



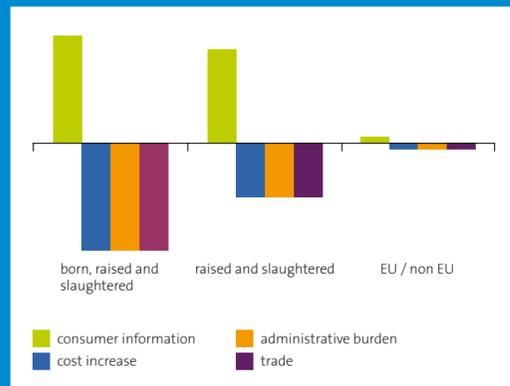
Study on mandatory origin labelling

for pre-packed unprocessed meat of pigs, poultry and sheep & goats



Conclusions

- 1 In general the overall impacts of door mandatory origin labelling of pre-packed unprocessed meat are low for all options, with pig meat being the most affected followed by poultry meat and then sheep & goat meat. However, there is variation in impacts with some countries and businesses being more affected than others.
- 2 Cost increases are incurred mainly in the cutting and packing stages of the supply chain. Medium size businesses may be most affected. Large businesses are more likely to have appropriate management and control systems already in place. Small businesses are more likely to buy locally and operate in niche markets where origin is already known. Specific businesses may be significantly more or less affected according to their circumstances.
- 3 Businesses in small countries or in areas close to country borders, with a lot of cross border trade of animals and meat will be more affected than businesses in large countries sourcing and selling meat and animals in their home country.
- 4 The modelling analysis only took into account monetary costs and benefits. Consumers – who face the greatest monetary impact – need to have sufficient non-monetary benefits from the additional information to be better off with mandatory labelling of origin.



Average cost impact per option and meat type.

| Meat type | Cost impacts as a percentage of wholesale price | | |
|-----------------|---|----------|----------|
| | Option 1 | Option 2 | Option 3 |
| Pork | 2.3% | 1.5% | 0.00% |
| Poultry | 1.3% | 1.02% | 0.00% |
| Sheep and goats | 0.64% | 0.30% | 0.00% |

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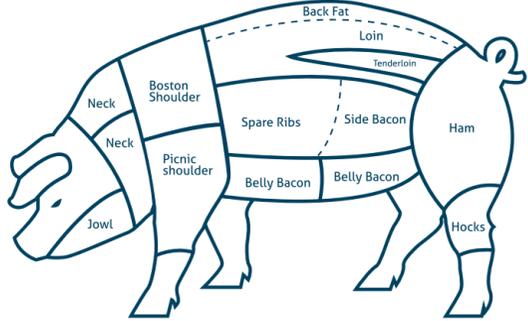
New rules on origin labelling

From 13 December 2014 new EU rules¹ will apply on the mandatory labelling of origin of pre-packed unprocessed meat of pigs, poultry, sheep and goats. Mandatory country of origin labelling for beef and beef products was introduced in the EU in 2000 following the BSE (Bovine Spongiform Encephalopathy) crisis and this has created consumer expectations for information on origin also for the other types of meats.

An study² has been undertaken to compare different labelling options with the aim of giving appropriate origin information to consumers, whilst not causing disproportionate burdens on the meat supply chain, trade, and inspecting authorities. The study was commissioned to provide evidence for the EU Commission Impact Assessment for the legislative proposal for mandatory origin labelling of unprocessed meat of the specified types.

Consumers are generally in favour of country of origin labelling but most of them would not accept to pay the extra costs. There is also sometimes vagueness about the meaning of the term origin in this context. An animal's origin is generally understood by consumers to be the place where it was farmed, but some consumers also think about the place of birth or place of slaughter. Information about origin is highly valued by consumers (ranks number 4) however the reading of labels is limited in time. In some circumstances, especially in the case of pig and poultry sector in North-East Europe, production systems involve movements across national borders and it is possible for an animal to be born, reared and slaughtered in two or three different Member States, although it may travel only short distances between the different production sites.

Taking into account the consumer view as well as the production aspects, the study has narrowed the labelling options to three that appear to be the most appropriate. One is essentially the same as the mandatory labelling of beef origin where the country or countries of birth, rearing and slaughter must be indicated on the label of pre-packed unprocessed meat. In another option the country of birth is omitted and the label must indicate only the countries of rearing and slaughter. The third option is a very simple one which would provide information on the EU or non-EU origin.



Policy option 1 Estimated impacts of origin labelling at the level of EU Member State indicating the place of birth, the place of rearing and the place of slaughter of the animal

| Type of impact | Description of the estimated impact |
|---|--|
| Cost increase in total meat chain | The biggest cost increase is expected for the pig sector (2.3% of the wholesale price), followed by poultry (1.3%) and sheep & goats (0.64%). The different levels of cost increase reflect differences in the production systems for each meat type. These are average figures at EU level and there is variation within and between Member States. Most cost increases will occur at the post-harvest stage of the supply chain, principally the cutting and packing stages. However most of the increases will either be transmitted back to the producer or passed on to the consumer. As the labelling will be mandatory, it is expected that overall about € 1.1 billion of the cost increases will be reflected in higher prices for consumers, whilst about € 0.01 billion euro will be passed back to producers in the form of lower producer prices. |
| Trade between EU Member States and with third countries | Each Member State has a different trading position (degree of self-sufficiency, imports and exports) for each of the meat types, and the same applies to the EU as a whole. Member States trade with each other and with third countries. This dynamic situation results in varying responses to the cost increases for each meat type and each Member State. As consumers of each meat type face a higher price increase than the corresponding price decline faced by producers, the demand and supply responses will be different. At EU level demand will decline more than supply resulting in an increase in net supply. The EU is a net exporter of pig meat and the exportable surplus is expected to increase by 2%. The EU is also a net exporter of poultry meat and the net export is expected to increase by 0.8%. The impacts on the sheep & goat sector are generally marginal as the sector already has to comply with a traceability system and has developed voluntary labelling systems in the major producing Member States. The EU is a net importer of sheep & goat meat and net imports are expected to decline marginally by 0.4%. |
| Administrative burden for competent authorities | It might be expected that competent authorities incur extra costs for carrying out controls for origin labelling. In addition, it will be incremental costs as traceability systems and databases will be adjusted to the new requirements, depending on the animal species. Control of origin labelling is part of a wider administrative control system and the costs for this specific function cannot be separated from the general system of official controls. |
| Quality of information | This labelling option delivers the most detailed information to consumers. It is assumed that the willingness to pay for the information is very low and that consumption will decrease as a reaction to price increase due to the additional labelling costs. As stated above consumers are expected to bear most of the additional labelling costs. |

Policy option 2 Estimated impacts of origin labelling at the level of EU Member State indicating the place of rearing and the place of slaughter of the animal

| Type of impact | Description of the estimated impact |
|---|--|
| Cost increase in total meat chain | This option provides less information to consumers than the former described option, but the cost increases are halved as information on country of birth is omitted. Overall the impacts are similar in nature but smaller in scale than the former option in policy option 1. Production costs are expected to increase by 1.5% for pigs, 1.0% for poultry and 0.3% for sheep & goats. Consumer and producer prices are similarly affected. At EU level consumer prices are expected to increase by 0.5%, 0.3% and 0.3% for pig, poultry, and sheep & goat meat. Total impact on consumer welfare is estimated at € 0.81 billion. Likewise producer prices expected to fall by 0.2%, 0.1% and 0.0% respectively for pigs, poultry and sheep & goats. |
| Trade between EU Member States and with third countries | As demand will fall more than supply, the price changes for producers and consumers will result in an increase in the exportable surplus of pig meat of 1.1% and poultry meat by 0.6%, whilst net imports of sheep & goat meat will decrease by 0.2%. |
| Administrative burden for competent authorities | It might be expected that competent authorities incur extra costs for carrying out controls for origin labelling. In addition, there will be incremental costs as traceability systems and databases will be adjusted to the new requirements, depending of the animal species. Control of origin labelling is part of a wider administrative control system and the costs for this specific function cannot be separated from the general system of official controls. |
| Quality of information | Delivers information to the consumers on the most important aspects: place of rearing and place of slaughtering. It is assumed that the willingness to pay for all the information is very low. Consumption will be decreased less compared to the described option in policy option 1 as price will increase less. |

Policy option 3 Estimated impacts of origin labelling at the level of EU / non EU

| Type of impact | Description of the estimated impact |
|---|---|
| Cost increase in total meat chain | Almost no cost increase in meat chains because at present the chains for fresh meat from EU countries does not interact with import of fresh meat from third countries. Much of the imported fresh meat like poultry and sheep meat is already labelled with the country of origin. |
| Trade between EU Member States and with third countries | No impact on trade between EU member States and with third countries is expected. |
| Administrative burden for competent authorities | No additional control is necessary for this labelling option so no additional costs for competent authorities are expected. |
| Quality of information | This option delivers almost no additional information in the eye of consumers because it only differentiates between meat produced inside the EU and produced in third countries. |

¹ Regulation (EU) No 1169/2011, Article 26, 2(b)
² Study on mandatory origin labelling for pig, poultry and sheep & goat meat, AGRI-1012-EVAL-01