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Origin labelling for meat used as an ingredient: consumers' attitude, feasibility of possible scenarios and impacts

Accompanying the document

**Report from the Commission to the European Parliament and the Council
regarding the mandatory indication of the country of origin or place of provenance for
meat used as an ingredient**

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INTRODUCTION

Consumers' sensitivity to origin of foods has grown over the years. Many food businesses rely on origin branding for marketing purposes due to favourable connotations of specific countries or regions. Therefore, origin has become a relevant issue not only for businesses but also for policy makers.

This Staff Working Document accompanies the Commission report to the European Parliament and the Council regarding the mandatory indication of the country of origin or place of provenance for meat used as an ingredient, foreseen in Article 26(6) of Regulation (EU) No 1169/2011 of the European Parliament and of the Council on the provision of food information to consumers (hereinafter, 'the FIC Regulation').¹

It intends to present available information and data concerning the potential extension of mandatory origin labelling for meat used as an ingredient in prepacked foods, while taking into account consumers' attitude and their need to be informed, the feasibility of providing the mandatory indication of the country of origin or place of provenance and an analysis of the costs and benefits of the introduction of such measures, including the legal impact on the internal market and the impact on international trade. It mainly builds upon the results of an external study commissioned by DG SANCO and carried out between October 2012 and June 2013 by the Food Chain Evaluation Consortium (FCEC), titled "*Study on the application of rules on voluntary origin labelling of foods and on the mandatory indication of country of origin or place of provenance of meat used as an ingredient*" (hereinafter the 'FCEC study')² as well as on other available sources on this subject.

1 THE FIC REGULATION ON ORIGIN OF FOODS

1.1 Background to the adoption of the FIC Regulation concerning origin labelling of foods

Prior to the adoption of the FIC Regulation, there were no Union provisions imposing mandatory origin labelling on foods in general on a horizontal basis. Directive 2000/13/EC of the European Parliament and of the Council of 20 March 2000 on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs³ requires that labelling must be such as not to mislead the consumer as to the characteristics of the food including its origin or provenance.⁴ In addition, it provides that indication of the place of origin or provenance of a food is mandatory where its omission might mislead the consumers as to the true origin or provenance of the food.⁵

Mandatory origin provisions have been developed on the basis of vertical approaches for certain foodstuffs. Indeed, the indication of origin is currently mandatory for unprocessed

¹ Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers, amending Regulations (EC) No 1924/2006 and (EC) No 1925/2006 of the European Parliament and of the Council, and repealing Commission Directive 87/250/EEC, Council Directive 90/496/EEC, Commission Directive 1999/10/EC, Directive 2000/13/EC of the European Parliament and of the Council, Commission Directives 2002/67/EC and 2008/5/EC and Commission Regulation (EC) No 608/2004, (OJ L 304, 22.11.2011, p. 18).

² Not yet published.

³ OJ L 109, 6.5.2000, p. 29. The latter Directive remains applicable until it is repealed and replaced by the FIC Regulation on 13 December 2014.

⁴ Article 2(1)(a)(i) of Directive 2000/13/EC.

⁵ Article 3(1)(8) of Directive 2000/13/EC.

beef and beef products (e.g. minced beef) in the Union following the bovine spongiform encephalopathy crisis. Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products⁶ requires the indication of the country of birth, rearing and slaughter on (prepacked and non-prepacked) unprocessed beef meat and beef products⁷ (or the indication of one origin where all three stages took place in the same country).⁸ Similarly, 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 meat⁹ requires the indication of country of origin on prepacked imported poultry meat.¹⁰ Finally, mandatory origin provisions have also been developed for some other specific products, such as honey,¹¹ fruit and vegetables,¹² fish,¹³ and olive oil.¹⁴ However, the underlying motivations for these provisions are different. While in the case of beef and beef products, the introduction of mandatory origin labelling is rooted in a food safety crisis, for all other specific food products, the rationale is rather the close link between the origin and the specific characteristics of the foods in question.

1.2 The provisions of the FIC Regulation on the origin labelling of foods

The FIC Regulation introduces – for the first time – specific provisions concerning the indication of origin on foods¹⁵ on a horizontal basis. It introduces mandatory origin labelling for unprocessed meat of swine, poultry, sheep and goat. It also provides harmonised rules concerning the origin of the primary ingredient(s), when the origin of a food is given. Finally, it acknowledges the need to explore the possibility to extend mandatory origin labelling for other specific categories of foods on the basis of Commission reports, including meat of all species when used as an ingredient in prepacked foods.

1.2.1 Provisions concerning mandatory origin labelling of unprocessed meat of swine, poultry, sheep and goat

The impact assessment that supported the FIC Regulation indicated that the origin of meat appears to be consumers' prime concern.¹⁶ Accordingly, Article 26(2)(b) of the FIC Regulation requires the mandatory indication of country of origin or place of provenance for prepacked unprocessed¹⁷ meat of swine, poultry, sheep and goats as from 13 December 2014.

⁶ OJ L 204, 11.8.2000, p. 1.

⁷ Regulation (EC) No 1760/2000 covers all beef products falling within CN codes 0201, 0202, 0206 10 95 and 0206 29 91.

⁸ Article 13(5) of Regulation (EC) No 1760/2000.

⁹ OJ L 157, 17.6.2008, p. 46.

¹⁰ Article 5(4) of Commission Regulation (EC) No 543/2008.

¹¹ Council Directive 2001/110/EC of 20 December 2001 relating to honey, (OJ L 10, 12.1.2002, p. 47).

¹² Commission Implementing Regulation (EU) No 543/2011 of 7 June 2011 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 in respect of the fruit and vegetables and processed fruit and vegetables sectors, (OJ L 157, 15.6.2011, p. 1).

¹³ Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products, (OJ L 17, 21.1.2000, p. 22).

¹⁴ Commission Implementing Regulation (EU) No 29/2012 of 13 January 2012 on marketing standards for olive oil (OJ L 12, 14.1.2012, p. 14).

¹⁵ The applicable definitions set out in the FIC Regulation relating to the origin of foods are to be found in Annex II thereto.

¹⁶ Commission Staff Working Document accompanying the Proposal for a Regulation of the European Parliament and of the Council on the provision of food information to consumers – Impact Assessment Report on General Food labelling issues, SEC(2008)92, 30.1.2008, at p. 22.

¹⁷ Unprocessed meat includes all fresh, chilled and frozen meat, which has not been processed further than cut, minced and packed, e.g. minced meat (without spices).

The foods concerned are the following:¹⁸

- CN Code 0203: Meat of swine, fresh, chilled or frozen;
- CN Code 0204: Meat of sheep or goats, fresh, chilled or frozen; and,
- CN Code Ex 0207: Meat of the poultry of heading 0105 (fowls of the species *Gallus domesticus*, ducks, geese, turkeys and guinea fowls), fresh, chilled or frozen.

The FIC Regulation requires the Commission to adopt implementing acts by 13 December 2013, setting out the modalities of such mandatory origin labelling, following an impact assessment, and taking into account the following points in the life of the animal: place of birth; place of rearing; and, place of slaughter.¹⁹ For this purpose, the Commission commissioned an external study to consider the impact of mandatory origin labelling to the supply chain of unprocessed meat of swine, poultry, sheep, as depicted below.²⁰



1.2.2 Provisions concerning the origin of main ingredients

In some cases, food business operators ('FBOs') indicate the origin of a food on a voluntary basis to draw consumers' attention to the qualities of their product. The FIC Regulation sets out harmonised criteria for such labelling. Accordingly, Article 26(3) of the FIC Regulation provides that where the country of origin or the place of provenance of a food is given and where it is not the same as that of its primary ingredient:

- a) the country of origin or place of provenance of the primary ingredient in question shall also be given; or,
- b) the country of origin or place of provenance of the primary ingredient shall be indicated as being different to that of the food.

The Commission is required to adopt implementing acts setting out the modalities for the application of this origin requirement by 13 December 2013, following an impact assessment.²¹

1.2.3 Commission report on the mandatory indication of origin for meat used as an ingredient

The present analysis supports the Commission report regarding the mandatory indication of the country of origin or place of provenance for meat used as an ingredient, foreseen in Article 26(6) of the FIC Regulation. In order to collect the necessary data and input, the Commission commissioned the FCEC study. The present Staff Working Document is largely based on the findings of that study. It also takes into account relevant findings from the

¹⁸ Annex XI to the FIC Regulation.

¹⁹ Article 26(8) and (9) of the FIC Regulation.

²⁰ "Study on mandatory origin labelling for pig, poultry and sheep and goat meat", LEI Wageningen University (2013) (hereinafter 'the LEI study').

²¹ Article 26(8) of the FIC Regulation.

impact assessment underpinning the mandatory indication of origin for prepacked unprocessed meat of swine, poultry, sheep and goats²² as well as other available information.

1.2.3.1 Scope of the Staff Working Document

The present Staff Working Document concerns only prepacked foods with meat used as an ingredient. In the EU, meat (in general) is sold pre-packed. Around 70% of the EU respondents buy fresh meat, including meat preparations as well as processed meat products covering beef, pig, lamb and poultry meat either in hypermarkets, supermarkets, convenience or discount stores, where such products are generally prepacked.²³

It covers meat ingredients of all species, *i.e.* beef, pig meat, poultry, sheep and goat meat, game, rabbit meat and horse meat.

Foods with meat used as an ingredient and placed on the EU market, are quite varied. In broad terms, three categories of such foods in an increasing order of processing can be identified:²⁴

- *Category I - Meat preparations and products made from mechanically separated meat ('MSM')*: This category is closer to unprocessed meat in the food chain.
- *Category II - Meat products*
- *Category III - Multi-ingredient foods with meat used as an ingredient*: The multi-ingredient foods with meat used as an ingredient include foods where meat is the primary ingredient, *e.g.* beef lasagne, chicken soup *etc.*, as well as foods where meat is not the primary ingredient, *e.g.* pizza with ham. This category is the farthest from unprocessed meat in the food chain.

1.2.3.2 Context of the analysis

The present Staff Working Document explores the possibility to extend mandatory origin labelling for meat of all species used as an ingredient in prepacked foods, taking into account the following:

- a) Characteristics of the food supply and processing chain concerning meat ingredients: The current structure and characteristics of the food supply and processing chain in relation to meat preparations/products made from MSM, meat products and multi-ingredient foods with meat ingredients is analysed. It presents an estimation of the frequency of changing supply sources and mixing meat of different sources by the food industry for the purposes of foods with meat ingredients. It also explores the adequacy of existing traceability

²² Impact Assessment – Commission Staff Working Document – Mandatory Origin indication for Unprocessed Pig, Poultry, Sheep and Goat Meat, not yet published.

²³ Commission Report on the functioning of the meat market for consumers in the European Union, May 2013, to be found at: http://ec.europa.eu/consumers/consumer_research/market_studies/docs/mms_commission_report_en.pdf. The report is based on findings of the "Study on the Functioning of the meat market for consumers in the European Union", prepared by GfK EU3C (EU Custom Research and Coordination Centre) on behalf of the European Commission, Directorate General for Health and Consumers, December 2012. The study supporting this report was performed before the accession of Croatia to the EU and therefore the data provided refer to EU27.

²⁴ The applicable definitions are laid down in Annex II. See also para. 5.3 of Guidance document on the implementation of certain provisions of Regulation (EC) No 853/2004 on the hygiene of food of animal origin, dated 1.8.2013, to be found at: http://ec.europa.eu/food/food/biosafety/hygienelegislation/docs/guidance_doc_853-2004_en.pdf.

systems to support the possible introduction of mandatory origin labelling for meat used as an ingredient;

- b) The consumers' attitude towards origin labelling of meat ingredients: The focus is on the consumers' interest, understanding and preferences in relation to information on origin, to different types of origin labelling of meat ingredients as well as on consumers' willingness to pay more for the provision of origin information; and,
- c) The feasibility and an analysis of costs and benefits in terms of impacts of the main possible scenarios to be considered for origin labelling of meat used as an ingredient, including an analysis of advantages and disadvantages of the modalities for the determination of origin indications.

2 THE EU SUPPLY CHAIN OF FOODS WITH MEAT INGREDIENTS

2.1 Overview of the EU sector

The EU food sector²⁵ represents a total turnover of EUR 1017 billion with approximately 287,000 companies employing 4.25 million people in the EU. Around 98% of these companies are SMEs, which represent around 49% of total turnover and 63% of the employment in the sector. It is the largest EU manufacturing sector in terms of turnover, value added and employment. It contributes around 15% of the gross value added of the EU manufacturing sector. The net trade balance was EUR 13.2 billion in 2011.

Table 1: EU27 data on Food and drink industry (turnover, number of employees, trade)

	2010	2011	2011/2010 (%)
Turnover (EUR billion)	953	1.017	+ 6,8
Number of employees (million)	4,25	4,25	0
Exports (EUR billion)	65,2	76,2	+ 16,6
Imports (EUR billion)	55,5	63	+ 13,5

Source: Eurostat 2011

However, while the food sector is big in size, combining several important sub-sectors (e.g. meat and dairy, beverages, fish), it is also highly heterogeneous across its various sub-sectors.

The EU meat sector is the largest sub-sector of the EU food and drinks industry, representing 20% of total food and drinks turnover in 2010 and 20% of the total food and drinks valued added. It employs around 21% of total workers in the EU food and drink industry (2010 figures). The EU meat processing industry represents more than 13,000 companies, which generate an estimated EUR 85 billion in turnover and employs about 350,000 people.²⁶

The meat supply chain of meat to be used as an ingredient is both highly heterogeneous in actors involved as well as in products: The processed meat sector is characterised by a significant share of small and medium-size enterprises ("SMEs"). Regarding products, it can range from relatively simple, e.g. fresh meat with spices/additives to extremely sophisticated

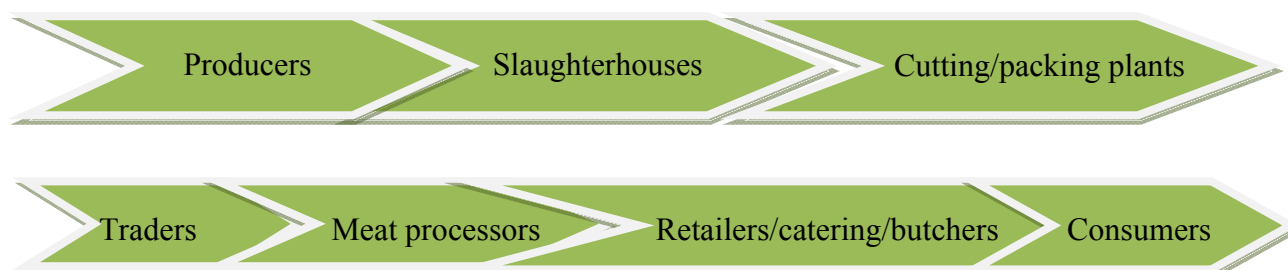
²⁵ FDE 2013: 'Data and Trends of the European Food and Drink Industry 2012', 2013.

²⁶ Annex C to the FCEC study.

meat-related products, especially in the case of meat products and multi-ingredient foods with meat ingredients.

Moreover, the supply chain of meat used as an ingredient is quite complex, involving several steps in production and marketing of the final products.

Figure 1: Overview of the supply chain²⁷



2.2 EU consumption of meat and meat-related products and global trends

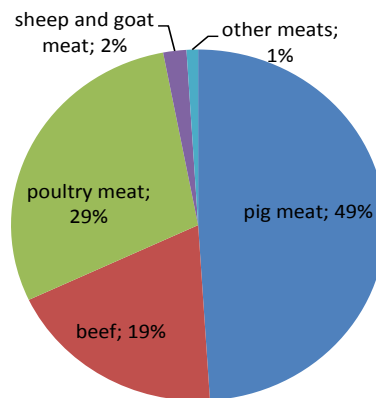
The overwhelming majority of EU consumers (83%) eat meat at least two or three times a week.²⁸ In addition, 88% of the EU27 consumers bought pre-packed (unprocessed and processed) meat in the past month.²⁹ The majority of meat (processed and unprocessed) is pig (49%), poultry (29%) and beef (19%), while sheep, goat and other meats (*e.g. horse, rabbit and game*) account only for 3% of EU meat consumption.

²⁷ FCEC study and LEI study.

²⁸ Impact Assessment – Commission Staff Working Document – Mandatory Origin indication for Unprocessed Pig, Poultry, Sheep and Goat Meat, not yet published.

²⁹ Commission Report on the functioning of the meat market for consumers in the European Union, May 2013, at p. 31.

Figure 2: Consumption of different types of meat in the EU³⁰



Direct human consumption in 16 Western European countries is valued at EUR 117.3 billion (2008), or 10.6% of the all food and drink market of EUR 1111 billion. The largest country market is Germany, with a 33% share of the total EUR 117.3 billion (2008) for 20% of the total population; France, Italy, the U.K. and Spain make up 80% of the West European market for 77% of the total population.³¹

In the EU, the consumption of meat is expected to decrease in total by 0.4% in 2013. Only poultry meat has shown signs of growth throughout the year 2011 and is therefore expected to increase further (2.2% projected growth) also due to its healthy image and relative cheapness.

When focusing on the beef meat sector, the firm beef meat prices in 2013 cause per capita consumption to continue to decrease, albeit at a slower rate. Nevertheless, improvement in the economic situation of most EU countries and slightly more meat supplies in 2014 could stabilize consumption at 10.8 kg per capita.

For pig meat, firm prices and limited supply are expected to lead to a decrease in both consumption and exports in 2013. Projected lower cereal prices on the assumed good 2013 harvest are expected to help increase production and stabilise consumption in 2014.

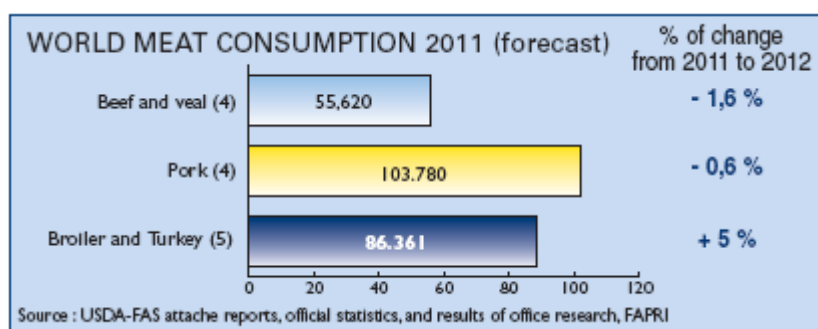
Lastly, the total consumption of sheep meat in 2013 is likely to increase after several years of continuous decline thanks to higher availabilities implying relatively lower prices in 2013.

However, regarding global meat consumption, per capita consumption is expected to increase by 3,2 kg per annum, with poultry accounting for 70% of this increase. Until 2021, a further increase mainly in developing countries by an extra 3,6 kg of meat per capita compared to the base period is expected. This increase will mostly be in poultry meat. The high prices of meat will not discourage the developing countries to increase their imports, increase driven mainly by population and income growth expected in years to come.

³⁰ Impact Assessment – Commission Staff Working Document – Mandatory Origin indication for Unprocessed Pig, Poultry, Sheep and Goat Meat, not yet published.

³¹ Food for thoughts 2009: 'Overview of the Processed Meat Market in Europe', to be found at <http://foodmarkets.wordpress.com/2009/09/29/overview-of-the-processed-meat-market-in-europe/>

Table 2: World meat consumption



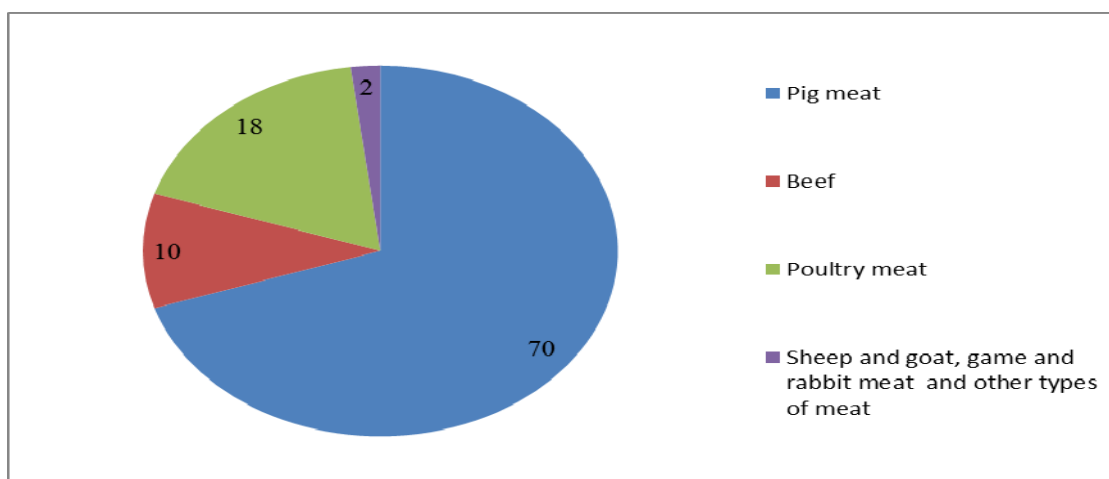
Source: AVEC Annual report 2012

2.3 EU production and outlook – Global trends

Generally, 30-50% (depending on the Member State concerned) of the total slaughtered meat volume is estimated to be processed into meat ingredients for foodstuffs (mostly into minced meat/meat preparations/meat products).³² The EU pig meat sector has the largest share of processing compared to other meat sectors. In total, an estimated 70% of the EU processed meat production volume is made of pig meat, followed by poultry meat (18%) and beef meat (10%).

In that respect, the bulk of EU imports for processing is accounted by a handful of suppliers, with Brazil and Thailand being the leading exporters to the EU for poultry and beef. Imports of pig meat and sheep meat from third countries for processing are virtually non-existent.

Figure 3: Share of processed meat sector, by animal species (%)



Source: FCEC based on consultation with industry stakeholders

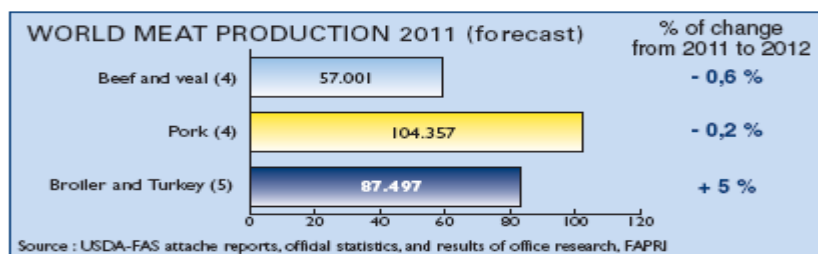
In 2012, EU total fresh meat production was 43.5 million tonnes carcass weight equivalent (around 33.8 million tonnes boneless meat equivalent). According to medium term market forecasts, total EU meat production, after having increased during both in 2010 and 2011, will contract by 2% over the next two years. After this reduction, total meat production is

³² FCEC study, at p. 44.

projected to steadily recover over the ten year horizon and to reach almost 45 million tonnes in 2022, approximately the same level recorded in 2011³³.

As far as global trends are concerned, the developing countries will continue to conquer global production share in meat categories, which by the end of the period will account for 63% in poultry production, 58% for bovine, 64% for pig and 78% for sheep meat.

Table 3: World meat production forecast



Source: AVEC Annual report 2012

2.4 Structure of the sector

The EU meat processing sector is characterised by a low degree of vertical integration³⁴, with the majority of companies being SMEs (90%). Characterised by a high level of specialisation, these SMEs operate independently at different stages of the supply chain. This is particularly the case for the pig meat and beef meat sectors. Larger vertically integrated companies represent a small share of all companies operating in the EU meat processing industry and tend to be more prevalent in the poultry sector.

Table 4: Share of micro-enterprises in total number of enterprises in EU MS by sub-sectors (2008)³⁵

	Processing and preserving of meat and production of meat products			Total		
	Total	Micro	Share	Total	Micro	Share
AT	1,092	763	70%	1,312	907	69%
BE	823	571	69%	1,470	1,020	69%
BG	475	201	42%	885	381	43%
CY	71	46	65%	256	201	79%
CZ	1,467*	:	:	1,613	:	:
DK	147	89	61%	408	232	57%
EE	53	20	38%	156	63	40%
FI	204	142	70%	480	355	74%

³³ DG AGRI 2013: 'Prospects for Agricultural markets and income in the EU 2012-2020', 2013.

³⁴ I.e. companies owing slaughtering, cutting and manufacturing including slicing/packageging operations.

³⁵ Preparatory work to support the impact assessment on reviewing the rules on the financing of official control - A final report to DG SANCO", GHK in association with ADAS, UK - 2011

FR	10,410*	:	:	12,363	:	:
DE	11,044	6,558	59%	12,098	7,028	58%
HU	592	334	56%	901	517	57%
IE	133	26	20%	318	83	26%
IT	3,559	2,495	70%	7,875	5,606	71%
LV	128	62	48%	294	121	41%
LT	176	69	39%	336	162	48%
LU	27	14	52%	32	15	47%
NL	491	325	66%	1,046	691	66%
PL	3,283	2,134	65%	4,872	3,224	66%
PT	633	382	60%	1,411	891	63%
RO	909	532	59%	1,711	1,058	62%
SK	72	17	24%	178	23	13%
SI	163	110	67%	271	198	73%
ES	4,153	2,771	67%	7,141	4,295	60%
SE	494	367	74%	935	746	80%
UK	1,035	545	53%	2,347	1,354	58%
Total	29,757**	18,573	62%	60,709	29,171	48%
<i>Source: Eurostat (GR and MT are not included in Eurostat dataset; Figures in Total column includes all available data)</i> *2007 figure ** Sum does not include CZ and FR. *** Sum does not include BE, FR, DE						

Meat processors tend to procure raw material mainly from traders. Indeed, unprocessed standard quality meat ingredients, such as pig meat, which is the predominant ingredient in EU processed products, is generally sold on spot markets.³⁶ As such, there is almost no relation between slaughterhouses and meat processors. However, larger vertically integrated companies tend to procure both from slaughterhouses/cutting plants and traders.

³⁶ Pig meat from common breeds is considered a commodity, for which demand for origin information is negligible. The indication of origin is valuable information only in the case of pig meat products from special breeds of pigs (e.g. Iberian pork). FCEC study, at p. 56.

Once the companies process meat ingredients and incorporate them into meat-related products, these are then further sold to retailers/catering/butchers, whether or not sliced and/or packed.

Due to the characteristics of the EU meat processing sector, including the increase in the level of homogeneity of raw material in the meat supply, there seems to be limited demand from processors for origin information on meat ingredients. Indeed, there is no demand for origin information with respect to re-composed products (*e.g.* meat preparations containing minced meat) or other products involving trimmings³⁷ (*e.g.* mortadella, sausages, burgers, salami).

Any limited demand for origin information mostly concerns:

- specific meat preparations coming from a 'single meat piece', *e.g.* dried ham, cooked ham, pancetta/bacon, *etc.*;
- products for which meat is a specific condition for the production process, such as:
 - pig meat products from special breeds of pigs, which fall under "protected designations of origin" ('PGIs'), *e.g.* Iberian black pigs;
 - specific beef products, *e.g.* *bresaola*, require quality specifications of meat that can be assured in sufficient quantity only by a specific origin (*e.g.* beef from Brazil or Argentina).

For the majority of products – and in particular meat preparations such as burgers and sausages – the raw materials arrive at the processing stage already cut, mixed and/or trimmed. The product sectors using trimmings are quite extensive. For example, the German meat industry (BDVF) indicated that 30-40% of their sausage production involves trimmings (*Boeckwurst*) and often all ingredients are already mixed in the cutting plants.³⁸ In that context, origin is not viewed as a quality specification by the food chain operators.

Even when trimmings or blending of raw materials is not involved prior to the arrival at the processing plant, origin labelling may still be a challenge due to the extent of the mix of suppliers. According to the Italian processed meat industry (ASSICA), even though Italian products such as *pancetta* and dried ham do not involve mixing of different meat ingredients, in practice they do have a continuous mix of source of suppliers.

Producers of multi-ingredient foods with meat ingredients procure raw materials for their products from a wide-range of suppliers along the food chain, (*e.g.* cutting plants, processors, MSM producers, wholesalers or traders). These operators do not have enough bargaining power to impose the indication of origin to their suppliers, as the quantities supplied are relatively small compared to other key buyers (*e.g.* butchers).³⁹

Slaughterhouses and meat cutting plants are key actors with respect to passing meat origin information to the next player in the food chain. Moreover, the higher the degree of vertical integration and the larger the company size is, the easier it is to ensure that origin information is passed along the food chain. However, because of this structure of the supply chain (mostly independent SME companies operating in the meat sector) and the absence of any

³⁷ Trimmings are the leftovers, when a carcass is cut up to pieces, which can have a high value. They are mostly used in re-composed products.

³⁸ FCEC study, at p. 55.

³⁹ FCEC study, at p. 54.

significant 'business-to-business' interest in this information as explained above, the transmission of origin information tends to stop at the earlier stages of the supply chain (slaughterhouses and cutting plants).

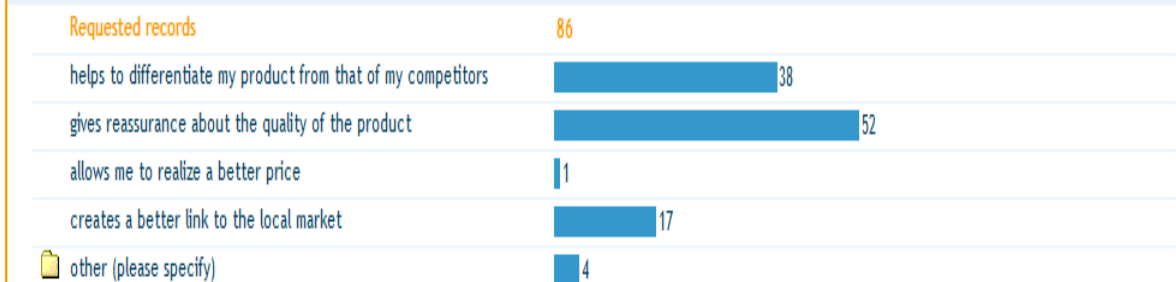
Box 1: SME survey

In early 2013, a special survey was conducted through the Enterprise European Network (EEN) for the purposes of the Commission report on the possibility to extend mandatory origin labelling to meat used as an ingredient. It was answered by 285 FBOs from EU27 MSs. The main findings concerning the structure of the sector can be summarised as follows:

- ❖ Approximately 51% of the sampled FBOs were active in the production of meat and poultry meat products sector, approximately 33% of the sampled FBOs were active in the manufacturing of prepared meals and dishes sector, while another 31% were active in the processing and preserving of meat sector (some FBOs are active in more than one sector). Almost 80% of the sampled FBOs were manufacturing firms.
- ❖ Concerning the location of the trade/commercial activity of the sampled FBOs, 31% of those reported that 81%-100% of their activity is local. For 64% of those, none of their production is described as "Intra EU" (i.e. it is limited within a Member State) and for 72%, none of their production is set "Extra EU".
- ❖ About the origin of their primary raw material, 20% of the sampled FBOs identified their raw materials as national, whereas 44% and 75% of the sampled FBOs stated that almost none of their raw materials originated in Intra-EU" and "Extra-EU" respectively.
- ❖ 58% of the sampled FBOs do not have separate storage facilities for raw materials from different sources.
- ❖ According to the sampled FBOs, the main advantages stemming from informing the consumer about the provenance of the meat are mainly the fact that it gives reassurance about the quality of the product (61%) and that it helps differentiating amongst the available products (44%).

4. What do you consider to be the major advantage in informing the consumer about the provenance of the meat used as an ingredient in the market in which you operate?

-multiple choices reply- (optional)



Box 2: Current application of origin labelling to meat and meat-based products – Overview of voluntary schemes⁴⁰

According to both Member States' competent authorities ('MS CA') and the EU meat processing industry (CLITRAVI, UECBV), the use in meat and meat-based products of voluntary schemes approved at national or concerted industry level concerning the origin of meat ingredients is generally limited. The existence of a scheme comprising the geographical origin of meat (or more generally of food) was indicated by 11 MS CAs out of the 19 MS CAs that responded to the FCEC consultation. Where such schemes exist, they tend to be mostly private and are not related only to geographical origin labelling but form part of a wider quality initiative.

Only Austria indicated it had a national scheme, while some MSs have private schemes in place which in some cases are supported by the public sector or may be implemented in the framework of national legislation. These schemes considered to account for a significant part of the market in only a few MSs and if so, it tends to be for

⁴⁰ Section 2.3 of the FCEC study, at p. 27.

the specific species and meat products covered by the scheme. For example in France, the brand *Viande Porcine Française* (VPF) now account for 25% of the total French pig meat production and 40% of French cooked ham production. CA and FBOs in several MS (e.g. DK, SK, EL, ES, LT, PT) indicated that there are no national schemes that include origin labelling information and that they are not aware of any such private schemes in their countries. Analysis of the uptake of such schemes demonstrates that a key constraining factor for consumers is the fact that these products are sold at a price premium.

2.5 Sourcing practices of the supply chain⁴¹

The sourcing decisions taken at production level largely depend on the following factors:

- availability of suitable raw material in sufficient volumes;
- standard quality specifications, determined by the quality specifications of the final products (i.e. premium or lower value);
- the competitive price;
- the need to quickly adapt to any shortages, market disruptions and/or price fluctuations, by switching suppliers.

Single sourcing practices for foods with meat used as an ingredient are limited, if not negligible. The most common sourcing practices are multiple sourcing from different sources/counties (either only EU, or a combination of EU/non EU). This means that different stages of the production of foods containing meat as an ingredient often take place in different EU Member States (MSs) and there is significant intra-Union trade of meat-related raw materials.

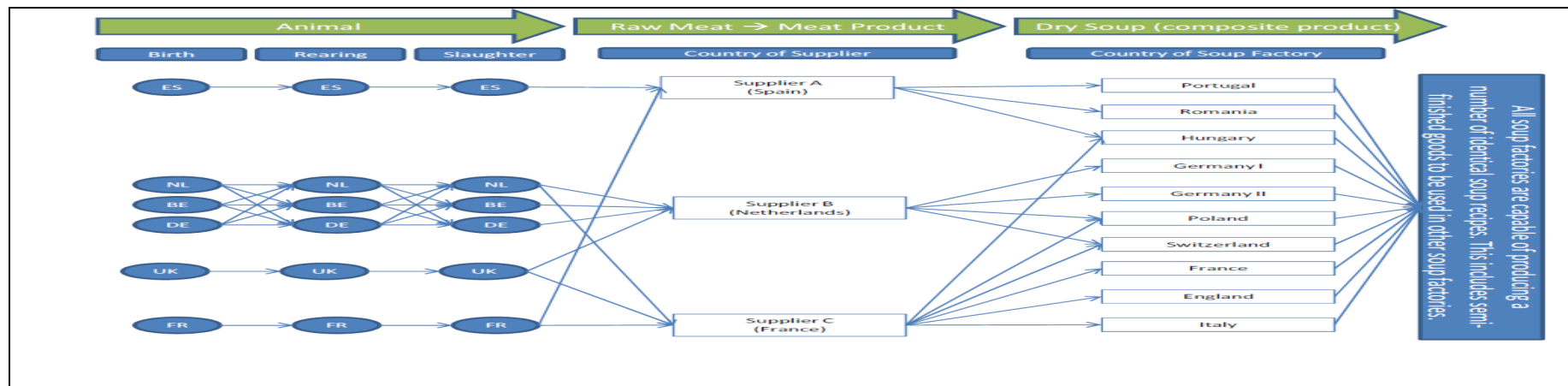
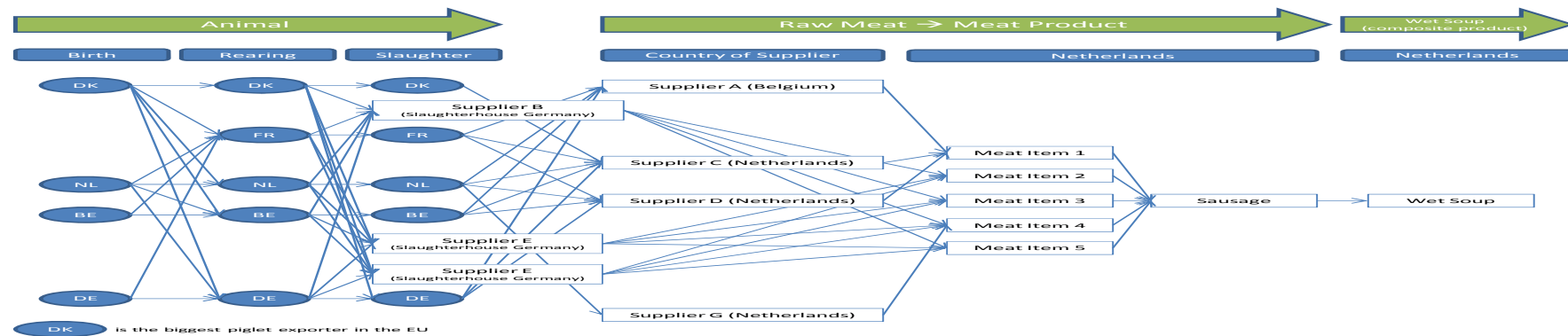
In general, the sourcing practices can be described as follows:

- Multiple sourcing within the EU is the prevailing practice for (a) pig meat based products, as the EU is self-sufficient in terms of pig meat production, and (b) multi-ingredient foods with meat ingredients.
- Multiple sourcing from EU and non-EU countries is common feature for beef and poultry meat based products.

The frequency of changes in the mix of suppliers is affected by the same factors as sourcing patterns. The differentiation of sources in particular is a common strategy to reduce the risk of delivery failure driven by external factors (e.g. animal diseases or food safety crises). FBOs, and especially SMEs, tend to change their suppliers three or more times per year, in order to guarantee an adequate level of raw material at an affordable price.

⁴¹ Section 3.2, at p. 56.

Figure 4: Structure of the supply chain⁴²,



⁴² Note: The first figure represents the supply chain for pork, notably uncooked sausages (cat I), cooked sausages (cat III) and sausages used as ingredient in food products (cat II), source CLITRAVI. The second figure represents poultry meat, source Culinaria Europe (poultry).

2.6 Traceability systems

Food traceability is the ability to track any food, food producing animal or substance that may be destined for human consumption through all stages of production, processing and distribution of foods. For the proper application and enforcement of origin labelling, an effective traceability system is required to ensure the passing of the origin information along the food chain.

2.6.1 Existing EU traceability systems

2.6.1.1 General EU traceability requirements

The EU traceability legislation aims at ensuring food safety. Accordingly, 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 safety⁴³ sets out a comprehensive system of traceability within food and feed businesses to meet this objective. The traceability requirements can be summarised as follows:⁴⁴

- The traceability of food, feed, food-producing animals, and any other substance intended to be, or expected to be, incorporated into a food or feed should be established at all stages of production, processing and distribution.
- FBOs must be able to identify any person from whom they have been supplied with a food, a feed, a food-producing animal, or any substance intended to be, or expected to be, incorporated into a food or feed. To this end, FBOs must have in place systems and procedures that allow for this information to be made available to the CAs on demand.
- FBOs must have in place systems and procedures to identify the other businesses to which their products have been supplied. This information must be made available to the CAs on demand.
- Food or feed which is placed on the market or is likely to be placed on the market in the Union must be adequately labelled or identified to facilitate its traceability, through relevant documentation or information in accordance with the relevant requirements of more specific provisions.

The requirement to identify suppliers and other businesses to which products are supplied is known as the ‘one step back - one step forward’ approach. The ‘one step back - one step forward’ approach implies for FBOs that:

- They must have in place a system enabling them to identify the immediate supplier(s) and immediate customer(s) of their products;
- a link ‘supplier-product’ must be established (which products supplied from which suppliers);

⁴³ OJ L 31, 1.2.2002, p. 1.

⁴⁴ Article 18 of Regulation (EC) No 178/2002; Guidance on the implementation of Articles 11, 12, 14, 17, 18, 19 and 20 of Regulation (EC) No 178/2002 on General Food Law - Conclusions of the Standing Committee on the Food Chain and Animal Health, January 2010, to be found at: http://ec.europa.eu/food/food/foodlaw/guidance/docs/guidance_rev_8_en.pdf.

- a link ‘customer-product’ must be established (which products supplied to which customers). Nevertheless, FBOs do not have to identify the immediate customers when they are final consumers.

As such, the existing traceability requirements do not foresee a cumulative traceability system.

The traceability requirements set out in Regulation (EC) No 178/2002 are worded in terms of their goal and intended result, rather than in terms of prescribing how that result is to be achieved. This allows certain flexibility to the FBOs in the implementation of these requirements.

As far as foods of animal origin are concerned, Commission Implementing Regulation (EU) No 931/2011 of 19 September 2011 on the traceability requirements set by Regulation (EC) No 178/2002 of the European Parliament and of the Council for food of animal origin⁴⁵ sets out additional traceability requirements. In particular, it applies to unprocessed and processed foods of animal origin.⁴⁶ It requires FBOs to ensure that the following information concerning consignments of food of animal origin is made available to the FBO to whom the food is supplied and, upon request, to the CA:

- a) an accurate description of the food;
- b) the volume or quantity of the food;
- c) the name and address of the FBO from which the food has been dispatched;
- d) the name and address of the consignor (owner) if different from the FBO from which the food has been dispatched;
- e) the name and address of the FBO to whom the food is dispatched;
- f) the name and address of the consignee (owner), if different from the FBO to whom the food is dispatched;
- g) a reference identifying the lot, batch or consignment, as appropriate; and
- h) the date of dispatch.

These information requirements must be updated on a daily basis and kept at least available until it can be reasonably assumed that the food concerned has been consumed.

In addition, Regulation (EC) No 853/2004 of the European Parliament and of the Council of 29 April 2004 laying down specific hygiene rules for food of animal origin⁴⁷ requires that products of animal origin should have an identification mark indicating the last approved establishment in which the product was handled. The identification mark must indicate the country where the establishment is located and its approval number. Establishments located within the Union must be indicated as EC (or equivalent abbreviation in other languages).

⁴⁵ OJ L 242, 20.9.2011, p. 2.

⁴⁶ However, it does not apply to foods containing both products of plant origin and processed products of animal origin.

⁴⁷ OJ L 139, 30.4.2004, p. 55.

Imports of live animals and animal products from third countries into the EU are governed by detailed legislation in the veterinary field. Third countries exporting to the EU must have traceability systems in place for exports, which are able to provide equivalent standards to those in the EU. In that respect, Regulation (EC) No 853/2004 sets out general obligations for the importation of products of animal origin from third countries, including the fact that foods of animal origin can only be imported from countries and establishments laid down in EU lists.

2.6.1.2 Specific requirements for unprocessed beef

With regard to bovine animals and unprocessed beef, Regulation (EC) No 1760/2000⁴⁸ and Commission Regulation (EC) No 1825/2000⁴⁹ lay down mandatory origin labelling as well as detailed traceability requirements for bovine animals and fresh, chilled or frozen beef products for the purposes of food safety, origin labelling and animal health including disease control. Operators at all stages of production up to the point of sale must have systems in place to ensure the link between bovine animals, carcasses and/or cuts of fresh, chilled or frozen beef including minced beef. In that respect, the following indications must be included on the label of such food products:

- a reference number or code linking the meat to an animal or group of animals;
- the approval numbers of the slaughterhouse and cutting plant;
- the Member State or third country of birth;
- the Member State or third country of rearing;
- the Member State or third country of slaughter;
- the Member State or third country of cutting.

Where meat is derived from animals born, reared and slaughtered in the same Member State or third country, the indication may be given as ‘Origin: [name of Member State/third country]’. Where beef is derived from animals that have been reared for 30 days or less, the indication of origin should provide:

- the Member State or third country of birth, or;
- the Member State or third country where slaughter took place;

Where full information is not available for beef imported from third countries, it may be permitted to state the country of origin as ‘non-EU’, provided that the name of the third country of slaughter is indicated. In this case, live animals must generally have been kept for a minimum of six months in the designated country before slaughter and export of the beef into the EU.

⁴⁸ Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 820/97 (OJ L 204, 11.8.2000, p. 1).

⁴⁹ Commission Regulation (EC) No 1825/2000 of 25 August 2000 laying down detailed rules for the application of Regulation (EC) No 1760/2000 of the European Parliament and of the Council as regards the labelling of beef and beef products (OJ L 216, 26.8.2000, p. 8).

A derogation is allowed for minced meat where the label must indicate as a minimum 'Prepared: [name of Member State/third country]' to show where the minced meat was prepared; and 'Origin: [name of Member State/third country]' if the meat originated from a country or countries other than the country of preparation.

Traceability of processed beef meat is subject to the general requirements of Regulations (EC) No 178/2002 and 931/2011, which do not address the passing of origin information along the food chain.

2.6.1.3 Specific traceability requirements for sheep and goats

Council Regulation (EC) No 21/2004⁵⁰ concerns the identification and registration of live sheep and goats to permit individual traceability throughout their lifetime via electronic identification for animals born after 1 January 2010, subject to certain derogations.

The sheep and goat traceability system enables the complete traceability within the EU of live sheep and goats through individual electronic identification. Traceability, however, of unprocessed and processed sheep and goat meat is subject to the general requirements of Regulations (EC) No 178/2002 and 931/2011, which do not address the passing of origin information along the food chain.

In addition, national databases containing information on individual sheep and goat movements are not compulsory but may be implemented voluntarily in Member States. The lack of national databases makes full information on the origin of sheep and goat meat more difficult to access than in other systems, particularly traceability of unprocessed beef.

2.6.1.4 Specific traceability requirements for pig meat

Council Directive 2008/71/EC⁵¹ concerns the identification and registration of live pigs. Pigs must be identified and registered in such a way that movements of animals and the farm of origin can be traced rapidly and accurately. The pig identification system is based on batch identification and not individual identification. In particular, Directive 2008/71/EC requires:

- identification marks to be applied before pigs leave the holding of birth, making it possible to determine the holding of origin;
- animal keepers must keep records of movements of animals entering and leaving a holding, at least on a batch basis and including the origin or destination, as applicable;
- keepers must supply the CA on request with all information concerning the origin, identification and where appropriate the destination of animals that they have owned, kept, transported, marketed or slaughtered;
- these procedures apply to intra-Union movements; and,

⁵⁰ Council Regulation (EC) No 21/2004 of 17 December 2003 establishing a system for the identification and registration of ovine and caprine animals and amending Regulation (EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC (OJ L 5, 9.1.2004, p. 8).

⁵¹ Council Directive 2008/71/EC of 15 July 2008 on the identification and registration of pigs (OJ L 213, 8.8.2008, p. 31).

- pigs imported from third countries must be similarly identified and a link established and recorded to identify the third country. Imported animals going direct to a slaughterhouse need not be re-identified.

The pig identification and recording system enables identification of the holding and country of birth, and identification of the last holding from which an animal has come. Intermediate holdings may be traced through records of movements, although the system does not guarantee the traceability of all intermediate holdings prior to the last holding for individual animals. This system of traceability does not allow the passing of information on origin along the full chain.

Traceability, however, of unprocessed and processed pig meat is subject to the general requirements of Regulations (EC) No 178/2002 and 931/2011, which do not address the passing of origin information along the food chain. In addition, the national databases for pigs do not contain information on individual movements, making it more difficult to ensure the full origin information as regards pig meat, compared to the traceability of unprocessed beef.

2.6.1.5 Specific traceability requirements for poultry

Traceability of poultry meat is subject to the general requirements of Regulations (EC) No 178/2002 and 931/2011, which do not address the passing of origin information along the food chain. However, Commission Regulation (EC) No 543/2008 requires mandatory origin labelling in the case of prepacked poultry meat imported from third countries.

2.6.2 *Evaluation of existing traceability systems for the purposes of origin labelling*

The existing traceability systems are not adequate to pass on origin information along the food chain for the following reasons:

- The existing EU food traceability rules are based primarily on the need to ensure food safety: General EU traceability is set up on the basis of the 'one step back – one step forward' approach along the food chain to meet the objective of food safety. However, these traceability requirements do not foresee readily origin information, as such. Consequently, on the basis of the existing EU traceability legislation, "cumulative traceability for origin purposes" is not currently required at EU level.
- Where more detailed traceability systems exist, these vary between the different animal species and do not extend beyond the unprocessed phase: To date, the most developed traceability system with the objective of passing origin information along the food chain is in the area of unprocessed beef. This is not the case, however, for unprocessed and processed meat of pigs, poultry, sheep and goats, as existing EU legislation does not require all movements of these individual animals to be recorded on national databases (although this may change with the future adoption of an implementing act pursuant to Article 26(2)(b) of the FIC Regulation)⁵², let alone for meat of other species, such as game, horse and rabbit. Therefore, the access to origin information varies per animal species and level of processing. Furthermore, the existing detailed traceability systems, e.g. for beef (and in the future for pig meat, poultry, sheep and goat meat), do not extend beyond the slaughterhouse/packing establishment stage. This means that to ensure the passing of information on origin for processed beef, additional traceability requirements would be needed.

⁵² See Section 1.2.1 above.

- The implementation of the existing traceability requirements result in varied traceability systems that are not always homogeneous: As stated above, the EU requirements are worded in terms of their goal and intended result, rather than in terms of prescribing how that result is to be achieved, allowing certain flexibility to the FBOs in the implementation of these requirements. However, the traceability systems established by each FBO are not always homogeneous and can widely vary in terms of performance, reliability and costs.⁵³
- The more complex the cutting and processing stages are and the more advanced the level of processing is, the more difficult traceability becomes for the purposes of origin labelling: This is especially the case for trimmings, which is a 'by-product' of the cutting operation. In many instances, trimmings are used as raw material in foods with meat ingredients. They arrive at the stage of further processing for incorporation into intermediary or final products mixed up in batches and cannot be distinguished by origin.⁵⁴ As such, origin labelling for any trimmings-based foods becomes extremely difficult.

3 CONSUMERS' ATTITUDE TOWARDS ORIGIN LABELLING OF MEAT USED AS AN INGREDIENT

This Chapter focuses on consumer interest, understanding and preferences in relation to information on origin of meat ingredients, taking into account the consumer willingness to pay ('WTP') for additional origin information. For the purposes of this analysis, this Staff Working Document mainly relies on the following consumer-related studies:

- *FCEC consumer study (February 2013)*:⁵⁵ The FCEC consumer survey was conducted in the context of the FCEC study. It focused on the origin of meat used as an ingredient in foods covering meat preparations, meat products and multi-ingredients foods with meat ingredients. It covered 3,000 consumers in 15 MSs, accounting for 89% of the total EU population. The FCEC study included also questions on WTP for each of the categories of three product groups concerned.
- *Consumer market study on the functioning of the meat market for consumers in the European Union (2013)*:⁵⁶ The consumer market study on the functioning of the meat market for consumers in the European Union ('GfK consumer study') focused on the following meat related foods covering beef, pig, lamb and poultry meat, which are available to the final consumers at the end of the food supply chain (at retail level):
 - Fresh meat (cuts and pieces of meat, for example whole chicken, steak, minced meat etc. including frozen meat) and meat preparations;

⁵³ Commission Report to the Council and the European Parliament on the implementation of Title II of Regulation (EC) No 1760/2000 of the European Parliament and of the Council establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products, COM(2004)316 final, dated 27.4.2004, at para. 4.1.3.

⁵⁴ This was also the conclusion drawn by the Commission in its report on the mandatory origin rules for beef and beef products as regards beef trimmings, COM(2004)316 final, at para. 7.3.

⁵⁵ The results of this study are set out in Annex D to the FCEC study. Given the fact that the FCEC consumer study took place in the midst of the horse meat scandal (December 2012-March 2013) affecting consumer trust in the meat product/meat-containing product sector, it cannot be excluded that this factor might have influenced the outcomes of the study.

⁵⁶ "Study on the Functioning of the meat market for consumers in the European Union", prepared by GfK EU3C (EU Custom Research and Coordination Centre) on behalf of the European Commission, Directorate General for Health and Consumers, December 2012.

- Meat products processed in some way such as marinated or cooked meat (e.g. salami, hot dogs, cooked ham, precooked sausages etc.)

It covered 13,477 consumers in the EU 27 MSs and it was carried out in September 2011. In addition, a mystery shopping audit of 10,570 products in the EU27 Member States was conducted in order to gather data on the availability of products and information items and to collect the prices of different meat products across countries and purchase channels. The results of the consumer survey and the mystery shopping exercise were also complemented with the results of stakeholder consultations and desk research.

- *BEUC consumer survey on origin labelling on food (2013):*⁵⁷ The BEUC online consumer survey ('BEUC study') covered 4,168 consumers in four MSs, i.e. Austria, France, Poland and Sweden and it was carried out in July 2012. It focused on the origin of foods in general and addressed, amongst others, fresh and processed meat. However, this study did not address the consumer WTP for the additional origin information.

These findings are further complemented with input from national CAs and industry stakeholders.

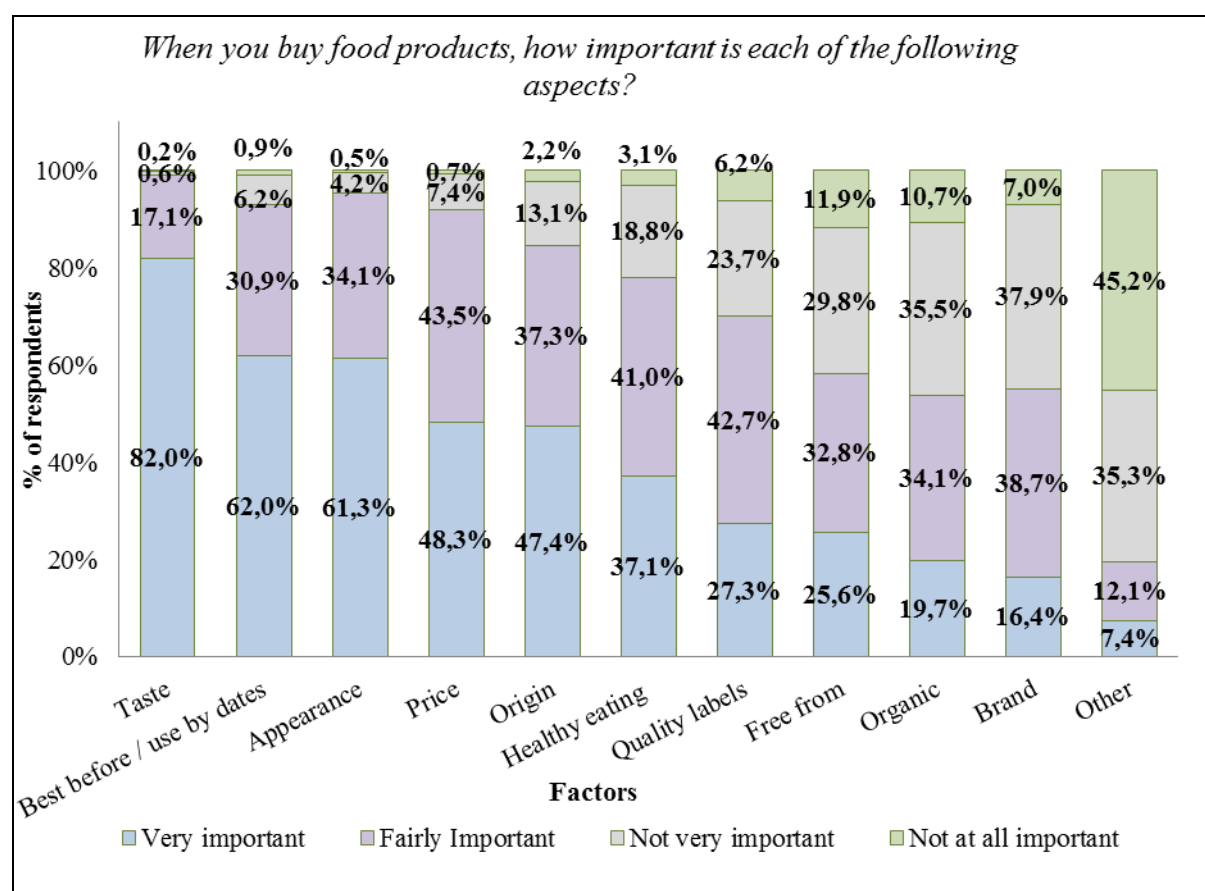
3.1 Consumers' attitude towards origin labelling of foods

3.1.1 Broader studies

The results of the FCEC consumer survey indicate that the origin of food products in general is the fifth most important aspect influencing consumers' purchase decisions out of 11 aspects considered (47.4%), following taste (82%), 'best before'/'use by' dates (62%), appearance (61.3%) and price (48.3%).

⁵⁷ "Where does my food come from" – BEUC Consumer survey on origin labelling on food, January 2013, to be found at: <http://docshare.beuc.org/docs/1/JOBICFGABOJHOBGGIOEIPGLOPDW69DBDG69DW3571KM/BEUC/docs/DLS/2013-00043-01-E.pdf>.

Figure 5: Importance attached to different aspects influencing food product purchases (average data for 15 EU countries)

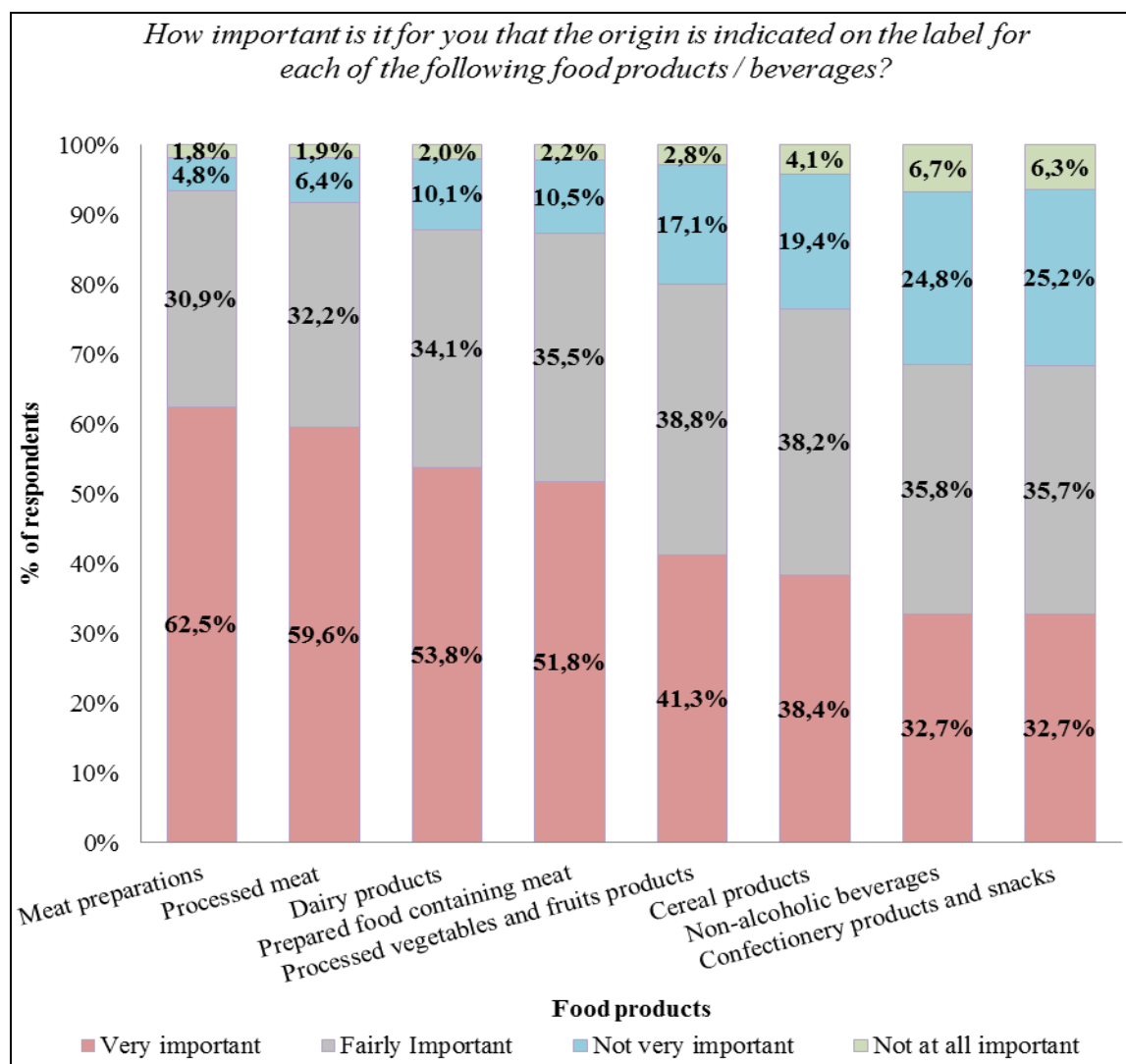


Note: percentages may not add up to 100% due to rounding

Source: FCEC consumer survey, 2013

Amongst the various food groups covered by the FCEC study, interest in origin labelling for meat-based food has scored the highest.

Figure 6: Importance attached to the indication of origin on the food label (average data for 15 EU countries)



Note: percentages may not add up to 100% due to rounding

Source: FCEC consumer survey, 2013

These findings are also confirmed by the BEUC study. According to the BEUC study, the origin of food comes at the fifth or sixth place (ranging between 61% and 77% of respondents) in terms of the factors consumers say they look at the most when choosing food in the four MSs concerned, behind taste (ranging between 95% and 97%), price (89% to 93%), and 'best before'/'use by' dates (ranging between 81% and 94%). Moreover, in all four MSs surveyed, interest in origin labelling for meat (in general) has scored the highest amongst eight categories of food products.⁵⁸

3.1.2 National studies and international literature

The findings of the FCEC consumer survey are also confirmed by certain national studies.

- In the UK, research carried out for the Food Standards Agency (FSA, 2010) includes a synthesis of findings from five studies (BMRB, NatCen, Campden-BRI, Ipsos Mori and

⁵⁸ BEUC study, at p. 5.

Oxford Evidentia) on consumers' perceptions and understanding of food labels. The omnibus survey carried out for the UK FSA (NatCen, 2010)⁵⁹ concluded that half of UK respondents (52%) reported looking for country of origin labelling. Of these respondents, the food products they most commonly used origin labelling for were fruit and vegetables (69%), fresh meat (57%) and meat products (30%). Moreover, consumer research carried out in the UK 2011 and 2012 indicates that country of origin ranks as the fourth or fifth factor in consumer purchase decisions behind price (clearly the leading factor), health/nutritional values and promotions, at the same roughly position as brand names and quality assurance scheme logos.⁶⁰

- In Denmark, consumer research provided by the DK CA on the reasons why Danish consumers buy Danish food products indicates that price is the most important factor affecting consumer choice (56% of respondents rate it as one of the top 3 factors), followed closely by freshness (55%); origin related considerations are only taken into consideration as one of the top 3 factors by 30% of respondents.
- Consumer organisations in Belgium, Czech Republic, Denmark, Spain, Greece, Italy and Portugal carried out consumer surveys applying a similar approach as the BEUC survey.⁶¹ The results of those national consumer surveys are consistent with the findings of the FCEC consumer survey.

All these studies indicate that price and quality/sensory aspects are the most important factors affecting consumer choice and in some cases well ahead of the origin of the meat. This is also reflected in the limited studies that have explored the WTP issue vis-à-vis the consumer interest in origin labelling information on foods:

- In a recent study carried out in the Netherlands,⁶² it appears that only 10% of Dutch consumers are prepared to pay extra for origin labelling on food. According to respondents, among the reasons why people are unwilling to pay more for origin labelling on food are that food is already expensive enough and should not be made more expensive; they do not feel the need for it; origin labelling should be provided as an additional free service; they do not consider that origin labelling should involve extra costs; they have not asked for it. When asked who should pay for the costs of labelling, Dutch consumers pointed to the producer, the government, the supermarket or the EU. Respondents did not seem to feel it logical that they or the farmers should contribute to the costs.

⁵⁹ The UK FSA commissioned research to investigate consumer usage, understanding and perceived importance of country of origin labelling on food products. The sample was recruited using a multi-stage sampling design and a representative sample of 1601 adults, aged 16 or over in the UK, living in private households, was interviewed.

⁶⁰ FCEC study, at p. 16.

⁶¹ In Denmark, the national consumers' association used its own consumer panel based on the BEUC questions. In Greece and the Czech Republic, the respective consumer organisations used a similar questionnaire to that of BEUC, which was addressed to their members only. Similar consumer research was also carried out in Belgium, Italy, Spain and Portugal by the national consumer associations (*i.e.* Test-Achats/Test-Aaakoop, Altroconsumo, OCU, Deco Proteste (2012): *Origin of Food, Final Version*, September 2012). Data were simultaneously collected in these Member States through self-administered online questionnaires from 4 September to 19 September 2012.

⁶² Haaster-de Winter, M.A van and Ruissen A. (2012). *Voedsel labelen met land van herkomst: leuk, maar geen voorwaarde; Onderzoek onder Nederlandse consumenten*. LEI report 2012-021. The Hague: LEI. Translated: *Food labelling by country of origin, nice, but no conditions. Research of Dutch consumers*. Also cited in the LEI study, at p. 64.

- In a recent study carried out in Belgium,⁶³ only one third of the consumers agree to pay until 5% more to know the country of origin of food.
- The GfK Custom Research study carried out in Austria on WTP for regional food⁶⁴ showed approximately one third would pay $\geq 15\%$, another third would pay up to 10 % more and approximately one third is more or less not willing to pay more.

This low willingness among consumers to pay for country of origin labelling on food is also demonstrated in international literature. For example, for pork: Sweden (5.8%), France (4.8%), Britain (4.0%), Denmark (-2.9%).⁶⁵

3.2 Consumers' attitude towards origin labelling of meat

3.2.1 Broader studies

According to the 'GfK consumer study on the meat market', the country of origin is the fourth key information aspect (out of 15 information aspects) – looked for by the consumers when they buy meat-related products, *i.e.* 48% of EU consumers, without much difference between EU15 and EU12). Origin follows 'best before'/'use by' dates (68%), price per kilogram (67%) and price (67%). Moreover, EU consumers are more likely to look at the country of origin when buying fresh meat including meat preparations (45%) than meat-based products (38%).⁶⁶

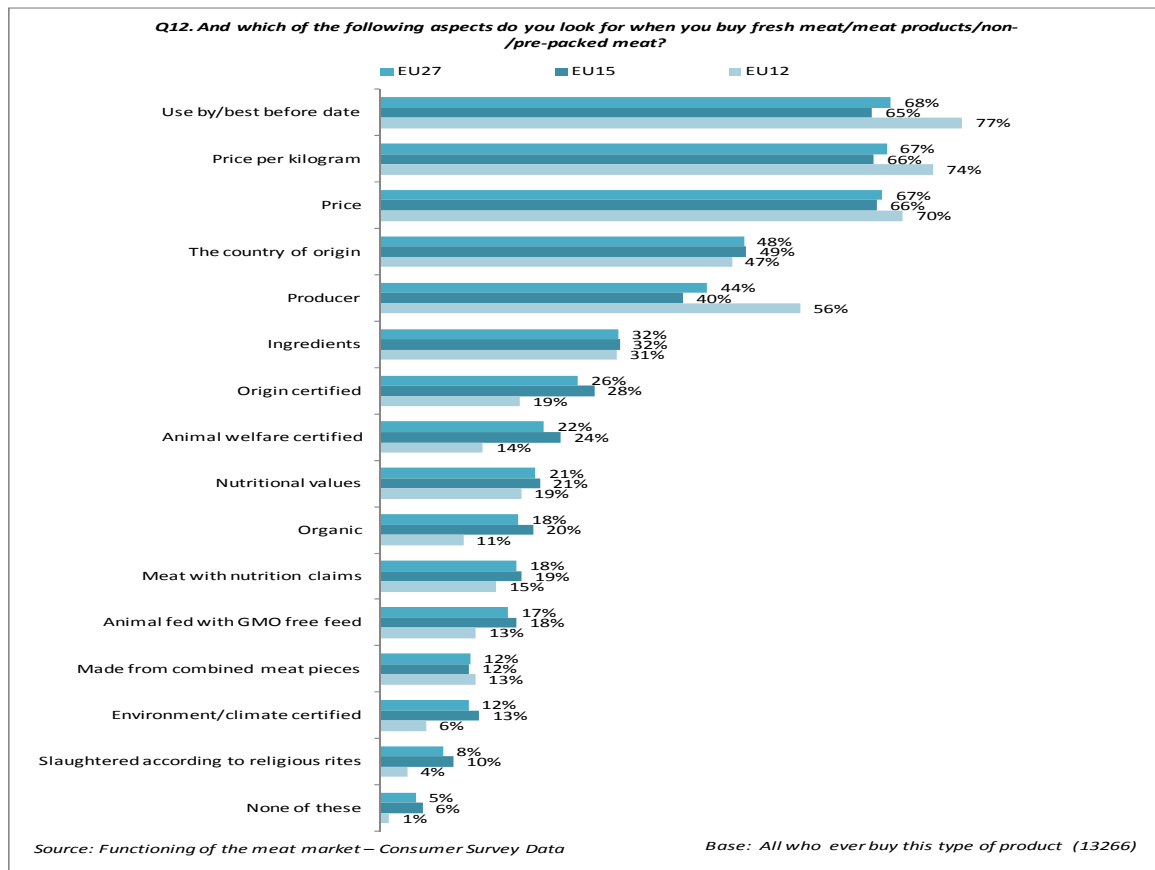
⁶³ FCEC study, at p. 26.

⁶⁴ *Id.*

⁶⁵ LEI study, at p. 64.

⁶⁶ Commission Report on the functioning of the meat market for consumers in the European Union, May 2013, at p. 5.

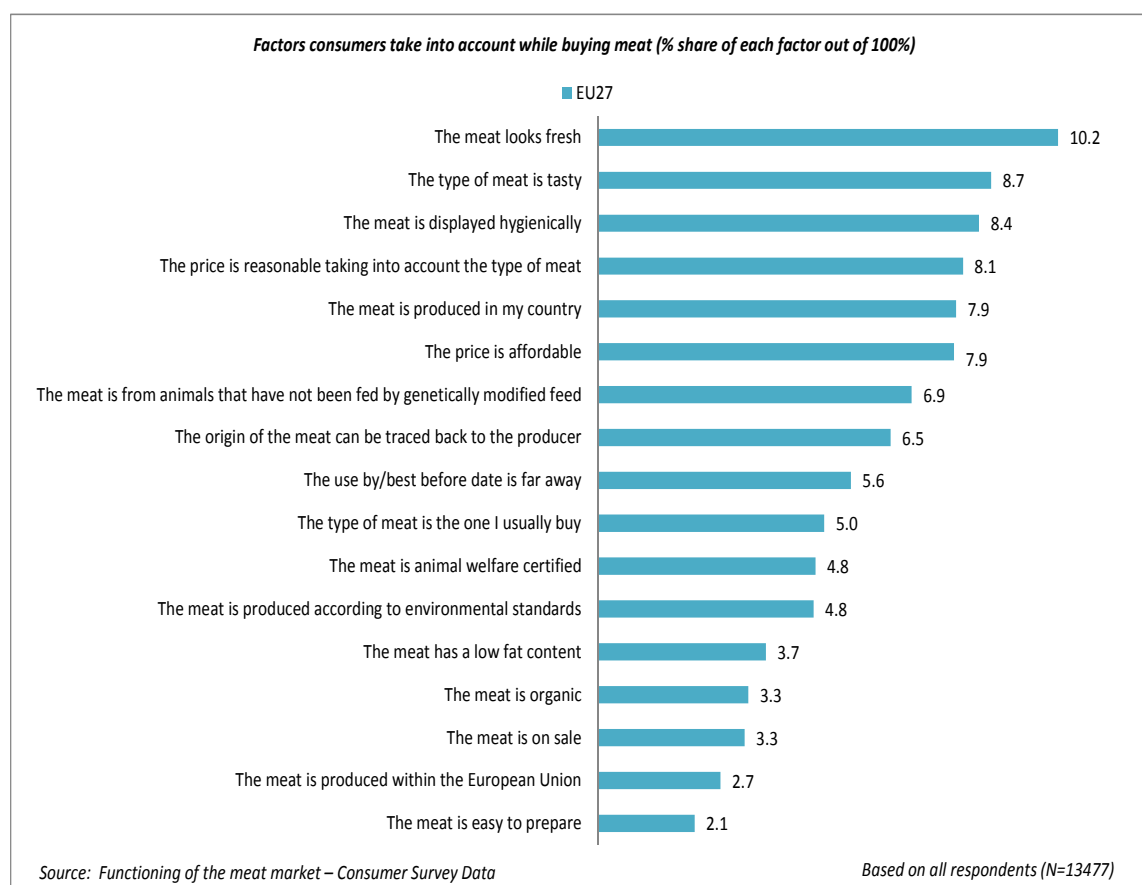
Figure 7: Aspects looked for when buying meat



The classification of the country of origin with respect to the information aspects consumers look for is to some extent consistent with the consumers' priorities at the moment of the meat purchase. Survey respondents were asked to indicate the most and least important factors they take into account when they buy meat. The factor 'meat produced in consumer's country' ranked fifth, after freshness, taste, hygienic display and 'the price is reasonable'.⁶⁷

⁶⁷ *Id.*, at p. 16.

Figure 8: Factors consumers take into account when buying meat (% share of each factor out of 100% for all 17 factors)



Again, the price aspect takes priority over the origin of the meat. In that respect, for more than one third of consumers (39%) who would like to buy origin certified meat more often (meat with quality certifications referring to its origin), a common reason why they do not do so is the higher price.⁶⁸

3.2.2 National studies

The origin of meat has also been the subject of certain national studies. In **Finland**, consumers' interest in origin labelling for meat has mainly been studied by several studies on food more generally⁶⁹:

- Omnibus surveys made in 2009 (n=1027) and 2010 (n=1028) indicate that more than 70% of the consumers said that the origin labelling was important in making purchase decisions.
- "Suomi Syö 2011" survey (n~2000): country of origin information was the third most-read labelling for making purchasing decision, in particular regarding meat and fish. About 40 % of the consumers checked the Good from Finland -labelling.

⁶⁸ *Id.*, at p. 23.

⁶⁹ The first three surveys (2009, 2010 and 2011) were conducted by Taloustutkimus market research; the third survey (2012) was conducted by TNS Gallup.

- "RISK 2012, Discover Food 2012 - Attitudes, Trends, Events" survey (n=7062): more than one third of Finnish consumers think that origin of food is important information. Factors most affecting the consumption of meat are in terms of importance: price, country of origin and quality.

3.3 Consumers' attitude towards origin labelling of meat used as an ingredient

3.3.1 General attitudes and perceptions of origin labelling

With a more targeted examination on different types of processed meat-based products, the FCEC survey results indicate that more than 90% of consumer respondents find it important that origin is labelled, as follows:⁷⁰

- On meat preparations, 63% find it '*very important*' and 31% '*fairly important*';
- On processed meat, 60% find it '*very important*' and 32% '*fairly important*'; and,
- On prepared food containing meat, 52% find it '*very important*' and 35% '*fairly important*'.

Nonetheless, the survey results reveal that there are significant differences at MS level on this specific aspect. While between 65% and 85% of respondents in Bulgaria, Greece, Italy and Romania consider '*very important*' that origin is labelled on all the three meat-related products considered, only around 50% of respondents in Germany, Spain and Lithuania deem it '*very important*'.

Consumers were asked more specifically the level of detail that they find necessary to know on the origin of the meat ingredients for each of the three meat-based product groups on the basis of indicative examples:

- Example of meat preparations: *uncooked sausages or burgers*;
- Example of meat product: *cooked ham*; and,
- Example of multi-ingredient food with meat ingredients: *frozen pizza with salami*.

The following findings emerge from their answers:

- Consumers are, by and large, interested in knowing more about the origin of meat for all the three meat-based product groups;
- Consumers indicated in all cases the highest interest to know the '*country where meat was produced*': nearly half of consumers (EU average) require this level of detail on the origin, while roughly only a third of consumers require any other level of detail (whether more general such as '*produced in the EU or outside the EU*', or more specific such as '*the country where the animal was born/raised/slaughtered*');)
- There are significant differences in all cases between MS, with consumers in some MS consistently indicating more (or less) interest in origin information than in others:
 - In terms of the most preferred type of information at EU level (the '*country where meat was produced*'), 51%-69% of consumers, depending on the MS, want to know

⁷⁰ FCEC study, at p. 10.

this in the case of *uncooked sausages or burgers*, while in the case of *cooked ham* this ranges from 33% to 67%. In the case of *frozen pizza with salami* 37%-64% of consumers, depending on the MS, want to know the ‘country where salami was produced’.

- In terms of ‘the country where the animal was born/raised/slaughtered’, in the case of *uncooked sausages or burgers* 20%-55% of consumers, depending on the MS, want to know this, while in the case of *cooked ham* this ranges from 17% to 49% of consumers, and in the case of *frozen pizza with salami* from 12% to 41% of consumers;
- Interest to know more on the origin is the highest, irrespective of the level of detail, in the case of *uncooked sausages or burgers* (example of a meat preparation), which can be considered as the closest to fresh meat of all the 3 categories covered by the survey, followed (closely) by *cooked ham* (example of meat product). Only 6% of consumers (EU average; at MS level, 2%-11% and 2%-13% of consumers respectively for each of these two products, depending on the MS) indicated they are not interested at all in origin information, while roughly a third of consumers indicated they need to know at least whether the meat is of EU or non-EU origin;
- In the case of *frozen pizza with salami*, although interest to know more on the origin of the meat ingredients is lower than for the other two products, it is still significant. Only 11% of consumers (EU average; 4%-24% of consumers depending on the MS) indicated they are not interested at all in origin information; while again roughly a third of consumers indicated they need to know at least whether the meat is EU or non-EU origin.

The FCEC study did not explore what consumers understand by the reference to "country where meat was produced". However, the consumers’ understanding on the notion of origin for processed meat, *i.e.* whether this refers to the place of provenance of raw materials or place of processing, has been tested in BEUC’s consumer survey and the surveys carried out independently by the other MS consumer organisations (in BE, CZ, DK, ES, GR, IT and PT).⁷¹

BEUC’s research found that in terms of consumers’ preferences for origin labelling on processed meat, the majority of respondents in the 4 MS (between 53% and 69% depending on the MS) deemed it equally important to know the country where the animal was farmed and where the meat was processed. Similarly, the vast majority of respondents in Denmark (60%), Czech Republic (83%) and Greece (82%) have indicated that both pieces of information are equally important.

Both the BEUC consumer survey and the independent consumer surveys carried out by consumer organisations in Denmark, the Czech Republic and Greece reveal that consumers’ understanding of origin labelling on processed meat varies between MS.

The results of the consumer surveys carried out in Belgium, Portugal, Spain and Italy, reveal that the indication of the country of origin specified on the label/poster of some processed food products, including some meat based products (e.g sausages and chicken nuggets) would in most cases be interpreted by the respondents as referring to “the food [that] was processed

⁷¹ FCEC study, at p. 14.

into the final product in that country, but some of the ingredients can originate from other countries”⁷².

3.3.2 WTP for origin labelling of meat used as an ingredient

The strong consumer interest in origin labelling is based on qualitative data. As such, most existing studies on consumer interest in origin labelling information do not explore the consumer's WTP. In the studies, however, where the latter is explored, the strong consumer preference for origin information is not reflected in the consumer WTP.

Box 3: WTP studies

If the focus is on individual well-being, a frequently-used economic measure is one that will accurately measure individuals' WTP. Although these WTP studies elicit only values impacting the person whose value is measured, missing values can be added later if the analysis is focused on social costs.

The most direct means of assessing WTP is through a stated preference survey asking individuals to state the value, for instance, of acquiring more information on the origin of the meat contained in the products that they consume. These studies will only be accurate, however, if individuals answer survey questions in a fully informed and nonbiased manner.

Revealed preference (hedonic) studies are an alternative to stated-preference surveys. Using this method, economists look at actual behaviour in the marketplace and infer a value for a given attribute (i.e. origin labelling) from product price differentials with varying levels of the particular attribute. This type of study will only yield accurate estimates if consumers have an intuitively accurate estimate of the risks associated with alternative products.

The FCEC study included a question on WTP for each of the three product groups covered by the survey (examples for each group: *uncooked sausages or burgers*; *cooked ham*; and, *frozen pizza with salami*).⁷³ Respondents were asked to highlight their preference amongst the various labelling formulations and indicate what price level (i.e. base price and increase on the base price) they are willing to pay for this preference.

The following conclusions can be drawn from the results.⁷⁴

- At the base price, the majority of consumers opt for the highest possible level of detail on origin information;

⁷² FCEC study, at p. 15.

⁷³ WTP is a difficult and complex issue to address. Given the scale of the FCEC consumer survey, the approach followed was the simplest possible.

⁷⁴ FCEC study, at p. 23.

Figure 9: Uncooked sausages or burgers: WTP for detailed information on the origin of meat (average data for 15 EU countries)

“When purchasing uncooked sausages or burgers, how much more would you be willing to pay to have more detail on the ‘origin’ of the meat?” (Question 12 of the survey)

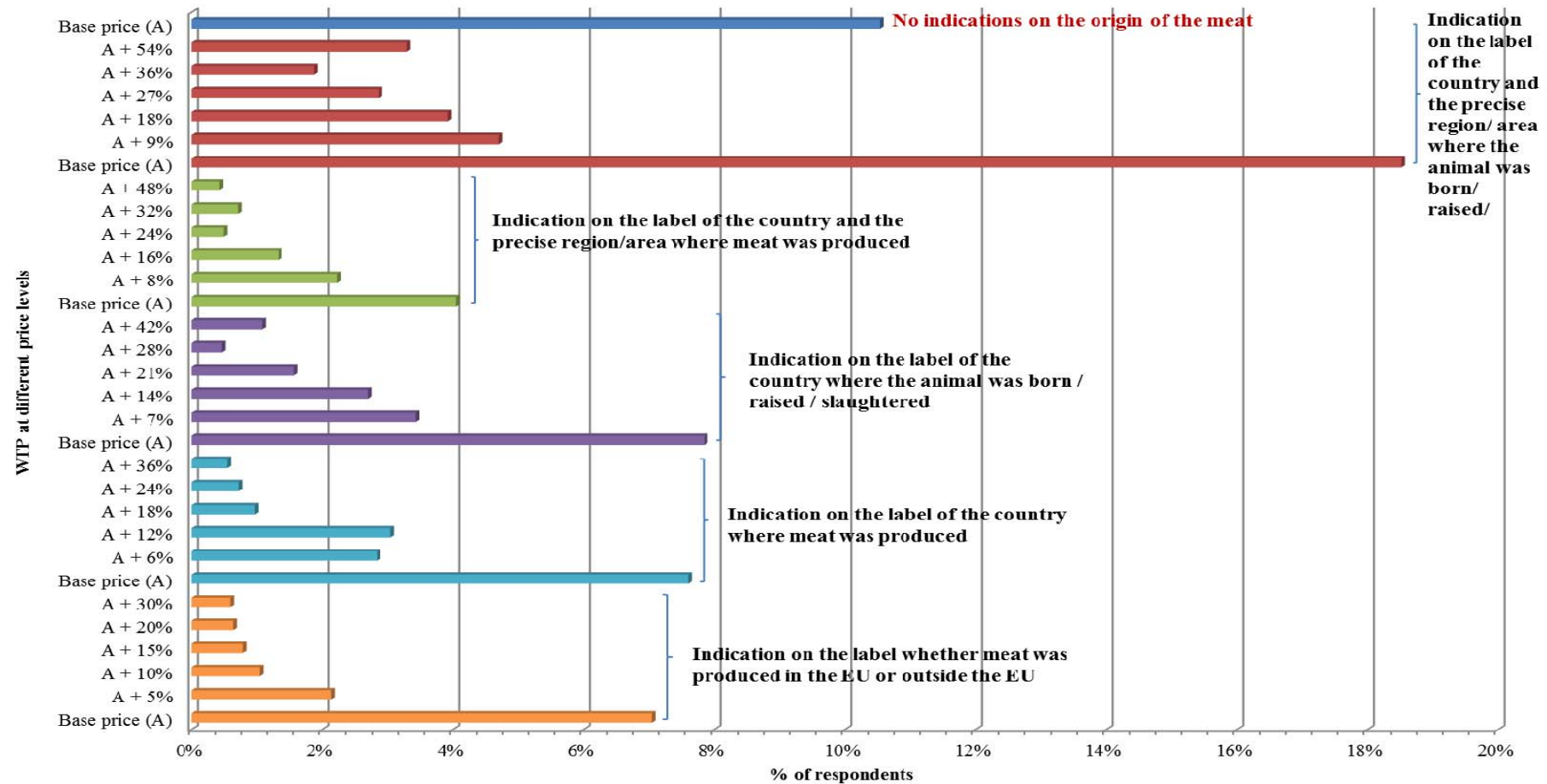


Figure 10: Cooked ham: WTP for detailed information on the origin of meat (average data for 15 EU countries)

“When purchasing cooked ham, how much more would you be willing to pay to have more detail on the ‘origin’ of the meat?” (Question 14 of the survey)

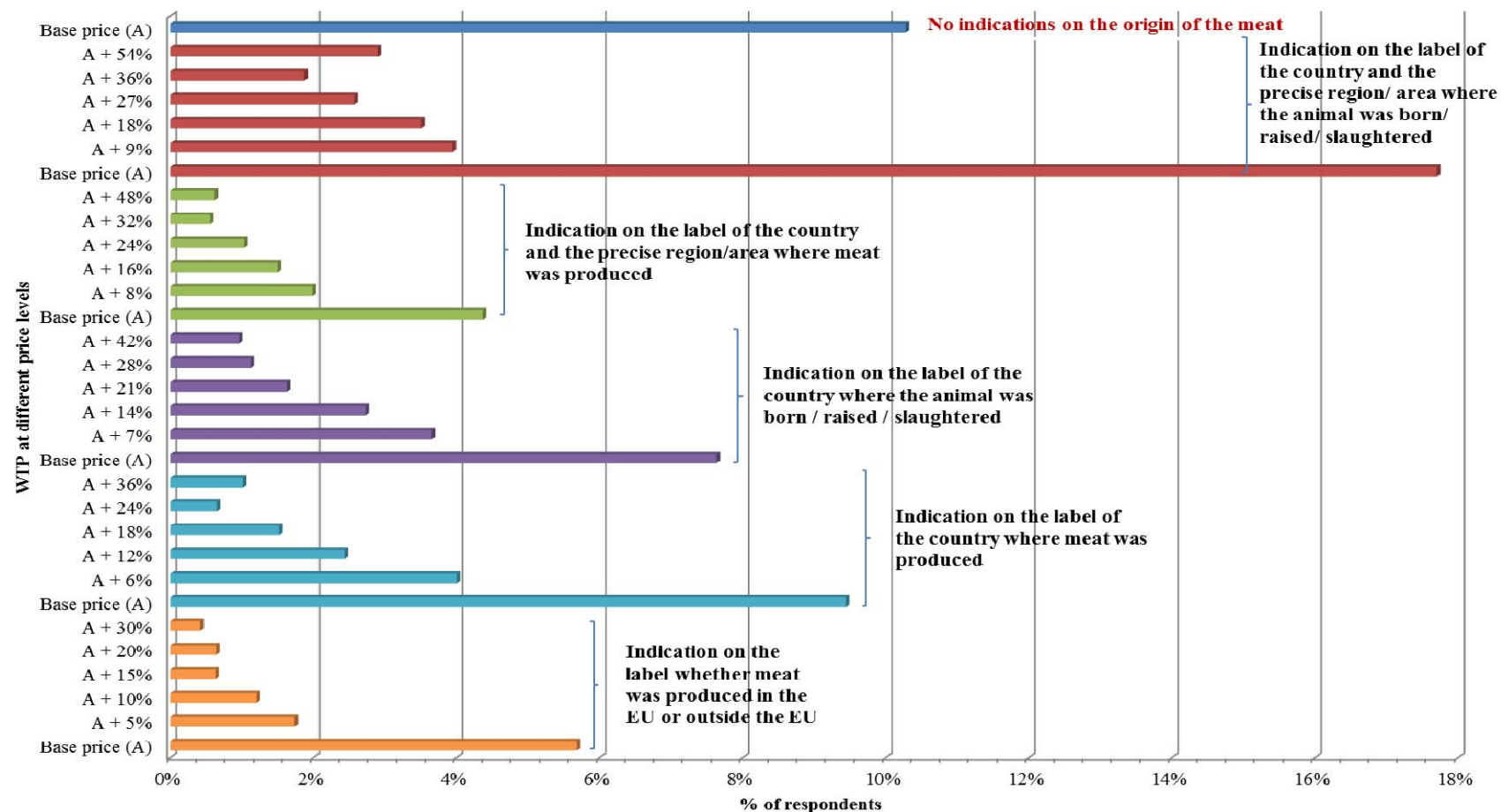


Figure 11: Frozen pizza with salami: WTP for detailed information on the origin of meat (average data for 15 EU countries)

“When purchasing a frozen pizza with salami, how much more would you be willing to pay to have more detail on the ‘origin’ of the meat?” (Question 16 of the survey)

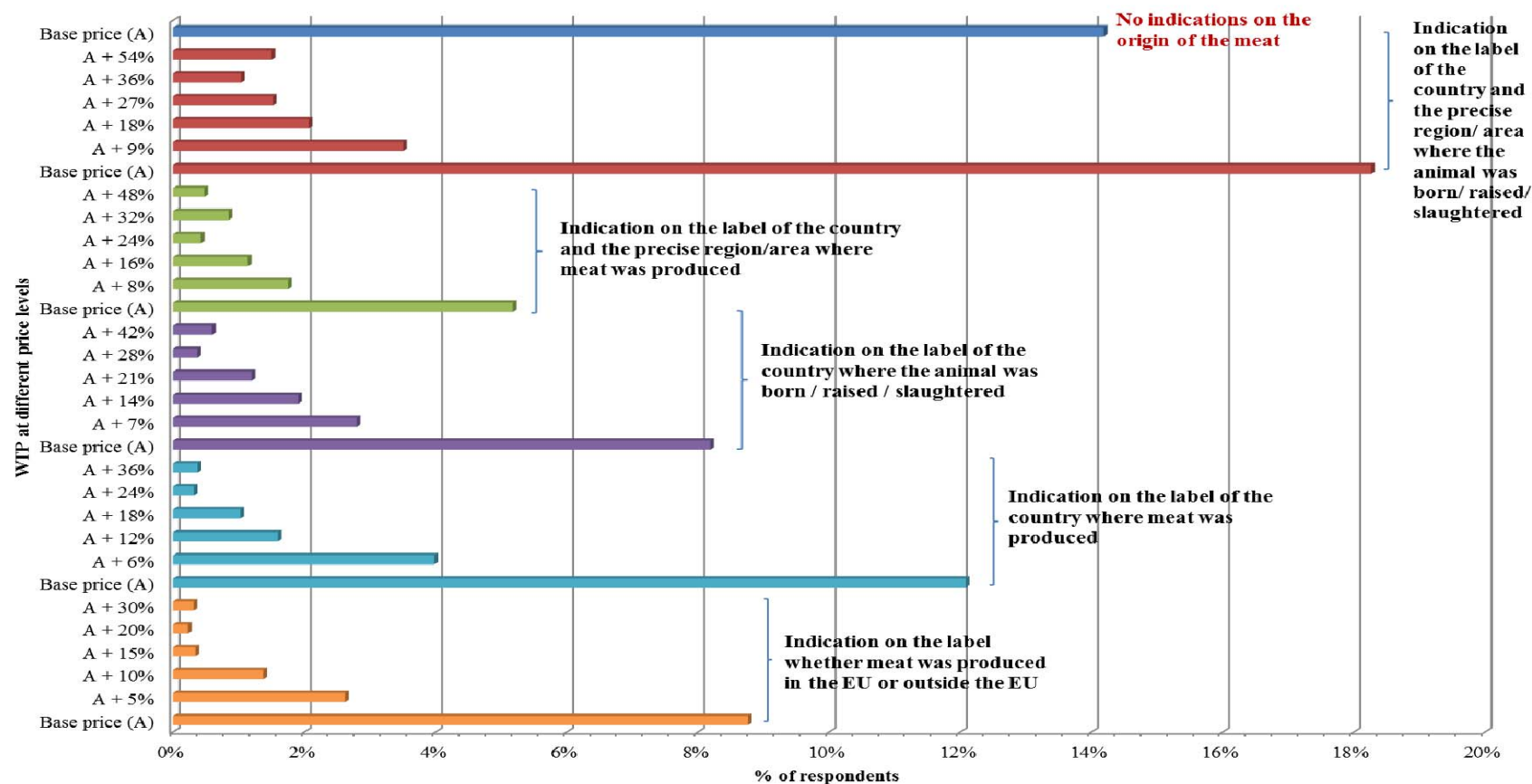
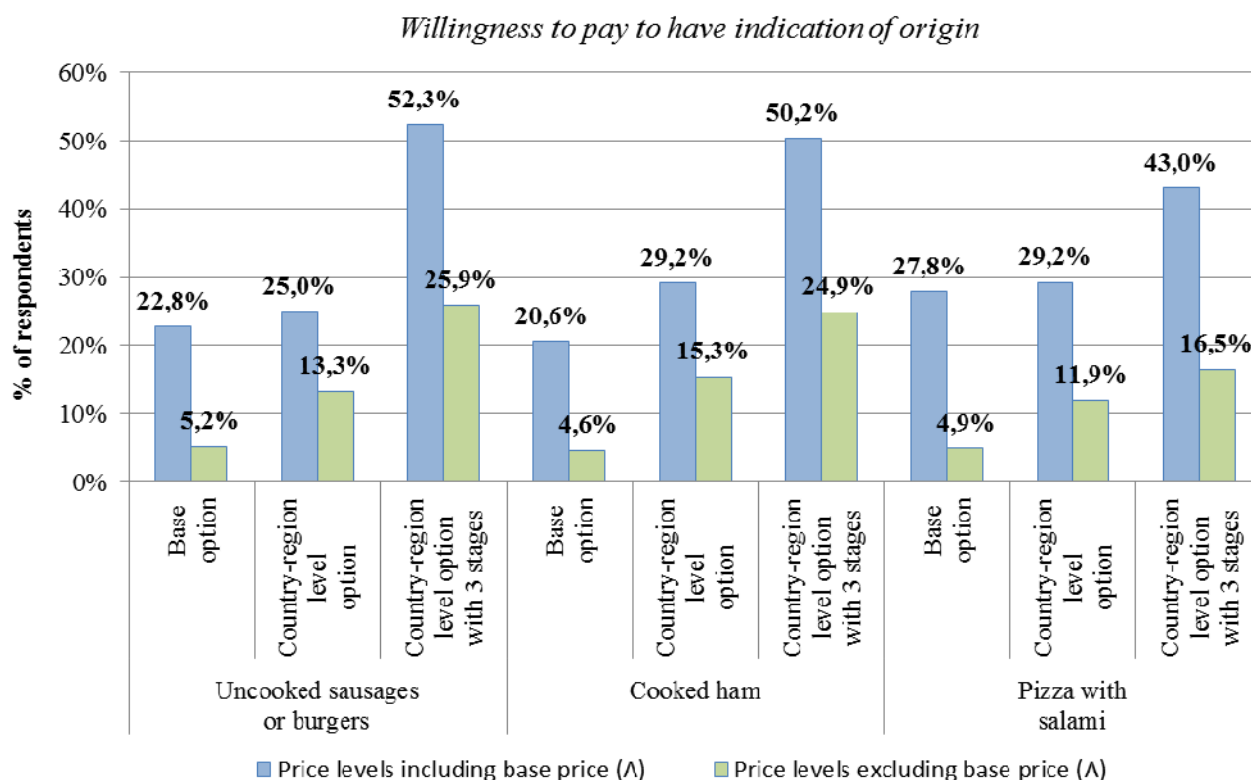


Figure 12: WTP by type of indication of origin (average data for 15 EU countries)



Price levels by product

Base option including: “No indication on the origin of the meat” and “Indication on the label whether meat was produced in the EU or outside the EU”;

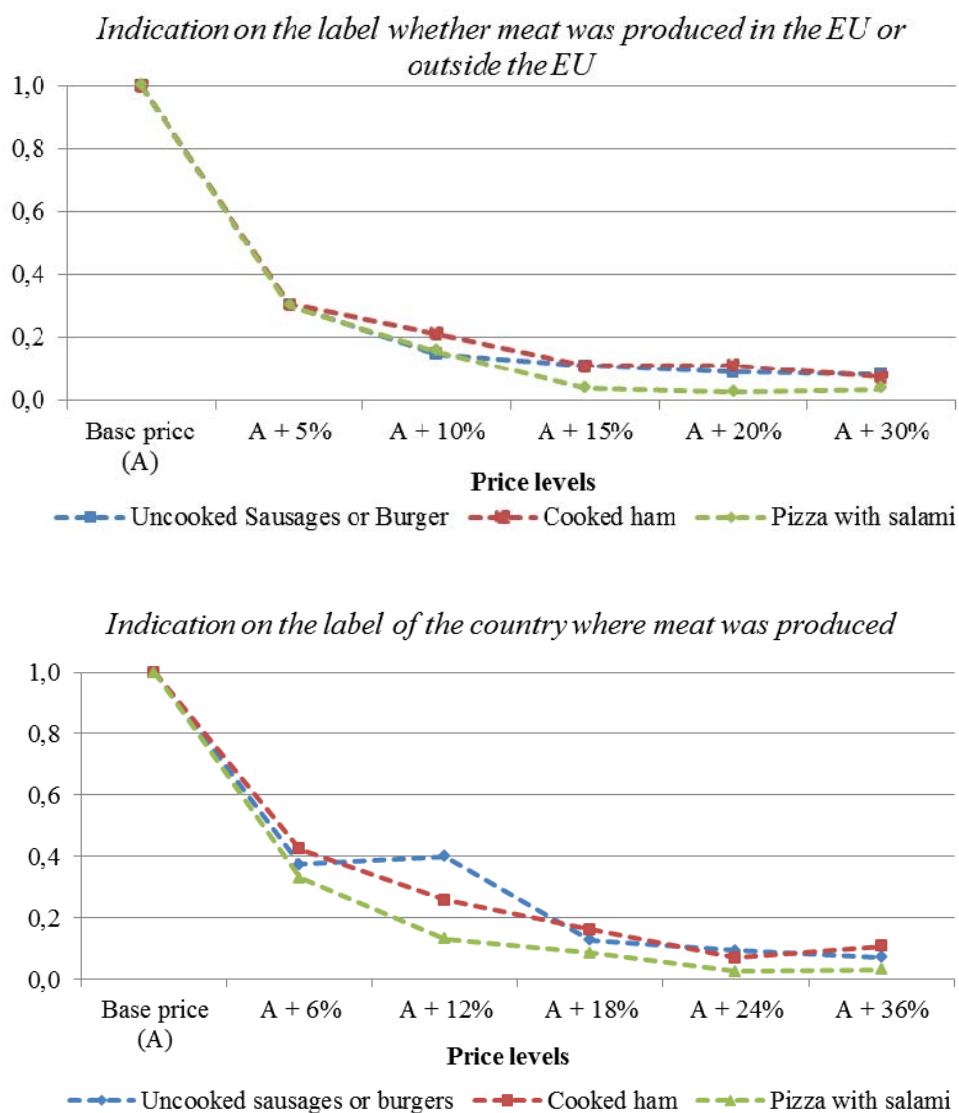
Country-region level option including: “Indication on the label of the country where meat was produced” and “Indication on the label of the country and the precise region/area where meat was produced”;

Country-region level option with 3 stages including: “Indication on the label of the country where the animal was born / raised / slaughtered” and “Indication on the label of the country and the precise region/area where the animal was born / raised / slaughtered”.

- The proportion of consumers willing to pay more than the base price for origin information falls significantly, *i.e.* by 60-80%, depending on the labelling option and the product, at the first price increase over and above the base price (+5% to 9% depending on the level of information required). The consumer WTP continues to fall with every further price increase, although less dramatically, as it has reached already fairly low levels). Overall, for every option on the level of detail on origin information, there is a 60-80% fall (depending on the labelling option and the product) in the percentage of consumers willing to pay the first price increase from the base price.

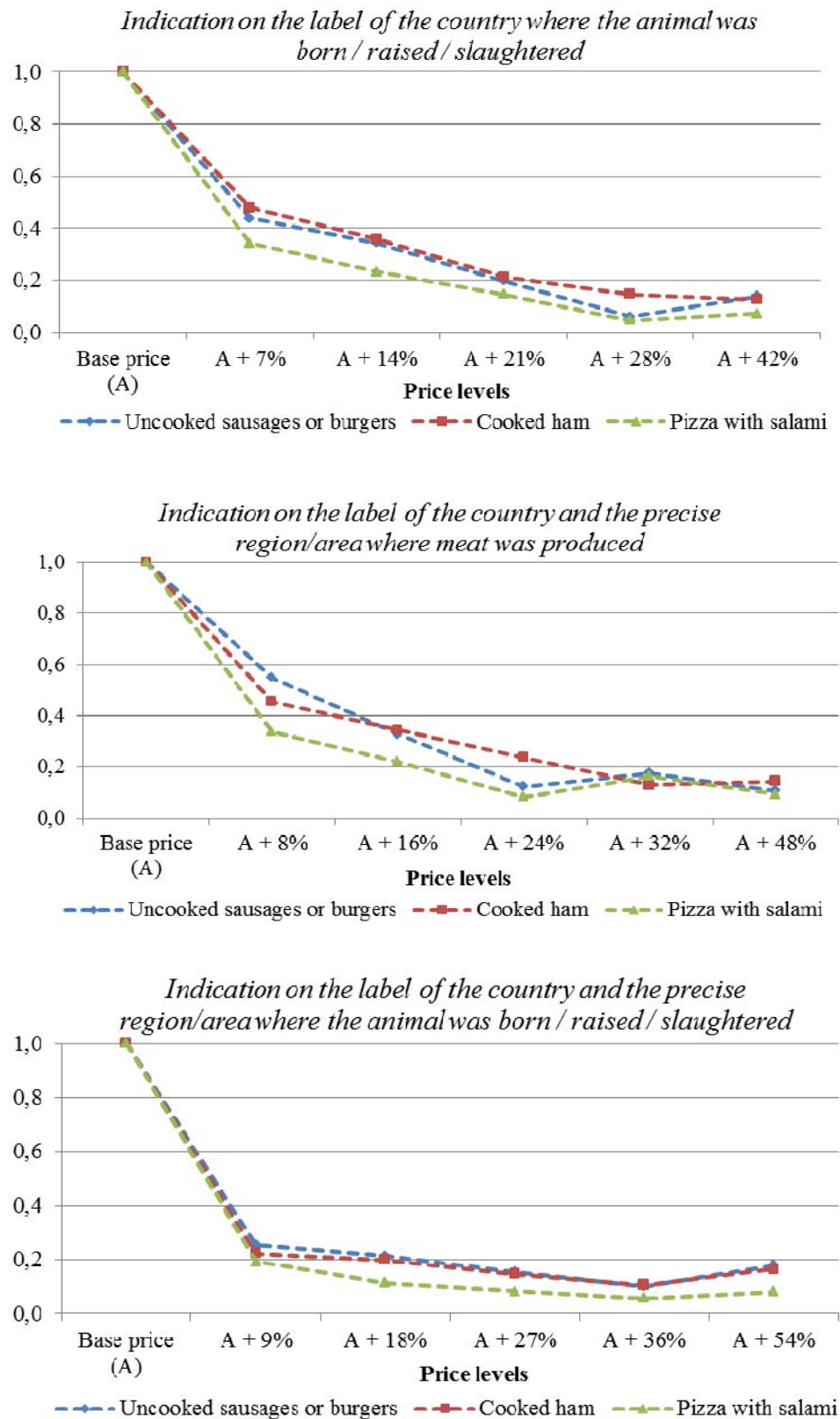
Figure 13: WTP according to the level of detail provided on the indication of origin (average data for 15 EU countries)

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



(continued)

Figure 13 (continued): WTP according to the level of detail provided on the indication of origin (average data for 15 EU countries)



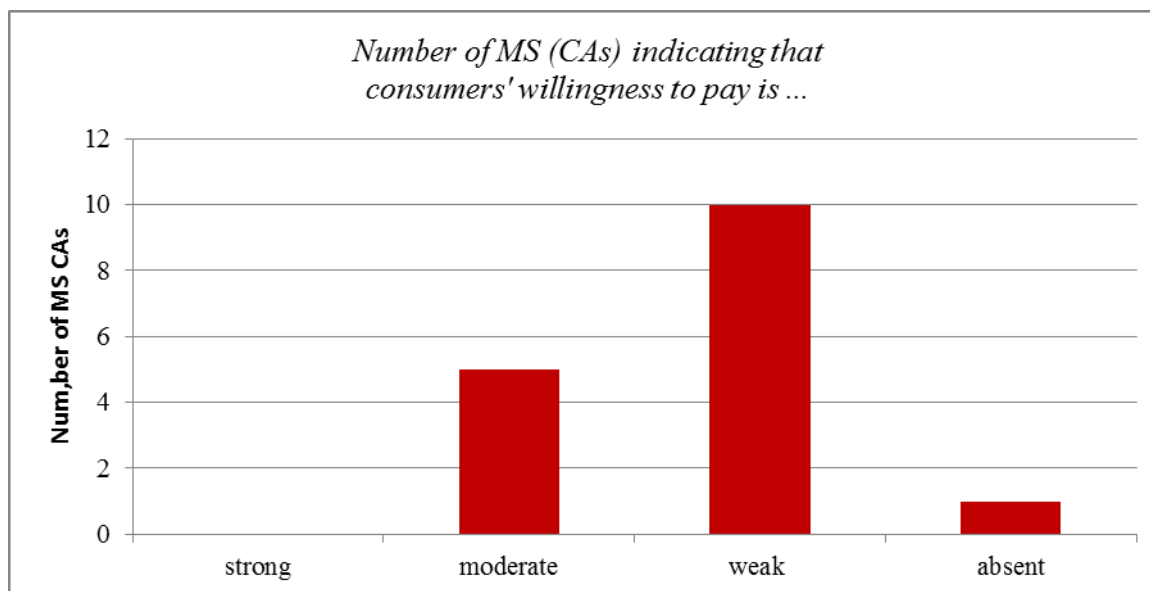
- The above-mentioned general findings apply in all three product categories covered by the FCEC study, as there are no significant differences amongst them. Only for the labelling options '*country where meat was produced*', '*country where the animal was born/raised/slaughtered*' and '*country and the precise region/area where meat was produced*', the consumer WTP falls more dramatically in the case of *frozen pizza with salami* (example of Category III) followed by *cooked ham* (example of Category II) and *uncooked sausages or burgers* (example of Category I).

These findings confirm a 'paradox' or a discrepancy between consumers' interest in origin labelling and WTP for that information. Consumers are largely unwilling to pay more than the current base price for origin labelling information. However, they would be interested in receiving the information – at the highest level of detail possible - if this information was to be offered without any increase in price.

A recent Dutch study on the cost analysis for producers and consumers of country of origin labelling explored the consumer paradox.⁷⁵ According to the latter, consumers are generally not aware of the additional costs related to origin labelling and believe that these are just confined to 'the cost of some extra ink for printing'. This paradox is also manifested in the gap that has been observed in a number of previous studies between intentions and actual purchasing behaviour, with price being an important factor that explains this gap.⁷⁶

The FCEC consumer study findings on consumer WTP for origin labelling for meat ingredients concur with the views of MS CAs and of FBOs. The majority of MSs⁷⁷ considered consumer WTP for such information to be weak and in some cases moderate, while 1 MS considered this to be absent; no MS considered it to be strong.

Figure 14: Consumers' WTP for additional origin information on meat ingredients, in your country (responses from MSs CAs, n=19)⁷⁸



⁷⁵ Herkomst in de supermarkt Consumenten over de rol van herkomst bij hun voedselaankop. LEI report 2011-044 Wageningen Marzo 2012, cited in the FCEC study at p. 25.

⁷⁶ FCEC study for cited studies, at p. 25.

⁷⁷ I.e. 12 of the 19 MS CAs that responded to the FCEC consultation. It is noted that 6 MS CAs provided no answer to this question, due to lack of specific evidence on consumer WTP in their countries.

⁷⁸ The individual bars cannot be added, as in some cases MSs CAs responded that WTP varies by product (and/or by meat species). In addition, six MSs provided no answer.

An indication that supports the finding that consumer WTP for additional origin information on meat ingredients is relatively weak is the fact that voluntary schemes as such remain confined to particular MSs and product groups. Indeed, should consumers be willing to pay more for additional origin information, there would have been a bigger proliferation of such schemes, which is not the case to date. Moreover, analysis of the uptake of such schemes demonstrates that a key constraining factor for consumers is the fact that these products are sold at a price premium (19% more expensive than regular meat).⁷⁹

3.3.3 *Reasons for consumer demand for origin labelling*

Information about a product's country of origin influences the consumer decision-making process. Therefore, it is appropriate to explore the reasons underpinning the consumer demand for origin labelling.

The GfK consumer study on the meat market found that the indication 'meat produced in consumer's country', received a high score (5th most important factor in the consumer decision-making process).⁸⁰ In that respect, some of the national stakeholders mentioned that consumers in their respective countries express a preference for national meat. This was particularly mentioned for Greece, France, Poland, Austria and Sweden. Only a handful of stakeholders thought consumers in their countries preferred foreign meat; this was mentioned for Portugal and Slovakia. This national preference can be emotional, in terms of nation identity or pride, but also rational, as consumers may have a better knowledge of national products and processes.

In past consultations and in relation to meat and meat products, consumers had also linked origin with safety. While there are legitimate reasons for wanting to know the origin of a food (e.g. support for local produce, characteristics of the product, ethical and environmental concerns), other reasons that have been quoted are not pertinent. This is the case specifically when origin is linked with safety, as products produced anywhere in the EU or imported into the EU are, by definition, 'safe'.⁸¹

This finding was confirmed also in the GfK consumer study on the meat market. According to the latter study, origin is also related to safety as far as consumers are concerned. Due to a tendency to ethnocentrism, consumers perceive meat (in general) from their own country as safer than foreign meat. Disease outbreaks also lead consumers to mistrust foreign meat and trust more domestic meat.⁸²

⁷⁹ Commission Report on the functioning of the meat market for consumers in the European Union, May 2013, at p. 24. The EU average covered four products: minced beef; pork cutlets; pork sausages; and whole chickens. 'Origin certified meat' was defined in the study as meat with specific geographic certifications, including quality schemes such as 'protected designation origin' (PDOs) products or national equivalents (such as: Certified Irish Aberdeen Angus Beef, Liptovský salám, Agneau du Périgord). The higher average price therefore is most likely to be also attributable to other quality aspects of these schemes and not to be only origin-related.

⁸⁰ Commission Report on the functioning of the meat market for consumers in the European Union, May 2013, at p. 7.

⁸¹ Commission Staff Working Document accompanying the Proposal for a Regulation of the European Parliament and of the Council on the provision of food information to consumers - Impact Assessment Report on General Food Labelling Issues, SEC(2008)92, dated 30.1.2008, at p. 22.

⁸² GfK consumer study on the meat market, at p. 31.

A similar tendency seems to have been confirmed in the recent horsemeat crisis, which broke in late 2012/early 2013. Indeed, following official controls in a number of Member States, it was established that certain pre-packaged foods contained horsemeat, which was not declared in the list of ingredients appearing directly on the package or on a label attached thereto. Instead, the name of certain foods and/or the accompanying list of ingredients misleadingly referred solely to the presence of beef.

In that context, there were calls from consumers' associations, members of the European Parliament and national authorities for introducing mandatory origin labelling for foods containing meat as an ingredient. In response to these calls, the Commission underlined in many occasions that the undeclared presence of horse meat in foods sold/marketed as containing beef misled the consumers as to the content of the food and therefore constituted fraud in food labelling. Mandatory origin labelling is not a tool to prevent fraud by malicious operators. The horsemeat scandal would have occurred even if origin labelling was mandatory for the foods in question. Such deceptive practices can be eliminated by appropriate enforcement of EU legislation mainly by means of regular official controls by national authorities based on appropriate risk analysis and the imposition of effective dissuasive sanctions, in accordance with Regulation (EC) No 882/2004 on official controls.⁸³

These findings are also confirmed by a number of national surveys. In the UK, the omnibus survey carried out for the UK FSA (NatCen, 2010)⁸⁴ concluded that of those who looked for country of origin labelling (i.e. 45% of respondents, independent of the food category), the most commonly cited reason for doing so was in order to buy British (34%). Similarly, in France, the results of the national consumer's organisation (CLCV) carried out recently an on-line survey⁸⁵ show that the provision of origin is considered primarily as a means to contribute to the economic development of a region or country (cited by 71% of respondents), followed by reasons related to the environment (66%), social (63%) and product safety (62%).

4 POSSIBLE SCENARIOS ON THE PROVISION OF ORIGIN INFORMATION FOR MEAT USED AS AN INGREDIENT

In this chapter, the main possible scenarios, accompanied by proposed modalities where appropriate, are being presented concerning the provision of origin information for meat used as an ingredient. These scenarios and modalities take into account the following elements:

- The stages in the life of an animal: place of birth, place of rearing and place of slaughter.
- The geographical level of origin or provenance: third country/EU/Member State/region /local level.

⁸³ 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).

⁸⁴ The UK FSA commissioned research to investigate consumer usage, understanding and perceived importance of country of origin labelling on food products. The sample was recruited using a multi-stage sampling design and a representative sample of 1601 adults aged 16 or over in the UK, living in private households, was interviewed.

⁸⁵ This survey was posted on line between 13 December 2012 and January 28, 2013, and covered a total 1040 consumers.

4.1 Scenario 1 – Maintain origin labelling on voluntary basis

Under this scenario, the origin or provenance of meat used as an ingredient would remain voluntary. In addition, in the case of foods with meat as a primary ingredient (e.g. meat preparations, MSM, meat products), there would be scope for the application of Article 26(3) of the FIC Regulation. According to the latter provision, where the country of origin or the place of provenance of a food is given and where it is not the same as the origin of the primary ingredient (meat), then the country of origin or place of provenance of the meat ingredient must also be given or the country of origin or place of provenance of the meat ingredient must be indicated as being different to that of the food, in accordance with the Commission implementing act to be adopted by 13 December 2013.⁸⁶

4.2 Scenario 2 – Introduce mandatory origin labelling based on (a) EU/non-EU or b) EU/third country

Under this scenario, mandatory origin labelling would be introduced at the level of EU/third country. For the determination of origin, different modalities per product category should be considered. These modalities are less detailed than those under consideration for the mandatory origin labelling for unprocessed pig, poultry, sheep and goat meat, since the origin information is set at EU/ third country level.⁸⁷

– Category I: Meat preparations and products made from MSM:

For the purposes of this category, the following sets of modalities are analysed:

- *Origin as defined in the Customs Code, i.e. the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient:*

In that respect, the label of meat in meat preparations/products made from MSM would read: "Origin: [EU or third country of origin]".

- *Origin information relating to the provenance of the raw material, i.e. place of minimum period of rearing prior to slaughter and place of slaughter:*

The indication of the place of slaughter does not appear to result in significant costs for the meat processing companies.⁸⁸ Accordingly, where the minimum period of rearing and the slaughter take place either within the EU or outside the EU/in a third country, the label of meat ingredients in meat preparations/products made from MSM would read: "Origin: [EU or non-EU/third country of origin]".

In all other cases, the label would read:

- "Reared in: [EU or non-EU/third country of origin]"; and,
- "Slaughtered in: [EU or non-EU/third country of origin]".

⁸⁶ Article 26(8) of the FIC Regulation.

⁸⁷ Draft Commission Implementing Regulation laying down rules for the application of Regulation (EU) No 1169/2011 of the European Parliament and of the Council as regards the indication of the country of origin or place of provenance for fresh, chilled and frozen meat of swine, sheep, goats and poultry, notified under the Technical Barriers to Trade Agreement, G/TBT/N/EU/158.

⁸⁸ LEI study.

– **Category II: Meat products**

For the purposes of this category, two sets of modalities are analysed.

- *Origin as defined in the Customs Code, i.e. the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient:*

This modality, where the country of the last substantial transformation applies, places emphasis on the place of processing, which may be more appropriate for meat products. The label of meat ingredients for meat products would read: "Origin: [EU or non-EU/third country of or origin]".

- *Origin information relating to the provenance of the raw material, i.e. place of minimum period of rearing prior to slaughter and place of slaughter:*

This modality places more emphasis on the provenance of the raw material for the manufacturing of meat products. Where the minimum period of rearing and the slaughter take place either within the EU or outside the EU/in a third country, the label of meat ingredients in meat products would read: "Origin: [EU or non-EU/third country of origin]".

In all other cases, the label would read:

- "Reared in: [EU or non-EU/third country of origin]"; and,
- "Slaughtered in: [EU or non-EU/third country of origin]".

– **Category III: Multi-ingredient foods with meat used as an ingredient**

For the purposes of this category, the following sets of modalities are analysed:

- *Origin as defined in the Customs Code i.e. the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient:*

This modality, where the country of the last substantial transformation applies, could be more appropriate for meat products used as an ingredient in multi-ingredient foods, as such products involve certain degree of processing. The label of meat ingredients in multi-ingredients foods would read: "Origin: [EU or third country of or origin]".

- *Origin information relating to the provenance of the raw material, i.e. place of minimum period of rearing prior to slaughter and place of slaughter:*

This modality would place more emphasis on the provenance of the raw material. Where the minimum period of rearing and the slaughter take place either within the EU or in a third country, the label of meat ingredients in multi-ingredients foods would read: "Origin: [EU or non-EU/third country of origin]".

In all other cases, the label would read:

- "Reared in: [EU or non-EU/third country of origin]"; and,

- "Slaughtered in: [EU or non-EU/third country of origin]".

4.3 **Scenario 3 – Introduce mandatory origin labelling indicating the Member State or third country**

Under this scenario, mandatory origin labelling would be introduced at the level of a Member State or third country, which provides similar level of detail as the one under consideration for the mandatory origin labelling for unprocessed pig, poultry, sheep and goat meat.

– **Category I: Meat preparations and products made from MSM:**

For the purposes of this category, the following sets of modalities are analysed:

- *Origin as defined in the Customs Code, i.e. the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient:*

The label of meat ingredients in meat preparations/products made from MSM would read: "Origin: [Member State or third country of origin]".

- *Origin information relating to the provenance of the raw material, i.e. place of minimum period of rearing prior to slaughter and place of slaughter:*

Where the minimum period of rearing and the slaughter take place within the same country, the label of meat ingredients in meat preparations/products made from MSM would read: "Origin: [Member State or third country of origin]".

In all other cases, the label would read:

- "Reared in: [Member State or third country of rearing]" and,
- "Slaughtered in: [Member State or third country of slaughter]".

These modalities could 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 the case of minced meat/trimmings, the label would:

- Either list the different Member States or third countries of rearing and slaughter; or,
- The different Member States or third countries of origin, where the rearing and slaughter took place within the same Member State or third country. In the case of minced meat and trimmings, the labelling of several EU Member States could be replaced by "Origin: [EU]".

– **Category II: Meat products**

For the purposes of this category, two sets of modalities are analysed.

- *Origin as defined in the Customs Code, i.e. the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient:*

This modality, where the country of the last substantial transformation applies, places emphasis on the place of processing, which may be more appropriate for meat products. The label of meat ingredients for meat products would read: "Origin: [Member State or third country of origin]".

- *Origin information relating to the provenance of the raw material, i.e. place of minimum period of rearing prior to slaughter and place of slaughter:*

This modality places more emphasis on the provenance of the raw material for the manufacturing of meat products. The relevant modalities for indicating the origin are the same as those for Category I, as elaborated in the previous paragraph.

– **Category III: Multi-ingredient foods with meat used as an ingredient**

For the purposes of this category, the following sets of modalities are analysed:

- *Origin as defined in the Customs Code, i.e. the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient:*

This modality, where the country of the last substantial transformation applies, could be more appropriate for meat products used as an ingredient in multi-ingredient foods, as such products involve certain degree of processing. The label of meat products in multi-ingredients foods would read: "Origin: [Member State or third country of origin]".

- *Origin information relating to the provenance of the raw material, i.e. place of minimum period of rearing prior to slaughter and place of slaughter:*

This modality places more emphasis on the provenance of the raw material concerning meat ingredients in multi-ingredients foods. The relevant modalities for indicating the origin are the same as those for Category I, as elaborated in the previous paragraph.

4.4 Other scenarios that have not been examined in detail

The following scenarios are not considered feasible and therefore have not been examined in detail.

4.4.1 *Mandatory labelling indicating a higher/lower level of detail than a country/lower administration*

Under this scenario, mandatory origin labelling would be introduced at the level of place of provenance. However, this scenario is not considered appropriate for the following reasons:

Mandatory labelling of place of provenance at a level lower than a country (e.g. Sicily) provides the following difficulties:

- the lack of harmonised legal definition of this geographical level across the Union;
- the high implementation costs involved requiring elaborated meat traceability systems at a low geographical level; and,

- the risk for consumers to be misled due to confusion with quality labels established at Union level, *i.e.* protected designations of origin ('PDOs'), protected geographical indications ('PGI's) and traditional specialities guaranteed ('TSGs').

Similarly, mandatory labelling of place of provenance embracing several countries or regions in one single area (e.g. Scandinavia, the Alps) would be problematic due to the lack of commonly agreed definitions of such regions at Union level.

However, the modalities foreseen under the second and the third scenario address certain aspects of place of provenance, where the customs code definition of 'country of origin' is not followed.

4.4.2 Mandatory origin labelling based on origin split in three stages – "born, raised and slaughtered" – following the model already applicable for unprocessed beef

This scenario, although in line with the beef model, would be more detailed than that currently under consideration for the mandatory origin labelling for unprocessed pig, poultry, sheep and goat meat.⁸⁹ Thus, to provide for more detailed origin rules for meat (including but not limited to pig, poultry, sheep and goat meat) when used as an ingredient in goods than for unprocessed meat of pig, poultry, sheep and goat would be inconsistent and not pragmatic.

4.4.3 Mandatory origin labelling based only on the place of birth, or place of birth and slaughter or only place of slaughter

This scenario would not be sufficiently informative for consumers, as most consumers give more emphasis on the place of rearing of the animal rather than on the place of birth and/or slaughter of the animal concerned.⁹⁰

5 FEASIBILITY AND ANALYSIS OF COSTS AND BENEFITS OF THE DIFFERENT SCENARIOS CONCERNING THE PROVISION OF ORIGIN LABELLING FOR MEAT USED AS AN INGREDIENT

The following paragraphs set out the evidence base and the assessment on feasibility as well as an analysis of costs and benefits in terms of impacts of origin labelling for meat used as an ingredient on the basis of the scenarios under consideration.

5.1 Impact concerning consumer behaviour

Origin labelling provides consumers with additional information to make informed choices about the food they wish to purchase and consume. Overall, origin labelling is associated with a range of positive attributes by many consumers, including quality and food safety.⁹¹ It is difficult to estimate the impact of origin labelling to consumers in terms of a cost-benefit analysis.⁹²

⁸⁹ Impact Assessment – Commission Staff Working Document – Mandatory Origin indication for Unprocessed Pig, Poultry, Sheep and Goat Meat, not yet published.

⁹⁰ *Id.*

⁹¹ See Section 3.3.3.

⁹² Origin labelling of meat products may have a positive impact on purchasing, if it inspires confidence in the authenticity of the product; it may have a negative impact related to perceived attributes of the product or concerning the country or area in question; or it may have no impact if origin is of not a priority for to the purchaser. LEI study, at para. 5.2.

The present analysis mostly relies on available information as to whether origin is a priority for the consumer and on the consumer WTP estimates. With respect to the former, despite the overall strong consumer interest, origin labelling consistently ranks behind price and quality/sensory aspects in terms of the most important factors affecting consumer choice.⁹³ With respect to the latter, a weak consumer WTP has been established.⁹⁴

The first scenario does not guarantee that consumers are systematically provided with origin information on meat used as an ingredient in foods. This would be particularly the case for foods where the origin of the final food is not given as well as for foods where the origin of the final food is given but the meat is not the primary ingredient e.g. pizza with a meat ingredient. When, however, origin information would be provided voluntarily on foods with meat as the primary ingredient (e.g. meat preparations and meat products), then the consumers would be able to compare different products, as the criteria for the provision of voluntary origin information would be harmonised. Although this scenario would not provide a fully satisfactory solution to consumer demand to know more about the origin of meat ingredients, it would better correspond to the low WTP for additional origin information. Moreover, consumers, who do not attach any specific importance to origin, would not have to bear the additional origin-related costs when they purchase such products.

The second and third scenarios provide consumers with origin information on meat used as an ingredient on a systematic basis. The second scenario is not as informative as the third, as the information it provides (EU or third country) may be considered as too generic and not worthy of the additional costs passed onto the final consumers, even if they are less than the third scenario.

The third scenario may provide meaningful information to consumers. However, due to the level of detail required, the additional costs are expected to be higher than the second scenario, which are likely to eventually be passed onto the final consumers.⁹⁵ Should mandatory origin labelling result in a price increase for the consumers and given the fact that already consumers consider that the existing prices for meat related products are high and prohibit them from consuming more of such products, it may result in a decrease in the consumption of meat-related products under the third scenario.

5.2 Technical feasibility

For an individual FBO, the feasibility of origin labelling depends largely on the additional costs occurred. The three most impacted cost items across all sectors are:

- Costs of adaptation of storage and production facilities, often involving amortization of substantial investments (especially in sectors with continuous production processes, and/or where scale economies play an important role);
- Costs of adaptation of sourcing practices, especially where use of multiple ingredients or raw materials, use of multiple sources in different Member States and/or third countries, frequent changes in the origin of ingredients or raw materials, and frequent mixing of different origins before arrival of ingredients or raw materials at the plant occur;

⁹³ See Section 3.2.

⁹⁴ See Section 3.3.2.

⁹⁵ LEI study at para. 5.2. See also Impact Assessment – Commission Staff Working Document – Mandatory Origin indication for Unprocessed Pig, Poultry, Sheep and Goat Meat, not yet published.

- Costs of implementation of cumulative traceability and for systematic update of labels/packaging to changes in origin of ingredients.

Regarding the frequency with which these costs occur, there is a significant difference between recurring and one-off costs. This mainly depends on the FBO sourcing practices:

- The higher the degree of processing (*e.g.* multi-ingredient foods with meat ingredients) and the larger the FBO in terms of quantitative output, the more likely is that multiple sources for raw materials (meat) is being used. This in turn means that any such costs as separate storage, change to batch production and additional traceability requirements and labelling changes, while generate recurring costs;
- The lower the degree of processing (*e.g.* single meat pieces such as dried ham) and the smaller the FBO, the higher the likelihood that single sources, often on long term commercial relations and in close proximity are being used. In this case, costs generated by the decision to label the origin of the products occur on a one-off basis;

Taking into account the above, the main findings on the feasibility of the different scenarios can be summarised as follows:

According to FBOs, the first scenario (voluntary origin) would be more appropriate especially whenever meat of EU and non-EU origin is mixed in the production process for the purposes of products that require certain degree of processing, *e.g.* meat products.

The second (EU/non-EU or third country) and third (MS/third country) scenarios, which involve mandatory origin labelling, would pose serious operational challenges and would require radical adaptations. Indicatively:

- *Incompatibility with the sourcing decisions for raw materials:* As elaborated in Section 2.5, the currently applied sourcing practices are often quite complex and involve multiple EU and also non-EU origins, especially for beef and poultry-related products. In many cases, origins change frequently over time. In addition, the mixing of different origins can occur at various stages in the food chain and already before the arrival of meat at plants where it is used as an ingredient in foods. As such, the second and third scenario would have a considerable impact on the sourcing decisions.
- *Certain modalities would require operators to switch to smaller production batches and/or to interrupt continuous phases of the production process to achieve segregation by origin within the plants:* This could be particularly the case for minced meat used as an ingredient in foods and filling wrappings with meat content when producing sausages and similar products, especially in large-scale automated plants.
- *Systematic adaptation of labelling/packaging to changes in the origin(s) of meat used as an ingredient:* The frequent changes in the mix of suppliers would require frequent adaptations of packaging and labels and additional investment in printing equipment.

However, the second scenario was considered more feasible than the third. In that respect, certain FBOs considered that the third scenario would not be feasible for pork and chicken used as ingredients.

Box 4: SME survey

The SME survey conducted in early 2013 through the Enterprise European Network aimed at assessing the potential impacts on SMEs of introducing mandatory origin labelling for meat used as an ingredient. The main findings of that survey are summarised below:

- ❖ Almost 52% of the respondents consider that a voluntary labeling scheme (first scenario) would be more cost-efficient than a mandatory scheme (second and third scenario);

Table 5: Cost-efficiency of voluntary versus mandatory labelling scheme



- The majority of enterprises in the sample agreed that the introduction of mandatory origin labelling (second and third scenarios) would increase the administrative burden imposed on the company (68%);
- Should mandatory origin labelling be introduced (second and third scenarios), the required changes in operations that would impose the biggest costs on the companies are technical adaptations to the label (according to 41% of the respondents) and separation of storage facilities and production lines (24%);
- The majority of enterprises sampled estimate that the average time needed to adapt their business in terms of workforce, technology and enforcement requirements would be under 6 months. A longer time is estimated for the adaptation of marketing and retail practices (6 to 12 months).
- According to 83% of the respondents, a general exemption from compliance for SMEs would be at least marginally effective in reducing the possible negative impacts of the mandatory labelling obligations. However, 81% of the respondents would favour a specific exemption as a more effective tool.

5.3 Economic impacts

This Section aims at identifying the most significant economic impacts connected with origin labelling and subsequently assess the three scenarios under consideration. However, the impact of the different modalities has not been explored in detail.

5.3.1 Operating costs of FBOs

The additional operational costs for FBOs derive from specific additional costs for the implementation of origin labelling as well as from the following specific adaptations:

- Adaptation of sourcing practices and potential changes in the mix of suppliers of live animals, fresh meat, or meat / meat products used as ingredient;
- Adaptation of production and/or marketing process of live animals, fresh meat, or meat / meat products used as ingredient;
- Adaptation of production process of the final product containing meat as an ingredient;
- Adaptation of packaging and labels/labelling process;

- e. Adaptation of marketing practices of the final product;
- f. Adaptation/implementation of traceability systems;
- g. Additional internal controls required to ensure compliance with COOL rules;

The extent of additional costs can vary remarkably, and will depend on the specific operational situation of FBOs including sourcing practices, the degree of vertical integration, the existing traceability systems and practices in places (also linked to the animal species concerned). Also, the position of FBOs in the food chain in terms of the competitive structure and the resulting bargaining power in the meat supply chain can play a significant role. Thus, Member State level estimates made by national organisations can differ significantly from EU average estimates.

Industry stakeholders have identified the four most impacted cost items as follows:

1. adaptation of sourcing practices and possible changes in the mix of suppliers;
2. adaptation of production process of the final product;
3. adaptation of packaging and labels/labeling process;
4. implementation/adaptation of traceability (taking into account of existing systems).

Under the first scenario, the operating costs would be kept to the minimum, as origin information for meat ingredients would be provided on a voluntary basis. The businesses that would be affected are those that provide the origin of the final food and that origin is different from the origin of meat used as a primary ingredient in the food concerned. Those businesses are likely to incur certain operating costs. Their extent would depend on the level of precision of the origin indication of the primary ingredient as opposed to the origin of the final product.

FBOs in general are likely to incur additional operating costs under the second and the third scenario (mandatory origin labelling), pursuant to estimates of FBOs across a wide range of sectors, including processing, distribution and retail stages of the supply chain. A number of stakeholders provided more or less detailed quantitative estimates of additional cost while other stakeholders could only provide qualitative considerations on the matter. The evidence base has been quite heterogeneous and did not allow the systematic analysis of the information or extrapolation of the quantitative estimates provided as they refer to specific situations and assumptions.

The main additional costs involved under the second and third scenario providing for mandatory origin labelling for meat used as an ingredient can be summarised as follows:⁹⁶

- The additional costs stemming from the second scenario (EU/non EU or third country) are generally lower, or much lower, than those of the third scenario (MS/third country). With all due caveats relating to the limited comparability of data, the FCEC study concluded that additional costs (EU-average) for the second scenario, expressed as a percentage

⁹⁶ Section 4.5 of FCEC study, at p. 97. It should be noted that the Member State level estimates differ significantly from the EU-average estimates as depicted in the FCEC study, given the fact that the former refer to specific products and the operational conditions that apply in the relevant Member State, whereas the latter refer to two broad categories (i.e. cooked sausages and cooked ham) and consider "average" operational conditions applying throughout the EU.

increase of total production costs range from negligible up to +25%, whereas additional costs for the third scenario range from +15-20% up to +50%.

- The extent of additional costs could vary, as they would depend on the specific operational situation prevailing for each FBO at the time of the potential introduction of mandatory origin labelling. The main factors that are also likely to influence the extent of additional costs are the animal species concerned and the sourcing practices/additional traceability systems. Indeed, the more extensive and diversified the range of suppliers and the higher the frequency in changing suppliers, the more complex the additional traceability systems and the higher the additional costs involved would be.

Box 5: Prepared meals: breakdown of estimated additional costs

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

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

Additional costs mainly derive from:

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

As noted in Theme 2, this sector encompasses a wide range of products, with diverse levels of complexity and degrees of processing. This makes it difficult to provide cost estimates that would cover all possible scenarios. This has been highlighted in previous studies covering this sector; for example, the study by LEI (2012) only covers mixed salads, and also that - due to the complexity of the sector - does not provide quantitative estimates beyond qualitative considerations on the potential additional costs of MCOOL.

Source: FCEC study, at p. 108.

5.3.2 Traceability costs of FBOs

For each individual operator, the extent of the additional costs for traceability (as part of the overall operational costs) will depend on a range of factors:

- The animal species concerned: The more advanced the systems currently used per animal species (which is the case generally in the beef and which could be the case in the future for unprocessed pig, poultry, sheep and goat meat), the less the adaptation cost to implement the additional traceability requirements.
- Sourcing practices: the more extensive and diversified the range of suppliers and the higher the frequency in change of suppliers, the more complex the additional traceability systems and the higher the additional costs involved would need to be.
- The degree of vertical integration: the higher the degree of vertical integration and potential reliance on internal sourcing of the raw material quantities and qualities required for the final product, the lower will be the additional traceability cost;
- The current status of traceability systems and practices: the more advanced the systems currently used, the less the adaptation cost to implement the required full traceability. This is also linked to the animal species, as currently, traceability is most advanced in the beef and sheep/goat meat sector;

- The competitive structure and resulting bargaining power in the meat supply chain: the first actor in the supply chain where additional costs for origin labelling occur would be slaughterhouse, while the processing plant can rely on demanding detailed information on every delivery from their suppliers. The ability of the slaughterhouse to transfer this cost to their customers would depend on their bargaining power *vis-à-vis* those customers. Similar situations will prevail further downstream the supply chain between processors and actors in the distribution sector.

The case studies conducted in the context of the LEI study demonstrate that current traceability practices at slaughterhouse and meat cutting plant level differ between species and also between operators. In addition, on the basis of the experience gained following the introduction of mandatory origin labelling for beef, FBOs consider more cost effective to adapt the supply structure (sourcing, batch sizes, reducing intermediaries) than upgrading the internal traceability and administration systems.⁹⁷

The most common operational implications of achieving cumulative traceability along the supply chain are the following:

- a) Adaptation of sourcing patterns and practices for live animals, fresh meat, or meat / meat products used as ingredient.
- b) Separation of storage facilities and production lines, to allow segregation by origin.
- c) Switch to batch production and/or use of smaller batches (with the associated decrease in efficiency).
- d) Adaptation of internal monitoring.
- e) Systematic update of labels/packaging, to follow changes in the origin of live animals, fresh meat, or meat / meat products used as ingredient.

Under the first scenario, the traceability costs would be kept to the minimum, as origin information for meat ingredients would be provided on a voluntary basis. The businesses that would be affected are those that provide the origin of the final food and that origin is different from the origin of meat used as a primary ingredient in the food concerned. The extent of the additional traceability costs would depend on the level of precision of the origin indication of the primary ingredient as opposed to the origin of the final product.

Under the second and third scenarios, an indicative quantification of the additional traceability costs for all three product categories have been estimated in the range of +3% to +10% of the total production costs of these products.⁹⁸

⁹⁷ LEI study at p. 79. See also COM(2004)316 final.

⁹⁸ FCEC study at p. 95. As noted in the FCEC study the evidence base was quite heterogeneous and it did not allow the systematic analysis of the information or extrapolation of the quantitative estimates provided by few stakeholders as they referred to specific situations and assumptions.

Table 6: Estimated additional costs for FBOs due to implementation of traceability for the relevant policy options and related modalities

Sector (a)	Additional costs (b)
Meat preparations / meat products (CLITRAVI)	DE case study – Scenario 3 (MS / TC level): <i>significant additional costs (uncooked or cooked sausages – pig meat)</i> UK case study Scenario 2 (EU/non-EU or EU/TC) • Sausages (pig meat): +3-5% • Burgers (beef): +3-5% Scenario 3 (MS / TC level) • Sausages (pig meat): +5-10% • Burgers (beef): +5-10%
Prepared meals (ECFF + CULINARIA)	ECFF: Scenario 2 (EU/non-EU or EU/TC): + 3-5% (<i>on average, across the range of products</i>) CULINARIA: <i>significant additional costs</i>
a) Organisations contributing to the assessment from processing, distribution and retail sectors (including inputs from MS-level member organisations/companies). b) Only the organisations that provided specific evidence on this are included. The following organisations did not provide any specific evidence on this: AVEC (poultry meat-based products); IBC (butchers); UNAFPA (pasta products). FDE referred to the sector-specific organisations for this issue. UECBV supports the replies provided by CLITRAVI on this issue. c) The costs indicated are specific to the production cost of the final products, and are largely in addition to the costs likely to be incurred at the earlier stages of the supply chain up to slaughterhouse/meat cutting plant (where the latter was not the place of the last processing of the final product). <i>Source: FCEC based on industry consultation</i>	

The trade of trimmings and fat will be impacted under the second and third scenario.⁹⁹ Given the difficulty to implement an appropriate traceability system for these types of products, FBOs consider that they are likely to use such products less and less, in the manufacturing process. This would result in additional losses in terms of foregone revenue from these products, which is generally estimated at 10% of the turnover of slaughterhouses/meat cutting plants. However, the impact would largely depend on the applicable modalities for determining origin labelling. There could also be additional costs for the safe disposal of such products as well as the environmental impact of food water. These costs could be mitigated to

⁹⁹ Trimmings, i.e. off-cuts of meat and trimmings from carcasses, come from different batches and are assembled for sale by the full pallet. The quantity produced in a day's work by small cutting plants is not always sufficient for a full pallet. In practice, operators are not generally able to make batches of trimmings that are of homogenous origin." COM(2004)316, at para. 4.2.2. Similar conclusions can also be drawn in the case of animal fat.

some extent, should these products be exported or destined to other non-food uses, where appropriate.

FBOs have shown very limited (if any) confidence in the potential contribution of innovation (*e.g.* use of Radio Frequency Identification Devices ('RFID') technology for what concerns traceability costs) in limiting additional costs in the mid-term.

Box 6: Innovation and new technologies

Innovation and new technologies, in particular RFID tools and isotope analysis, could also help mitigate costs, but not in the short to medium term, as the technology uptake at the moment in the processed meat, and more generally food industry, is virtually non-existent. FBOs have shown very limited (if any) confidence in the potential contribution of innovation (and especially RFID technology for what concerns traceability costs) in limiting additional costs in the mid-term.

The industry indicated that RFID tools have been tested by a number of meat processing companies in a range of different meat products and have proven not cost-effective. MS CAs by and large (with the exception of only one MS) remain unconvinced that isotope analysis can provide a cost-effective solution for wider implementation of origin verification controls, as both the costs of this testing are high and the available test methods are not widely tested yet.

Key providers of new technologies (Isotope testing) suggest that this could be a promising technology for confirmatory origin labelling analysis. However, there are significant constraints at present for a more widespread uptake of this technology. The key constraints identified are the significant costs involved and, as it stands, this type of technology is applicable only to products more or less wholly obtained from an animal (*i.e.* not to cuts, blends, trimmings, mixes of species *etc.*), in relation to a reference library of isotopes from specific geographical regions (which do not correspond to administrative country or region boundaries), and with the aim to identify the place of farming only. Isotope testing was therefore not considered likely to provide the answer in short to medium term, both due to its high cost and because it remains an imperfect solution (*i.e.* it does not provide clear answers; is it reliable? is it practical/simple to use?).¹⁰⁰

5.3.3 Competitiveness and trade

The potential impacts of origin labelling on the competitiveness of FBOs in the internal market depends on the following key factors:

- Costs of production and/or other dimensions of competitiveness (product differentiation, product innovation, safeguard of sensitive business information, *etc.*);
- Intra-EU trade flows of the relevant products, in particular: extent of possible geographical segmentation of the EU market; possible changes in the geographical structure and/or in the volume of intra-EU trade flows.

Under the first scenario, if there would be a demand from upstream players with considerable market power for origin of meat ingredients on a voluntary basis, a competitive advantage would be accrued to more vertical integrated companies supplying upstream players, including slaughterhouses and large-scale cutting plants with tracing and labelling facilities, as opposed to small operators. The voluntary character of origin information for meat as an ingredient would not result in a re-nationalisation of consumption, and as such EU domestic trade and international trade would not be affected. Similarly, the Union exports are not likely to increase.

¹⁰⁰ FCEC study, at p. 116.

The second and especially the third scenario are likely to affect the Union's domestic trade, as follows:

- Adaptation of the sourcing patterns, with the aim to focus on a more limited number of origins (countries/regions) for their sourcing of meat ingredients. These changes in the supply chain would result in a segmentation of trade of meat ingredients. On the basis of the experience gained following the introduction of mandatory origin labelling for beef, FBOs consider more cost effective to adapt the supply structure (sourcing, batch sizes, reducing intermediaries) than upgrading the internal traceability and administration systems.¹⁰¹ These "re-structuring" changes are more likely to take place under the third scenario than the second one. In particular, it is likely that different retailers in self-sufficient Member States would offer consumers meat-related products predominantly or wholly of domestic origin, not least for reducing the risk of errors in origin labelling and the possible consequences of this in terms of image and sales. Both scenarios and especially the third one could also lead to a decrease in the number of intermediaries involved in the supply chain of foods with meat used as an ingredient as well as in the number of suppliers to each FBO.
- FBOs are likely to face higher prices as their overall supply base within the retained countries/regions would be limited. In this case, the most significant impacts are expected for FBOs in MSs that are not self-sufficient in raw material and for FBOs that rely on specific types of meat ingredients for which a more extended supply base is necessary to ensure the required volume and specifications.
- The adaptation in the sourcing patterns could also lead to problems finding outlets for meat ingredients of mixed origin or for trimmings and fat.
- Under the second and third scenarios, FBOs using meat as an ingredient could be adversely affected as opposed to FBOs that do not use meat as an ingredient (e.g. in the prepared meals sector).
- Potential changes in intra-EU trade flows for live animals, unprocessed meat and meat ingredients, as a result of the adaptation of sourcing practices of FBOs are likely. A reduction in traded volumes is expected with respect to MSs that are highly specialised in supplying meat ingredients (e.g. France, Germany, Denmark, Netherlands, Belgium, Spain etc.) occurring the most significant impacts.¹⁰²
- A risk for market segmentation of food products may emerge especially in the case of scenario 3, given the consumer preference for national meat.¹⁰³

The main potential impacts on international trade identified under the second and the third scenarios, pursuant to the FCEC study¹⁰⁴ can be summarised as follows:

- A shift of EU FBOs towards EU suppliers is expected to take place so as to avoid the complexities deriving from multiple EU and third country origins.

¹⁰¹ LEI study at p. 79. See also COM(2004)316 final.

¹⁰² For example, the most significant trade flows in the pig meat sector are mostly occurring amongst those countries. FBOs especially that are situated close to borders of those MSs appear to be involved in significant cross-border trade and therefore are expected to be mostly affected.

¹⁰³ Section 3.3.

¹⁰⁴ Section 4.8 of the FCEC study.

- Additional costs for third country FBOs, especially if origin indication is required at the level of country detail (*i.e.* third scenario). The FBOs based in developing third countries may be especially disadvantaged, as they might lack the resources and the know-how to implement the adaptations required for compliance with EU mandatory origin labelling requirements.

These impacts would concern especially those third countries that currently export significant quantities of unprocessed meat/meat ingredients to the EU: Thailand and Brazil for poultry, Brazil and Argentina for beef. However, the extent of the impact will depend on the national provisions in place concerning origin labelling. For example, in the case of Brazil, the competent national authorities and stakeholders noted that traceability and origin labelling is currently provided at country level on the basis of the place of farming and rearing (second scenario). Imports of pig meat and sheep meat for processing are virtually non-existent.

5.3.4 *Administrative burden on businesses*

This administrative burden would consist of compliance costs including costs for new staff for the verification of production lines for compliance to origin labelling.

The first scenario involves certain administrative burden only for the businesses that provide the origin of the final food and that origin is different from the origin of meat when and where is used as a primary ingredient.

On the basis of two examples provided at EU level (pig meat sector: sausages and cooked ham), the total costs are negligible under the second scenario.

However, these costs become more substantial under the third scenario, pursuant to which an increase of up to +8-12% of the total production costs would be expected. These costs include additional new staff for the verification of production lines for compliance to origin labelling as the current traceability systems remain manual based on paperwork; however, these costs could in the long term be mitigated by more complete and computerized traceability systems. Moreover, these are normal control costs and do not include costs incurred in the context of controls in extraordinary situations, *e.g.* in case of erroneous labelling and product recalls.

5.3.5 *Burden on public authorities*

National authorities are entrusted with the enforcement of labelling requirements. The division of responsibilities amongst the national CAs for inspecting traceability and origin labelling is often complex and heterogeneous.¹⁰⁵ Moreover, the controls on food labelling are part of the overall controls on foods. Therefore, it is difficult to separate the costs that could result from any new information obligations from the overall costs on foods. According to the national CAs, the higher the level of precision of the origin indication, the higher the control costs involved.¹⁰⁶ Taking into account these constraints, the following impacts are likely to occur:

Under the first scenario, no additional control costs would be expected apart from the costs entailed by the general application of Article 26(3) of the FIC Regulation.

The main findings of the FCEC study for the second and third scenario can be summarised as follows:

¹⁰⁵ COM(2004)316 final, at para. 4.3.

¹⁰⁶ Section 4.6.2 of the FCEC study.

- An increase in control costs (including verification checks and administrative burden) is expected under the second and the third scenarios. The anticipated additional control costs are expected to be increased by 10-30% under the second and third scenario. However, the more detailed the information to be controlled, the higher the cost. Therefore, the second scenario would result in lower costs than the third scenario.¹⁰⁷
- The increase in control costs would be more in terms of the number of staff needed. Especially the third scenario, it is likely to result in an increase of the staff/staff time needed. In that respect, if the funding allocated to control authorities by the state budgets is not increased – which seems likely in the current economic environment – the expected increase in staff time needed may lead to a reduction in the frequency of controls or a change in priorities. This could jeopardise the effectiveness of controls under the third scenario.
- Compliance controls are currently based on documentary checks. The more detailed the level of information to be provided (third scenario), the higher the challenge for the CAs would be to verify the information, especially in the case of multi-ingredient foods. Certain stakeholders have raised certain concerns on the potential risk of fraudulent practices; the more detailed the rules in place (third scenario), the higher the risks. This could be particularly the case in the poultry and pig sector where there is significant movement of live animals and meat between countries. These concerns could be addressed by the establishment of an additional efficient and reliable traceability system. In addition, new technologies, in particular RFID tools and isotope analysis could also help to mitigate costs but only in the longer term, when such tools will become more efficient and effective.
- Any increase in control costs is expected to be reduced in the long term, taking into account the introduction of traceability systems by the FBOs, of the required databases to monitor compliance at the level of the control authorities and the progressive familiarity of the control authorities with the new rules. Moreover, this increase in costs is likely to be mitigated, should fees for the conduct of official controls be introduced.

5.3.6 *Costs for consumers and possible social impacts*

The provision of origin information is expected to result in increased costs. These costs are most likely to be distributed between the consumer and the producer, but not evenly. Overall, it is estimated that approximately 90% of the costs would be passed onto to the consumer and only 10% to the producer, although these percentages may vary depending on the sector and the country concerned as well as the prevailing degree of vertical integration and market concentration.¹⁰⁸

In terms of the net impact of consumer welfare, the monetary cost of the consumer price increase has to be balanced against the – non monetarised – benefits of the additional information to determine whether consumers are better off with the second and third scenario

¹⁰⁷ The FCEC study attempted to draw a parallel from other cases, in particular the costs of controls on mandatory labelling for beef. Where such data exist, the costs were indicated to be relatively high. In Denmark, the additional control costs (including administrative burden) stemming from the labelling requirements for beef (Regulation (EC) No 1760/2000) were estimated at an amount of 19.7 million EUR in 2007. The current annual expenditure for beef labelling controls in Denmark is estimated at approximately 4.2 million EUR.

¹⁰⁸ Impact Assessment – Commission Staff Working Document – Mandatory Origin indication for Unprocessed Pig, Poultry, Sheep and Goat Meat, not yet published.

than the first scenario. This is an exercise that could not be conducted in the scope of the present exercise.

Under the first scenario, an overall price increase on foods with meat as an ingredient would not be likely to occur. However, a certain price increase could occur where the origin of the final food is given and the meat is the main ingredient, provided that the origin of the meat is different from that of the origin of the final food. In the latter case, the larger part of the price increase is likely to be passed on to the consumer.

The second and third scenarios are likely to result in higher price increases for the final consumer than that estimated under the first scenario. However, the price increase that is likely to be passed onto the consumer will be greater under the third scenario than the second scenario. It is assumed that as prices increase under the second and third scenario, consumers would be likely to buy fewer foods with meat as an ingredient and consequently more such foods would need to be exported. Market segmentation of meat consumption is also likely to take place. As mentioned in previous sections, following the introduction of mandatory origin labelling for beef, adaptation of structures (*e.g.* sourcing, batch sizes, reduction of intermediaries) was proven more cost effective than upgrading the internal traceability and administration systems. By drawing a parallel with the second and third scenarios at issue, adaptations in the sourcing patterns of meat ingredients as well as elimination of intermediaries are likely to take place, which may also have an impact on employment.

5.3.7 Environmental impacts

Under the first scenario, the environmental impact of this scenario is likely to be minimal. Under the second and third scenarios, there is a risk of increasing the size of labels/packaging. Both are likely to increase waste ingredients, especially in the case of trimmings/fat, as analysed in the previous paragraphs. The third scenario could provide an incentive to consume products produced in proximity.

5.4 Overview of the costs and benefits of the different scenarios under consideration

Table 7 below provides an overview of the costs and benefits of the three scenarios under consideration.

Table 7: Overview of costs and benefits				
Scenarios		Information to consumers	Technical feasibility	Economic impacts
First scenario – Maintaining voluntary origin of meat used as an ingredient	Costs	– Does not guarantee that consumers are systematically provided with origin information on meat used as an ingredient in foods;	– Minimal adaptations in terms of feasibility	– Operating costs would be kept to the minimum – these would be incurred only by those FBOs that fall within the scope of Article 26(3) of the FIC Regulation (voluntary origin labelling – harmonised rules on the origin of primary ingredient); – Limited administrative burden on businesses - this is to be incurred only by those FBOs that fall within the scope of Article 26(3) of the FIC Regulation; – No additional control costs (including administrative burden on public authorities), apart from the burden entailed from the general application of Article 26(3) of the FIC Regulation; – Limited price increases on meat used as an ingredient;

				– Limited environmental impact;
	Benefits	– It better corresponds to the low willingness of consumers to pay for additional origin information; – Consumers, who do not attach any specific importance to origin, would not have to bear the additional origin-related costs;	– More appropriate especially when meat of EU and non-EU origin is mixed for the production of processed products (e.g. meat products);	– It would not result in a market segmentation and therefore intra-EU and international trade would not be affected;
Second scenario – Mandatory origin labelling at EU/non EU or third country level	Costs	– The origin information provided would not be quite informative, as it would be too general; – The additional origin costs are likely to be passed onto the consumers; – Taking into account the low willingness of consumers to pay for additional origin information and the current consumer perception that existing prices for meat are high, it may result in a decrease in the consumption of meat-related products.	– It could pose operational challenges/ adaptations ➤ Especially where meat of EU and non EU origin is mixed; ➤ Operators would need to switch to smaller production batches and adapt structures to achieve segregation by origin within the plants; ➤ Labelling/packaging would need to be adapted frequently (but less frequently than the third scenario)	– All FBOs would incur certain operating costs. These costs are estimated from negligible up to 25% of total production costs; – Additional traceability costs are estimated from +3% up to 10% of the total production costs; – Administrative burden on businesses is likely to be negligible; – The additional control costs (including administrative burden on public authorities) are estimated from +10 to +30%. Compared to the second scenario, these costs are expected to be higher;

			depending on the sourcing;	– Higher consumer prices for final products with meat used as an ingredient. However, these prices would be lower than under the third scenario. This price increase may result in less meat consumption; – Certain environmental impact is likely to take place given the increase of waste ingredients, especially in the case of trimmings/fat; – It would result in a market segmentation of the meat consumption, although to a lesser degree than under the third scenario; – The adaptation of sourcing patterns (limiting the overall supply base within the EU or outside the EU) could result in higher prices for the supply of meat as raw material; – It would result to a reduction of intermediaries which in combination with the adaptation in sourcing patterns may have an impact on employment; – International trade likely to be
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				impacted given the risks for adaptation in sourcing patterns and additional costs that are likely to be incurred by 3 rd country exporters to the EU. Exports of foods with meat used as an ingredient are likely to increase.
	Benefits	– Guarantees that consumers are systematically provided with origin information on meat used as an ingredient in foods;	– It could allow certain flexibility in sourcing at the level of EU, especially in the case of epizootic disease outbreaks;	
Third scenario – Mandatory origin labelling at MS/third country level	Costs	– The additional origin costs, which are expected to be the highest amongst the 3 scenarios, are likely to be passed onto the consumers. – The low willingness of consumers to pay for additional origin information and given the current consumer perception that existing prices for meat are high, may result in a decrease in the consumption of meat-related products.	– It would pose operational challenges/radical adaptations (at higher degree than under the second scenario): ➤ Especially where meat from different Member States and/or third countries is mixed as well as for pork and chicken used as meat ingredients; ➤ Constraints access to a larger sourcing area in case of epizootic	– All FBOs would incur certain operating costs. These costs are estimated from +25-20% up to 50% of total production costs; – Additional traceability costs are estimated from +3% up to 10% of the total production costs; – Administrative burden on business is estimated from +8 up to 12% of the total production costs; – The additional control costs (including administrative burden on public authorities) are estimated

			disease outbreaks; ➤ Operators would need to switch to smaller production batches and adapt structures to achieve segregation by origin within the plants; ➤ Labelling/packaging would need to be adapted frequently depending on the sourcing;	from +10 to +30%. – Higher consumer prices for final products with meat used as an ingredient under all three scenarios under consideration. This price increase may result in less meat consumption; – Certain environmental impact is likely to take place given the increase of waste ingredients, especially in the case of trimmings/fat; – It would result in a market segmentation of meat consumption; – The adaptation of sourcing patterns (limiting the overall supply base within a specific MS or third country) could result in higher prices for the supply of meat as raw material; – It would result to a reduction of intermediaries which in combination with the adaptation in sourcing patterns may have an impact on employment; – International trade likely to be impacted given the risks for
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				adaptation in sourcing patterns and additional costs that are likely to be incurred by 3 rd country exporters to the EU. Exports of foods with meat used as an ingredient are likely to increase;
	Benefits	– Guarantees that consumers are systematically provided with origin information on meat used as an ingredient in foods; – Informative value for consumers, as it provides meaningful information to consumers;		

Table 8 below provides an overview of the advantages and disadvantages of the different modalities for the definition of origin under the second and third scenarios:

Table 8: Advantages and disadvantages of different modalities under 2nd and 3rd scenarios			
Modalities under 2nd and 3rd scenarios (mandatory origin labelling)		Advantages	Disadvantages
Category I: Meat preparations/products from MSM	Country where ingredient was wholly obtained or country of last substantial (Customs Code)	– Provides meaningful information to the consumer; – Trimmings and fat could be used as ingredients, where origin is determined as the country of the last substantial transformation.	– Additional traceability systems would be required; – If multiple origins are involved in upstream stages of the supply chain, implementation could be challenging; – Trimmings and fat are not likely to be used as ingredients in cases, where origin is determined as the place of minimum rearing prior to slaughter, given the challenges in storage/traceability.
	Place of minimum rearing prior to slaughter + place of slaughter	– Places more emphasis on the provenance of the raw material where the ingredient was not wholly obtained in a country.	– Additional traceability systems would be required; – If multiple origins are involved in upstream stages of the supply chain, implementation could be

			challenging; – Trimmings and fat are not likely to be used as ingredients, given the challenges in storage/traceability.
Category II: Meat products	Country where ingredient was wholly obtained or country of last substantial transformation (Customs Code)	– Places more emphasis on the place of processing where the country of last substantial transformation applies; – Technically feasible for FBOs; – More practical, if multiple origins are involved in upstream stages of the supply chain; – Trimmings and fat could be used as ingredients.	– Provides no information on the provenance of the raw material where the country of last substantial transformation applies.
	Place of minimum rearing prior to slaughter + place of slaughter	– Places more emphasis on the provenance of the raw material where the ingredient was not wholly obtained in a country.	– Provides no information on the place of processing; – Additional traceability systems would be required; – Particularly challenging where multiple origins would be involved; – Trimmings and fat are not likely to be used as ingredients, given

			the challenges in storage/traceability.
Category III: Multi-ingredient foods with meat used as an ingredient	Country where ingredient was wholly obtained or country of last substantial transformation (Customs Code)	– Places more emphasis on the place of processing where the country of last substantial transformation applies; – Trimmings and fat could be used as ingredients.	– Provides no information on the provenance of the raw material where the country of last substantial transformation applies; – Additional traceability systems would be required; – Particularly challenging where multiple origins would be involved, which is often the case in multi-ingredients foods.
	Place of minimum rearing prior to slaughter + place of slaughter	– Places more emphasis on the provenance of the raw material where the ingredient was not wholly obtained in a country.	– Provides no information on the place of processing of the meat ingredients; – Additional traceability systems would be required; – Particularly challenging where multiple origins would be involved, which is often the case in multi-ingredients foods; – Trimmings and fat are not likely to be used as ingredients, given the challenges in

			storage/traceability.
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ANNEX I: GLOSSARY

Technical terms and acronyms

ASSICA:	Associazione Industriali delle Carni e dei Salumi
AU:	Austria
AVEC:	Association of Poultry Processors and Poultry Trade in the EU countries
BMPA:	British Meat Processor Association
BAU:	Business-As-Usual (<i>costs</i>)
BE:	Belgium
BEUC:	The European Consumer Organisation
BG	Bulgaria
BVDF:	Bundesverband der Deutschen Fleischwarenindustrie
CAs:	Competent Authorities
CLITRAVI:	Liaison Centre for the Meat Processing Industry in the European Union
COM:	European Commission
COPA-COGECA:	Committee of Professional Agricultural Organisations and General Confederation of Agricultural Co-operatives in the European Union
CULINARIA:	Federation of Associations and Enterprises of Industrial Culinary Products Producers within Europe
CZ:	Czech Republic
CWE	Carcass weight equivalent
DE:	Germany
DEFRA:	Department for Environment, Food and Rural Affairs
DK:	Denmark
DG AGRI:	Directorate General for Agriculture and Rural Development
DG SANCO:	Directorate General for Health and Consumers
EE	Estonia
EEN:	Enterprise Europe Network
EL:	Greece
ES:	Spain
EU:	European Union
EUROCOMMERCE:	Retail, Wholesale and International Trade Representation to the EU
FBO/s:	Food Business Operator/s
FCEC:	Food Chain Evaluation Consortium

FDE:	Food Drink Europe Association
FIC:	Food Information to Consumers (Regulation (EEC)1169/2011)
FL	Finland
FR:	France
HS	Harmonised System
IE	Ireland
IOs:	Information Obligations
IT:	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MS(s):	Member State(s)
MSM	Mechanically separated meat
MT	Malta
NL:	Netherlands
PL:	Poland
PT:	Portugal
RO:	Romania
SE:	Sweden
SCM:	Standard Cost Model
SK	Slovakia
SME(s):	Small and medium enterprise(s)
SV	Slovenia
TCs:	Third Countries
UECBV:	European Livestock and Meat Trading Union
UK:	United Kingdom
WTP	Willingness to Pay
WTO:	World Trade Organisation

ANNEX II: APPLICABLE DEFINITIONS IN THE FIC REGULATION CONCERNING ORIGIN

The FIC Regulation lays down the following definitions concerning origin, which are pertinent for the present Staff Working Document:

- ❖ 'Prepacked food' means any single item for presentation as such to the final consumer and to mass caterers, consisting of a food and the packaging into which it was put before being offered for sale, whether such packaging encloses the food completely or only partially, but in any event in such a way that the contents cannot be altered without opening or changing the packaging; 'prepacked food' does not cover foods packed on the sales premises at the consumer's request or prepacked for direct sale.¹⁰⁹
- ❖ 'Primary ingredient' means an ingredient or ingredients of a food that represent more than 50% of that food or which are usually associated with the name of the food by the consumer and for which in most cases a quantitative indication is required.¹¹⁰
- ❖ 'Country of origin'¹¹¹ refers to the origin of a food as determined in accordance with Articles 23 and 26 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code.¹¹² Article 23 of Regulation (EEC) No 2913/92 provides that goods originating in a country shall be those wholly obtained or produced in that country. In that respect, the expression 'goods wholly obtained in a country' means, amongst others, products derived from live animals raised therein, products of hunting or fishing carried on therein as well as goods which are produced therein exclusively from all the above-mentioned goods or from their derivatives, at any stage of production. Article 24 clarifies that 'goods whose production involved more than one country' shall be "deemed to originate in the country where they underwent their last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture".
- ❖ 'Place of provenance' means any place where a food is indicated to come from, and that is not the 'country of origin' as determined in accordance with Articles 23 to 26 of Regulation (EEC) No 2913/92; the name, business name or address of the food business operator on the label shall not constitute an indication of the country of origin or place of provenance of food within the meaning of this Regulation.¹¹³
- ❖ 'Meat' means edible parts of the following animals, including blood:¹¹⁴
 - 'Domestic ungulates' means domestic bovine (including Bubalus and Bison species), porcine, ovine and caprine animals, and domestic solipeds.
 - 'Poultry' means farmed birds, including birds that are not considered as domestic but which are farmed as domestic animals, with the exception of ratites.

¹⁰⁹ Article 2(2)(e) of the FIC Regulation.

¹¹⁰ Article 2(2)(q) of the FIC Regulation.

¹¹¹ Article 2(3) of the FIC Regulation.

¹¹² OJ L 302, 19.10.1992, p. 1.

¹¹³ Article 2(2)(g) of the FIC Regulation.

¹¹⁴ Article 2(1)(f) of the FIC Regulation read in conjunction with point 1.1 of Annex I to Regulation (EC) No 853/2004.

- 'Lagomorphs' means rabbits, hares and rodents.
- 'Wild game' means:
 - wild ungulates and lagomorphs, as well as other land mammals that are hunted for human consumption and are considered to be wild game under the applicable law in the Member State concerned, including mammals living in enclosed territory under conditions of freedom similar to those of wild game; and
 - wild birds that are hunted for human consumption.
- 'Farmed game' means farmed ratites and farmed land mammals other than domestic ungulates referred above.
- 'Small wild game' means wild game birds and lagomorphs living freely in the wild.
- 'Large wild game' means wild land mammals living freely in the wild that do not fall within the definition of small wild game.
- ❖ Meat preparations cover fresh meat, including meat that has been reduced to fragments, which has had foodstuffs, seasonings or additives added to it or which has undergone processes insufficient to modify the internal muscle fibre structure of the meat and thus to eliminate the characteristics of fresh meat.¹¹⁵
- ❖ Mechanically separated meat ('MSM') is the product obtained by removing meat from flesh-bearing bones after boning or from poultry carcasses, using mechanical means resulting in the loss or modification of the muscle fibre structure.¹¹⁶
- ❖ 'Meat products cover processed products resulting from the processing of meat or from the further processing of such processed products, so that the cut surface shows that the product no longer has the characteristics of fresh meat.¹¹⁷

¹¹⁵ Article 2(1)(f) of the FIC Regulation read together with point 1.15 of Annex I to Regulation (EC) No 853/2004.

¹¹⁶ Article 2(1)(f) of the FIC Regulation read together with point 1.14 of Annex I to Regulation (EC) No 853/2004.

¹¹⁷ Article 2(1)(f) of the FIC Regulation read together with point 7.1 of Annex I to Regulation (EC) No 853/2004.