differing welfare standards being used under the generic ‘welfare’ term. This initiative does not aim to raise the minimum standards laid down in Community legislation or to improve compliance with existing legislative requirements.

This impact assessment has focused on the options outlined in the report for animal welfare labelling to give an idea of the likely impacts on stakeholders of each option. Given the early stage of policy development, the impact analysis remains mainly qualitative, but, where possible, quantitative estimates of the potential impact are provided.

For mandatory labelling, several options are considered:

- mandatory labelling of the welfare standards under which products of animal origin are produced,

- mandatory labelling of the farming system under which products of animal origin are produced, and
- mandatory labelling of compliance with EU minimum standards or equivalents.

The impact assessment also considers voluntary options, including:

- establishment of requirements for voluntary use of animal welfare claims;
- establishment of a voluntary Community Animal Welfare Label open for all to use if they meet the criteria;
- drafting of guidelines for animal welfare labelling and quality schemes.

Although this impact assessment does not conclude on any definitive option for animal welfare labelling, it does identify the legislative and non-legislative options that are considered the most feasible at this stage (harmonised requirements for voluntary animal welfare claims and/or a Community animal welfare label). It is hoped that the report and Impact Assessment in combination will help facilitate an in-depth inter-institutional debate on the subject to consider if further EU action is necessary.

Part II: European Network of Reference Centres for the Protection and Welfare of Animals

The objective of the second part of the impact assessment is to explore and assess the feasibility of different options for establishing a European Network of Reference Centres for the Protection and Welfare of Animals (ENRC).

Consideration of the options to develop a central community reference centre was based on concerns raised in consultation on:

- the lack of harmonised animal welfare standards/indicators for higher animal welfare;
- lack of coordination of existing resources to share best practices;
- the need for an independent source of information at EU level and
- the duplication of activities due to a lack of coordination at EU level.

Taking this into account the Commission is discussing options that it hopes will achieve greater coordination of existing resources while identifying future needs and will ensure a more consistent and coordinated approach to animal protection and welfare across Commission policy areas.

The main policy options discussed in the impact assessment are:

- continuation of the current situation (status quo option),
- various different options for a centralised approach,
- various options for a decentralised approach and
- option using a task-specific strategy to determine central and decentral elements.

Whilst again the impact assessment at this stage does not identify a preferred option it does consider that if EU action was to be taken in this area some form of mixed approach based on decentralized and centralized elements would be most feasible.

PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

The initiative is a SANCO item in the Commission Agenda Planning of 2009 (2009/SANCO/037). Stakeholders and other Commission services concerned have been closely involved in the preparatory process from an early stage.

Consultation:

Four case studies of existing animal welfare or animal welfare related private schemes were used for the assessment of the different possibilities for animal welfare labelling by the contractors. The four case studies of existing schemes cover one scheme devoted exclusively to animal welfare (Freedom foods - UK), a second scheme that focuses on a variety of issues including animal welfare (Bioland - Germany), a third scheme concentrating on superior quality certification for food products (Label Rouge - France), and a fourth scheme related to a European legislation designed, *inter alia*, to inform consumers of the production system used to produce eggs (Egg marketing legislation). Also a brief description of animal welfare schemes in some selected third countries is included in the study.

Selected relevant stakeholders within the countries operating these schemes were contacted for in-depth interviews (e.g. food industry associations, farmer organisations, meat producers, wholesalers/retailers, auditors, animal welfare organisations, consumer organisation).

A total of 12 in-depth interviews were conducted for the study with representatives of existing bodies, either within the Commission or in the Member States, public or private, dealing with animal welfare related issues and of similar structures in other policy areas to complement the data collected through the other methodological tools. A total of 14 additional exploratory interviews were conducted with various stakeholders. The number of interviews conducted by type of interview is provided in the table below. A more detailed list of the interviewees is included in Annex V (page 72 of the annex).

Number of stakeholders interviewed

Type of interview	Number of interviews
Bodies dealing with animal welfare related issues and of similar structures in other policy areas	12
Exploratory interviews	14
Working group meeting	Group meeting
TOTAL	27

The survey of general stakeholders was conducted also in the framework of the study. The table below presents the number of respondents per country:

Respondents to the general stakeholder survey

Respondents to general stakeholder survey	Questionnaires received
Austria	3
Belgium	7
Czech Republic	1
Denmark	3
Estonia	1
Spain	29
EU	8
Finland	3
France	3
Germany	20
Ireland	1
Italy	1
Malta	1
The Netherlands	10
Poland	1
Romania	1
Sweden	2
Slovenia	1
United Kingdom	12
Non-EU (Australia, Canada)	2
Total	110

A working group of the Advisory Group on the Food Chain and Animal and Plant Health on animal welfare related labelling was held in Brussels on 21 April 2008. The meeting was mainly informative. The main points of the Commission feasibility study and related activities in the Welfare Quality Project were presented as well as examples on existing animal welfare labelling schemes. Citizens' demands for information on food origin and

production and especially on animal welfare standards in relation to the political options for delivering this information were discussed. Around 20 stakeholder organisations were represented in the meeting.

Inter-service Steering Group

An Interservice Steering Group consisting of several Commission DGs (DG TAXUD, DG RTD, DG AGRI, DG TRADE, DG ENV, DG EMPL, DG MARE, DG ELAR, SJ, SG, JRC-ISPRA, and BEPA) was established to conduct the study and the impact assessment process. This Steering Group met twice during the evaluation period. The comments expressed by the various DGs represented at the meetings (and further e-mail exchanges) have been taken into account in this document. The minutes of the meetings can be found in Annex IV to this document.

The analysis carried out during the impact assessment process has been based on the results of the study. These results are based on a wide consultation with stakeholders (industry, consumer groups, etc) carried out by the consultants during the feasibility exercise.

This initiative is not a legislative proposal, but a report whose main purpose is to present the results of the feasibility study, outline possible options for legislative and non-legislative approaches to take forward actions in the Animal Welfare Action Plan and to open the inter-institutional debate on the issue of animal welfare labelling. The analysis carried out has been mainly qualitative, in line with the proportionality principle for impact assessment. Nevertheless, some quantitative estimation on the possible impacts of the different options has also been included in this document. These estimates are based on an in-depth study of the socio-economic implications of the various systems to keep laying hens commissioned by DG SANCO and carried out by Agra CEAS Consulting of the Food Chain Evaluation Consortium (FCEC) in 2004⁷. In this study, the equilibrium displacement model was applied in order to estimate the impacts of changes in several factors that may affect the egg market sector in the EU as explained in more detail later in this document. While the object of this study was laying-hen farming systems, some extrapolations can be made to other farming sectors.

In any case, if a legislative proposal were presented in the future, an in-depth quantitative impact assessment would be carried out to assess the economic, social and environmental impacts of the proposal. In addition, further consumer research (Eurobarometer) would also be undertaken to consider if consumer opinions stated in the previous surveys (willingness to pay, etc.) remain valid or whether different influences are now having an impact on consumers' purchasing patterns.

Impact Assessment Board

The draft Impact Assessment was submitted to the Board on 13 March 2009 and discussed at the Board meeting of 22 April 2009. The opinion of the Board included a number of recommendations for the improvement of the impact assessment report, which were taken into account prior to the resubmission of the report.

⁷

http://ec.europa.eu/food/animal/welfare/farm/socio_economic_study_revised_en.pdf

This document has taken into account their comments as far as possible. As a consequence of the outcome of the opinion of the Impact Assessment Board, some changes have been introduced in this document, in particular, it has been clarified that the aim of this initiative is to open an inter-institutional debate on the issues raised in the Animal Welfare Action Plan and not to raise minimum animal welfare standards or to address problems of compliance with current standards. The objectives of this initiative and their links with the problems identified have been clarified.

The Impact Assessment Board issued a second opinion on the resubmitted draft impact assessment report on the 16 June 2009. The issues raised by the Board in their second opinion have been taken into account in this document, in particular the choice for a report for this initiative given the already vast stakeholder consultation undertaken, the evidence and criteria that would be used for the assessment of future concrete measures as well as the identification of the impacts that are expected to be most significant. In addition, some editorial and changes in the presentation of the document were made.

PART I: ANIMAL WELFARE LABELLING

1. PROBLEM DEFINITION

- Existing evidence has highlighted a growing interest from stakeholders to know the welfare conditions relating to the animal products they eat in order to make more informed choices on the food they buy. At present, whilst voluntary welfare labelling schemes exist, there are no harmonised standards on the levels of welfare afforded to animal by these private schemes: consumers are unable to understand and differentiate the welfare standards promoted under these schemes in order to make informed purchases.
- This difficulty in providing clear information to the consumer on welfare standards has a knock-on effect with very few products providing information and very little motivation for more businesses to improve animal welfare in order to display a label. In addition the evolution of different animal welfare labelling schemes across Europe has created differentiation of goods and an unlevelled playing field for the operators.
- The extent of the problem differs according to the species. Most attention is focussed on the intensive production systems developed for poultry (and eggs), pigs, and veal calves.
- This proposal is focusing on rectifying the information asymmetry between final consumers and producers of animal welfare standards and the market distortion of different welfare schemes being created with no underpinning standards. This proposal does not seek to explore compliance with the existing EU minimum animal welfare standards or ways to improve standards.

1.1. Drivers for policy change

1.1.1. Consumers demands for animal welfare labelling/information

Although the majority of consumers are price-sensitive, the results of several surveys have revealed the existence of a group of consumers who are interested in high-quality products. For these consumers, high quality often includes higher animal welfare standards. This consumer segment seems to be much larger than the growing, but still comparatively small group of intensive-buyers of organic products.

In many countries this quality-seeking consumer segment is not adequately served – due to information asymmetry on production methods - so that there are market opportunities for products that combine higher animal welfare standards with other above-average characteristics.

- The results of two Eurobarometer surveys⁸ that were carried out in 2005 showed that there is a strong public support for the idea of a label or logo of some type that could give information on animal welfare in food production.

⁸ Special Eurobarometer 229 "Attitudes of consumers towards the welfare of farmed animals" (2005)

- In December 2006 DG SANCO published the **summary of results for the consultation** "Labelling: competitiveness, consumer information and better regulation for the EU", which also covered animal welfare labelling. The vast majority of contributors consider information on the animal welfare conditions under which food is produced as relevant for consumers and a potential marketing opportunity for producers and retailers.
- In a **survey conducted by Eurobarometer in 2006**⁹, citizens were asked about their willingness to change shopping patterns due to welfare considerations. The results indicated that a majority of more than 60% would be prepared to do this. Around a quarter indicated considerable enthusiasm for the prospect and only 9% stated that animal welfare considerations would not change their consumption patterns. In the same survey, almost three-quarters of respondents believed that buying animal welfare friendly products could have a positive impact on the protection of farmed animals. Furthermore, the results of this survey revealed that 33% of the interviewees agreed that (current) labelling enables them to identify welfare-friendly products and 55% disagreed. Consumers' preferred means of identifying welfare protection systems is through labelling. Around four in ten (39%) say they would like to receive information via text on product wrapping, with a similar proportion (35%) saying logos would be a good method of identification.

Consumers' interest on animal welfare friendly products is not homogeneous across the EU but the general trend is an increased purchase of products obtained in more animal welfare friendly farming systems. Some retailers are also demanding animal welfare friendly products from their suppliers and promoting this to the consumers (Annex I)

Box 1

Increased demand for animal welfare friendly products (table eggs) (Source: socio-economic implications of the various systems to keep laying hens, Agra CEAS Consulting)

In some southern Member States where there is relatively little production of, or demand for, alternatively produced eggs, virtually 100% of eggs sold fresh are from the traditional caged system. Moving northwards, the proportion of eggs from alternative systems consumed fresh rises sharply. In the Netherlands, Denmark and the UK it is estimated that close to 50% of eggs sold at the retail level are now sourced from alternative systems, in Germany and Austria the percentage is estimated to be around 25%. The proportion sourced via alternative systems has gradually increased as some large retailers have indicated they will no longer source fresh eggs from traditional caged production. Inasmuch as there is data available, the share of the EU-15 laying hen flock held in alternative systems between 1993 and 2003 has risen from 3.56% to 11.93%.

Consumers' preferences may have changed since 2006, when the last Eurobarometer on animal welfare was conducted, due to the current economic crisis. In order to confirm the results of the previous surveys and to examine whether consumer interest on animal

⁹ Special Eurobarometer 270 "Attitudes of EU citizens towards Animal Welfare" (2006)

welfare information has waned, a new Eurobarometer will be carried out before issuing any proposal.

1.1.2. Lack of consumer awareness of animal welfare standards provided by existing schemes

The animal welfare aspects of general certification schemes may not be fully understood by consumers. Existing standards and claims such as organic, free-range or “farm-made” already include, to a certain degree, animal welfare aspects without always being very explicit about them. Therefore consumers are not able to understand animal welfare aspects of current wider certification schemes because these schemes are not explicit on the animal welfare conditions afforded by the animals. Consequently consumer cannot tell which scheme offers best animal welfare conditions and which schemes include animal welfare conditions higher than the minimum standards which would enable them to make informed purchasing decisions. Additionally, consumers may assume that some schemes include animal welfare conditions above the minimum standards while this might not be the case.

In this context the majority of stakeholders consulted requested that labelling standards be clear enough about their contributions to animal welfare, based on a sound scientific framework. Both aspects are considered important for avoiding misinterpretations by and confusion of consumers.

Box 2

The results of a recent poll commissioned by the RSPCA¹⁰ on animal welfare labelling of pig meat in the UK illustrate this problem

Only a staggering two per cent of those questioned understand the terms used on pork products, such as 'free-range', 'outdoor bred' or 'outdoor reared', meaning almost all shoppers are confused about the conditions in which pigs are actually reared

Some 83% of respondents agreed that "animal welfare is an important consideration when buying pork". More than half (60%) said they always bought higher welfare pork (RSPCA 'Freedom Food', free range or organic). However, nearly a quarter (23%) said they did not because they "didn't know much about how the pigs are reared".

1.1.3. Inconsistency of existing animal welfare labelling schemes

The results of the analysis carried out by the external contractor on existing EU animal welfare schemes showed that the inconsistency of animal welfare claims may be an issue.

Schemes that focus only or mainly on animal welfare have normally a comprehensive understanding of animal welfare (including welfare at transport and slaughter). Other schemes that are based on food quality may have a positive effect on animal welfare (mainly at farm level) but this is not their main driver. Other schemes are perceived by consumers as animal welfare schemes, even though they only confirm that minimum standards are met.

¹⁰ Royal Society for the Prevention of Cruelty to Animals

The following examples illustrate different private animal welfare schemes and the different standards these schemes afford animals. It also highlights the proliferation of different schemes on the market and the difficulty consumers face when trying to distinguish which products have higher animal welfare standards than others products on the market.

- **Freedom Food** is the only farm assurance scheme in the UK with high animal welfare as its primary goal. The scheme is available to farmers, hauliers, abattoirs, processors and packers who can meet the standards. Species-specific production guides are available which set out the precise management prescriptions for production to Freedom Food standards. These standards include sections on food and water, the environment in which production must take place (covering housing, handling, etc.), animal management, animal health, transport and slaughter.¹¹
- **Label Rouge's** main focus of the scheme is organoleptic quality of the product and the use of non-intensive production methods (mainly for environmental, but also for animal welfare reasons) and economic sustainability. Participation is open to producers and processors of food products after demonstration of their ability to comply with the *notices techniques*, the minimum technical requirements of the label. Animal welfare specifications relate to the type of rearing, the genetics, maximum stock densities, the origin and type of feed, the slaughter age and the transport.
- **Organic farming** stresses the creation of an appropriate environment focusing on: access to exercise or outdoor areas and pasture; specific housing conditions; sufficient resting areas and suitable bedding. The scheme bans mutilation that leads to stress, harm, disease or suffering of animals and restricts it only to be used to improve the animals' health, welfare or hygiene and to be carried out applying adequate anaesthesia or analgesia. The scheme requires species-adapted management practices e.g. calves older than one week are not allowed to be kept in single boxes, piglets must not be kept on flat decks or in piglet cages, water fowl must have access to an open water surface, sows must be kept in groups and poultry must have access to open air runs. Besides the minimum animal welfare requirements of the EU organic standard, private organic standards have often introduced stricter animal welfare requirements.
- **Bioland** provides a private scheme with an organic standard including animal welfare rules that go beyond the EU standard, such as for instance, long idle periods between egg laying periods and keeping in small groups to establish social hierarchies that would occur in nature in poultry production or reduced maximum number of pigs and egg layers per hectare farmland.
- **Biodynamic** is an organic production method that promotes more natural farming methods with strong emphasis on natural processes. It goes beyond the EU minimum standard on some animal welfare issues, but biodynamic farmers do not always share the same scientific opinion e.g. on whether animals should be tethered in the stable or not.

¹¹ All production guides are available from <http://www.rspca.org.uk/servlet/Satellite?pagename=RSPCA/RSPCARedirect&pg=Producerresources&marker=1&articleId=1125906255996>

1.1.4. Low market shares of animal welfare schemes

Although different surveys confirm consumer demand for animal welfare-friendly products, the results of the external study show that market shares for animal welfare schemes and schemes that also include animal welfare tend to be low in most EU Member States. There is not a clear explanation of why citizens' concerns for animal welfare, when asked during a survey, are not translated to the purchase of animal welfare friendly products.

During the development of the policy this issue needs to be carefully considered, as the contradiction between consumers' wishes when asked and their purchasing decisions may be even more apparent as the economic situation worsens and consumers in Europe have less disposal income. However, the study did identify that the lack of information on animal welfare standards together with the lack of availability of animal welfare-friendly products in the supermarkets and the prices of these products as the most important reasons why consumers purchasing patterns did not switch to products offering greater animal welfare. In addition, difficulties in understanding the labels when information is provided may play a role. Further assessment of this issue will be carried out in the future if a legislative proposal is presented.

Table 1: Market data on animal welfare related labelling schemes in EU countries including organic labelling (2007)

MS	Source/ Notes	Livestock producers participating in AW related labelling schemes (%)					Market shares of products labeled for AW (in % in terms of volume)				
		Cattle	Pigs	Sheep, goats	Poultry	Other	Beef and milk products	Pork products	Sheep/ goat meat product s	Poultry meat, egg products	Other
AT	1)	18	4				8.9 (beef); 12.9 (milk)	1.4		2.1 (broiler); 8 (eggs)	
BE	2)	5	10	15	5	--	--	--	--	--	--
DE	3)	3	3	1	5	--	3	2	1 (meat); 5 (milk)	2	
DK	4)	3.5	0.1	--	10	--	30	7	--	12	--
EE	5)	--	--	--	--	--	--	--	--	100	--

MS	Source/ Notes	Livestock producers participating in AW related labelling schemes (%)					Market shares of products labeled for AW (in % in terms of volume)				
		Cattle	Pigs	Sheep, goats	Poultry	Other	Beef and milk products	Pork products	Sheep/ goat meat products	Poultry meat, egg products	Other
ES	6)	0	0	0	0	0	0	0	0	0	--
FIN	7)	8	1	6	2	0.4 (horses)	10	0.6	0.1	8 (eggs)	
FR	Only Label Rouge									33 (household purchase of poultry)	
IT	8)	--	--	--	--	--	3.5 (organic)	0.34 (organic)	9.2 (organic)	Organic: 0.14 meat; 1.7 eggs	--
NL	9)	1.8	0.66	< 1 / 0 (sheep, 15 milking goats)	0.1 (broilers / 50 laying hens)	--	2 (beef); 4 (dairy); 1.5 (cheese, butter)	2	0	0.05 meat; 95 table eggs; 5 processed eggs	--
SE	10)	90 (dairy cattle); 5 (other cattle)	< 5	0	80 to 90	--	80 (milk), 5 (beef)	1 (organic and Swedish certified)	--	90 (meat)	--
UK	Only Freedom Food						0.7 (beef), 0.9 (dairy cattle)	28.2	0.5 (sheep)	5.2 (chicken), 21.5 (ducks), 49.0 (laying hens), 1.7 (Turkey)	

Note: Based on survey conducted by Civic Consulting. Data for total of all animal welfare relevant labelling schemes (e.g. organic labelling schemes, quality schemes, animal welfare schemes). As far as incoherent data was provided by different stakeholder organisations, the data considered to be most reliable is presented, however, data is not comparable between countries and has to be interpreted with care.

1.1.5. Competition issues

– *Between EU and third country operators:*

EU livestock farmers are required to observe minimum animal welfare standards. With the only exception of the egg-marketing legislation EU, farmed products produced according to EU minimum welfare standards do not have to be identified as such in the selling-point.

EU animal welfare legal requirements at farms may prevent in some cases the use of more economically efficient farming methods and techniques. EU minimum animal welfare standards reflect the legitimate choices of society and as such, EU farmers ought to be able to capitalise on them as an asset and a positive aspect of EU production. However, they can only do this if the product's farming method can be identified. As outlined before the information asymmetry between farm production methods and food on the shelves results in EU consumers not being able to distinguish between products that have different animal welfare standards. Therefore they might assume that all

products available on the EU market have been produced in line with the same base-line production requirements for animal welfare farming requirements. In order to correct this information asymmetry EU farmers need to be able to communicate effectively and simply the animal welfare standards they apply in the EU animal production.

In summary, the problem concerns the following issues:

- (1) EU producers do not necessarily receive full recognition for the value to society of their compliance with EU minimum animal welfare which provides important public goods to society.
- (2) EU producers bear production costs which in some cases have a 'common good' element.
- (3) Farmers are not always able to communicate to consumers at the point of sale of product the full value of the wider benefits of their compliance with EU production requirements.

The Council has recently drawn attention to the need for differing international standards to be taken into account in Commission impact assessments. However, there are currently no international recommendations on animal welfare labelling at the OIE.¹²

– *Amongst EU operators*

Animal welfare is a typical credence attribute. Information asymmetries are typical of credence goods, that is, the producer knows much better than the customer, be it a processor, a wholesaler, a retailer or a consumer, which animal welfare level the product complies with. If there are no reliable and trustworthy quality signals available, consumers are not able to compare and to properly choose between different schemes. Without clarity and common definitions concerning animal welfare labelling consumers can be misled and the single market undermined.

The pig meat market is an example of how this lack of a harmonised framework can lead to market failure. Castration of piglets is allowed in the EU with some specific restrictions. In some Member States meat from non-castrated pigs have a disadvantage because of fear for a specific taste (named boar-taint). In other Member States only meat from pigs castrated under anaesthesia are traded. Different methods for anaesthesia, the use of long term analgesia and the introduction of new castration methods cause even more barriers to trade. Improving the transparency of the market via the harmonising of standards and development of harmonised labelling requirements could help in avoiding these uncertainties in the markets.

1.1.6. Stakeholder concerns

In a large-scale questionnaire-based survey – carried out in the framework of the external study – stakeholder organisations were asked to specify the main current problems regarding animal welfare-related information on products of animal origin. The results of the survey and the assessment carried out are explained in the following sections. Details on the answers provided by the stakeholders can be found in Annex V (page 63 of the annex).

¹² Council Conclusions, 16.12.2008, 17169/08 ADD 1, section 3: “Draws attention to the need for the Commission’s impact analysis to describe and take into account the economic impact of Community rules and the risks and opportunities presented where EU and international standards differ.”

Despite the large variety of answers provided by the stakeholders some main issues can be observed:

- The most frequently mentioned point is a lack of harmonisation of animal welfare claims in animal products, including related aspects such as the lack of transparency of existing animal welfare schemes, the lack of international acceptance and univocal definitions for animal welfare claims.
- Next come concerns about a lack of scientific knowledge and a lack of independent audits and certification procedures to protect consumers against false claims.
- The argument that there is a lack of clear and valid standards was also raised quite often and relates to the lack of scientific knowledge.
- Several respondents also refer to a lack of consumer interest and awareness and a lack of comprehensive schemes that cover all animal welfare aspects and all stages of food supply chains (including logistics, slaughter etc.). Only a small number of respondents mention a lack of mandatory standards and government supervision, the need for cooperation with retailers, inadequate penalties and the application to food imported from non-EU countries.

A closer look at the answers reveals significant differences between stakeholder groups. On the one side, farmers, processors and their associations do not favour a need for government intervention. Instead, they refer to already higher EU standards that allegedly give non-EU producers an unfair competitive advantage or emphasise the problem of finding objective, scientifically-sound, practical animal welfare indicators. On the other side, animal welfare organisations, standard setters and researchers say they are unsatisfied with the animal welfare labelling systems currently in place and are sometimes sceptical concerning private initiatives and certification schemes. Therefore, they see a lack of comprehensiveness and neutrality of existing schemes and advocate more research and more government action with regard to the definition and enforcement of animal welfare standards.

The lack of comparability of different products, different livestock species, and farming systems was also mentioned by respondents in the survey. They consider it very difficult to come up with scientifically-sound and comprehensive measurement scales for animal welfare that allows comparison of standards across different animal species and farming systems.

1.2. Background

1.2.1. Current EU legislation on animal welfare labelling

Currently there is no EU legislation on specific animal welfare labelling of products of animal origin¹³. As a consequence there are no harmonized requirements for labelling of animal welfare standards in the EU, however, a number of private schemes that claim or are perceived by consumers as complying with higher animal welfare conditions than compulsory requirements have emerged in recent years. These schemes – outlined in Annex III – are referred to in this document as animal welfare schemes. The potential

¹³ In this context it has to be noted that the Marketing Standards on table eggs is not an animal welfare labelling scheme although it is perceived as such by the consumers. The egg marketing legislation obliges to label the shell-eggs with the farming system under which they have been obtained.

increase of animal welfare schemes, whether at EU level or private and national schemes, presents the risk of possible inconsistent or misleading schemes which in turn would increase information asymmetry for consumers and inequities in the single market.

– ***Egg marketing legislation (Regulations (EC) 1234/2007 and 589/2008)***

A specific case is the EU *egg marketing legislation* based on Regulations (EC) 1234/2007 and 589/2008. Although focussing on farming systems (organic, free-range, barn, cage.), the egg classification system is often perceived by stakeholders (including consumers) as giving a strong message about the animal welfare.

The egg marketing legislation is designed, *inter alia*, to inform consumers of the production system used to produce eggs. It provides minimum standards and Member States are free to go beyond this should they wish to (e.g. the UK's Lion code). The common market legislation of the market in eggs (from the species *Gallus gallus*, i.e. chickens) is set out in Council Regulation (EEC) No. 2771/75 and legislation on the general labelling of eggs was first established in 1990 under Council Regulation (EEC) No. 1907/90.

The views of stakeholders – including producer organisations and animal welfare organisations – were considered in the drafting of the legislation. Egg labelling is not designed as a specific animal welfare label, although the label indications give consumers information that they may interpret as an indicator of animal welfare, and use this when purchasing eggs.

There are four permitted production system labels:¹⁴ eggs from caged hens, barn eggs, free-range eggs and organic eggs; these production systems are laid down in legislation (Annex V to the regulation). The mandatory labelling scheme for eggs was introduced in 2004 following the optional facility to label eggs produced from caged hens as “eggs from caged hens” which had been in operation since 1995. This voluntary arrangement followed successful lobbying at the EU level from animal welfare organisations. A necessary precondition of the optional labelling was that this was meaningful to consumers and that they were prepared to pay a price premium for eggs produced in systems which they associated with higher animal welfare criteria. Article 24 of Commission Regulation (EC) No 589/2008 sets out provisions for the checking of egg producers within Member States. It notes that Member States will appoint inspection services to check compliance with the Regulation and that these inspection services will check products covered by the Regulation at all stages of marketing. These checks include random, unannounced sampling, as well as checks carried out on the basis of a risk analysis that takes account of the type and throughput of the establishment as well as the operator's past record in terms of compliance.

Since the implementation of the legislation, the percentage of non-caged egg production has increased significantly in nearly all Member States.¹⁵ The egg marketing legislation is likely to have played a role in shifting consumer demand for shell eggs from caged hens to eggs produced in alternative systems under the assumption that non-caged egg production systems confer higher animal welfare. Egg-marketing legislation is the only compulsory labelling of farming system in the EU. It is therefore a good scheme to use

¹⁴ These are set out in Council Directive 1999/74 laying down minimum standards for the protection of laying hens.

¹⁵ Research conducted by Agra CEAS Consulting.

for the estimation of some of the options considered in this impact assessment. It is also, in a way, a successful animal welfare labelling scheme as since its application a switch in demand for more animal welfare friendly eggs has been observed in the EU, significantly in some Member States.

– *Requirements for use of reserved terms in poultry meat*¹⁶

There are pieces of legislation for the use of certain terms (reserved terms) for indicating farming systems in the label although they are not compulsory (e.g., farming method indications are precisely defined and farmers must comply with specifications laid down to use the reserved terms. However, the indication of farming method is not mandatory). While this is not in the strict sense of the definition animal welfare labelling, the categories provide an indication to consumers of animal welfare levels.

1.3. How would the problem evolve without a change in policy?

The baseline of doing nothing would maintain the current situation with the following consequences:

- failure to adapt to consumers needs and demands;
- confusion and lack of availability of animal welfare relevant information for the consumer;
- continued lack of clarity on existing animal welfare labelling schemes.
- potential proliferation of different schemes which could lead to increased consumers confusion;
- inconsistent approach in terms of the content and availability of information potentially leading to confusion for the consumer;

1.4. Does the EU have the right to act?

Article 37 provides the basis for the EU legislative measures on Community Agricultural Policy. This article also became the basis for the EU legislation on animal welfare at farms as the animal welfare policy is considered, from a legal perspective, as a part of the Common Agricultural Policy adopting the same legislative and administrative procedures. Animal welfare is also an essential part of the establishment of the Single Market and the Trade Policy.

Article 95 provides basis for the EU legislative measures to ensure the functioning of the Internal Market, including animal health and public health rules for the intra-community trade of live animals and animal products. The establishment of the single market extended significantly the scope of the CAHP and led to the completion of a comprehensive set of veterinary legislation including animal health, welfare, and zootechniques.

¹⁶ Article 11 and Annex V of Commission Regulation (EC) No 543/2008 of 16 June 2008 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 as regards the marketing standards for poultry meat

Article 153 provides for the EU legislative measures to ensure consumer protection and right to information.

1.5. Should the EU act?

There is not a legislative proposal at this stage. The report intends to collect all the necessary data and information in order to be able to open the debate in the Council and the European Parliament and to consider if the EU should act and the possible impacts this action might have.

It is considered that harmonised action at the EU level would deliver better results than a series of individual actions at the Member State level. In addition, Member States do not have the competence to establish harmonized criteria to facilitate intra-community trade. Given the link to the Common Market and intra-community trade it is considered that the EU is better placed to establish a policy on the provision of animal welfare information to help consumers make informed choices. Nevertheless, proportionality of EU action would be considered if a legislative proposal is deemed necessary.

2. OBJECTIVES

2.1. General objectives:

The aim of this initiative is to explore the possible options and impacts introducing an animal welfare labelling system would have. This is to facilitate an informed debate in the Council and in the European Parliament to consider whether EU action is needed to:

- improve animal welfare information on animal-related products to enable consumers to make informed purchasing choices

And if further EU action is considered necessary which approach would be best to deliver these objectives.

2.2. Specific objectives:

- To explore methods to implement a well accepted and proportionate labelling scheme.
- To implement a scheme that will harmonize animal welfare information to consumers and avoid unfair market distortions.
- To agree levels of welfare standards that can be easily communicated to consumers.

3. OPTIONS

Option 0: No change. Continuation of the current situation (status quo option).

Option 1: Mandatory labelling of the welfare standards under which products of animal origin are produced: a requirement for all relevant products of animal origin to include a label of the standard of animal welfare achieved for farm animals when minimum standards or standards above the minimum are applied.

Option 2: Mandatory labelling of the farming system under which products of animal origin are produced: a requirement for all relevant products of animal origin to include a label of declaration of the system of production of farm animals (this would mean applying something similar to the egg-marketing legislation to the rest of the farming sectors).

Option 3: Mandatory labelling of compliance with EU minimum standards or equivalence with those: a requirement for all relevant products of animal origin to include a label indicating compliance with EU minimum regulated standards (or equivalent).

Option 4: Harmonised requirements for the voluntary use of claims in relation to animal welfare/farming systems or establishing requirements for reserved terms: EU law will regulate the mandatory standards that must be achieved when suppliers voluntarily label products indicating a certain standard/measure of animal welfare achieved for farm animals. Requirements for the use of reserved terms as marketing standards are a DG AGRI competence.

Option 5: A Community Animal Welfare Label open for voluntary participation: A harmonised EU-wide label would be established, organised, and/or managed in a harmonised way, providing for voluntary participation similar to the EU organic scheme.

Option 6: Guidelines for the establishment of animal welfare labelling and quality schemes; Guidelines could be established at an EU level to harmonise the establishment of animal welfare labelling and quality schemes.

All possible options for animal welfare labelling are considered and have been analyzed in broad sense due to the early nature of the initiative. If a firm proposal for EU action were to be presented in the future, analysis of the impacts - farming sector by farming sector - would be carried out. Issues such as animal welfare labelling for fur production, feathers production, etc. could also be considered. The implementation of the label also would have to consider practical issues like: where processed products containing products of animal origin are covered, the use of animal welfare claims by the catering industry and scope of the animal welfare systems covered by the label (e.g. animal welfare at farms only, or also transport and slaughter).

SANCO also explored an additional option - the possibility of a voluntary option of an EU-wide information campaign. However, this stand alone option was dismissed earlier on in the policy development process as it was not considered sufficient to deliver the policy objectives and address the information asymmetry. An information campaign on its own will not address the needs of the consumers at the point of sales as clear information on production methods would still not be available. In addition an information campaign alone would not be able to harmonise the internal market and prevent the use of misleading claims.

However, it is considered that if any action to improve animal welfare labelling is taken at the EU level then it would need to be accompanied by a wide communication campaign helping consumers understand what it is behind the labelling scheme. But the characteristics of such campaign could only be determined after an option is chosen. At this stage, as no policy option is certain to occur, is not possible to develop further this complementary action. The communication aspect of establishing a label will be explored further if a proposal were presented in the future.

In addition, as the policy develops further, greater efforts will be made to consider the synergies in this labelling proposal with other existing labelling policies – the EU Organic label, the Eco-label, DG Agri's product quality proposal for a label and SANCO's food information policy. It will be important that the systems are coherent and compatible, i.e. they complement one another in delivering policy outcomes and that they are introduced in a consistent manner to prevent stakeholders and consumers receiving mixed and confusing messages.

4. FEASIBILITY ASSESSMENT

4.1. General remarks from the stakeholders survey

Stakeholders are quite mixed concerning the assessment of most of the options. Most options get some support but, at the same time, also have strong opponents. All in all, the answers reflect the controversial standpoints of different stakeholder groups with a strong focus on economic interests in some cases and a strong focus on animal welfare concerns in other cases.

4.2. Conformity of options with guiding principles

A pre-feasibility assessment of the different options was carried out in order to confirm whether or not the different policy options complied with the guiding principles:

- Degree to which options can be based on a sound scientific basis and benchmarks to assess the level of animal welfare: There is currently no harmonised, recognised and reliable measuring instrument for comprehensively assessing animal welfare across species, farming systems and supply chain stages available. However, relevant initiatives are under way, such as the Community funded Welfare Quality Project. The current lack of such an instrument affects the feasibility of all options, but to a different degree. Until a harmonised and reliable instrument exists, it appears to be especially a challenge to implement mandatory labelling (Options 1 and 2) in a way that would be widely recognised by stakeholders as being based on a valid measurement of animal welfare. Option 3 is not relevant in this context (its impact would only be on third countries), and is in this respect similar to “no change”. Options 4 to 6 appear more feasible, because they could be based on current scientific knowledge, with (remaining) gaps being less relevant. In a voluntary context, producers and processors who question the standards implemented would simply not opt-in and would consequently not face mandatory assessments.

Box 3

The Welfare Quality Project

Welfare Quality is an EU funded project aimed at making animal welfare measurable on-farm and trying to communicate the outcome of this work to the public. More specifically, the project develops practical strategies to improve animal welfare, develops a European wide on-farm animal welfare standard, contributes to information strategies in animal welfare and enhances the information exchange under scientific experts. The project collaborates with roughly 250 scientists in 44 research institutes representing 17 countries in Europe and Latin America. Under the project, protocols for cattle (dairy, beef and veal), poultry (laying hens and broilers) and pigs (fattening pigs and sows) are

being developed. These are integrated in a categorisation of farms: not classified, acceptable, enhanced and excellent. The objective of the Welfare Quality project is to apply, if possible, animal based parameters instead of measuring resources or material requirements that determine the standards of most current animal husbandry schemes. Animal based parameters aim at taking into account the effects of the farmer in terms of management. For example, good management practices could compensate for fair material standards. Next to the research on animal welfare indicators, a second area of work is to involve expert groups to analyse consumer concerns, evaluate potential animal welfare markets, welfare label characteristics and inspection schemes. The project started in May 2004 and will, after an extension be finalised by the end of 2009.

Stakeholders' views:

Mandatory labelling with EU minimum standards is often strongly preferred by producers, processors and their industry associations, but is strongly disliked by most animal welfare organisations because they cannot see any contributions to improved animal welfare. Retailers also oppose the mandatory labelling with EU minimum requirements because they doubt that compliance with EU legislation should be labelled in the case of animal welfare. All in all, on average mandatory labelling (Options 1 to 3) are considered less feasible than the rest of the options.

- Degree to which options allow for inspection/audit and certification by independent certification bodies: Certification needs operational standards against which farmers, animal transport companies and slaughterhouses can be audited. This makes mandatory certification of animal welfare (Option 1) the least feasible option in absence of a harmonised, recognised and reliable measuring instrument for comprehensively assessing animal welfare, which can be applied with reasonable costs in an audit process. Options 2 to 6 seem more feasible in this regard. It is needed to carefully evaluate the results of the Welfare Quality Project with respect to the practicability of welfare indicators in the certification process.

Stakeholders' views:

Stakeholders see on average only small differences between policy options with regard to inspection/audit opportunities. Labelling of compliance with EU minimum standards (option 3) has a slight lead over other policy options. Labelling farming systems (option 2) is, all in all, considered easier than labelling welfare standards (option 1). Comments often refer to the lack of scientifically sound parameters that make audits and certification difficult. Furthermore, the large spectrum of different farming systems is considered an obstacle to auditing and certification.

- Degree to which options can cover a broad range of farm animal species in order to avoid distortions of competition: Coverage of a broad range of farm animal species is difficult regardless of which policy option is implemented. The consequences are most severe in the case of mandatory labelling based on welfare standards (Option 1). Mandatory labelling of farming systems (Option 2) appears to be somewhat easier and will allow quicker expansion of the range of farm animal species covered. Voluntary approaches (Options 4 to 6) are more flexible in light of the scientific knowledge gaps and allow for a faster introduction of new species in the scheme. Whether or not

market distortions will occur or not very much depends on consumers' reactions that cannot be predicted at this stage.

Stakeholders' views:

Answers of stakeholders vary a lot and include some extreme opinions saying that all options are very feasible or not feasible at all. Mandatory labelling (Options 1 and 2), requirements for the use of claims (Option 4) and a Community Animal Welfare Label (Option 5) are only rarely considered "very feasible". Guidelines for animal welfare labelling/ quality schemes (Option 6) is seen on average as the most feasible option in this respect.

A general warning often articulated by industry and industry associations is that mandatory as well as voluntary standards create market distortions if they are not based on sound scientific evidence. It also argued that every labelling system will be easily misinterpreted by consumers because it may tend them to think that products without labels are not safe since consumers tend to confuse animal welfare with (intrinsic) product quality attributes such as safety.

Producer organisations also complain about misleading information on animal welfare standards on products that demonise certain farming systems.

- Degree to which options can constitute a reliable, user friendly and transparent tool to communicate the quality of welfare and enable consumers to make informed choices: Purchasing decisions are complex decisions influenced by a wide spectrum of interpersonal and intrapersonal factors, and in some cases more information may not have positive effects on consumers' choices due to information overload. Nevertheless, the success of some recently implemented labelling schemes indicates that labels can make a difference and have the potential to empower consumers to make more informed choices. Mandatory labelling (Options 1 and 2) provides more information to consumers than voluntary labelling (Options 4 and 5). Option 3 (labelling compliance with EU minimum standards) has a very limited effect on the ability of consumers to make informed choices.

Stakeholders' views:

A majority of respondents to the survey are to some extent optimistic that animal welfare labelling has the potential to empower consumers. For more details on stakeholders' perceptions on the effects of animal welfare labelling on consumer behaviour see section 5.3.

- Compatibility of the options with international obligations towards third country trading partners:

As of today, WTO jurisprudence has not addressed in detail the legality of animal welfare measures, so that their legal characterisation remains to a certain extent uncertain and controversial.

In order to be compatible with the EC's WTO obligations, measures on animal welfare applicable to imported products must respect a series of basic principle such as non-discrimination and proportionality.

One aspect of non-discrimination is national treatment, under which imported products should be treated no less favourably than domestic products, both in law and in practice. This means that the rules applied to imported products not only should be the same as those applied to domestic products, but also should not result in a de facto discrimination of imported products, for example because the rules are tailor-made on the domestic situation. A way to ensure even-handedness of the measures would be to base any standard on international standards and sound scientific considerations.

Another side of the non-discrimination principle is the rule of most-favoured nation (MFN): rules applied to imported products should not favour certain countries over others, whether in law or in practice. Again, use of international standards and sound scientific basis would help ensuring compatibility with this principle.

As far as proportionality is concerned, the measures should be as little trade-restrictive as possible in order to achieve their desired objective. In this context, voluntary labelling is to be preferred over mandatory labelling as it would achieve the objective of informing interested consumers with limited trade restrictiveness

The principles of proportionality and non-discrimination would also require effective provisions on the recognition of equivalence of other countries' animal welfare scheme, as well as the possibility for foreign private operators who voluntarily apply EC animal welfare rules to have access to EC certification and logos.

Stakeholders' views:

Stakeholders only rarely refer to possible WTO/OIE problems, mainly in case of mandatory labelling. The openness of standards for third country producers is stressed in order to avoid WTO (World Trade Organisation) compatibility problems. Stakeholders also refer to the EU egg marketing legislation that has been notified to the WTO and has so far not been challenged by other WTO members.

Conclusion:

Voluntary labelling schemes appear to be the most proportionate measure to achieve animal welfare objectives. In order to comply with WTO rules, they would have to be non-discriminatory and open to third countries and foreign operators.

Table 2: Assessment of compatibility of the options with guiding principles.

Option	Based on sound scientific basis and benchmarks	Coverage of broad range of farm animal species	Possibility of third party inspection/audit and certification	Compatibility with international obligations (WTO)
Baseline option				
0. No change	Not applicable	Not applicable	Not applicable	Not applicable
Mandatory labelling				
1. Mandatory labelling of the welfare standards under which products of animal origin are produced	Current lack of harmonised and reliable measuring instrument for AW	Difficult, currently significant knowledge gaps	Currently least feasible option in absence of a harmonised, recognised and reliable measuring instrument for AW	Not possible to predict whether mandatory labelling could be successfully challenged
2. Mandatory labelling of the farming system under which products of animal origin are produced	Current lack of harmonised, reliable measuring instrument, but more feasible than option 1	Labelling of farming systems easier than labelling of welfare standards	Partly feasible if only a limited number of alternatives is taken into account	Not possible to predict whether mandatory labelling could be successfully challenged
3. Mandatory labelling of compliance with EU minimum standards or equivalence with those	No welfare-related scientific input required, however, does not contribute to higher AW standards in the EU	Possible on the basis of existing knowledge, however, does not contribute to higher AW standards in the EU	Partly feasible, however, does not contribute to higher AW standards in the EU	Not possible to predict whether mandatory labelling could be successfully challenged
Requirements for the voluntary use of claims				
4. Harmonised requirements for the voluntary use of claims in relation to animal welfare	Voluntary claims based on current scientific knowledge, gaps less relevant. Start with selected species possible	More compatible with knowledge gaps; allows step-by-step approach for inclusion of species	At least partly feasible since only auditing of those production systems that voluntarily apply for certification required	Compliance of voluntary labelling with WTO rules
Other options				
5. A Community Animal Welfare Label open for voluntary participation	Voluntary claims based on current scientific knowledge, gaps less relevant. Start with selected species possible	More compatible with knowledge gaps; allows step-by-step approach for inclusion of species	At least partly feasible since only auditing of those production systems that voluntarily apply for certification required	Compliance of voluntary labelling with WTO rules
6. Guidelines for the establishment of animal welfare labelling and quality schemes	Voluntary claims based on current scientific knowledge, gaps less relevant. Start with selected species possible	More compatible with knowledge gaps; allows step-by-step approach for inclusion of species	No certification required	Compliance of voluntary labelling with WTO rules

5. IMPACT OF OPTIONS

The possible impacts of the different options proposed for animal welfare labelling will largely depend on consumers reactions to animal welfare labelling. It is difficult to predict how consumers will react to different ways of providing information, though it looks like the more information provided to consumers, the bigger the impact on consumers behaviour. This is the only implicit assumption used for estimating the impacts. The results of the Eurobarometers and surveys have not been used for estimating the impacts as they reflect citizens concerns and preferences but do not transfer over to purchasing behaviour. The data provided in the boxes on changes in demand due to animal welfare concerns were not extracted from the surveys but from an in-depth study commissioned by DG SANCO and carried out by Agra CEAS Consulting¹⁷ of the Food Chain Evaluation Consortium (FCEC) in 2004.

¹⁷

http://ec.europa.eu/food/animal/welfare/farm/socio_economic_study_revised_en.pdf

5.1. Who is affected, in which way and to what extent?

5.1.1. Consumers and citizens in the EU

Consumers are key stakeholders groups in the debate of animal welfare labelling.

Consumer and citizens secure the societal benefits arising from the application of EU animal welfare requirements on EU farms but they are in general unaware of the minimum requirements that EU farmers comply with regarding animal welfare.

There is a high level of interest in animal welfare amongst citizens as demonstrated through the results of several Eurobarometer surveys. Citizens said that they will be willing to pay more for animal welfare friendly products but at the same time they are not willing/able to process large amounts of information on the selling point. In addition this willingness seems not to be translated into their purchasing decision at the selling point.

This may be related among others to the lack of information on animal welfare. The egg labelling has shown that consumer interest on more animal welfare-friendly products can be effectively translated into a switch in demand if adequate information - easily understood - is provided obligatorily at the selling point.

In any case consumers are heterogeneous and segments of consumers exist: those for which price and a general concept of quality/image is the most important factor when making purchasing decisions and a smaller segment searching for production-attribute and animal welfare friendly products.

Consumers are affected by the lack of information on animal welfare at the selling point as well as other information problems related to existing animal welfare private schemes as explained under the problem definition part of this document. Possible impacts on consumers' information and on consumers' prices of the different policy options are analyzed later in this section.

5.1.2. Farmers, retailers

During the consultation process carried out for the study, the farming sector and processing industry has expressed concerns about cost associated with animal welfare labelling. But at the same time animal welfare is recognized as a market opportunity for producers and industry, and an opportunity to communicate to consumers the efforts of EU or third country producers complying with certain animal welfare standards.

The marketing success of animal welfare schemes and a change of consumer behaviour are considered to have an effect on animal welfare. An improved system of animal welfare labelling that will allow consumers to make informed purchasing decisions could provide incentives for farmers to improve animal welfare. The impacts on animal welfare of the different policy options for animal welfare labelling is analyzed in depth later in this document.

5.2. International dimension

Third countries may apply domestic animal welfare measures that may impose equivalent requirements on farmers in the third country as those of the EU. Individual

producers in third countries may, for example through membership of a certification scheme, apply voluntarily equivalent or higher animal welfare measures (see Annex III of this document on existing animal welfare schemes in third countries).

Farmers in third countries that comply with equivalent EU minimum animal welfare standards are in a similar position to EU farmers, in that they incur the additional effort and cost of compliance with the requirements, but they are competing in the EU with other third country producers who have not followed those standards.

Special regard should be paid to the position of farmers in developing countries and their capacities of complying with animal welfare standards. Also the broader effects of trade and market access for developing countries should be taken into account.

Animal welfare labelling cannot be seen separate from the Commission's engagement in Fair Trade and other sustainability schemes that are aiming to improve the working and living conditions for producers in developing countries. In its Communication on Fair Trade and other sustainability schemes COM(2009)215, the Commission stresses i) the need of greater transparency to allow efficient market functioning and ii) the importance of maintaining the non-governmental nature of Fair Trade and other sustainability schemes. A coherent approach towards these various existing labelling schemes will need to be considered.

5.3. Impact of options on the animal welfare conditions on farms

Animal welfare schemes can have a positive impact on animal welfare if animal welfare conditions are higher than the minimum established by the legislation. But the scale of the impact depends mainly on the percentage of consumers buying these products and the uptake of higher welfare standards by retailers and processing industry.

The impact of animal welfare schemes on farm animal welfare depends on: (a) the success and (b) the validity and reliability of animal welfare labelling systems.

The validity of the standards implemented by animal welfare schemes depend on their scientific basis and has already been analyzed under point 4.2. The reliability of animal welfare schemes depend mainly on the inspection/certification procedures applied and has also been analyzed under point 4.2.

The success of labelling systems can be measured through the severity of the standards developed and implemented and their market penetration (having in mind that severity and market penetration might be conflicting criteria). The higher the market penetration and the higher the severity of the standard, the bigger is the impact on animal welfare.

Positive examples in this respect are Freedom Food and Label Rouge, which have a considerable market penetration, at least for some products (see Table in Annex III).

On the contrary, if there is no market demand, even the most demanding animal welfare labelling system will not have any impact on animal welfare. As this initiative does not intend to raise animal welfare standards, the impact on animal welfare would be mainly determined on how the options would positively influence consumer demand for animal welfare friendly products.

To estimate the impacts that different options could have on consumer demand is not possible. However consumer information is likely to have an impact on their behaviour;

as demonstrated with the egg labelling and the continuing move by industry to extend animal welfare standards to composite products not covered by legislation. In this context mandatory labelling (Options 1 and 2) can be expected to have stronger effects on consumer awareness (as all the products in the market would be labelled according to their standards or the farming systems followed) than the rest of the options.

Voluntary options (options 4, 5 and 6) have more indirect effects on consumer awareness than mandatory options so their effects on animal welfare are even more difficult to predict.

Stakeholders' views: On average, respondents expect positive results of animal welfare labelling. Respondents do not perceive big differences between the options suggested with regard to impact on animal welfare on farms – with one exception: Mandatory labelling of compliance with EU minimum standards (option 3) is perceived least useful for improving animal welfare, and comparable to the “no change” option.

A closer look at the data reveals, however, remarkable differences between stakeholder groups.

Animal welfare organisations tend to argue that any form of labelling is better for animal welfare standards than no labelling at all. In this sense, the EU egg marketing legislation is considered a blueprint and successful example. Only labelling of compliance with EU minimum standards is rejected by these organisations. Animal welfare organisations tend to emphasize the high relevance of consumer behaviour for improved animal welfare.

Processing Industry and industry associations argue differently and they expect that labelling of compliance with EU minimum standards may not contribute to higher animal welfare standards in non-EU countries. Furthermore, they consider it likely that mandatory animal welfare labelling will shift production to non-EU countries with lower animal welfare standards. Therefore, they think that animal welfare might be worse off with labelling as long as WTO rules do not allow the EU to discriminate products produced at lower standards. Therefore, an EU-only approach is strongly rejected.

Conclusion: the option that would have the most significant impact on animal welfare seems to be the mandatory labelling of animal welfare standards but this is highly dependant on a significant number of consumers changing purchasing patterns and demanding higher welfare standard products while the labelling of EU minimum standards is regarded as similar to the no-change option - although stakeholders groups have significant divergent views on the issue.

5.4. Social impacts

5.4.1. Impact of the options on consumers' information.

More information provided by labels allows consumers to make more informed choices; however, in some cases more information may also have detrimental effects on consumers' choices due to information overload. Consumers are not however immune to information on production method and, when prompted, regard this as a highly significant and important item providing useful information for purchase decisions. For example, the decline of cage-produced eggs sold in-shell illustrates the power of such labelling. Even if the decline has been due primarily to skilful messaging rather than the labelling alone, the fact that all products were labelled according to production method in

ways that found resonance with consumers must have assisted retention of the message through to the point of sale.

Mandatory labelling (Options 1 and 2) provides most information to consumers, whereas the effects of voluntary labelling depend on the market shares of labelled products (Options 4 and 5). However, option one with different labels for different standards may, if it is not clear, create more consumer confusion rather than empower consumers to make purchasing decisions. Option 3 (labelling compliance with EU minimum standards) has a very limited effect as it would only allow to distinguish imported products that have not followed EU or equivalent standards.

Labelling is only likely to have the desired effects if consumers are a) adequately informed on the meaning of the label; b) the information provided is readily understandable; c) consumers (or relevant sub-groups) are in principle interested in having this information available for their purchasing decisions, as is according to Eurobarometer data the case for products sourced from animal welfare friendly production systems and d) other drivers don't influence their choice more (i.e. price).

Stakeholders' views: A majority of respondents to the survey are to some extent optimistic about the potential of animal welfare labelling schemes to empower consumers. Mandatory labelling (welfare standards) and mandatory labelling (farming systems) are on average seen as having most impact in this respect.

Retailers tend to be most sceptical about additional labelling as, in their view, mandatory labelling has the potential to mislead consumers. Producer organisations also complain about misleading information on animal welfare standards on products that demonise certain farming systems.

Animal welfare organisations tend to prefer mandatory labelling of welfare standards or farming systems. In their view, consumers still have to assume or guess the welfare standard of some product as long as labelling is not mandatory.

5.4.2. Impacts on employment

Animal welfare labelling may have positive impacts on employment, if the policy option chosen allows producers and retailers to communicate effectively to the consumers. Animal welfare is recognized as a market opportunity and as a factor for product differentiation, therefore it is considered that market share for these products may increase. This could have a knock-on effect on businesses and may lead to increased employment in this area. However, this is subject to consumer purchasing patterns switching.

5.5. Economic impacts

As the main purpose of this initiative is to present the results of the feasibility study on animal welfare in order to open the debate in the Council and the European Parliament the analysis has been mainly qualitative relating to the differing impacts of introducing a mandatory scheme or a voluntary scheme. At this stage a full estimation of costs has not been carried out. Some quantitative estimation of the possible impacts of the different options was requested in the external study, but stakeholders were unable to properly quantify or provide estimates for the impact.

It is considered that the likely stakeholders that will be significantly affected by this proposal will be: farmers, livestock producers and other food-chain operators, retailers and consumers' and the competent authorities in the Member States. If the policy develops further consultation with these groups and other stakeholders about the potential impact of any preferred option for action will need to be undertaken.

In addition a detailed analysis of the impacts on costs for producers and on consumer prices will be carried out. It has to be borne in mind that this initiative deals only with labelling of products and that the raising of minimum animal welfare standards in the EU is not intended.

Some examples of animal welfare measures that may trigger changes in demand and in production costs for producers have also been included in this document. These estimations are based on an in-depth study of the socio-economic implications of the various systems to keep laying hens commissioned by DG SANCO and carried out by Agra CEAS Consulting¹⁸ of the Food Chain Evaluation Consortium (FCEC) in 2004.

5.5.1. Impact of the options on livestock producers and other food business operations participating in the labelling scheme

Certification costs

Mandatory labelling of welfare standards, farming systems or compliance with EU minimum standards (options 1 to 3) will create certification costs at the farm level only if the EU or Member States decide to require third party certification. In any case, there will be cost associated with the modification of all labels to adjust to the requirement to provide specific information on animal welfare. It has to be borne in mind that any mandatory animal welfare labelling would be subjected to official controls as established by Regulation (EC) No 882/2004 of the European Parliament and of the Council of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules¹⁹ Therefore the scale of the economic impacts would depend on whether or not competent authorities rely on third party certification.

Voluntary options would create certification costs for those farmers who voluntarily decide to produce at animal welfare levels above EU minimum standards. This may require some initial investments, for instance in documentation technologies, time spent to implement the standard, external advisory service or up-front staff training. Certification also comes along with operating costs such as time spent on documentation of day-to-day farm or firm activities (for instance, hygiene management), office material, recurring auditing costs or membership fees.

Some certification schemes are organized as clubs and charge membership fees to farms participating in the scheme. In some cases certification costs are borne by processors as it is the case in the German Qualitaet & Sicherheit (QS) certification system. Certification costs are based on company size, scope and complexity of operation. The cost structure is also based on the minimum audit time on site. It is therefore difficult to state exact fees. Costs differ from certifier to certifier but are estimated to lie somewhere between 1000 €

¹⁸ http://ec.europa.eu/food/animal/welfare/farm/socio_economic_study_revised_en.pdf

¹⁹ OJ L 191, 28.5.2004, p. 1

and 2500 € for an annual audit of 1-2 days. Some examples of certification costs are provided below.

Box 4

Examples of certification costs estimated for different schemes

Freedom Food labelling scheme: responsibility for auditing lies initially with Freedom Food Ltd, with additional checks carried out independently by CMi Certification. Most certification bodies can offer Freedom Food certification using inspectors trained by Freedom Food Ltd, but Freedom Food Ltd must approve these organisations. Participants are charged a membership fee (minimum 158 Euro per year), which covers the cost of their annual inspection

Production costs

Production costs involve costs necessary to meet the requirements of a specific certification standard or a mandatory one (e.g., investments in improved housing conditions, new cleaning equipment for improved hygiene management or more advanced slaughter technologies and operating costs such as additional tests and sampling, more intensive veterinary supervision, additional labour costs, reduced biological performance, etc).

It has to be clear that this initiative only deals with animal welfare labelling and has nothing to do with raising minimum animal welfare standards in the EU.

Therefore those farmers and food business operators that regardless of the policy option implemented for labelling of animal welfare standards (including mandatory labelling) decide to continue to produce at EU minimum welfare standards will not face higher production costs. But if consumers increasingly buy products adhering to higher animal welfare standards, this may reduce their net income and provide market incentive to them to invest in changing their systems.

If farmers voluntarily (or induced by increased demand for animal welfare friendly products) decide to participate in higher standard animal welfare scheme, additional operating and investment costs will depend on the scheme's requirements and the *status quo ante* of the farm. From egg production in Germany, we know that the sharply decreasing market share of shell eggs from battery cages and the national ban of battery cages resulted in a drop out of small family farms from egg production. Small farmers decided not to invest in egg production systems with higher animal welfare standards; therefore, large and extra-large producers now have higher market shares in German egg production than before.

In this regard mandatory options could have a higher impact on consumer awareness and demand and thus may trigger unintended structural side effects as the small farmers may decide, or may not be able to invest in production systems with higher animal welfare

standards; therefore, large and extra-large producers could have higher market shares in production than before²⁰.

Box 5

Production costs (Source: socio-economic implications of the various systems to keep laying hens, Agra CEAS Consulting)

Feed requirements per bird (and feed conversion) are lowest in the traditional cage systems and highest in organic and free range systems. Generally the more freedom a bird has to move about the more energy it needs. As bird density decreases more energy will also be needed in order to keep warm. The number of eggs collected per bird per year is highest in the caged system and gets progressively lower through barn and free range to organic

Fixed costs of alternative systems are higher and performance per unit of floor space will be weaker as a result of greater space allowance.

Costs of labelling:

If labelling becomes mandatory (Options 1, 2 and 3), processors will have to label all their products. This may cause investment costs (for instance, redesign of food packaging or, in some cases, investments in labelling equipment) and operating costs (for instance, for labelling material). Furthermore, additional certification costs will result if the EU or Member States rely on private certification (see previous section). Using the estimates from the Food Information Proposal regarding label changes it is considered that redesigning a label per product can vary from \$380 for a minor change to \$16 600 for a full label design. Considering that any labelling requirement for this proposal is likely to be a minor change for most products (adding a logo or symbol) it is considered that the impact will be at the lower end of the cost scale. Data provided by the UK indicates that most companies change their labels within twelve months. Therefore if a mandatory system was to be introduced, consideration on transitional arrangement and phase-in times would have to be considered in order to keep the re-labelling and associated administrative costs to a minimum.

If mandatory labelling of products is introduced, these costs would add to the costs of labelling resulting from other legislative requirements (marketing standards, traceability, etc).

Costs due to market segmentation:

Additional costs are likely if the labelling system implemented creates different classes of products that have to be separated from each other, even if they only fulfil minimum requirements. This results in market segmentation, increases the risk of out-of-stocks and problems with shelf-life of food products. Out of stocks result in sales losses, whereas

²⁰ A complete analyses of production costs for different production standards for laying hens and broilers are available here:
http://ec.europa.eu/food/animal/welfare/farm/socio_economic_study_revised_en.pdf
http://ec.europa.eu/food/fs/sc/scah/out39_en.pdf

problems with shelf-life result in additional costs for spoiled products that have to be removed from supermarkets shelves or warehouses.

The implementation of traceability systems was compulsorily established by Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety for all food products.

But the "degree" of traceability required by EU depends on the product (rules for beef are stricter than for other products due to the BSE crisis) and therefore the impact of the options on this costs would also depend on the product.

Costs of traceability of this products would depend also on whether all the stages of the production chain are included or not (farming, transport and slaughter).

5.5.2. Impact of options on the net income of livestock producers and other food business operations participating in the labelling scheme

The impacts of the different policy options on the net income of operators would mainly depend on consumer demand. Those farmers and food business operators that, regardless of the policy option implemented for labelling of animal welfare standards (including mandatory labelling), decide to continue to produce at EU minimum welfare standards would not have to bear additional costs (except that processors have to bear some minimum costs in the case of mandatory labelling). Therefore, the effects on their net income depend on the demand side. If consumers increasingly buy products adhering to higher animal welfare standards, this may reduce their net income and force them to invest in changing their systems.

In this regard, mandatory labelling (options 1 and 2) would have probably the biggest impact on demand side. As already explained in this document Option 3 (mandatory labelling of minimum animal welfare standards) could have an impact on demand as regard imported products.

To estimate the percentage of increased demand for animal welfare friendly products is not possible at this stage. For the laying hens sector several scenarios considering changes in demand were analyzed with the following results:

Box 6

Changes in demand (Source: socio-economic implications of the various systems to keep laying hens, Agra CEAS Consulting)

Scenario 1: reduction in demand for caged egg production (of 1%, 5%, 10% and 20% where analyzed):

Producers still gain because they are in principle able to switch into production of processed and shell eggs from alternative systems. This means that even with a 20% reduction in demand for caged shell eggs producer surplus rises by some €20 million in EU-15 and €27 million in the EU-25. At the same time the modelling results demonstrate that as demand for shell eggs is reduced domestically there is a compensating increase in imports of 4.47% and 5.11% respectively for the EU-15 and EU-25 in the case of a 20% reduction in caged shell demand. These results are of course predicated on the ability of egg producers to adjust their production mix and clearly this will not happen immediately. There will be an adjustment period. The speed of adjustment will, for example, depend on the availability of capital. However, it is clear from these results that a reduction in demand for one product will force producers to look at alternative forms of production and within our model these are other types of egg production.

Operators that decide to participate in higher animal welfare programmes would have to bear additional costs as explained under the previous section. Impacts on the income of these operators would depend mainly on whether additional revenues outweigh higher certification and production costs.

This depends on consumers' willingness to pay for more animal welfare and the sharing of additional costs and benefits throughout the supply chain. Consumer willingness to pay more for animal welfare friendly products is assessed differently depending on the stakeholders interviewed. For the results of the several Eurobarometers and other surveys it seems clear that there are a significant percentage of consumers that would pay more for animal welfare friendly products. Although it should be noted that these surveys were carried out in previous years and that the current economic impact might result in these percentages no longer being valid, or at least decreasing, as consumers have less disposal income to spend.

Box 7

Placing a value on welfare benefits (Source: socio-economic implications of the various systems to keep laying hens, Agra CEAS Consulting)

Bennett and Blaney (2003) employed contingent valuation to elicit UK consumer's willingness to pay for legislation under which traditional caged egg production would be phased out. They report as a result of their research that this proposal would yield annual benefits of £161 million (or some €240 million). This figure is for the UK alone and if we assume that similar estimates were to be derived across the EU-15 or EU-25 then we can see that the non-market benefits of improvements in animal welfare are significant. On this basis even where the modelling above projects a decrease in market surplus, the net impact bearing in mind the non-market aspects could well be positive.

Consumer willingness to pay more will positively influence the net income of livestock producers and food-businesses operators who adhere to higher animal welfare standards

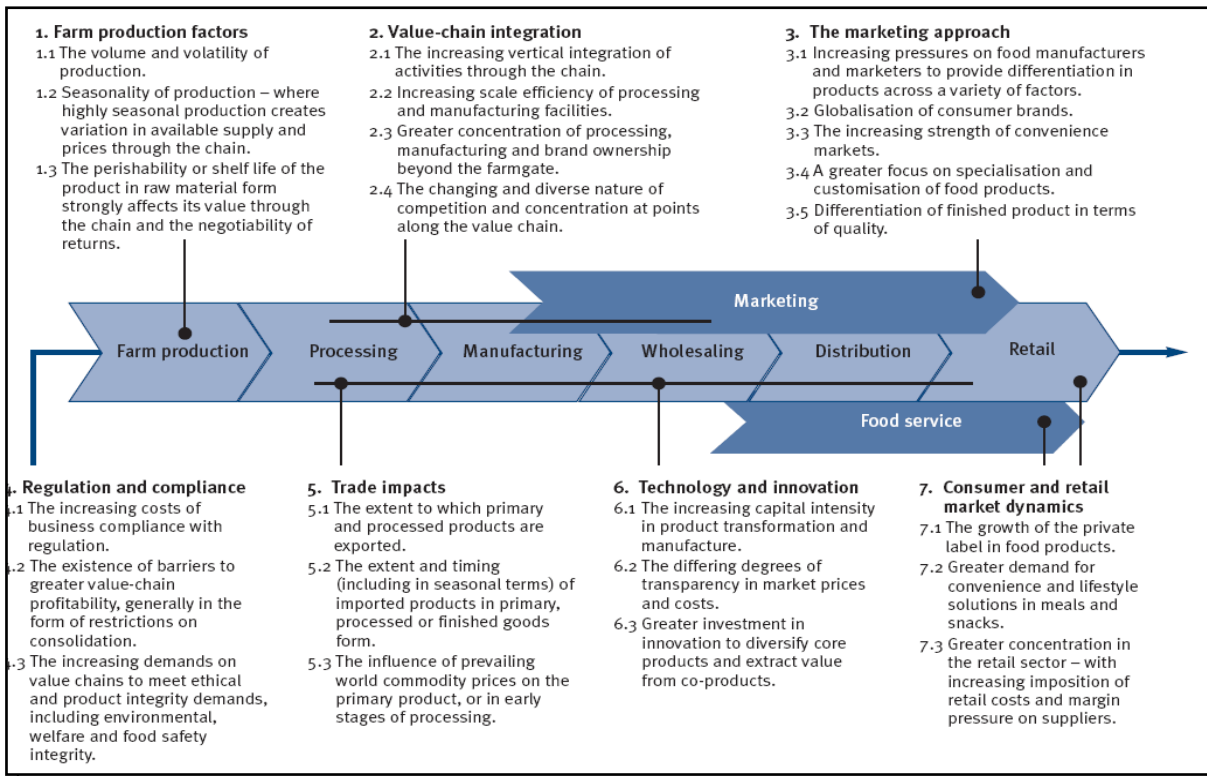
Stakeholders' views: Stakeholders are quite sceptical about the income effects of mandatory labelling and, on average, expect negative effects. The expectations are more positive with regard to voluntary labelling. With more or less only two exceptions (mandatory labelling of welfare standards (option 1) and harmonised requirements for the voluntary use of claims (option 5)), expectations are close to zero level indicating that stakeholders, at least on average, do not expect significant impacts.

Conclusion: **The impact of animal welfare labelling on net income of livestock producers and processors mainly depends on demand side effects.** These effects are essential for the impact on net income of livestock producers and processors, regardless of whether they adhere to higher animal welfare standards or not. Mandatory labelling (Options 1 and 2) possibly has a somewhat bigger impact on net income and farm structure than other options due to a possibly stronger influence on consumer awareness and buying decisions.

5.5.3. *Impact of options on consumer prices*

Food product prices are determined by various factors (see figure below); costs are only one of them.

Figure 1: Determinants of food prices



Source: Spencer (2004).

As long as EU minimum animal welfare requirements are not raised and consumers do not sharply change their buying behaviour, higher consumer prices are not to be expected. This is regardless of which policy option is implemented. Producers willing to participating in a voluntary scheme will face additional certification, traceability and labelling costs, whether this scheme is private or set at EU level. However, it is very difficult to assess whether these costs will be passed on to the consumers or not. If consumers decide to buy animal products produced under higher animal welfare standards, they will very likely have to pay higher prices for the higher (process) quality. Whether (and how many) consumers are willing to pay for more animal welfare-friendly products particularly given the current economic climate is an open question. Experiences with existing labelling schemes are very diverse, depending on the characteristics of the scheme and the Member State.

Box 8

Some examples on impacts on consumers' prices: What are we talking about regarding price increase due to higher animal welfare standards? (Source: SCAHAW report)

Assuming that a person consumes an average of 220 eggs pr year

Extra costs of buying barn eggs instead of battery eggs: 5,5 Euro-cents pr week

Extra costs of buying free range eggs instead of battery eggs: 11 Euro-cents pr week

The newly adopted standards for broiler chickens: Adds 2,5-8 Euro-cents to the cost of producing a chicken

The price premium that can be obtained for Freedom Food production depends to a large extent on the product, but is typically around 10%.

Stakeholders' views On average, the majority of stakeholders expect an increase although not big impact on consumer prices.

Some producer associations argue that average prices will not change at all due to strong market competition. Animal welfare organisations argue that there is no impact of animal welfare standards on prices because every producer chooses what standard he or she wants to comply with. Therefore, no price change but a shift in buying patterns is expected.

Several producer, processor and retailer organisations argue that the increases in production costs along the meat supply chain will be reflected in higher consumer prices. Some producer associations also argue that it is very much in the hands of the retailers whether prices will rise or not. The possibility to pass extra costs to consumers (as it was done in the egg sector) is questioned.

There are very diverse assessments of consumers' willingness to pay for more animal welfare. Some respondents refer to Eurobarometer or Welfare Quality surveys that indicate a considerable willingness to pay.²¹ Other, less optimistic respondents – often animal welfare organisations or research institutes – see some willingness to pay under certain circumstances (good standard, highly trusted by consumers, good communication concept etc.). Good communication and a convincing standard assumed, **price premiums between 5 and 20 % are deemed realistic.** These organisations also see a positive trend in the sense that consumers' willingness to pay is higher than before, although it might be threatened by generally rising food prices.

Livestock producers, processors, retailers and their associations are, in general, rather pessimistic concerning consumers' willingness to pay. They doubt that many consumers are concerned about animal welfare and argue that price is still the single most important criterion for the vast majority of consumers when buying food products.

5.5.4. Impact of options on existing private marketing schemes referring to animal welfare

Mandatory labelling (Options 1 and 2) or the introduction of a Community Animal Welfare Label (Option 5) would likely weaken the unique selling proposition of existing schemes and, thus, may have negative effects (although these effects are uncertain in the case of mandatory labelling). On the other side, a new and widely accepted animal welfare scheme may also contribute to growing consumer awareness and a growing market share of animal welfare-friendly products in general. This can lead to a market situation in which all schemes are better off than before. This has – at least to a certain degree – happened in the organic food market where the EU label has opened the door to new consumer segments. Traditional labels and retail channels have lost market shares but, at the same time, most of them have gained in absolute numbers with regard to sales volume and value.

²¹ See special Eurobarometer 229(2)/Wave 64.4: Attitudes of consumers towards the welfare of farmed animals Wave 2 (March 2006).

Options 4 and 6 do not change the market position of existing schemes as long as no new schemes come up and as long as it is easy for existing schemes to meet the new legal requirements. So far it is difficult to predict whether a change in the regulatory framework for using animal welfare-related claims or establishing animal welfare labels will provoke the emergence of new competing labels.

Mandatory labelling of compliance with EU minimum standards (option 3) will not affect existing marketing schemes.

Conclusion: Impacts on existing private marketing schemes are more likely under mandatory labelling (Options 1 and 2) or the introduction of a Community Animal Welfare Label (Option 5). On the one hand, negative impacts are possible as these options could weaken the unique selling proposition of existing schemes although the analyses are very uncertain. On the other hand, a new and widely accepted animal welfare scheme or mandatory labelling may also contribute to growing consumer awareness and a growing market share of animal welfare-friendly products in general. The case of the EU organic label indicates that existing schemes may be better off in the end despite the loss of their unique selling proposition.

Stakeholders' opinions: Stakeholders agree that effects on existing private marketing schemes very much depend on which option is chosen. Options 4 (requirements for the use of claims) and 6 (guidelines for animal welfare labelling) are assessed the most positively; in these cases the majority of respondents expects somewhat positive or neutral impacts on existing schemes, some even predict very positive impacts. The other policy options are assessed quite sceptically; most respondents expect somewhat negative or very negative effects on existing labelling schemes. Mandatory labelling splits stakeholder opinions and gets a considerable number of both very positive and very negative answers.

Negative effects are foreseen by some industry and retail associations that expect that existing schemes will be eliminated by mandatory labelling. Others are more optimistic in their assessments. They expect that existing schemes will have to adapt to a new standard and, therefore, it is proposed that integration of standards should be possible. This may include significant changes that have to be accompanied by intensive communication with consumers who are familiar with the existing schemes. Respondents also indicate that existing private schemes have to defend their unique selling propositions and will, therefore, likely exceed standards required under an EU animal welfare labelling scheme.

Animal welfare organisations tend to have mixed opinions. Whereas one view is to expect a general improvement of existing labels as soon as EU legislation is in place, another view is to expect even less animal welfare if a lower standard EU scheme pushes existing private schemes with higher animal welfare standards out of the market.

5.5.5. Impact of options on the enforcement costs of public authorities

With regard to existing certification schemes, public as well as private certification and inspection bodies can be observed. Organic farming certification in Denmark, Sweden and France is based on a public inspection system of producers, but there are also other countries where organic labelling relies on private certification bodies operating within a public framework that registers the certification bodies and oversees their activities. In most certification schemes (for instance, ISO standards, International Food Standard), the

certification bodies are paid by the companies that seek to obtain the certificate. Therefore, neither voluntary nor mandatory labelling nor the introduction of a Community Animal Welfare Label (Options 1 to 3 and 5) necessarily mean that public authorities have to bear additional certification costs, but they will have oversight costs, including listing and delisting certifiers, if the organic farming model is followed. Harmonized requirements for the use of claims (Option 4) would normally rely on self-declaration subject to risk-based public enforcement under Regulation 882/2004, which for a non-hygiene and safety measure implies a low priority for public inspection and so a low cost. In this case, standard setters would submit a proposal to a competent authority that checks compliance with requirements. Nevertheless, since there will only be a limited number of animal welfare labelling schemes, additional costs of public authorities are likely to be quite limited.

Stakeholders' opinions: Most stakeholders agree that labelling needs enforcement and that this does not come for free. They also agree widely that the impact on the enforcement costs of public authorities depends very much on the policy option implemented. The vast majority of respondents expect that mandatory labelling of welfare standards and farming systems will result in very significant or at least significant increases of enforcement costs.

Producers, processors and their associations stress that mandatory labelling will create the highest need for governmental enforcement. At the same time, these private actors attribute not the highest efficiency to government services. Some also fear that government will try to pass on parts of the additional costs to industry. All in all, private actors tend to show objections against – what they consider – too much government intervention.

The other options are perceived as less cost intensive for public authorities. Nevertheless, some of the respondents still expect increases (but only rarely significant increases) whereas a considerable number expect no cost effects at all.

Conclusion: The impact of voluntary or mandatory labelling or the introduction of a Community Animal Welfare Label (Options 1 to 3 and 5) on enforcement costs of public authorities are limited, if the system relies on private certification. Enforcement costs could result, however, if public inspection systems were to be used. Harmonised requirements for the use of claims (Option 4) may need public enforcement or an approval system that could bring some (but not high) costs for authorities.

5.5.6. *Impact of options on imports from third countries (extra EU-trade)*

Depending on the degree to which third countries produce to higher or lower animal welfare standards, the impact of options on imports from third countries can differ. Labelling compliance with EU minimum standards (Option 3) can create a competitive advantage for EU producers over those third country producers that have problems to meet these standards, at least where consumer prices for the competing goods are similar. In so far as non-EU producers do not have problems to meet EU standards, market distortion should be very low, regardless of whether labelling is mandatory (Options 1 and 2) or voluntary (under Options 4, and 6) or based on a Community Animal Welfare Label (Option 5) open to third country producers.

Stakeholder opinions: Stakeholders neither expect a significant positive nor a negative impact on imports from non-EU countries

Respondents – in many cases from industry and industry associations – expecting very limited effects often argue that price is the most important criterion for the vast majority of consumers.

It is also argued that efficient meat producers such as Brazil and New Zealand can easily adapt to current (or even higher) EU animal welfare standards.

Those respondents that expect decreasing imports argue that consumers may prefer labelled EU products over non-labelled imported products. These stakeholders have a strong preference for labelling compliance with EU minimum standards since they think that this will drive out low-cost imports produced at lower animal welfare standards.

A small number of respondents expect increasing imports due to growing cost advantages of non-EU producers and that, due to WTO problems, standards will only be enforced within but not outside the EU so that third country producer will have (unfair) competitive advantages.

5.6. Environmental impacts

Labelling per se has no direct environmental impacts. Possible indirect impacts would depend on requirements of the higher animal welfare standard labelled (e.g. concerning access to pasture), the natural conditions of a specific country (e.g. the availability of pasture and its status) and the market share of products labelled with a higher animal welfare standard. If the option chosen would have a significant impact on the development of private schemes relying on extensive animal husbandry systems indirect environmental impacts can be expected due to changes in land use, waste, pollution, etc. These aspects will be assessed in more detail if a proposal were presented in the future.

5.7. Administrative burden impacts

As outlined in the *Costs of labelling* section on page 24 it is not considered at this stage that the policy options would impose considerable additional administrative burden costs on stakeholders. If a compulsory scheme was to be considered as a viable option to progress the policy objective further work would be carried out, using the Standard Cost Model to explore the impacts of certification and labelling. Although it is considered that any certification schemes would fit within current reporting requirements to prevent additional burdens. Whilst the most considerable admin burden cost could stem from labelling changes as most companies change their labels within twelve months introducing the requirements with a transitional period would be sufficient for businesses to normalise the costs.

5.8. Impacts on Small Businesses

It is hoped that by harmonising the welfare standards used by companies to label animal products small businesses will be able to meet the standards and profit from the market opportunity. It is hoped that through the use of guidance and transitional periods, there will not be disproportionately higher impacts on small businesses. Given the fact that the sectors affected by this proposal are predominately SMEs a further small business impact test will need to be carried out if further EU action is considered necessary.

Table 3: Assessment of impacts of the options

	AW conditions on farm	Informed purchasing decisions	Production costs	Producer income	Consumer price	Existing private schemes	Enforcement costs authorities	Imports from 3rd countries
Baseline option								
0. No change	No impact	No impact	No impact	No impact	No impact	No impact	No impact	No impact
Mandatory labelling								
1. Mandatory labelling of welfare standards	Higher pressure on producers due to consumers awareness possible	Provides most information	Certification costs for producers, processors. Limited additional labelling costs for processors.	Depends on demand side effects; on average in many cases close to zero	Higher prices only due to changing consumption patterns	Poss. loss of unique selling proposition of existing schemes	Limited costs	Distortive effects on markets unlikely
2. Mandatory labelling of farming system	As 1, but weaker relationship with AW	Provides a lot of information, but possibly less relevant for AW	Certification costs for producers, processors. Limited additional labelling costs for processors.	Depends on demand side effects; on average in many cases close to zero	Higher prices only due to changing consumption patterns	Poss. loss of unique selling proposition of existing schemes	Limited costs	Distortive effects on markets unlikely
3. Mandatory labelling of compliance with EU minimum standards	No effects on EU farms	Additional information only for non-EU products	Very limited addit.costs for producers, processors adhering to EU minimum standards	Depends on demand side effects; on average in many cases close to zero	Higher prices only due to changing consumption patterns	No effects	Limited costs	Distortive effects on markets are unlikely
Requirements for the voluntary use of claims								
4. Harmonised requirements for use of claims in relation to AW	Indirect and difficult to predict	Depends on market share of labelled products	No costs if adhering to EU minimum standards	Depends on demand side effects; on average in many cases close to zero	Higher prices only due to changing consumption patterns	Depends on whether existing schemes can easily meet requirements	Poss. low costs for running an appraisal and enforcement system	Distortive effects on markets are unlikely
Other options								
5. Community Animal Welfare Label for voluntary participation	More direct effects, depending on market share of label	Depends on market share of labelled products	No costs if adhering to EU minimum standards	Depends on demand side effects; on average in many cases close to zero	Higher prices only due to changing consumption patterns	Poss. loss of unique selling proposition, but possible increase in market size	No public costs if private certification of farms and firms	Distortive effects on markets are unlikely
6. Guidelines for the establishment of schemes	Indirect and difficult to predict	Very indirect positive effect possible	No costs if adhering to EU minimum standards	Depends on demand side effects; on average in many cases close to zero	Higher prices only due to changing consumption patterns	Depends on whether existing schemes can easily meet requirements	No effects, if not binding	Distortive effects on markets are unlikely

6. CONCLUSIONS

As the initiative is intended to open the debate on animal welfare labelling of products, at this early stage none of the options is discarded. Policy options would be chosen in light of the results of the inter-institutional debate and the impact assessment accompanying the proposal if a legislative proposal were to be presented in the future. Careful consideration would be made on which option would better suit each farming sector tacking into its characteristics and social, economic and environmental impacts of each. It would be possible that different options or a combination of options would be applied

depending on the farming sector. The impact of each of these options on third countries also needs to be considered carefully.

Also the adequateness of labelling of other products such as fur or including labelling of composite products could be analyzed in the future depending on the outcome of the inter-institutional debate.

In any case it appears that this initiative is necessary in order to present different possibilities for animal welfare labelling and allow for discussion on the issue.

Having said that, the results of the analyses allow considering the following options as less adequate:

The “no change” option (Option 0):

This option would not allow for adapting to consumers demands for animal welfare information. The potential proliferation of different schemes could lead to increase consumer confusion. This option would not profit from the effectiveness of labelling as a communication tool due to the lack of an EU framework for animal welfare labelling.

Inconsistent approach in terms of the content and availability of information would continue.

Mandatory labelling of animal welfare standards (Option 1):

At this stage of the scientific development this options does not seem realistic. If in the future reliable and internationally recognized animal welfare indicators were to be available and if to use these indicators in a certification process seems possible from a practical and economic point of view, mandatory labelling of animal welfare standards could be applied. The results of the Welfare Quality Project are expected to bring about significant developments in this sense.

Mandatory labelling of farming systems (Option 2):

This option is more feasible than option 1 and in fact it is already in place for the egg-sector. Drawbacks of this option are first of all that the link between farming systems and animal welfare is not direct and could in a certain way mislead consumers (as consumers assume that there is a direct link).

Mandatory labelling of EU minimum standards (Option 3):

Advantages of option 3 is that minimum standards have already been agreed and are established by EU legislation but on the other hand benefits of this option for animal welfare and consumer information are quite limited. In addition, all mandatory options would imply significant costs for operators (certification, labelling) and competent authorities (enforcement costs).

Voluntary options seem more feasible at this stage although **option 6 (Guidelines for the establishment of schemes)** is considered to provide low added value as regards animal welfare, consumers information, and addressing problems of competence among operators :

At this early stage of the policy development, the most feasible options seem to be Option 4 (harmonised requirements for the voluntary use of claims) and Option 5 (Community Animal Welfare Label modelled after the EU organic label).

Harmonized requirements for the use of animal welfare or farming systems claims (Option 4):

Harmonized requirements for animal welfare claims would be established by EU legislation following a similar approach to the marketing standards for poultry meat established by DG AGRI (reference to farming systems) or when animal welfare indicators would be available harmonized requirements for claims on animal welfare standards could be established.

The impact of this option on animal welfare and consumers' information would depend mainly on the number of operators applying labelling.

Apart from labelling costs, no extra production costs for producers are expected from this option (they are expected only if major changes in demand were to force some producers to change their farming systems) and fluctuations on their income on average would be close to zero.

Costs for competent authorities would depend on whether private or public certification would be chosen.

The Community animal welfare label (Option 5) would allow for a more holistic consideration of animal welfare instead of focusing only on a single aspect as for example farming systems.

This option could provide for a user-friendly manner to communicate to the consumers (through a logo) the animal welfare standards followed in the production process. It would also allow the ranking of systems according to the level of animal welfare provided and to grant them a label that indicates the level of welfare achieved (for example granting a different number of stars depending on the level of animal welfare).

The Community animal welfare label would be voluntary and would be certified privately. However harmonized requirements for assessing animal welfare and/or the farming systems (depending on the availability of objective indicators) would be established at EU level. Community Animal Welfare Label is therefore expected to have more direct effects on animal welfare than other voluntary options but this would depend

on the market share of the label. Negative impacts on existing schemes are possible, but may be (over)compensated by increase of the overall market size for products produced at higher animal welfare standard. As any improvements of the animal welfare conditions on farms that a label could bring ultimately depend on consumer demand, it is advisable to first introduce the label for certain products and to assess the market success before considering further steps. One of its relevant features is that it allows a step-by-step approach for inclusion of species, and also for other ways to extend its scope. For example, a Community Animal Welfare Label could start with a subset of most relevant species in terms of market volume and focus in the beginning on fresh meat (red meat and poultry) and milk/dairy products, as here the direct connection between product and animal is most easily conceivable for consumers.

Compatibility synergies with other labelling schemes:

A labelling of eggs would need further consideration once welfare indicators are available that allow for better assessment of welfare than the current labelling of production systems under the egg marketing legislation, and legislative action would then be required to avoid a situation where both systems are used in parallel and provide possibly contradictory signals.

Organic farming is a specific production system, the product widely available on the market. Production method concerns are central to the organic concept, notably the use of natural resources, preventive crop protection methods, restricted use of pesticides mostly from animal, plant or microbial origin, high animal welfare standards, and environmentally sustainable production techniques. Consumers who purchase organic products may do so for all of these reasons, or mainly for one of them (such as high animal welfare) or for a completely different reason. Given the importance of animal welfare in the organic system, a number of potential conflicts arise with regard to an animal welfare labelling scheme. If the effect of the animal welfare labelling regime creates confusion about the organic farming scheme in the mind of consumers, or takes market share from organic produce, any resulting fall off in organic production could indirectly reduce the benefits that flow from organic farming. For these reasons a clear coherence with organic is needed. It is therefore important that the organic animal welfare requirements have to be the highest common animal welfare requirements in the EU.

As already explained, the aim of the initiative is to launch a debate on the issue. Any next steps considered necessary will take into account the results of the Welfare Quality project which is expected at the end of the year.

PART II: EUROPEAN NETWORK OF REFERENCE CENTRES FOR THE PROTECTION AND WELFARE OF ANIMALS

Part 2 of this IA report explores options for the establishment of a European Reference Centre, or as we prefer to propose, a European Network of Reference Centres for Animal Protection and Welfare (hereafter: ENRC or simply “Network”).

The background is described in the Community Action Plan on the Protection and Welfare of Animals 2006-2010. The plan envisages the creation of a reference centre, which could serve as a coordinating body for the different initiatives related to the animal welfare labelling (introduction of welfare indicators, certification of welfare indicators, auditing schemes, databases related to existing certified labels). In addition, the Centre could perform tasks in particular in relation to harmonisation and coordination, policy advice and sharing of best practices, education and training and dissemination of information. The Centre should also facilitate the preparation of relevant socio-economic studies and impact assessments.

Two of the key objectives that the European Commission wishes to achieve with this initiative are to provide greater coordination of existing resources while identifying future needs and to ensure a more consistent and coordinated approach to animal protection and welfare across Commission policy areas. For this aim, the Action Plan specifies that efforts will be made to introduce standardised animal welfare indicators and to incorporate such specific measurable indicators into Community legislation. This would allow the establishing of a legislative instrument to validate production systems applying higher welfare standards than the Community minimum requirements.

Given the objectives of the Commission at this stage was to explore the best way to coordinate different initiatives related to the animal welfare this IA considered options wider than just the establishment of an EU body (reference centre). Other options using existing methods to see if the policy's objective can be delivered better in another way have also been explored. These have been developed to take into account stakeholder views that establishing an additional separate body was not necessary.

The purpose of the second part of the feasibility study commissioned by DG SANCO was to explore and assess the feasibility of different options for indicating animal welfare related information on products of animal origin and for establishing a Community Reference Centre for Animal Protection and Welfare.

The details of the interviews and the surveys conducted in the framework of the study can be found in Annex VI (annexes 1, 2, 4 and 6 to the report on the feasibility study part 2).

1. PROBLEM DEFINITION

1.1. Main problems perceived by stakeholders

The main relevant problems perceived by stakeholders are:

⇒ a lack of harmonised animal welfare standards/indicators for higher animal welfare (marked by 83 respondents);

- ⇒ lack of coordination of existing resources to share best practice;
- ⇒ the need for an independent source of information at EU level (51 respondents);
- ⇒ the duplication of activities due to a lack of coordination at EU level (48 respondents).

Only 11 respondents marked that there are no current problems.

However, not all stakeholder groups are in favour of a Network of Reference Centres as such. In a survey, a large majority of farmer/livestock producer associations did not see a need for such a centre and preferred – in contrast to e.g. the responding competent authorities and animal welfare organisations – the “no change” option. Stakeholders are quite mixed. All in all, the answers reflect the controversial standpoints of different stakeholder groups, with a strong focus on economic interests in some cases and a strong focus on animal welfare concerns in other cases.

1.2. Lack of harmonised animal welfare standards/indicators for higher animal welfare

Animal welfare labelling schemes should be based on harmonized, sound, scientific standards. The valid measurement of animal welfare on all relevant stages of the value chain (mainly farming, transport and slaughter) is at the heart of each animal welfare labelling system.

Currently, the validity and reliability of most indicators is often disputed and there is not one single, reliable indicator of animal welfare. Comprehensive indicators suggested to date e.g. “biological response to stress”, have been criticised as being too difficult to measure. Therefore, combinations of indicators are necessary to reliably measure animal welfare, an approach also taken by the Welfare Quality Project (detail on this project are provided in part I section 4.2 of this document). As a consequence, in recent years integrative concepts have more and more replaced the formerly characteristic focus on housing or farming systems.

Due to a lack of a single valid, reliable and comprehensive indicator of animal welfare, the construction of a measuring instrument or scale that allows measuring and comparing animal welfare across species, farming systems and supply chain stages appears to be a significant challenge.

2. OBJECTIVES

2.1. General objectives:

The aim of this initiative is to explore the possible options and impacts establishing a European Reference Centre, or a network of such centres would have. This is to facilitate an informed debate in the Council and in the European Parliament to consider whether EU action is needed to:

- improve the communication and spread on information at a member state level on animal welfare in general and

- promote best practice in relation to animal welfare standards.

2.2. Specific objectives:

- establish a communication method to coordinate and harmonise animal welfare approaches amongst Member States,
- provide independent assessment on animal welfare standards and best practices throughout Member States and
- distribute and share information and research throughout the Community.

3. OPTIONS

The discussions in the Parliament, the European Economic and Social Committee and with Member States made clear that the creation of an additional independent body, like a Commission agency, would not find the necessary support. It is therefore necessary to identify options using existing bodies, either within the Commission or in the Member States, in order to minimise the administrative costs.

A significant number of institutions in the EU appear to be able and willing to take on or support the necessary functions. At the EU level, a small core of relevant institutions exists (like European Food Safety Authority - EFSA). However, currently they do not cover all areas of expertise that could be relevant. At the Member State level, the most significant expertise and the largest number of staff working in relevant areas is located at universities and research institutes. Several government/public agencies also appear to be relevant. Animal welfare organisations and other private bodies seem to have less staff resources available and therefore do not cover all areas of expertise. Therefore, options that exclusively rely on private institutions are not considered in this document, though they were assessed during the study and the reasons for discarding them are mentioned on section 5.

Details on the structure and the tasks carried out by existing EU animal welfare centres can be found in Annex VI (annex 3 to the report from the feasibility study part 2).

The main policy options for the establishment of an ENRC

Option 0: No change. Continuation of the current situation (status quo option)

Option 1: Centralised approach. Entrusting a Community body or a public body already existing in a Member State

Option 2: Decentralised approaches. Entrusting several bodies already existing in Member States with the necessary tasks, working across this network of centres in a coordinated way.

Option 3: Mixed approach: using a task-specific strategy to determine central and decentral elements

4. FEASIBILITY ASSESSMENT

4.1. Conformity of options with guiding principles

4.1.1. *Network Centres should complement, not duplicate, current activities by other Community bodies*

Under all options it is possible to ensure that a Community Reference Centre or Network complements, not duplicates, current activities by other Community bodies. The mandate would need to adequately address areas covered by current activities of Community bodies, such as scientific advice and the validation of alternative methods in relation to the three Rs (Replacement, Reduction, and Refinement).

With respect to future activities proposed here, a centralised approach may provide a simpler coordination process than decentralised approaches. However, even under decentralised approaches avoiding a duplication of activities appears to be feasible in principle, if a central coordination is foreseen.

Stakeholders' opinion: Assessment of stakeholders is quite mixed concerning this criterion. Some general trends can be observed. Entrusting a single Community body (centralised option) is on average considered the most feasible option to ensure that a Community Reference Centre complements, not duplicates, current activities by other Community bodies.

4.1.2. *All areas of animal use should be covered*

A decentralised approach involving different bodies seems more feasible to ensure that we cover all areas of animal use. But even if a centralized approach seems more feasible decentralised elements would need to be considered such as involving working groups of experts and subcontracting specific tasks to specialised bodies. Relevant private institutions seem to have fewer capacities to cover all areas of animal use and appear to be least feasible.

Stakeholders' opinion: In the survey, a large majority of respondents that responded preferred a broad approach that includes not only farm animals but also all other types of animal use, except wild animals. With regard to the question: 'Which of the options ensures that we cover all areas of animal use?'- the respondents providing an assessment again see entrusting a Community body, several public bodies existing in EU Member States or a combination of public and private bodies as the most feasible options. The other options were seen as less feasible, especially all options relying exclusively on private bodies.

4.1.3. *The Centre should be independent from outside interests*

Stakeholder trust regarding independence from outside interests is highest for entrusting a Community body with the leadership role. Although under all options arrangement could be made to safeguard independence from outside interest, stakeholder trust in different arrangements is a relevant aspect.

Stakeholders' opinion: Concerning the degree to which options ensure independence from outside interest (such as policy business interests and interests of EU and national policy makers), entrusting a Community body is seen by far as the most feasible option

by those respondents that provided an opinion. A considerable number of respondents also see entrusting several public bodies already existing in EU Member States as feasible. All other options, especially those strongly relying on private institutions, are considered to be less feasible under this criterion.

4.2. Possible tasks and implications for the feasibility of options

According to survey results, the most frequently suggested task is the harmonisation of animal welfare indicators. A large proportion of stakeholders also see a need for standard setting and research on animal welfare practices. Stakeholder groups differ in their view of the scope of tasks. Whereas animal welfare organisations tend to see a large variety of tasks, industry organisations would generally opt only for a limited scope of tasks.

4.2.1. Harmonisation and coordination

Standard setting and maintenance, as well as defining and updating harmonised animal welfare indicators are very feasible tasks under all centralised approaches. These tasks are also feasible under approaches where different standards or sets of indicators are defined and maintained by different bodies, if delineation of areas is feasible and central coordination is provided. Fully decentralised approach does not appear feasible.

The operation of databases is a very feasible task under a centralised approach. The involvement of experts or bodies in Member States for maintaining the database(s) or parts of the technical infrastructure is possible, as long as this does not increase search costs for users of the database(s) and allows synergies between the operations of different databases.

4.2.2. Policy advice and best practices

Preparation of socio-economic studies and impact assessments, as well as the formulation of policy advice, is a feasible task under both centralised and decentralised approach. The feasibility of a centralised approach depends on heterogeneity of issues and the regularity and predictability with such studies have to be conducted or advice has to be formulated. A decentralised approach is better suited if a large variety of research issues is to be covered and demand is irregular, to reduce the risk of over- or under-capacities of a central body. Under a decentralised approach, a central coordination and facilitation function is needed.

The assessment of existing practices and standards and the collection and dissemination of best practices require a mixed approach of centralised and decentralised elements. The most feasible approach relies on expertise available in Member States' institutions and, at the same time, ensures a central perspective and support where this is required, such as for the harmonised definition of assessment criteria, and the administration of a central set of best practices (e.g. through a database)

4.2.3. Education and communication

The task of advising and educating stakeholders is feasible under a centralised approach only as long as it is restricted to a small group of internationally socialised stakeholder representatives. If a broad concept of advice and education is implemented that also addresses national and regional groups and other actors presumably more deeply rooted in local cultures, the need for accounting for these local cultures through a decentralised

approach outweighs the advantages of a central approach. However, a central Community Reference Centre could support decentralised activities by engaging in the training of trainers and in providing relevant educational resources. Similarly, an ENRC could provide targeted information to multipliers such as journalists and animal welfare organisations for their information activities, without targeting consumers directly.

4.2.4. *Research and implementation*

Conducting research on animal welfare and protection practices seems to be less feasible under a centralised approach. Research on animal welfare and protection has to rely on the existing infrastructure of research institutions in order to avoid a duplication of work. However, the creation of a central focal point for research could provide benefits through more coordinated research in the EU, improved communication between experts and consequently a higher quality of decentralised research projects.

Auditing and certification of existing animal welfare schemes is to a large extent a decentralised service function and it appears not to be a feasible central task under any of the options. A possible related task that could be relevant under centralised options is some coordination and quality control, e.g. to ensure minimum standards for the certification and audit process.

Our proposal here should not contribute to the validation of the Three Rs in the field of research animals. In case there should be additional need for coordination or research at EU level regarding validation of alternative methods, it appears to be more appropriate to channel the work towards the European Centre for the Validation of Alternative Methods (ECVAM) rather than to create parallel structures with overlapping mandates.

4.3. **Assessment of options**

The analysis illustrates (Table 4.) that the feasibility of specific tasks of a possible ENRC is strongly influenced by whether a centralised or a decentralised approach is chosen. Both approaches have some specific advantages and disadvantages for specific tasks. A mix of central and decentral elements could possibly avoid cost and quality disadvantages and capture as many advantages as possible.

Therefore a mixed approach that uses a task-specific strategy to determine central and decentral elements of a possible ENRC is suggested.

This conclusion is to a large extent in line with the opinions of experts interviewed during the preparation of the study.

- Experts generally agree that coordination tasks (standard setting, harmonisation of welfare indicators, and operation of databases) require a centralised ENRC.
- In contrast, policy advice and research and implementation are often not seen as tasks of a centralised EU body, although some experts disagree regarding the question whether policy advice should be a task of the ENRC or not, and whether the Centre should also initiate (but not perform) research projects, including projects on the economic aspects of animal welfare.

Therefore, a comparatively small central unit is preferred that, for instance, works on standard setting, harmonises welfare indicators and audit procedures, documents

information and informs consumers through provision of databases. In a dynamic perspective it is also advised to start with some core tasks and to add extra tasks later on without duplicating existing tasks.

The results of the assessment conducted in the previous sections are presented in the following overview table. It illustrates the advantages of a mixed approach over other options.

Table 4. Assessment of feasibility of options

Criteria	Centralised	Decentralised	Mixed approach	No change
Existing bodies				
Number of bodies available/willing to contribute to ENRC	+	++	++	Continuation of activities in MS without coordination.
<i>The most significant expertise located at universities and research institutes in MS. The feasibility of options relying on private bodies (options 3 and 5) limited.</i>				
Conformity with principles				
Complementing, not duplicating, current activities by other Community bodies	++	+	++	No complementing activities.
<i>May provide a simpler coordination process than decentralised approaches.</i>		<i>Also feasible if a central coordination is foreseen.</i>		<i>Combines advantages of both approaches.</i>
All areas of animal use should be covered (zoos, wildlife etc.)	+	++	++	No coverage.
<i>Feasible if decentralised elements are used.</i>		<i>Very feasible to cover all areas of use.</i>		<i>Combines advantages of both approaches.</i>
The Centre should be independent from outside interests	+ / ++ (Community body)	+	+ / ++ (Community body)	Not applicable.
<i>Stakeholder trust highest for entrusting a Community body. Stakeholders do not consider options relying on private bodies (Options 3 and 5) as feasible.</i>				
Potential tasks: I. Harmonisation and coordination				
Standard setting and maintenance, harmonisation of animal welfare indicators	++	O / +	++	No standard setting and harmonised indicators.
<i>Very feasible under all centralised approaches. Also feasible under decentralised approaches, if delineation of areas is feasible and central coordination is provided. Fully decentralised approach not feasible.</i>				
Databases related to the existing animal welfare schemes and other areas	++	O / +	++	No databases.
<i>Very feasible under all centralised approaches. Decentralised approaches feasible, as long as this allows synergies between the operation of different databases.</i>				
Potential tasks: II. Policy advice and best practices				
Preparation of socio-economic studies, impact assessments, policy advice	+ / ++	+ / ++	++	No preparation of studies through ENRC.
<i>Feasible task under all approaches. Decentralised approach more feasible if large variety of research issues is to be covered and demand irregular</i>				
Assessment of existing practices and standards, dissemination of best practices	O / +	O / +	++	No assessment and collection of best practices.
<i>Requires a mixed approach of centralised and decentralised elements, to use expertise available in Member States' institutions and ensures central perspective.</i>				
Potential tasks: III. Education and communication				
Advising and educating stakeholders	O / +	+	++	No advice and education.
<i>Feasible under a centralised approach only as long as it is restricted to a small group of stakeholder representatives. If a broad concept of advice and education is implemented, a decentralised approach is needed.</i>				
Potential tasks: IV. Research and implementation				
Research on animal welfare and protection practices	O / +	+	+	No coordination of research through ENRC.
<i>Less feasible under a centralised approach. Creation of a focal point for research in central ENRC could provide benefits (mixed approach).</i>				
Auditing and certification of existing animal welfare schemes	O / +	O	O / +	No EU level coordination and quality control.
<i>Decentral service functions. Not a feasible task under any of the options. Relevant under centralised options and mixed approach is coordination, quality control.</i>				
Development of the Three Rs in the field of research animals	O	O	O	No difference to options.
<i>Any tasks of a possible ENRC in this area could potentially lead to overlap of activities with ECVAM and are therefore likely to be unfeasible/inefficient.</i>				

Source: Civic Consulting. ++ = very feasible, + = partly feasible, O = not feasible.

5. IMPACTS

Whereas the assessment of feasibility of the different options clearly documents the advantages of a mixed approach compared to other options, the mixed approach does not significantly differ concerning possible economic, social and environmental impacts from the centralised or decentralised approach. Under all three approaches, the following potential benefits can be obtained:

- Standard setting and harmonisation can lead to *benefits in terms of animal welfare*, to the extent that such standards create awareness among farmers and other relevant groups and are effectively implemented;
- All three options can potentially lead to a *better coordination of animal welfare related research* in the EU. Under a decentralised and mixed approach a positive impact on existing research bodies is more likely, as they are more directly involved. A better coordination of animal welfare related research could also potentially lead to *costs savings*, as it would contribute to avoiding duplication of research in different national institutions – however, the extent to which such duplication currently occurs is not known, making assessment of potential savings difficult.

On the other hand, the “no change” option can be expected to potentially lead to a number of negative impacts:

- Possible *economic losses* due to a lack of consumers’ choices, if the lack of harmonised standards reduces the feasibility of animal welfare labelling systems (leading to an imperfect market);
- Possible *continuation of low degree of coordination* and of potential duplication of research in animal welfare;
- In the long run *lower levels of welfare of farm animals* possible compared to other options (depending on the effectiveness of a possible Centre).

However, contrary to the other options the “no change” option would not imply any implementation costs for the Community budget.

The most feasible approach seems to be a mixed approach combining central and decentralised elements in a better coordinated network of existing EU-wide expertise (option 3). With this approach, a relatively small central coordinating function would become a focal point for coordination and harmonisation of Community relevant issues in the field of animal welfare, performing its task in close collaboration with and support of a network of relevant research institutions in the Member States.

Table 5: Assessment of possible impacts of options

Criteria	Centralised	Decentralised	Mixed approach	No change
Direct and indirect economic impacts				
Costs of the centre	-	-	-	o
	<i>An ENRC will involve direct costs under all approaches. Although reduction of costs is possible through exploiting synergies with existing bodies, it appears not possible to relate them to specific options without further detail concerning possible bodies involved and the scope of the tasks finally decided for an ENRC.</i>			<i>No direct costs.</i>
Indirect impact on farmers, consumers, etc.	o / +	o / +	o / +	- / o
	<i>No indirect costs for stakeholders expected, as long as use of standards and indicators is voluntary. Standard setting and harmonisation can, however, lead to economic benefits such as increased choice for consumers, to the extent that such standards are effectively implemented (e.g. in the framework of a AW labelling system).</i>			<i>Possible economic losses due to a lack of consumers' choices (imperfect market).</i>
Direct and indirect social impacts				
Impact on welfare of farm animals	o / +	o / +	o / +	o
	<i>Standard setting and harmonisation can lead to benefits in terms of animal welfare, to the extent that such standards create awareness among farmers and other relevant groups and are effectively implemented.</i>			<i>No direct impacts. However, in the long run lower levels of AW possible compared to other options.</i>
Impact on existing research bodies in the area of animal welfare	o / +	+	+	- / o
	<i>All options can potentially lead to a better coordination of AW related research in the EU. Under a decentralised and mixed approach a positive impact on existing research bodies is more likely, as they are more directly involved.</i>			<i>Possible continuation of low degree of coordination and of potential duplication of research</i>
Impact on employment	o	O	o	o
	<i>Negligible impacts on employment under all options.</i>			<i>No impacts.</i>
Direct and indirect environmental impacts				
Impact on environment	o	O	o	o
	<i>No direct or indirect impacts under all options.</i>			<i>No impacts.</i>

Source: Civic Consulting ++ = significant positive impact, + = somewhat positive impact, O = neutral -- = significant negative impact, - = somewhat negative impact

5.1. Alternatives for the scope of a ENRC

The previous section concluded that a mixed approach has to be considered the most feasible option. A mixed approach is an approach that uses a task-specific strategy to determine central and decentralised elements. This would in practical terms mean that the **ENRC** has the character of a comparatively lean central coordination unit (either at a Community body or at one public body in a Member State) that cooperates with a network of relevant research institutions in the Member States, which take on responsibility for specific sub-tasks (either through institutional support or on a project basis) and participate in working groups. This is a well-tried method in the food chain area, where Community Reference Laboratories coordinate networks of National Reference Laboratories. Possible sub-tasks conducted by network partner could include conducting studies and impact assessments, implementing targeted research on animal welfare issues with Community relevance, conducting education and dissemination activities etc. Of course, this approach in itself can be implemented in various ways. Possible variables are the size of the **ENRC** itself and the resources available for the

network tasks. In this section, three alternatives are explored, namely a *minimum*, *medium* and *maximum* scope of tasks (see table 6).

Table 6: Minimum, medium and maximum scope of tasks for a possible ENRC

Tasks	Minimum scope	Medium scope	Maximum scope
I. Harmonisation and coordination			
Standard setting and maintenance, harmonisation of AW indicators	Standard setting, harmonisation of animal welfare indicators		
Database related to the existing AW schemes	Implementation and maintenance of database on AW schemes		
II. Policy advice and best practices			
Preparation of socio-economic studies, impact assessments, policy advice	Central coordination, controlling of studies, impact assessments, policy advice	Formulation of policy advice	Performance of studies, impact assessments, formulation of all policy advice
Assessment of existing practices and standards	Definition of harmonised criteria for assessing practices and standards	Central database of best practices	Identification and assessment of practices and standards
Dissemination of best practices	Central coordination of collection and dissemination of best practices		Active dissemination of best practices
III. Education and communication			
Advising and educating stakeholders	No tasks	Competence centre for advice and education of stakeholders	Active advice and education of stakeholders
Consumer information	Basic consumer information strategy, implementation of website		Implementation of strategy through multipliers
IV. Research and implementation			
Research on animal welfare and protection practices	No tasks	Competence centre for AW research (including central research database)	Conducting meta-analysis of research on AW
Auditing and certification of existing AW schemes	Central coordination and quality assurance of auditing and certification of animal welfare schemes		

Source: Civic Consulting.

A mixed approach for an ENRC based on a task-specific strategy to determine central and decentral elements can be implemented by assigning alternatively a minimum, medium and maximum scope of tasks to the ENRC. Under the minimum alternative an ENRC would only focus on those tasks that necessarily have to be organised centrally in order to avoid a lack of harmonisation and coordination. A medium alternative would include setting up competence centres for education of stakeholders and research in the field of animal welfare. A maximum alternative would involve additional implementation tasks.

5.2. Expected costs

Expected costs for the establishment of an ENRC were assessed in the framework of the study. The main focus concerning the expected costs of setting up a Network are annual

operating costs²². These operating costs can be distinguished into two categories: costs of core activities and costs of network functions. The former are related to activities directly performed by the Network, whereas the latter occur due to the integration of MS research institutions and experts into the work of the Centres. Therefore, network costs are mainly related to travel, meeting, workshops and subcontracting of sub-tasks. Network costs very much depend on the number of experts per EU Member State involved, the intensity of cooperation and the type of tasks subcontracted.

With regard to the core activities the following cost categories are relevant:

- ❑ Staff costs;
- ❑ Overheads (including costs for rent of office space and office equipment);
- ❑ Meetings and travel (including per diems).

With regard to the network functions the following cost categories have been considered:

- ❑ Subcontracting of socio-economic studies and impact assessments;
- ❑ Subcontracting of Community relevant research on animal welfare and protection practices and/or other network functions;
- ❑ Subcontracting of information and dissemination activities (including website);
- ❑ Workshops with external experts.

Tables 7 and 8 provide estimates concerning staff costs and total costs of an ENRC, including network functions. The estimates consider a minimum, medium and maximum scope of tasks for a European Network of Reference Centres for Animal Protection and Welfare as described in this section. The methodology of deriving the estimates is described on page 45-48 in Annex VI of this report. According to the estimates, costs for an ENRC are as follows:

Minimum scope ENRC: 635,875 Euro costs of core activities and 1,280,160 Euro costs of network functions, leading to a total of 1,916,035 Euro per year.

Medium scope ENRC: 1,334,155 Euro costs of core activities and 2,370,240 Euro costs of network functions, leading to a total of 3,704,395 Euro per year.

Maximum scope ENRC: 2,596,735 Euro costs of core activities and 3,260,320 Euro costs of network functions, leading to a total of 5,857,055 Euro per year.

The number of units and the unit costs considered for the calculations take into account data received from similar institutions working in related areas and data gathered during interviews. Staff costs are approximations based on unit costs from relevant Community institutions²³.

²² One-off costs for the implementation are not considered separately. As it is not considered to be realistic that an ECRC would conduct research itself and need laboratory equipment, only office equipment is relevant. Costs of office equipment are, similar to the costs for office space, assessed on the basis of rent/leasing costs and are included in the overheads.

²³ In case an ENRC would be implemented at Member State Level, unit costs have to be adapted accordingly.

6. CONCLUSION

Main problems perceived by stakeholders that may be relevant for considering the establishment of an ENRC are a lack of harmonised animal welfare standards/indicators for higher animal welfare, the need for an independent source of information at EU level and the duplication of activities due to a lack of coordination at EU level.

A significant number of institutions in the EU appear to be able and willing to take on or support functions of a possible ENRC. Some of the farmer/livestock producers did not see a need for such a centre, however, the policy objectives is to provide a tool for the competent authorities to share information and not at farmer level.

Under all options considered in this study it is possible to ensure that an ENRC complements, not duplicates, current activities by other Community bodies. Strong decentralised elements can ensure that an ENRC covers all areas of animal use. Stakeholder trust regarding independence from outside interests is highest for entrusting a Community body with an ENRC.

The most frequently suggested task that an ENRC should carry out is the harmonisation of animal welfare indicators.

An ENRC would be attached to a body or agency already existing at the EU level or in an EU Member State. This would allow the realisation of economies of scale with regard to management tasks, office space and administrative services. There are certain advantages of a Community body functioning as hosting structure for an ENRC, including a position close to EU decision makers and the greater trust of stakeholder in its independence. However, possible synergies between an ENRC and the current work of some relevant Member States bodies (independent public agencies and university/research institutes) could also be a relevant consideration.

Bearing all this in mind a mixed approach that uses a task-specific strategy to determine central and decentral elements of a possible ENRC is suggested (option 3).

The expected annual operating costs of an ENRC based on a mixed approach are estimated to be in the range of 1.92 million to 5.86 million Euros, depending on whether a minimum, medium or maximum scope of task is envisaged. These estimates include the costs of core activities and the costs of network functions. The former are related to activities directly performed by the Network, whereas the latter occur due to the integration of MS research institutions and experts into the work of the Centres.

Table 7: Estimated annual staff costs of a possible ENRC

Task	Minimum scope			Medium scope			Maximum scope		
	Staff	Costs per unit (in €)	Total (in €)	Staff	Costs per unit (in €)	Total (in €)	Staff	Costs per unit (in €)	Total (in €)
I. Harmonisation and coordination									
Standard setting, harmonization of welfare indicators	1.5	99,543	149,314	1.5	99,543	149,314	1.5	99,543	149,314
Operation of databases (professional)	0.5	99,543	49,771	0.5	99,543	49,771	1	99,543	99,543
Operation of databases (IT staff)	0	31,585	0	0	31,585	0	0.5	31,585	15,792
II. Policy advice and best practices									
Preparation of socio-economic studies, impact assessments, policy advice	0.5	99,543	49,771	1	99,543	99,543	4	99,543	398,172
Assessment of existing practices and standards, collection, dissemination of best practices	0.5	99,543	49,771	1	99,543	99,543	3	99,543	298,629
III. EDUCATION AND COMMUNICATION									
Consumer information	0.5	99,543	49,771	0.5	99,543	49,771	1	99,543	99,543
Advising and education of stakeholders	0	99,543	0	1	99,543	99,543	2	99,543	199,086
IV. Research and implementation									
Coordination and quality assurance of auditing of existing AW schemes	0	99,543	0	0.5	99,543	49,771	0.5	99,543	49,771
Competence centre for research on animal welfare and protection practices	0	–	–	3	99,543	298,629	6.5	99,543	647,030
Management									

Task	Minimum scope			Medium scope			Maximum scope		
	Staff	Costs per unit (in €)	Total (in €)	Staff	Costs per unit (in €)	Total (in €)	Staff	Costs per unit (in €)	Total (in €)
Director	1	146,681	146,681	1	146,681	146,681	1	146,681	146,681
Assistant	0.5	31,585	15,792	1	31,585	31,585	2	31,585	63,170
Total staff number	5			11			23		
Grant total staff costs			510,874			1,074,154.66			2,166,735

Table 8: Total estimated annual operating costs of a possible ENRC

Task	Minimum scope			Medium scope			Maximum scope		
	Units	Costs per unit (in €)	Total (in €)	Units	Costs per unit (in €)	Total (in €)	Units	Costs per unit (in €)	Total (in €)
Costs of core activities									
Sum of staff costs			510,875			1,074,155			2,166,735
Overheads (and other office running costs)	5	10,000	50,000	11	10,000	110,000	23	10,000	230,000
Meetings and travel (missions for staff, per diems)	1	75,000	75,000	1	150,000	150,000	1	200,000	200,000
<i>Total core activities</i>			635,875			1,334,155			2,596,735
Costs of network functions									
Subcontracting of socio-economic studies and impact assessments	1	500,000	500,000	1	400,000	400,000	1	200,000	200,000
Subcontracting of Community relevant research on animal welfare and protection practices and/or other network functions	1	500,000	500,000	1	1,200,000	1,200,000	1	1,800,000	1,800,000
Subcontracting of education/ training, information and dissemination activities (including website)	1	100,000	100,000	1	500,000	500,000	1	900,000	900,000
Workshops with external experts (2 days)	10	18,016	180,160	15	18,016	270,240	20	18,016	360,320
<i>Total network functions</i>			1,280,160			2,370,240			3,260,320
Total costs			1,916,035			3,704,395			5,857,055

Source: Civic Consulting

Annex I: Retailers demand for animal welfare friendly products (Source: *socio-economic implications of the various systems to keep laying hens, Agra CEAS Consulting*)

A number of retailers in the EU are selling only alternative egg products. Examples are: Marks & Spencer in the UK, Spar and Billa in Austria, Albert Hein in Belgium and the Netherlands, health food shops ('Reformhäuser') in Germany.

McDonald's Europe (Source: <http://www.thegoodeggawards.com/>)

Over 117 million eggs per year (across Europe), Over 400,000 hens per year (across Europe).

McDonald's is the leading food service operator in the EU. It uses 117 million free-range 'whole' eggs in the EU each year in menu items such as Egg McMuffins, scrambled-egg based breakfasts and salads. Over 90% of these eggs across 23 EU countries are now free-range and through the Good Egg Awards, McDonald's has committed to phasing out the remaining 'caged' whole eggs in its restaurants across the EU27 by the end of 2010. McDonald's has been free-range for some time on eggs in the UK so we're pleased that this policy will now extend to the rest of Europe.

Unilever (Source: <http://www.thegoodeggawards.com/>)

Western Europe; 475 million eggs per year, over 1.7 million hens per year

Unilever is the second largest food manufacturer in Europe and the global market leader in all the food categories in which it operates. Unilever Europe has already started introducing cage-free eggs in a number of European countries namely Austria and Netherlands. In addition all Hellmann's mayonnaise in the UK and Ireland will be free-range by summer 2008. Unilever wins a Good Egg Award as it aims to be cage-free throughout Western Europe* in all Unilever brands of mayonnaise and dressings by 2012 - these brands include Hellmann's, Amora, Calve, Maille and Ligressa.

* Western Europe (includes Austria, Belgium, France, Germany, Greece, Italy, Ireland, Netherlands, Portugal, Spain, and UK)

This trend can also be observed in countries outside the EU (Source: *The Royal Society for the Prevention of Cruelty to Animals, RSPCA*)

- In March 2007, Burger King announced the adoption of a number of animal welfare policies; it has begun purchasing 2 % of its eggs cage-free and it increased its use by 5 % by the end of the year 2007. It also started purchasing 10 % of its pork from producers that do not confine breeding pigs in gestation and the volume will double to 20% by the end of the year
- Ice cream producer Ben & Jerry's is phasing out its use of cage eggs. This policy is being implemented over four years and it will affect 350 000 hens
- Whole Foods Market which has 170 stores in North America and the UK now has a policy to refuse to use pork from producers that confine sows in crates.
- National chains Foods Market and Wild Oats Natural Marketplace are now implementing cage-free eggs policies. Wild Oats has 75 stores in the US;

And a large list of food retailers, restaurants, food caterers and companies are implementing similar animal welfare friendly policies.

This demonstrates that there is an interest of consumers for animal welfare-friendly products.

Annex II: Current EU animal welfare legislation and other relevant legislation

Evolution of animal welfare legislation in the EU

In the European Union, legislation on animal welfare has a longstanding tradition in many Member States, going back to the 19th century. A broader public debate in the earlier Seventies revealed the need to harmonise the production conditions in farms of the Member States and to respond to a growing societal demand for improving the welfare of animals.

Looking back, the first Community legislation on animal welfare was adopted in 1974 and concerned the stunning of animals before slaughter. The recitals of this Directive indicate the importance that was already attached to animal welfare and the prevention of unnecessary suffering: “Whereas the Community should also take action to avoid in general all forms of cruelty to animals; whereas it appears desirable, as a first step, that this action should consist in laying down conditions such as to avoid all unnecessary suffering on the part of animals when being slaughtered”.

Following this Directive, the Protocol on Protection and Welfare of Animals annexed to the EC Treaty in 1999 represents a milestone for the development of the Community’s animal welfare policy, highlighting the ethical dimension of this policy. This Protocol spells out the obligation to pay full regard to the welfare of animals as sentient beings when formulating and implementing the Community's policies. This commitment to animal welfare is reinforced by taking this protocol in to the “Treaty on the Functioning of the European Union” (the Lisbon Treaty), as a new article 13.

The link between animal welfare and food safety was subsequently highlighted in 1999 in the Community White Paper on Food Safety, integrating animal welfare into the food chain policy of the EU. In the context of the EU Common Agricultural Policy recent reforms strengthened the role of animal welfare considerations by introducing the “cross compliance” principle, making the compliance with animal welfare requirements conditional for certain farm subsidies. In addition various support schemes aim at facilitating the shift towards welfare friendly husbandry systems.

The new Animal Health Strategy for the European Union (2007-2013) states that the concept of animal health covers not only the absence of disease in animals, but also the critical relationship between the health of animals and their welfare. One of the 4 goals of the strategy is “To promote farming practices and animal welfare which prevent animal health related threats and minimise environmental impacts in support of the EU Sustainable Development Strategy”. Animal health is a concern for all European citizens. This concern stems from the public health and food safety aspects of animal health but also from the animal welfare considerations, including the implications of disease control.

The Commission initiated two comprehensive opinion polls on animal welfare, interviewing nearly 25,000 citizens in the 25 Member States of the European Union in 2005, and more than 29,000 in 2006.

Citizens were asked about their knowledge of farm animals, their willingness to pay more for animal welfare friendly products and their capacity to recognise them in the

supermarket. Both surveys demonstrate that there is a considerable interest in animal welfare standards which is reflected in the demand for more information and in the awareness that European public commitment is relevant for higher welfare standards.

The second survey shows that animal welfare is an issue which citizens rank highly, giving it 8 out of 10 on average in terms of importance. The high level of importance given to animal welfare is in line with the result of the first survey where 55% of EU citizens said that they believe animal welfare and protection do not receive enough importance in their country's agricultural policy.

Whilst it should be noted that the outcome of these surveys reflect consumers' options when asked, rather than market trends and purchasing patterns for higher welfare products, it does indicate that European citizens are interested in the animal welfare standards involved in the food they eat. As we enter a changing economic situation in Europe, during the policy development, it will be important to monitor whether these interests are maintained or whether other factors (i.e. price and value for money) become of more interest to consumers.

List of EU animal welfare legislation and other relevant legislation:

GENERAL

1. Treaty of Amsterdam amending the Treaty on European Union, the Treaties establishing the European Communities and certain related acts - Protocol annexed to the Treaty of the European Community - Protocol on protection and welfare of animals. Official Journal C 340 ,10/11/1997 p. 0110
2. Communication from the Commission to the European Parliament and the Council on a Community Action Plan on the Protection and Welfare of Animals 2006-2010
3. Commission working document on a Community Action Plan on the Protection and Welfare of Animals 2006-2010. Strategic basis for the proposed actions

ANIMAL WELFARE ON THE FARM

ALL FARM SPECIES

4. Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes Official Journal L 221 , 08/08/1998 p. 0023 – 0027
5. 2006/778/EC: Commission Decision of 14 November 2006 concerning minimum requirements for the collection of information during the inspections of production sites on which certain animals are kept for farming purposes (Official Journal L 314 p. 39)

CALVES

Council Directive 91/629/EEC of 19 November 1991 laying down minimum standards for the protection of calves Official Journal L 340 , 11/12/1991 p. 0028 - 0032

PIGS

Council Directive 91/630/EEC of 19 November 1991 laying down minimum standards for the protection of pigs Official Journal L 340 , 11/12/1991 p. 0033 - 0038

LAYING HENS

Council Directive 1999/74/EC of 19 July 1999 laying down minimum standards for the protection of laying hens Official Journal L 203 , 03/08/1999 p. 0053 - 0057

Commission Directive 2002/4/EC of 30 January 2002 on the registration of establishments keeping laying hens, covered by Council Directive 1999/74/EC Official Journal L 30 , 31/01/2002

Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) OJ L 299, 16.11.2007, p. 1–149

Commission Regulation (EC) No 589/2008 of 23 June 2008 laying down detailed rules for implementing Council Regulation (EC) No 1234/2007 as regards marketing standards for eggs OJ L 163, 24.6.2008, p. 6–23

CHICKENS KEPT FOR MEAT PRODUCTION

Council Directive 2007/43/EC of 28 June 2007 laying down minimum rules for the protection of chickens kept for meat production.

PROTECTION AT THE TIME OF SLAUGHTER AND KILLING

Council Directive 93/119/EC of 22 December 1993 on the protection of animals at the time of slaughter or killing Official Journal L 340 , 31/12/1993 p. 0021 - 0034 Amended by Council Regulation 1/2005

PROTECTION DURING TRANSPORT

Council Regulations (EC) No 1/2005 of 22 December 2004, on the protection of animals during transport and related operations and amending Directives 64/432/EEC and 93/119/EC and Regulation (EC) No 1255/97

Commission Regulation (EC) 639/2003 of 9 April 2003 laying down detailed rules pursuant to Council Regulation (EC) 1254/1999 as regards requirements for the granting of export refunds related to the welfare of live bovine animals during transport (Official Journal L 093, 10/04/2003 p.0010 – 0017)

Commission Decision 2001/298/EEC of 30 March 2001 amending the Annexes to Council Directives 64/432/EEC, 90/426/EEC, 91/68/EEC and 92/65/EEC and to Commission Decision 94/273/EC as regards the protection of animals during transport (Text with EEA relevance) Official Journal L 102, 12/04/2001 p.0063 – 0068

BAN ON CAT AND DOG FUR

Regulation (EC) No 1523/2007 of the European Parliament and of the Council OF 11 December 2007 banning the placing on the market and the import to, or export from, the community of cat and dog fur, and products containing such fur (*OJ L 343*, 27.12.2007, p. 1–4)

FURTHER EU LEGISLATION

Regulation (EC) No. 882/2004 of the European Parliament and of the Council on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules (*OJ L 191* p. 1)

Regulation (EC) No. 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001, *OJ L 270* p. 1

COUNCIL OF EUROPE

European Convention for the protection of animals kept for farming purposes *Official Journal L 323*, 17/11/1978

78/923/EEC: Council Decision of 19 June 1978 concerning the conclusion of the European Convention for the protection of animals kept for farming purposes *Official Journal L 323* , 17/11/1978 p. 0012 - 0013

European Convention for the protection of animals for slaughter

88/306/EEC: Council Decision of 16 May 1988 on the conclusion of the European Convention for the Protection of Animals for Slaughter

European Convention for the Protection of Animals during International Transport (revised)

Council Decision of 21 June 2004 on the signing of the European Convention for the protection of animals during international transport

Annex III: What is an animal welfare labelling scheme?

For the purposes of this analysis, an animal welfare labelling scheme is a certification system that specifically targets animal welfare and certifies an animal welfare standard above existing legal standards. Therefore, what an animal welfare standard is, very much depends on the reference point “existing legal standard”.

Animal welfare labelling schemes exist in different forms, namely:

- ***Schemes that focus only on animal welfare;***
 - *Freedom Food*, a British farm assurance and food labelling scheme set up by the Royal Society for the Prevention of Cruelty to Animals (RSPCA) in 1994. The Freedom Food standards are based on the “five freedoms”, as defined by the UK Farm Animal Welfare Council (FAWC).
 - *Travelife Animal Attractions Guidelines*, developed by a UK-based organisation ensuring that animal attractions worldwide, used as part of the tourism experience in resorts, meet minimum requirements in animal welfare and protection;
 - *Neuland*, a German animal welfare labelling scheme founded in 1988 by a farmer union and two animal welfare organisations;
 - *Animal Index System* in Austria;
 - *Tierschutzgeprüft (animal welfare approved)*: The label was founded by *Vier Pfoten (four paws)*, an Austrian animal welfare organisation that is also active in Bulgaria, Germany, Hungary, The Netherlands, Romania, Switzerland and the UK; the label currently only covers free-range eggs.

- ***Schemes that focus on various aspects including animal welfare;***
 - *Organic farming*: animal welfare standards are one of the pillars of the organic concept (together with use of natural systems and environmental sustainability). Organic farming is regulated at EU level as a "reference level" scheme, meaning that private and national operators may develop their own rules, but using the EU standard as the basis. Only product farmed and produced in accordance with the EU organic rules may be marketed as 'organic', 'biological', 'ecological', or under the diminutives 'bio' or 'eco', 'eko' etc. or any of these words in translation. Standards of organic farming include the creation of an environment that is appropriate to the species (including, for instance, permanent access to open air, appropriate pasture and forage to meet nutritional and behavioural needs, prohibition of permanent tethering or isolating of animals, appropriate bedding and litter, low stocking rates, efforts to limit transportation times, no slatted floors in resting areas), restricted mutilation (that is, restricting the removal or reduction of tails, beaks or horns), and adoption of management practices adapted to each individual species (for instance, long idle periods between egg laying periods and keeping in small groups to establish social hierarchies that would occur in nature in poultry production). Within and subject to the EU framework, there are a variety of

organic labelling schemes implemented by private and national operators across the EU.

- *Label Rouge* is a French national quality assurance scheme for food products managed by the Ministry of Agriculture and covers a variety of meat products. Animal welfare is one of the 4 'bases' of the Label Rouge concept. The reference standard is the *Notices Techniques Label Rouge Françaises* that, amongst others, includes free-range poultry production and reduced stocking densities during night.
- ***Schemes that focus on aspects other than animal welfare but have positive side-effects on animal welfare***
 - *PDO/PGI schemes*²⁴ often emphasise more traditional and less intensive production methods. *Dehesa de Extremadura* from Spain is typical of this type of scheme since it is based on a traditional acorn-feeding system that allows pigs to roam in a natural landscape.²⁵

S1.1.1.1. Main features of typical existing animal welfare schemes in the EU are:

- **It addresses the final consumer, but may also be used by the retailer to offer differentiated product to a segment of consumers;**
- **The objective is product differentiation by guaranteeing compliance with animal welfare standards above the EU minimum requirements level;**
- **They focus on processes, especially on how products of animal origin are produced;**
- **They strongly focus on the farm level;**
- **The systems are generally privately run, often with animal welfare organisations involved in some way;**
- **They have a national focus.**
-

- ***Existing animal welfare labelling schemes in third countries***

This section provides an overview of relevant animal welfare schemes in selected countries, which are all voluntary schemes. Data was mainly available concerning Switzerland and Australia, New Zealand, Canada and the United States:

- In Switzerland the government has established two animal welfare programs: RAUS (*Regelmässiger Auslauf ins Freie*) and BTS (*Besonders tierfreundliche Stallhaltung*). Nearly all other Swiss animal welfare programs include the RAUS and/or BTS criteria but

²⁴ PDO = Protected Designation of Origin, PGI = Protected Geographical Indication
²⁵ See www.dehesa-extremadura.com.

often add additional aspects due to some shortcomings of RAUS and BTS. Other labels are: Kagfreiland, organic labels (Bio-Suisse, M-Bio, Demeter, Fidelio), AgriNatura and Natura-Beef.²⁶

- The Royal New Zealand SPCA (Society for the Prevention of Cruelty to Animals) has launched the RNZSPCA Approved Barn & Free-Range Eggs program.²⁷
- The RSCPA Australia has developed the National Food Accreditation program. It started in the 1990s with a set of standards for egg producers. Important principles are that hens are not kept in battery cages, have litter in which to dust bathe, space to flap their wings, stretch and socialise, nests in which to lay eggs and adequate perch space. The maximum stocking density is 7 birds/m². The retail share of free-range eggs is 23.4 % (plus 5.3 % barn-laid eggs) in Australia.²⁸ More recently the RSPCA has developed standards for animal welfare friendly pork production. Under this standard a farm will be considered for accreditation if all pigs are kept either in a well managed extensive outdoor system or within indoor environments that cater for the behavioural and physical needs of sows, boars and piglets reared for slaughter, and where considerate handling, transportation and humane slaughter are observed. Practices such as sow stalls and nose ringing are not permitted.
- In Canada the British Columbia SPCA has launched the SPCA Certified. It is a very small program that includes 9 egg, 3 broiler, 6 beef/cattle, 2 pig and 2 dairy producers.²⁹
- In the United States, Humane Farm Animal Care has launched the Certified Humane Raised & Handled Label that very much parallels the British Freedom Food scheme.³⁰ Other animal welfare labels in the United States are Animal Welfare Approved and the national organic program. Animal Welfare Approved is a program of the Animal Welfare Institute (AWI), a non-profit charitable organisation founded in 1951 to reduce the sum total of pain and fear inflicted on animals by people.³¹ The American Humane Association, a US animal welfare organisation, has launched the Free Farmed (AHA) program.³² Furthermore, there are several private animal welfare labels such as Whole Food Market's Farm Animal and Meat Quality Standards.³³

²⁶ See www.greenpeace.ch.

²⁷ See <http://rnzspca.org.nz>.

²⁸ Stakeholder survey, response RSPCA Australia.

²⁹ Questionnaire SPCA.

³⁰ See <http://www.certifiedhumane.com>.

³¹ See <http://www.animalwelfareapproved.org>.

³² See <http://www.americanhumane.org>.

³³ See <http://www.wholefoodsmarket.com>.

Market data on animal welfare related labelling schemes in EU countries including organic labelling (2007)

MS	Source/ Notes	Livestock producers participating in AW relat. labelling schemes (%)					Market shares of products labeled for AW (in % in terms of volume)				
		Cattle	Pigs	Sheep, goats	Poultry	Other	Beef and milk products	Pork products	Sheep/goat meat products	Poultry meat, egg products	Other
AT	1)	18	4				8.9 (beef); 12.9 (milk)	1.4		2.1 (broiler); 8 (eggs)	
BE	2)	5	10	15	5	--	--	--	--	--	--
DE	3)	3	3	1	5	--	3	2	1 (meat); 5 (milk)	2	
DK	4)	3.5	0.1	--	10	--	30	7	--	12	--
EE	5)	--	--	--	--	--	--	--	--	100	--
ES	6)	0	0	0	0	0	0	0	0	0	--
FIN	7)	8	1	6	2	0.4 (horses)	10	0.6	0.1	8 (eggs)	
FR	Only Label Rouge									33 (household purchase of poultry)	
IT	8)	--	--	--	--	--	3.5 (organic)	0.34 (organic)	9.2 (organic)	Organic: 0.14 meat; 1.7 eggs	--
NL	9)	1.8	0.66	< 1 / 0 (sheep, 15 milking goats)	0.1 (broilers / 50 laying hens)	--	2 (beef); 4 (dairy); 1.5 (cheese, butter)	2	0	0.05 meat; 95 table eggs; 5 processed eggs	--
SE	10)	90 (dairy cattle); 5 (other cattle)	< 5	0	80 to 90	--	80 (milk), 5 (beef)	1 (organic and Swedish certified)	--	90 (meat)	--
UK	Only Freedom Food						0.7 (beef), 0.9 (dairy cattle)	28.2	0.5 (sheep)	5.2 (chicken), 21.5 (ducks), 49.0 (laying hens), 1.7 (Turkey)	

Note: Based on survey conducted by Civic Consulting. Data for total of all animal welfare relevant labelling schemes (e.g. organic labelling schemes, quality schemes, animal welfare schemes). As far as incoherent data was provided by different stakeholder organisations, the data considered to be most reliable is presented, however, data is not comparable between countries and has to be interpreted with care.

Examples on inconsistencies of existing animal welfare schemes:

- **Freedom Food** is the only farm assurance scheme in the UK with improved animal welfare as its primary goal. The scheme is available to farmers, hauliers, abattoirs, processors and packers who can meet the standards. Species-specific production guides are

available which set out the precise management prescriptions for production to Freedom Food standards. These standards include sections on food and water, the environment in which production must take place (covering housing, handling, etc.), management, health, transport and slaughter.³⁴

- **Label Rouge:** main focus of the scheme is organoleptic quality of the product and use of non-intensive production methods (mainly for environmental, but also for animal welfare reasons) and economic sustainability. Participation is open to groups of producers and processors of food products after demonstration of their ability to comply with the *notices techniques*, the minimum technical requirements of the label. Animal welfare specifications relate to the type of rearing, the genetics, maximum stock densities, the origin and type of feed, the slaughter age and the transport.
- **Organic farming** Stresses the creation of an appropriate environment, such as access to exercise or outdoor areas and pasture for herbivores, specific housing conditions for mammals with non-slippery floors and a sufficient big, dry and solid resting area with ample dry bedding of straw or other suitable natural litter, bans mutilation that leads to stress, harm, disease or suffering of animals and restricts it only for use in animal security or to improve the animals health, welfare or hygiene and to be carried out applying adequate anaesthesia or analgesia and asks for species-adapted management practices, for example, calves older than one week are not allowed to be kept in single boxes, piglets must not be kept on flat decks or in piglet cages, water fowl must have access to an open water surface, sows must be kept in groups and poultry must have access to open air runs, as well as pigs and poultry must have access to roughage. Besides the minimum animal welfare requirements of the EU standard, private standards have often introduced stricter standards.
- **Bioland:** organic private standard with animal welfare rules often going beyond the EU standard, such as, for instance, long idle periods between egg laying periods and keeping in small groups to establish social hierarchies that would occur in nature in poultry production or reduced maximum number of pigs and egg layers per hectare farmland.
- **Biodynamic:** organic production method that is one of the private standards using more natural farming methods with strong emphasis on natural processes. It goes beyond the EU minimum standard also in some animal welfare standards, but biodynamic farmers do not always share the same scientific opinion on for instance whether or not animals should be tethered in the stable.

³⁴ All production guides are available from: <http://www.rspca.org.uk/>

Annex IV: Minutes of the ISSG meetings



EUROPEAN COMMISSION
HEALTH AND CONSUMERS DIRECTORATE-GENERAL

Animal health and welfare
Animal Welfare

Brussels, 23 January 2009

NOTE OF INTERSERVICE STEERING COMMITTEE MEETING, 14.01.09

Subject: Establishment and first meeting of the interservice steering committee on the community communication on animal welfare labelling and establishing of a community reference centre for animal protection and welfare

Ref.: Agenda Planning: 2009/SANCO/037

INTRODUCTION

HoU Andrea Gavinelli (SANCO D5) explained the background and the purpose of the initiative that was to develop a Commission Communication on animal welfare labelling and establishing of a community reference centre for animal protection and welfare. The Communication would be adopted in May 2009 and the timing for the IA was driven by that deadline. He thanked the participants for the contributions so far in the process, where the Steering Group on the Community Action Plan for Protection and Welfare of Animals 2006-2010 were consulted on the Terms of Reference for the feasibility study. The purpose of this meeting was to establish formally the Steering Committee and to present the draft final report of the feasibility study carried out by an external consultant.

PRESENTATION OF THE DRAFT REPORT

PART 1: Animal welfare labelling

Mr ALLEWELD (Civic Consultant) presented the draft final report from Part 1 of the study, which was an assessment of the feasibility of the options for indicating animal welfare related information on products of animal origin. The study was conducted by Civic Consulting (lead), with a limited contribution of Agra CEAS Consulting, of the Food Chain Evaluation Consortium (FCEC). The report presents the background of the study, describes the current use of existing animal welfare labelling schemes, describes the policy options available, examines the conformity of options with guiding principles, and finally assesses in detail the impacts of the policy options, before drawing conclusions. The most feasible option for EU action empowering consumers to make informed purchasing decisions appears to be a

Community Animal Welfare Label modelled after the EU organic label. This option is to a large extent in line with the guiding principles and also more compatible with limitations concerning the currently available scientific knowledge on animal welfare and related indicators. It can be expected to have more direct effects on animal welfare than other voluntary options, depending on the market share of the label. Negative impacts on existing schemes are possible, but may be (over)compensated by increase of the overall market size for products produced at higher animal welfare standard. As any improvements of the animal welfare conditions on farms that a label could bring ultimately depend on consumer demand, it is advisable to first introduce the label for fresh meat and milk/dairy products, and to assess the market success before considering further steps.

PART 2: establishing of a community reference centre for animal protection and welfare

Mr ALLEWELD (Civic Consultant) presented the draft final report from Part 2 of the study, which was an assessment of the feasibility of different options for establishing a Community Reference Centre for Animal Protection and Welfare (CRC). The report presents the background of the study, explores the policy options available for setting up a CRC, presents an overview of current existing bodies dealing with animal welfare related issues, assesses the conformity of the options with guiding principles, analyses possible tasks of a CRC, and finally draws conclusions concerning the feasibility of options and the structure of the Centre, practical settings and related costs. The most feasible approach for establishing a Community Reference Centre for Animal Protection and Welfare seems to be a mixed approach combining central and decentral elements. With this approach, a relatively small CRC at central level would become a focal point for coordination and harmonisation of Community relevant issues in the field of animal welfare, performing its task in close collaboration with and support of a network of relevant research institutions in the Member States.

After each presentation the Steering Committee was given the opportunity to make some clarifying questions to the contractor.

Mr CAPPELLARO (DG AGRI) asked for the opportunity to reflect on the presentations and come back to SANCO with comments at a later stage.

Ms LOUHIMIES (DG ENV) gave some clarifying comments of the role of JRC in relation to the 3Rs principle, and asked the contractor to consider this in the finalising of the report.

Conclusion

Mr GAVINELLI

- asked the Steering Committee to send comments and suggestions to be considered in the development of the Impact Assessment to Mr Jostein DRAGSET by a deadline set when sending out the final report;
- expressed his appreciation of everybody's participation;
- informed that DG SANCO will send the final report as soon as it has been received from the contractor (by end of January);

The next meeting is scheduled for end of February or beginning of March 2009

Note prepared by SANCO D5

Participants:

AYDIN, Ayse	SANCO D5
BERENDS, André	TAXUD C3
BILLAUX, Cécile	SANCO 02
CAINZOS-GARCIA, Marta	SANCO D1
CAPPELLARO, Horacio	AGRI D3
CONVENS-BILLERBECK, Dorothee	ENV E2
CRUZ MEDINA, Maria Florentina	MARE A2
DRAGSET, Jostein	SANCO D5
ERLBACHER, Friedrich	SJ B
FERRARA, Maria	SANCO D5
FERRIER, Jean	SG D3
GAVINELLI, Andrea	SANCO D5
GOERGEN-EZQUERRA, Maria	SANCO D5
HOFHERR, Johann	JRC G7
KIY, Gillian Louise	SANCO 02
KROMMER, Judit	SANCO D5
KUSTER, Laszlo	SANCO D1
LOUHIMIES, Satu Susanna	ENV D1
MARIN, Eric	SANCO 02
MEISINGER, Christine	ELARG B1
MIHAYLOVA, Milena	SANCO A2
SALVI, Maurizio	BEPA
TISSOT, Daniele	RTD E4



EUROPEAN COMMISSION

HEALTH AND CONSUMERS DIRECTORATE-GENERAL

Animal health and welfare

Animal Welfare

Brussels, 4 March 2009

Note of Interservice Steering Committee Meeting, 03.03.09

Subject: Second meeting of the interservice steering committee on the Commission communication on animal welfare labelling and establishing of a community reference centre for animal protection and welfare

Ref.: Agenda Planning: 2009/SANCO/037

INTRODUCTION

DG SANCO explained that the impact assessment report on the initiative will be sent to the Impact Assessment Board 9 March. The Communication would be adopted in May 2009 and the timing for the IA was driven by that deadline. The purpose of this meeting was to present the final draft IA and discuss this with the IS Steering Committee.

DG SANCO thanked the other Commission services that already submitted their comments to the draft report, and made clear that the comments were considered in the latest version of the document. The animal welfare labelling initiative is closely linked to the DG AGRI initiative on product quality, and the two documents are adapted to each other to avoid contradictory wordings.

PRESENTATION OF THE DRAFT IMPACT ASSESSMENT REPORT

PART 1: Animal welfare labelling

DG SANCO presented the first part of the draft impact assessment report, which was an assessment of the feasibility of the options for indicating animal welfare related information on products of animal origin. The report presents the background of the initiative, points out the current problems and drivers, describes the policy options available and finally assesses in detail the impacts of the policy options. It was expressed that there will not be any proposals in the coming Community communication and that the conclusions reflect this.

In addition to their written comments, SG said that the purpose of the communication is to give background for an in-depth debate in Council an EP, and that this should be made clearer in the document. Furthermore, the SG raised doubt about the impact of a labelling scheme on the stated objective i.e. “to improve animal welfare in animal production” if the minimum AW standards are not changed. AW labelling seems to be more related to improving consumer’s information (and right to choose) and/or to increasing market segmentation of agriculture products. SG suggested exploring more in detail the link between the EU organic label and a possible AW labelling scheme including the possible impact of an AW labelling scheme on the market share of organic products. Regarding the EU right to act, SG asked if this could be based on Art 95 in addition to Art 37 of the Treaty, and asked DG TRADE to clarify the implications for international trade of animal products. Finally SG focused on the scope of a possible EU AW label and wanted to know if processed products would be included and what would be the implications.

DG AGRI expressed concerns about the possible competition between a possible animal welfare label and organic labelled products. DG AGRI suggested focusing more on the possibility to help producers into the market of animal welfare friendly products in the objectives. If the option of “reserved terms” would be preferred, DG AGRI wish to see neutral terms for the baseline production, in order to avoid negative focus on production which is in line with the legislation. Furthermore DG AGRI warn about using the willingness to pay more for animal welfare friendly products as an argument for establishing an animal welfare labelling scheme, based on the Eurobarometer surveys. The situation could have changed with the international finance crisis, and the “citizens” demands when asked could be different from the “consumers” actions in the supermarkets. Regarding option 4 Harmonised requirements for the voluntary use of animal welfare claims), DG AGRI stated that “farming methods” include more than animal welfare issues, and that the definition of different “farming methods” is within DG AGRI competence. The figures in the IA is based on data on the table eggs market (where labelling of production method is mandatory) and data on broilers (where labelling of farming method is voluntary) is more unreliable. DG AGRI will provide data on the market situation for the poultry sector. DG AGRI asked for a bilateral meeting with DG SANCO to discuss further specific issues for the pig sector and for the organic sector.

DG ENV asked about the scope of a possible animal welfare labelling scheme, and suggested to include wild animals f. ex. kept in zoos.

DG SANCO expressed that consumer information is the main goal for the initiative, and that a possible animal welfare labelling scheme will have to be followed up by information campaigns to the consumers and the producers. The aim is to develop a tool for the producers to benefit from market possibilities and to enable consumers to make informed purchasing decisions.

PART 2: establishing of a community reference centre for animal protection and welfare

DG SANCO presented the draft final report from Part 2 of the study, which was an assessment of the feasibility of different options for establishing a Community Reference Centre for Animal Protection and Welfare (CRC). The reports presents the background of the initiative, explores the policy options available for setting up a CRC, analyses possible tasks

of a CRC, and finally assess the feasibility of options and the structure of the Centre, practical settings and related costs.

DG ENV asked DG SANCO to ensure that the scope of the CRC would not be limited to tasks related to the animal welfare labelling initiative. A possible CRC should consider tasks related to all animal welfare issues, including wild animals and animals used in science. The need for an international recognised reference centre for animal welfare was raised, and the possibility to develop an International Reference Centre for Animal Protection and Welfare should be considered.

DG SANCO stated that the IA report will not restrict the scope for the possible CRC to tasks related to the animal welfare labelling initiative.

CONCLUSION

Mr GAVINELLI

asked the Steering Committee to send comments and suggestions to be considered in the finalizing of the Impact Assessment report to Mr Jostein DRAGSET by 5 March;

appreciated the possibility to have a bilateral meeting with the relevant units in DG AGRI

expressed his appreciation of everybody's participation;

informed that DG SANCO will circulate the IA report to the IS Steering Committee when it has been submitted to the IAB;

Note prepared by SANCO D5

Participants:

BERENDS, André	TAXUD C3
CAINZOS-GARCIA, Marta	SANCO D1
CAPPELLARO, Horacio	AGRI D3
DRAGSET, Jostein	SANCO D5
FAY, Francis	AGRI H2
FERRIER, Jean	SG D3
FIORE, Gianluca	JRC/IPSC
GAVINELLI, Andrea	SANCO D5
KIY, Gillian Louise	SANCO 02
KROMMER, Judit	SANCO D5
PLANK, Irene	ENV E2
SALVI, Maurizio	BEPA

Annex V: Report from the feasibility study part 1: Animal Welfare labelling



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Final report\AW Labe

Annex VI: Report from the feasibility study part 2: Community Reference Centre for the protection and welfare of animals



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Final report\AW-Labe

Annex VII: Existing bodies dealing with animal welfare related issues

A large number of existing bodies within the EU are dealing with animal welfare related issues. To provide an updated picture of their areas of expertise, an additional EU wide survey of animal welfare institutions was conducted during the study. It was specifically targeted at public or private institutions, operating at EU and/or Member State level that could take on or support the necessary functions through their expertise in animal protection and welfare. Relevant bodies include:

- *Community institutions and bodies:* these are the ECVAM – part of the Institute for Health and Consumer Protection in the DG Joint Research Centre (JRC) and the European Food Safety Authority (EFSA). Together, these bodies employ a total of 28 staff members in the area of animal welfare. Although both institutions do not seem to cover all areas of expertise that could be relevant for an ENRC, gaps are limited if the expertise of both organisations is considered together. If considered separately, neither of the two bodies would cover more than half of the areas.
- *Universities and research institutes* in the Member States: together, responding institutes report to employ a total of 414 staff members specifically working in the area of animal welfare. Overall, research institutions cover all areas that were identified as having relevance for a Community Reference Centre. Institutions directly belonging to the *government* or being independent public agencies from 7 Member States reported to employ 128 staff specifically working in the area of animal welfare. Additionally, a total of seven *animal welfare organisations and other private bodies* represented in eight Member States responded to the survey. These organisations reported to employ at least 94 staff members specifically working in the area of animal welfare (not all respondents provided a figure). These organisations cover only to some extent the areas that were identified as having relevance.

Details on the EU centres dealing with animal welfare

The European Food Safety Authority (EFSA)

EFSA was set up in January 2002, following a series of food crises in the late 1990s, as an independent source of scientific advice and communication on risks associated with the food chain. EFSA was created as part of a comprehensive program to improve EU food safety, ensure a high level of consumer protection and restore and maintain confidence in the EU food supply.

EFSA is an independent European agency funded by the EU budget that operates separately from the European Commission, European Parliament and EU Member States.

EFSA's Scientific Committee and Panels are composed of highly qualified experts in scientific risk assessment. All members are appointed through an open selection procedure on the basis of proven scientific excellence, including experience in risk assessment and peer-reviewing scientific work and publications.

The Panel on Animal Health and Welfare (AHAW) deals with animal health and welfare issues. The AHAW Panel provides independent scientific advice on all aspects of animal

diseases and animal welfare. Its work chiefly concerns food producing animals, including fish.

The Panel carries out risk assessments in order to produce scientific opinions and advice for risk managers. Its risk assessment approach is based on reviewing scientific information and data in order to evaluate the risks as consequence of a given hazard. This helps to provide a science-based foundation for European policies and legislation and supports risk managers in taking balanced and timely decisions

The Panel works independently and transparently to deliver timely scientific opinions/advice of the highest standards to support the policies and decisions of risk managers.

It carries out its work either in response to requests for scientific advice from risk managers or on its own initiative. Most commonly, the European Commission asks EFSA to provide scientific advice on a particular issue. The Panel always undertakes work on the basis of a specific mandate (terms of reference) which guides its approach to each question.

The Panel regularly sets up Working Groups involving external scientists with relevant expertise on specific matters. The Working Group drafts the scientific report (containing the relevant scientific data and the risk assessment if required) that will be the basis for the scientific opinions. The Panel itself meets regularly in plenary sessions to discuss work in progress and to adopt finalised scientific opinions. Each scientific opinion results from a collective decision-making process with every Panel member having an equal say.

European Centre for the Validation of Alternative Methods (ECVAM)

ECVAM was created by a Communication from the Commission to the Council and the Parliament in October 1991³⁵, pointing to a requirement in Directive 86/609/EEC³⁶ on the protection of animals used for experimental and other scientific purposes, which requires that the Commission and the Member States should actively support the development, validation and acceptance of methods which could reduce, refine or replace the use of laboratory animals

ECVAM has been established in 1992 as a unit of the Environment Institute, part of the Joint Research Centre, and has been transferred to, at that time, newly formed Institute for Health and Consumer Protection in Ispra, Italy in 1998 of which ECVAM is still part of.

Duties of ECVAM as defined in the Communication of the European Commission to Council and the European Parliament are the following:

- To coordinate the validation of alternative test methods at the European Union level.
- To act as a focal point for the exchange of information on the development of alternative test methods.
- To set up, maintain and manage a data base on alternative procedures.

³⁵ SEC(91)1794, Communication of the European Commission to Council and the European Parliament
³⁶ Council Directive 86/609/EEC on the approximation of the laws, regulation and administrative provisions of the Member States regarding the protection of animals used for experimental and other scientific purposes, OJ L N° 358, 18.12.1986.

- To promote dialogue between legislators, industries, biomedical scientists, consumer organisations and animal welfare groups, with a view to the development, validation and international recognition of alternative test methods.

ECVAM is leading (pre)validation and performs research on the development of advanced testing methods. These activities are carried out by, both, non laboratory international network activities, as well as these activities can be collaborative laboratory based studies with research groups in the EU Member States focusing on the evaluation and prevalidation of new in vitro tests.

Moreover, over the past years, ECVAM has increasingly been involved to actively support the implementation of the new EU policies on cosmetics (Council Directive 2003/15/EC) and chemicals (REACH) which call for the use of animal alternatives and testing strategies as soon as possible.