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RÉPUBLIQUE FRANÇAISE

MINISTÈRE
DE L'AGRICULTURE
ET DE
L'ALIMENTATION

ORIGIN LABELLING BRUSSELS – JULY 8, 2019

Reminder of the context in France

High expectations of consumers which the French authorities have wanted to address:

- Specific expectations regarding the origins of the main ingredients of processed products confirmed by several surveys.
- A need for transparency and improvement of traceability to reassure consumers particularly because of recent scandals in this field.

Implementation of the French system: an initial pilot period of two years

- A phase of consultation with the stakeholders (professionals, consumers, public authorities) during summer 2016.
- Publication on August 21, 2016 of Decree No. 2016-1137 concerning the mandatory indication of the origin of milk, milk in dairy products and meat in processed products with an initial implementation from January 1, 2017 to December 31, 2018.

Scope of application of Decree 2016-1137

The products involved are:

- Milk
- Milk used in dairy products (products with at least 50% milk)
- Bovine, porcine, ovine, goat meat and poultry used in food products (products with at least 8% meat)

Products manufactured or marketed in another Member State are not subject to the provisions of the decree.

Implementing rules of Decree 2016-1137

Mandatory labelling of the origin (country) of meat at the following stages:

- ▶ Birth, rearing and slaughtering.

Mandatory labelling of the origin (country) of milk at the following stages:

- ▶ Collection (stage of production on the level of the farm) and packaging or processing.

The degree of accuracy of the information given to the consumer was left to the initiative of each operator.

- For each stage, the wording “EU”, “Non-EU” or “EU and non-EU” can be used.
- If, for all stages, the origin corresponds to one or several countries, it is possible to use the wording, depending on the situation: “Origin: Country”, “Origin: EU” or “Origin: Non-EU”.

Implementing rules of Decree 2016-1137

- Products with a PDO (Protected Designation of Origin) or from organic agriculture are not subject to the provisions of the Decree.
- Pre-existing voluntary labelling can be considered to be equivalent if its specifications meet the defined obligations.
- Food products manufactured or marketed before the taking effect of the Decree and for which the labelling was not compliant with the provisions of the Decree could be sold until the stocks run out and until March 31, 2017 at the latest.

Evaluation of the implementation of Decree 2016-1137

- The system was evaluated by independent external consulting firms (ADE and Proteis) based on a call for tender with precise specifications.
- The final report of this evaluation was sent to the European Commission on March 15, 2019. The main conclusions of the evaluation were presented at the Standing committee for plants, animals, food and feed (PAFF Committee) on October 22, 2018 and the evaluation results were sent to the Commission in the form of a slide show in December 2018.

Evaluation methodology

The evaluation specifications were structured with nine evaluative questions:

- 1) What were the difficulties encountered by operators (producers, processors, retailers) in implementing the Decree?
- 2) What evolutions of product costs and what possible impacts of additional costs can we observe for agricultural producers, agro-food industries and supermarkets? What is the breakdown in the value chain?
- 3) What are the impacts of the Decree on the relationship between actors of the sector, on the breakdown of costs within the value chain and on the power relationships between the actors?
- 4) How was the origin labelling perceived and understood by consumers?
- 5) Did the mandatory origin labelling lead to a change in purchasing behaviors?

Evaluation methodology

- 6) What changes in sale prices occurred for the products affected by the system and with what impacts on the purchasing power of households?
- 7) What is the impact of the measure on trade?
- 8) In light of the results of the evaluation, is the continuation and extension of the mandatory labeling of the origin of milk and meat in processed products desirable?
- 9) If yes, what are the recommendations for improvements of the system that could be proposed?

Evaluation methodology

To answer these questions, the evaluation was carried out in two phases:

Phase 1 - Assessment of the implementation of the Decree (meetings with all of the stakeholders, direct readings with 24 stores such as supermarkets, hypermarkets, mini-markets, discounters or freezer centers)

Phase 2 - Work on the basis of cross-comparison of results from quantitative and qualitative methods and in particular:

- Bibliographic search on a sample of selected products
- Surveys with agro-food industry leaders present at store shelves (supermarkets)
- Surveys via Internet with actors of the “delicatessen, cured meat and salted meat” and “prepared foods and delicatessen products” sectors, especially small and medium sized enterprises...
- Surveys with consumers (on-line surveys + “shopper” surveys)

Results of the implementation of the system (phase 1)

Objective: to compare the application of the system (summer 2017) to a reference situation (2015-2016).

Results – They were based on the observation of more than 8600 product references subject to the system. They show:

- Good application of the obligations: in summer 2017, more than 90% of the products mentioned the origin according to the planned requirements.
- Many voluntary initiatives already existed in France, in particular for food products containing pork and beef, and for liquid milk.
- However, there were substantial increases for some categories of products between the reference situation and the summer of 2017, e.g. for dairy products (from 50% to 91%), poultry products (from 11% to 97% for poultry delicatessen meats) and sandwiches (from 8% to 100%).

Implementation of Decree 2016-1137 (phases 1 and 2)

Main impacts on the actors of the sectors

► Occasional operational difficulties concentrated in the transition period to implement the system and concerning in particular:

- The tight deadline for the implementation of the system.
- The adaptation of the packaging and the labels.
- A tense dialogue between the principals (food distribution sector) and the processing industries.
- A lack of personnel or competencies for in-house management of the labelling requirements.

Once it is in place, the day-to-day management of the system presents no further difficulties for the agro-food industries.

Implementation of Decree 2016-1137

Main impacts on the actors of the sectors

► **Low and occasional additional costs**

- The system generated low additional costs per product unit: increase in the ex-factory price of 0.1 to 0.5%.
- These costs (staff time and designing of new visuals) were incurred during the transition period but are generally non-permanent.

► No repercussion of these costs on the entire food supply chain: they were essentially absorbed by the processing industries.

Implementation of Decree 2016-1137

Main impacts on the actors of the sectors

- ▶ **A moderate impact on the relations between actors in the sector:**
 - Occasional tensions between agro-food industries and food distribution companies because of the management of a change of a large number of references over a short period of time.
 - But a quick return to the usual relationship.

Implementation of Decree 2016-1137

Main impacts on the actors of the sectors

► **In the opinion of processing industries and food distribution companies, negligible impacts on sales....**

The system did not cause significant modifications to the volumes or market shares of the sales of labelled products.

Implementation of Decree 2016-1137

Main impacts on the actors of the sectors

► as well as **on trade**:

- The study did not reveal any significant modification in volume of the origin countries for the supplying of milk or meat in conjunction with the implementation of the Decree.
- The observation period (2013-2017) was marked by many contextual challenges for the sectors which had much bigger impacts (end of the dairy quotas in 2015, fluctuating Asian demand, Russian embargo, sanitary crisis in the animal sector, etc.).
- Possible changes of origin are most often marginal or were prior to the Decree. They are associated in particular with specific strategies of the operators or sector approaches initiated prior to the Decree or with market situations.

Implementation of Decree 2016-1137

Main impacts for consumers

- ▶ **A certain awareness of the system but weak perception of the change:**
 - The on-line survey showed that the system is known to one third of the 1510 consumers surveyed and that 95 % want it to continue.
 - However, consumers frequently did not notice its application: various equivalent voluntary initiatives had made consumers used to implicitly integrating this notion.
 - Consumers declared that they had perceived as the main ways of indicating the origin of the ingredients: the mention of a French region, specific logos or the indication of the stages of manufacturing.

Implementation of Decree 2016-1137

Main impacts for consumers

► A strong interest in origins....

- The great majority of consumers want to know the origins of ingredients (70-86% according to the product categories).
- They have a great deal of confidence in regional, French and European origins. This is much less true for the indications “EU or Non-EU” or “Non-EU”.

Implementation of Decree 2016-1137

Main impacts for consumers

..... but paradoxically a low impact on purchasing behaviors:

- Few consumers understand the origin information provided.
- The origin does not turn out to be a priority purchasing criterion (cited spontaneously by 5% of the people surveyed). It is a factor that only comes after the price, the best-before date, the brand and promotions.
- In a real purchasing situation, only one quarter (28%) of the people questioned said that they were aware of the origin of the milk or of the meat used as an ingredient in the product purchased.

Implementation of Decree 2016-1137

Main impacts for consumers

► An absence of an impact on prices and on the purchasing power of consumers

- The agro-food industries and the retailers surveyed all agreed on the absence of an impact of the system on the retail sale prices of the products.
- The possible additional direct costs were for the great majority limited, temporary and not passed on in the value chain.

Conclusions

- The results of the evaluation of the French system for the labelling of the origin of milk, milk in dairy products and meat in processed products confirm **consumers' interest** in it, without it really influencing purchasing behaviors because of the pre-existing approaches that made consumers familiar with the idea.
- They also show a **very small impact of the system on production costs, on sale prices and on trade.**
- Stakeholders involved in the monitoring of the evaluation wished to maintain the system of origin labelling for the long term.

Conclusions

- At the end of 2018, the European Commission granted France an extension of the pilot period until March 31, 2020.
- This French initiative is not the only one: other member States (Lithuania, Portugal, Greece, Finland, Spain and Italy) have implemented similar systems for milk and meat, in particular.
- It reflects European citizens' interest in their food products as confirmed in the Eurobarometer of the EFSA published last June: 53% of Europeans (UE28) cite the origin of food products as the first choice of consumers.

The issue of the future harmonization of mandatory labelling of raw materials in processed products calls for discussions on the European level.