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AND THE COUNCIL regarding the mandatory indication of the country of
origin or place of provenance for unprocessed foods, single ingredient
products and ingredients that represent more than 50% of a food

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**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
unprocessed foods, single ingredient products and ingredients that represent more than
50% of a food**

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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 unprocessed foods, single ingredient products and ingredients that represent more than 50% of a food

1. INTRODUCTION

Article 26(5) and (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 require the Commission to submit a series of reports to the European Parliament and the Council concerning the possibility to extend mandatory origin labelling for the following food categories:

- (a) types of meat other than beef, swine, sheep, goat and poultry;
- (b) milk;
- (c) milk used as an ingredient in dairy products;
- (d) unprocessed foods;
- (e) single ingredient products;
- (f) ingredients that represent more than 50 % of a food.

The present report covers unprocessed foods, single ingredient products and ingredients that represent more than 50 % of a food.

Following Article 26(7) of the FIC Regulation, the report shall analyse:

- the need for the consumer to be informed;
- the feasibility of such labelling; and
- the costs and benefits of the introduction of such measures, including the legal impact on the internal market and the impact on international trade.

This report builds mainly on the results of an external study commissioned by DG SANTE and carried out by the Food Chain Evaluation Consortium (FCEC),² which

¹ Regulation (EU) No 1169/2011 of the European Parliament of the Council of 25 October 2011 on the provision of food information to consumers (OJ L 304, 22.11.2011, p. 18).

² Study on the mandatory indication of country of origin or place of provenance of unprocessed foods, single ingredient products and ingredients that represent more than 50% of a food - Final report - Food Chain Evaluation Consortium (FCEC) - http://ec.europa.eu/food/food/labellingnutrition/foodlabelling/index_en.htm

included consumers, food business operators (FBOs) and Member States competent authorities surveys and case studies but also on other available sources on this subject.

DG GROW conducted an SME test, whose results are incorporated in the FCEC study.

2. MANDATORY AND VOLUNTARY LABELLING

Currently mandatory rules on origin labelling exist for several sectors, such as honey³, fruit and vegetables⁴, fish⁵ (not fish products such as prepared or preserved fish), beef and beef products⁶, olive oil⁷, wine⁸, eggs⁹, and imported poultry¹⁰.

The FIC Regulation introduced mandatory origin labelling for fresh, chilled or frozen meats of swine, sheep, goat and poultry, whose modalities have been fixed by Commission Implementing Regulation (EU) No 1337/2013¹¹.

Apart from these rules on mandatory labelling of origin FBOs are free to label at their own initiative the country or region of origin, provided they fulfil the applicable provisions of the FIC Regulation.

³ Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of agricultural products, OJ L 347, 20.12.2013, p. 1671.

⁴ Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) and 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. 1-163.

⁵ Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, OJ L 354, 28.12.2013, p. 1.

⁶ Regulation (EC) No 1760/2000 of the European Parliament and 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, OJ L 204, 11.8.2000, p. 1.

⁷ Commission Implementing Regulation (EU) No 29/2012 of 13 January 2012 on marketing standards for olive oil, OJ L 12, 14.1.2012, p. 14-21.

⁸ Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation).

⁹ Commission Regulation (EC) No 589/2008 of 23 June 2008 laying down detailed rules for implementing Council Regulation (EC) No 1234/2007 as regards marketing standards for eggs, OJ L 163, 24.6.2008, p. 6-23.

¹⁰ 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 poultrymeat, OJ L 157, 17.6.2008, p. 46-87.

¹¹ Commission Implementing Regulation (EU) No. 1337/2013 of 13 December 2013 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, OJ L 335, 14.12.2013, p. 19.

3. SCOPE OF THE FOODS CONCERNED

The term "unprocessed foods" is defined in the FIC Regulation and means foodstuffs that have not undergone processing, and includes products that have been divided, parted, severed, sliced, boned, minced, skinned, ground, cut, cleaned, trimmed, husked, milled, chilled, frozen, deep-frozen or thawed. For example, flour, rice, and cut green vegetable salads are considered as unprocessed products.

The FIC Regulation however gives no definition of "single ingredient products". For the purpose of this report, such products are understood as products that contain only one ingredient or feedstock. Examples are sugar, tomato purée, vegetable oils of a single vegetable origin, frozen potato fries when no additive or salt has been added to these products.

The FIC Regulation also gives no definition of the "ingredients that represent more than 50% of a food", nor does it set out what the threshold of 50% refers to (volume, weight, etc.). Ingredients falling in this category could be for example the tomato of a tomato sauce, fruit in fruit juices, flour in bread (bakery sector).

4. OVERVIEW OF THE SECTOR AND THE SUPPLY CHAIN

4.1. Overview of the EU food sector

The EU food and drink sector has a turnover of €1,048 billion, generates a value added of €206 billion and employs 4.2 million people, making it the largest manufacturing sector and the leading employer in the EU.

There are 286,000 companies in this sector, 99% of which are SMEs (including microenterprises).

4.2. Overview of the supply chain for the food production

EU FBOs procure raw materials from multiple sources in most of the food sectors. For commodities such as coffee, flour, the different raw material sources are required to maintain the desired quality of the product and to avoid variations due to seasonality. Price is also a key parameter and origin of raw material is often changed to minimise costs. When multiple sources are used, according to the FCEC study, 50% of the FBOs modify the origin of their ingredients 3 times or more per year. The more complex and sophisticated the supply chain is, the more burdensome origin labelling becomes.

Regarding the traceability, as requested by the EU legislation on food safety¹², FBOs shall be able to identify their immediate suppliers and customers. This one step forward one step back traceability is usually the only traceability ensured and only 29% of FBOs go beyond this requirement and set up a more complete traceability system.

¹² Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety, OJ L 31, 1.2.2002, p. 1.

4.3. Use of voluntary origin labelling and EU quality schemes

The consultation of stakeholders revealed that voluntary origin labelling was rarely used for the food sectors covered by the report. When such schemes are used, it is only for a minor part of the total production of a given product (for example < 1% of total coffee market) and mainly for the high value segment. The products bearing an EU quality scheme logo, such as a protected designation of origin (PDO), a protected geographical indication (PGI), or a traditional speciality guaranteed (TSG) are not predominant in most of the food categories under the scope of the report. Such indications are not always indications on the provenance of the raw materials but can be linked, for instance, to a regional know how and refer to the place of production.

5. CONSUMER ATTITUDES TOWARDS INFORMATION ON FOOD ORIGIN

Consumer research shows that among aspects influencing consumer's behaviour origin labelling ranks after factors like price, taste, use by / best before dates, convenience and/or appearance.

Interest in origin labelling appears generally lower for the products relevant to the present study, but still reaches three quarters of the respondent consumers in the FCEC study. In the FCEC study, consumer declared interest for the place of farming appears as important as their interest for the place of production, but when asked for concrete cases, consumers clearly prefer the information related to the place of production.

An overwhelming majority of interviewed consumers would prefer origin information at the level of the country.

Regarding the reasons for consumer demand for origin labelling, there are important differences between Member States. For 42.8% of EU interviewed consumers, origin labelling would be used to favour national or local production over other food origins. For 12.9% of EU consumers, origin labelling is considered to provide reassurance on the quality of the food product. Environment-related reasons drive the interest of some 12.8% of EU consumers. Origin labelling would also reassure 10.8% of EU consumers on the safety of the food they buy.

However, it must be noted that while some of the above reasons for an interest into the origin of the food can be considered as legitimate (e.g. support for local produce, characteristics of the product 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 must be 'safe'. Indeed, the primary aim of EU food legislation is to ensure food safety. The audits carried out by the Commission service responsible (the Food and Veterinary Office of the Directorate General Health and Food Safety) in Member States provide ample evidence of the consistently high level of safety which the implementation of EU legislation provides for. Similarly, audits are carried out in third countries to ensure that products exported meet the EU safety standards.

Concerning consumer willingness to pay to have origin information, there is scattered and sometimes contradictory evidence, which may be due to methodological bias. Previous studies on the consumer willingness to pay showed that in spite of an interest for a given information, consumers are not ready to buy products at a higher cost to have this information¹³. However, the FCEC study estimated a high willingness to pay for the products under the scope of the study (+30% for the information at EU level, +40-50% for the information at country level). It should also be noted that there is a significant gap between consumer intentions and actual behaviour.

6. POSSIBLE SCENARIOS AND ORIGIN MODALITIES CONCERNING THE PROVISION OF ORIGIN LABELLING FOR UNPROCESSED FOODS, SINGLE INGREDIENTS PRODUCTS AND INGREDIENTS THAT REPRESENT MORE THAN 50% OF A FOOD

For the purposes of this report, the following scenarios are examined:

- Scenario 1: origin labelling on voluntary basis (*status quo*);
- Scenario 2: mandatory origin labelling based on EU/non-EU or EU/third country;
- Scenario 3: mandatory origin labelling indicating the Member State or third country;
- Scenario 4: mandatory labelling indicating other geographical entities (region).

For scenarios 2, 3 and 4, different modalities have been studied for each of the three main product categories:

- Modality a: place of production: the origin would be defined in the Customs Code, i.e. country where the product has been wholly obtained or where it underwent its last substantial transformation;
- Modality b: place of farming of the main raw material, *i.e.* place of harvest of fruits, vegetables and cereals, or place of fishing for processed fishery products;
- Modality c: both of the above.

7. ANALYSIS OF COSTS AND BENEFITS OF THE DIFFERENT SCENARIOS

7.1. Impact concerning consumer behaviour

Under scenario 1, the extent of origin information would depend on the demand from consumer. Food prices being not impacted, this option would satisfy consumers who are attaching high importance to food prices. The new rules on voluntary origin

¹³ 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 (COM(2013)755).

would anyway avoid consumers being misled as to the true origin of the primary ingredient for foods claiming a given origin, as a different origin of the primary ingredient would have to be signalled.

The scenario 2 would only satisfy consumers if the product, in the eyes of the consumer, is seen as safer or of better quality in comparison with non-EU countries, which is uncertain. This level of information is also often considered as too generic and not worthy of the additional costs passed onto the final consumers, even if this additional cost may be lower than for the scenarios 3 and 4.

The scenario 3 is expected to lead to higher consumer satisfaction but also higher impact on production cost compared with scenario 2 and therefore higher price increase for the consumers. Impact of such origin labelling would also certainly result in a preference for national products.

The fourth scenario does not appear preferable for consumers compared with the option of an origin indication at country level. This option is also expected to lead to much higher additional costs for FBOs, and therefore higher prices for consumers.

7.2. Economic impacts

Given that FBOs questioned the feasibility of scenario 4 and the lack of higher interest from consumers compared with scenario 3, only the economic impact for the three first scenarios is reported.

Because the study deals with a wide range of food categories, it was not possible to aggregate data on economic impact. The quantification of economic impact was therefore left at the level of the concrete case studies and is reported in the FCEC study.

7.2.1. Operating costs of FBOs

Under scenario 1, the operating costs would be kept to the current levels. Under scenarios 2 and 3, FBOs opting for a single origin or a limited number of origins would have to face additional operating costs (one-off and recurrent) due to the necessary adaptations of sourcing practices, traceability systems, production process, packaging and marketing practices. Under scenario 3, operating costs will increase an estimated 10 to 15% for sectors that are not dealing with a high number of different origin, but can reach 30% in many cases.

Some of these costs would be mitigated if the scenario 2 was selected, or if the scenario 3 applied with the possibility to label several countries (allowing mixes of origin in a given product, or also allowing the labelling of different origins which could occur subsequently during the production). FBOs also estimate the modality requesting the labelling of the place of production in general less costly than the labelling of the place of farming, because of the lower number of production places compared with the number of raw material origins and the less extensive traceability system required.

7.2.2. *Impact on the internal market and on international trade*

Under scenario 2, it is expected that the internal market would not be affected, as the scenario does not differentiate between Member States origins. However, depending on the reaction of consumers to a EU or non-EU label and depending also on the adaptation of the sourcing practices of the FBOs, international trade may be impacted, which raises the issue of international trade agreements existing for some of the products covered by the studies, such as sugars. Third countries also highlighted their concerns on the potential loss of exports to the EU, because of additional production and labelling cost, and also because of a predicted shift of EU FBOs towards EU suppliers.

Scenario 3, besides similar impact as scenario 2 on international trade, risks to impact the internal market, with a possible nationalisation of food supply chains, as almost half of the respondent consumers indicated that they would prefer products from their country. Under this scenario, although EU products could benefit from the preference of consumers on the EU market, additional burden and rigidity of the sourcing practices would penalise EU FBOs on the international market.

7.2.3. *Administrative burden on businesses*

For FBOs dealing with raw materials of different origins, additional administrative burden would be due to the records of the origin for the supplies of deliveries and for the adaptation of the traceability system. Fixed costs would represent an important part of the additional burden, and would penalise much more SMEs. Only SMEs sourcing with a single or a limited number of origins would not be penalised.

Scenario 1 would result in negligible administrative burden and only for the businesses that provide the origin of the final food and that origin is different from the primary ingredient(s). The total burden is also estimated to be lower under scenario 2 compared with scenario 3, and lower for modality a compared with modality b.

7.2.4. *Additional burden on public authorities*

For public authorities, the estimation by Member States of the increase in control costs is very divergent. Under the hypothesis that the funding allocated to control authorities by the state budgets is not increased, such new rules may lead to a reduction in the frequency of controls or a change in priorities, which, combined with the absence of analytical method to check the origin of foods, may result in an increased risk for fraud.

7.2.5. *Costs for consumers*

The provision of origin information is expected to result in increased costs, which would certainly be passed mainly onto to the consumer (based on the FCEC study). According to this study, the importance of these cost increases would vary from non-significant cost increase to high increase, depending on the food, the food sector, but also the Member State.

Scenario 1 is not likely to result in an overall price increase. Only the products bearing voluntary origin information could potentially be affected.

Scenarios 2 and 3 are likely to result in an overall price increase in the consumer price, which would be much higher in the latter case. As such, scenario 3 – and to a lesser extent scenario 2 – may result in a decrease in the consumption of the food products in the scope of the report if the cost increase is substantial, or to a higher consumer budget dedicated to the purchasing of these foods, which can often be basic foods.

It should also be noted that under scenario 3, the nationalisation of the food chain could have an impact on employment due to the reorganisation of the food production chain, with positive impacts in certain cases and negative impacts in others.

7.2.6. *Environmental impacts*

The introduction of mandatory rules for origin information may result in an increased food waste and a lower energy efficiency due to the multiplication of production lines or production batches, the multiplication of the distinct food products (Stock Keeping Units) on the EU market and of the distribution channels necessary to distribute them. This impact would be much more pronounced for scenario 3 compared with scenario 2, while scenario 1 would have no or minimal impact.

Scenario 2 and 3 could however provide an incentive to consume products produced more locally, which could have a beneficial impact on the environment by limiting potential pollution from transport.

7.3. **Costs and benefits of the different scenarios**

The table below provides a summary of advantages and disadvantages of the different origin scenarios.

Scenarios		Impact on consumers based on the FCEC study	Economic impacts based on the FCEC study
Scenario 1 – Maintaining voluntary origin	Costs	Does not guarantee that consumers are systematically provided with origin information	Additional operating costs would be kept to the minimum Limited administrative burden on businesses and public authorities No or limited price increases
	Benefits	Food prices would be maintained at their current levels, except for those cases where voluntary labelling is applied and origin of primary ingredient is different Consumers, who do not attach any specific importance to origin, would not have to bear the	It would not lead to internal market segmentation and therefore intra-EU trade would not be affected The lack of additional burden would allow to maintain the competitiveness of the EU FBOs in the international market

Scenarios		Impact on consumers based on the FCEC study	Economic impacts based on the FCEC study
		<p>additional origin-related costs</p> <p>Consumers interested in knowing the origin may opt for products bearing this information</p>	
Scenario 2 – Mandatory origin labelling at EU/non EU or third country level	Costs	<p>The origin information provided would not be very informative, as it would be too general</p> <p>The information may raise further questions on the more precise origin of food, even among consumers that were not a priori requesting such information, leading to a certain frustration</p> <p>The additional origin costs are likely to be passed onto the consumers</p>	<p>FBOs would incur certain operating costs, because of supply chain and production adaptations</p> <p>For most of the sectors, these costs are estimated from negligible up to moderate for modality a and from moderate to high for modalities b and c</p> <p>Additional administrative burden on businesses and public authorities, but lower than with scenario 3</p>
	Benefits	<p>Guarantees that consumers are systematically provided with origin information</p> <p>Could be perceived as a food quality and safety label</p>	<p>More flexible for sourcing practices compared with scenario 3</p> <p>With a recognised EU food quality and safety, this could contribute to a better positioning of the EU food product in international trade</p>
Scenario 3 – Mandatory origin labelling at MS/third country level	Costs	<p>Impact of final products prices would be markedly higher than in scenario 2</p> <p>This could impact the budget consumer dedicate to their food, as many product would be in the scope of the legal requirement</p>	<p>All FBOs would incur certain operating costs because of the duplication of storage facilities, fragmentation of production processes, more complete traceability systems, labels changes</p> <p>According to the FCEC study, operating costs increases are estimated from 10 to 15% for the sector that are not dealing with a high number of different origin, but can reach 30% in many cases</p> <p>Administrative burden on FBOs and controlling authorities would be higher than in scenario 2</p> <p>It would result in more market segmentation of the different food sectors, nationalisation of the food supply chain, with a lower competitiveness on the international market</p>
	Benefits	<p>Guarantees that consumers are systematically provided with origin information</p>	<p>Could boost certain domestic sales because of food nationalism</p>

Scenarios		Impact on consumers based on the FCEC study	Economic impacts based on the FCEC study
		Improve consumer confidence in food.	
Scenario 4 – Mandatory origin labelling at lower level (region)		No higher consumer interest compared with scenario 3	Higher impact compared with scenario 3

8. CONCLUSIONS

In terms of factors affecting consumer purchasing decisions, consumer interest in origin labelling, ranks behind price, taste, use by / best before date, convenience and/or appearance aspects. Even if consumer interest in origin labelling for unprocessed foods, single ingredient products and ingredients representing more than 50% of a food is claimed by two thirds to three quarters of consumers, it is lower than for food categories such as meat, meat products or dairy products.

Consumers link origin information to various product aspects, such as quality, safety, environmental concerns and also declare that they would buy national products to support the economy of their country, with important differences amongst Member States. They would prefer information on origin at the level of the country compared with a EU/non-EU level and seem more interested in the place of production compared with the place of farming of the raw material.

Unprocessed foods, single ingredient products and ingredients that represent more than 50% of a food are food categories that gather very different products, for which consumer interest in origin information and economic impact of imposing a mandatory origin labelling varies greatly.

The supply chains for the three categories of foods in the scope of the report show that the origin of ingredients varies frequently to maintain low purchasing prices and to maintain the quality of the final product. Therefore, mandatory origin labelling at the EU level and even more at the level of the country is highly complex to implement in many areas of food, leading to substantial increases of costs of production, which ultimately would be passed on to consumers.

Origin labelling on a voluntary basis would be the least market disruptive scenario and would maintain product cost at current levels. It would not provide a satisfactory solution to the consumer demand for systematic origin information, but consumers could, if they so wish, opt for foods where origin information is voluntarily provided for by food business operators. Mandatory origin labelling at EU level (EU/non-EU or EU/third country) leads to less important production cost increases, less burden for both food business operators and Member States competent authorities, but consumer satisfaction would be not as high as with mandatory origin labelling at country level. Unlike origin labelling at EU level, origin labelling at country level would have an

important impact on the internal market, with a possible increase of consumption of local foods for certain markets.

Both mandatory origin labelling scenarios at EU and country levels could impact on international food supplies and interfere with existing trade agreements with third countries. Additional labelling rules may lower the competitiveness of EU food business operators on the international market, while food business operators from third countries are concerned about potential additional costs of production and loss of exports to the EU because consumers would prefer foods of EU origin.

Finally, mandatory origin labelling would represent an additional burden on Member States competent authorities, in particular in the current economic environment, if they had to cope with the imposition of possible new control tasks for such additional requirements.

Against this background and in view of the Commission policies in terms of better regulation, voluntary origin labelling combined with the already existing mandatory origin labelling regimes for specific foods or categories of food appears as the suitable option. It maintains selling prices at current levels and still allows consumers to choose products with specific origins if they want to, while it does not affect the competitiveness of food business operators and does not impact internal market and international trade.