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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

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Mandatory origin labelling for pre-packed unprocessed pig, poultry, sheep and goat meat

1. INTRODUCTION

Regulation (EU) No. 1169/2011 of the European Parliament and of the Council on the provision of food information to consumers sets out mandatory indication of country of origin or place of provenance for unprocessed meat of pigs, poultry, sheep and goats, as from 13 December 2014. The Commission has to adopt implementing acts by 13 December 2013 following impact assessments that shall consider the options for implementing the rules of origin labelling with respect to place of birth, rearing and slaughter of an animal. It is against this background and considering the definitions of country of origin and place of provenance that the different options in this impact assessment have been constructed.

The primary purpose of this Impact Assessment is thus to prepare the Commission implementing rules laying down practical modalities for the mandatory indication of origin of unprocessed meat of the above-mentioned species. These modalities should provide consumers with meaningful information and at the same time not create disproportionate burdens for the meat supply chain, trade, consumers themselves and public authorities.

2. PROBLEM DEFINITION

According to the impact assessment that supported Regulation (EU) No 1169/2011, origin of meat appears to be a major consumer concern and the beef origin labelling has created consumer expectation also for other meats. However, for the meat supply chain, implementing origin labelling may involve additional costs which could eventually translate into increased consumer price. Complicated origin labelling rules may also have an impact on trade and add an extra burden on the Member State control authorities.

The aim of the initiative is thus to provide consumers with the mandatory origin information required by the Legislator while avoiding unnecessary burdens for the meat supply chain and the administration, unwanted impacts on consumer price and trade disruptions. In other words, the challenge is to find an optimal solution.

The present impact assessment focuses on examining and comparing the different options to implement origin labelling. These modalities could vary from one type of meat to another, taking into account the principle of proportionality and the administrative burden for food

operators and enforcement authorities. The status quo (voluntary labelling of origin) is not an option but is used in this analysis as a benchmark.

2.1. Subsidiarity

The Legislator decided that the Commission had to adopt implementing acts by 13 December 2013 following impact assessments that shall consider options for labelling the country of origin or place of provenance taking into account the specifics of the different types of meat.

Considering the above, origin labelling for the pre-packed unprocessed meats of the specified types will be regulated at EU level. However, Member States may also require the provision of origin on a mandatory basis for non-pre-packed unprocessed meat by means of national provisions following Article 44 of Regulation (EU) No 1169/2011.

2.3. Scope of the initiative

As set out in the Regulation, the labelling obligation shall apply to pre-packed unprocessed meat of the types of meat concerned: fresh, chilled and frozen meat under combined nomenclature headings 0203, 0204 and 0207. The origin indication required by Article 26 of Regulation 1169/2011 is the ‘country of origin or place of provenance’.

The country of origin is the country where live pigs, sheep and goats were raised for two months before slaughter. Where this cannot be respected, the meat shall be deemed to originate in the country where the animals were reared for the longest period. For poultry, the country of origin is the country where the birds were born and reared or reared for at least 1 month. ‘Country’ in the meaning of this Regulation is an individual EU Member State, the EU as a whole or a third country.

Place of provenance is defined as any place where a food is indicated to come from, and that is not the ‘country of origin’. Thus, the ‘country of origin or place of provenance’ extends the options for origin labelling beyond the customs definition.

3. ECONOMIC CONTEXT

Consumers' sensitivity to origin has become a relevant issue for both companies and policy makers. Furthermore, origin branding is important for marketing purposes due to favourable connotations of specific countries or regions.

83% of the EU consumers eat meat at least two or three times a week. Labelling of origin has been mandatory for beef for a decade and with the extension of the compulsory origin labelling to pig poultry, sheep and goat meat, the bulk of unprocessed meat consumption in the Union will be covered by this obligation. Other meats (mainly horse, rabbit and game) account only for less than 1% of EU meat consumption.

Meat supply chains in the EU can range from very simple to extremely sophisticated with a high number of market players. Apart from primary producers (livestock farmers), other main stakeholders of the chain are traders, slaughterhouses, cutting and packing plants and retailers.

Other market players include live animal and meat traders and transport companies. Although short chains exist with single operators in charge of all the stages of the process, in the majority of the cases at least one economic operator intervenes in each phase.

Fresh, chilled and frozen meats are unprocessed products. Cutting, packaging and labelling may take place in a cutting plant attached to the slaughterhouse or in separate processing plants. It is also common that carcasses and split carcasses are labelled and delivered directly to butchers and other retail outlets.

For their very position in the chain, slaughterhouses have a central role to play in relation to traceability and, by securing that information flows downstream to cutting and packing units, are a key element of any origin labelling scheme. Moreover, slaughterhouses have to be registered and are regularly controlled by veterinary and other public authorities.

Internal traceability of meat cuts through primary and secondary cutting plants up to the point of packaging is normally achieved through batch systems. The traceability of meat cuts becomes increasingly difficult as these are subsequently subdivided, first into primal cuts and then butchered into retail cuts. For this reason, the impact of mandatory origin labelling is likely to be most felt at the secondary stage of butchering, just before packing.

Regardless of the size and the sophistication of their equipment, facilities currently handling beef in the EU have in place since more than a decade a system to trace and label the origin of the meat and. In many cases, these facilities also handle pig and/or sheep meat. On the other hand, the traceability system for live bovines is more advanced than for the other species in question. Bovines are also much bigger animals and those two elements make the traceability of origin more easily feasible in the processing plants.

The length of the supply chain is an essential element to determine the practical difficulties and, subsequently, the additional costs deriving from the new labelling obligations. Confronted with the new requirement, a possible reaction by operators could be to simplify their supply chains. On the other hand, slaughterhouses and large-scale cutting plants that will prove more efficient in providing accurate origin information to downstream operators may find in the new obligation a competitive advantage. The same would apply for small scale slaughterhouses/cutting plants that have a very simple supply chain making it easy to provide the information.

In the EU, meat is sold mostly pre-packed. According to the SANCO meat market study, around 70% of EU respondents buy meat or meat products either in hypermarkets, supermarkets, convenience or discount stores where meat is generally pre-packed. 30% of respondents purchase meat in butchers, outdoor markets or directly from the farm, i.e. not pre-packed (and thus not subject to mandatory origin labelling). However, there are rather big differences by Member State and patterns vary as well across species.

Origin information at country level is already available on a voluntary basis for around 86% of meat sold in the EU¹. However, that mostly applies to single cuts of meat and not re-composed products. More and more, consumption turns to products (and presentations) that are not made of one single animal but several, and possibly from several countries. When a carcass is cut up to pieces, the leftovers (trimmings), which can have a high value, are used in re-composed products. Minced meat is a paramount example of this. The tracking of origin in these cases can become quite problematic.

4. OBJECTIVES

Following the decision by the Legislator to provide the mandatory origin labelling for unprocessed fresh, chilled and frozen meat of pigs, poultry, sheep and goats, the general objective of this initiative is to lay down the necessary implementing provisions.

The first specific objective is to ensure that consumers are provided with accurate, clear and useful information on the origin of the meats covered by this impact assessment (meaningfulness).

The second specific objective is that the labelling obligation does not create unnecessary burdens on the meat supply chain, trade, administration and environment (cost-efficiency).

The third specific objective is that the information provided to consumers is reliable and can be duly checked by competent authorities (reliability).

5. POLICY OPTIONS

The policy options have been constructed as a combination of the following elements:

- The **stages in the life** of an animal: birth, rearing and slaughter. These stages can be taken separately, in any combination or following the non-preferential customs origin definition (slaughter and minimum period of raising prior to slaughter);
- The **geographical level** of origin or provenance: third country/EU/Member State/region/local level.

Based on this and considering the objectives of the initiative, **three families of options** are retained for deeper analysis.

5.1. Policy option 1: Mandatory labelling of EU or third country as country of origin (the simple model)

This policy option features labelling of country of origin following the definition provided in the Customs Code. Country of origin would be labelled at the level of EU or third country under the following conditions:

- ❖ Meat from **pigs, sheep and goats reared in the EU** at least for two months before slaughter (or otherwise having the EU as the longest rearing place) would be labelled "Origin: EU";
- ❖ Meat from **poultry born and reared in the EU** or reared for at least one month in the EU, would be labelled "Origin: EU";

¹ Meat Market Study, SANCO/2009/B1/010

- ❖ **Imported meats and meat obtained from animals imported for slaughter** would be labelled as "Origin: [third country]".

If several cuts of meat are packed in one package as well as for minced meat and trimmings, which may contain meat from both the EU and one or several third countries, the label would read "Origin: EU and [third country or countries]".

5.2. Policy option 2: Mandatory labelling of country of rearing and of slaughter (the intermediate model)

With a geographical framework set at a **level of Member State/third country**, this family of options also follows the **definition of country of origin** provided in the Customs Code, completing it with information on the place of slaughter where this is not part of the definition.

In the majority of cases where either the whole production process from birth to slaughter occurs within the same country for poultry meat or where animals were reared for at least two months before slaughter in one country in the case of pig, sheep and goat meat, the label would read:

- "Origin: [Member State or third country of origin]"

In other cases, the label would read:

- "Reared in: [Member State or third country of rearing]". For pig, sheep and goat meat it refers to the Member State or third country where the animal has been reared the longest; for chicken it is the Member State or third country where the animal was reared for at least one month or for the longest.
- "Slaughtered in [Member State or third country of slaughter]".

These modalities would apply for any single piece of meat **pre-packed** separately. If several cuts of the same or different types of meat are **packed in the same package or in case of minced meat/trimmings**, the label would either list the different Member States or third countries of rearing and slaughter, or where applicable, the different Member States or third countries of origin. In the case of minced meat or trimmings the labelling of individual Member States could be replaced by "Origin: [EU]".

5.3. Policy option 3: Mandatory labelling of country of birth, rearing and of slaughter (the beef model)

This policy option mirrors the model already applicable for unprocessed beef. There are two possibilities:

- ❖ Meat from an animal **born, reared or slaughtered in more than one Member State or third country** includes on the label:
 - Member State or third country where the animal was born;
 - Every Member State or third country where the animal was reared for at least 1 month;

- Member State or third country where the animal was slaughtered.
- ❖ Meat from an animal **born, reared and slaughtered within one Member State or third country** can be labelled: "Origin: Member State or third country of origin"

Similarly to option 2, these modalities would apply for single piece of meat pre-packed separately. In the case of presentations with mixed origins, the same conditions as for option 2 would apply including the alternative provided for trimmings and minced meat.

5.4. Other options

The two sets of factors (stage of life of animal and geographical level) allow constructing more options, but several other possibilities were discarded for the following reasons.

Mandatory labelling of **place of provenance at a level lower than a country** (e.g. Provence) was not retained for deeper analysis not least for its very high costs for implementation (requiring the establishment of new live animal and meat traceability systems) and the lack of harmonised legal definition of this geographical level across the Union. Moreover, this option could potentially mislead consumers due to confusion with quality labels (Protected Designation of Origin, Protected Geographical Indication, Traditional Speciality Guaranteed).

Mandatory labelling of **place of provenance embracing several countries or regions** in one single area (e.g. Scandinavia, the Alps) has also not be considered as a policy option due to the lack of commonly agreed definition of such regions. Furthermore, according to consumer surveys, the country of origin is the type of information consumers expect.

For products originating from third countries, the option to refer only to "**non-EU**" has also been discarded as it is considered as insufficient in terms of consumer information. In addition, due to existing trade patterns with limited imports from a low number of countries, indication of the country of origin should be feasible.

Labelling of **place of provenance only based on birth, birth and slaughter or only slaughter** were not further examined as considered insufficiently informative for consumers. As already indicated, labelling of only rearing was also not considered as a separate option as the external study results showed that the cost of adding place of slaughter were negligible.

6. ANALYSIS OF IMPACTS

The most straightforward impacts of the new provisions on origin labelling will be economic, in particular the additional cost. It is assumed in this impact assessment that the additional cost will eventually be passed to a very large extent on to the final consumer. Trade both within the Union and with third countries will also be affected, albeit only marginally for the latter. On the basis of the comparative analysis it can be concluded that the impacts are generally the highest for option 3, nearly nil for option 1 and intermediate for option 2. By species, pig meat would be the most affected, followed by poultry and sheep and goat meat.

As far as the **information to consumer** is concerned:

- Even if all three options meet the requirement of informing consumers about the origin of the meat, option 1 would simply differentiate EU production from that of third countries.
- With a consensus around the most suitable geographical level for the definition of the origin in the label (Member State or third country), there is no evidence that the origin definition based on the three stages (born/raised/slaughter) would deliver more meaningful information to consumers. As the surveys show, these are mainly interested in the place of farming.
- Although nearly 90% of consumers want to know the origin of meat, only 40% look at this information when choosing the meat. In general, the consumers are not willing to pay a premium for origin information.
- There is no solid evidence suggesting that the new labelling rules should differ among the three meats under scrutiny. Furthermore, for the reason of clarity for consumers, it would be highly preferable if these rules did not differ.

On additional costs for the meat supply chain:

- The new labelling obligation will entail certain additional costs for the economic operators depending on the retained option. Those costs are relatively minor as compared to the total price of the product (up to 2.3% of the wholesale price for pig meat) and vary depending on the size and location of the company (bigger companies in exporting Member States will be able to absorb the costs more smoothly). It is expected that after the necessary adaptation period companies would manage to reduce additional unitary cost, especially as regards administrative costs.
- These costs are not only incurred by the acquisition of new equipment and the reorganisation of the working lines, but also for increasing difficulties in the valorisation of trimmings, which would be a problem for options 2 and 3. Therefore, some additional flexibility would be justified on this domain. In general, the additional costs remain marginal and within this scale, close to zero for option 1, the highest for option 3 and in between for option 2.
- The current identification system of sheep and goats is substantially more advanced than for pigs and poultry but the information on individual tags is not transmitted up the supply chain so it is not readily usable by the industry. Thus, the more complex the labelling rules, the more costly the adaption of the traceability systems will be.

As regards impact on consumers, trade and administration:

- The consumers being the recipients of more detailed origin information, they would bear around 90% of the additional cost which again would be the highest for option 3 (€1.86 billion) and less for option 2 (€1.1 billion). Option 1 does not have any consequence on the consumer price.

- Trade is also marginally affected, option 3 would result in an increase of 2% in the Union's net trade of pig meat, 0.8% for poultry and slightly less sheep meat would be imported. The impact is around half the magnitude for option 2. There would also be some rearrangement of trade flows between the Member States due to changes in consumption and sourcing practices, notably for pig meat where the intra-EU trade of live animals is quite relevant.
- For competent authorities, an increase of control costs could be envisaged in the short term which would disappear after a period of familiarisation. Administrative costs and burden will be higher if the origin labelling is more detailed, thus the highest for option 3.

In relation to **other considerations**:

- There is no sufficient evidence of any of the three possible options would present significant differences as compared to the others in terms of investment flows, environment or social impacts other than welfare.

Regarding the **stakeholders' views**:

- Stakeholders' views on origin labelling for meat tend to be polarised. On the one hand, **consumers tend to be in favour of strict rules** of origin labelling. However, as scientific literature points out, they are often not aware that origin information comes at additional cost, and are not willing to pay a significant premium for such information. Furthermore, although 86% of consumers want to know the origin of the meat and origin information is often available on a voluntary basis, only 40% of consumers look at the country of origin when choosing the pre-packed meat.
- **Farmers**, particularly those from deficit Member States where local demand is partly served with meat produced in other Member States, **support detailed origin labelling** seeing it as a protective tool enhancing their competitiveness on local markets.
- On the other hand, **food businesses**, and in particular those operators that use as raw material meat from several origins **are generally inclined for simpler labelling requirements**. Companies sourcing the meat locally are nevertheless broadly in favour of detailed origin labelling, as so are companies that target high value markets and which often use origin labelling as a marketing instrument.

Table 1. Summary of comparison of options

Specific objectives		Option 1	Option 2	Option 3
Meaningfulness		-	++	+++
Cost-efficiency	Cost for supply chain/price increase	0	-	--
	Trade distortion	0	-	--

	Extra burden for administration	-	--	---
Reliability		+++	++	+

0 no impact

- limited negative impact; -- average negative impact; --- significant negative impact

+ limited positive impact; ++ average positive impact; +++ significant positive impact

In conclusion, option 1 has a marginal impact on the cost-efficiency of the various actors but it does not meet the expectations of the consumers with regard to meaningful information. Option 3 has a very positive impact in terms of information to consumers but results in the highest costs for all actors, including the consumers themselves. Option 2 appears to be the most optimal of the three options, providing consumers with meaningful information while at the same time not creating disproportionate burdens for the various actors involved.

7. MONITORING AND EVALUATION

The controls shall be carried out according to the provisions of the Official Controls' Regulation². Member States will be required to take the necessary measures to ensure compliance with the origin labelling requirements. The Commission controls the correct enforcement of the Member States.

According to Regulation 1169/2011 the legislative instrument will be evaluated 5 years after implementation. The Commission has to submit a report to the Parliament and the Council by 13 December 2019 in order to assess its relevance to stakeholders' needs. The evaluation should also look at the uptake and efficiency of the national schemes in view of assessing the need for Community rules.

² 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 rules (OJ L 165, 30.4.2004, p. 1).