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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the provision of food information to consumers**

**IMPACT ASSESSMENT REPORT ON NUTRITION LABELLING ISSUES**

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## 1. EXECUTIVE SUMMARY

The recently published White Paper on a Strategy for Europe on Nutrition, Overweight and Obesity related health issues<sup>1</sup> stressed the need for consumers to have access to clear, consistent and evidence-based information when deciding which foods to buy. Nutrition labelling is an established way for information to be passed to consumers to support health conscious decision making in relation to food purchases. There is wide agreement in Europe today that the effectiveness of that nutrition labelling can be strengthened as a channel for information to consumers to support their ability to choose a balanced diet.

The Commission has conducted specific consultations of stakeholders on the revision of the legislation in 2003 and 2006 along with input from various discussions within Commission Committees and Advisory Groups. The feedback is that there is dissatisfaction among stakeholders on the current legislation but there are divergent views on how the legislation could be improved. For example, many consumers find nutrition labels hard to use but the research has not indicated whether the cause of the problem is the amount of information or other factors such as format of the presentation, lack of understanding of terms, placement of the information, type size, etc.

What is clear is that labels can be complex and most consumers would like simple, clear, understandable, standardised and authoritative nutrition information. Whilst the industry would support such an aim, they express concerns about the prescriptive nature of the current legislation and the costs implications of any potential changes. Not least as, depending on what is proposed, theoretically all labels in Europe might need to be changed.

Four main issues that were identified for possible review in the legislation and form the basis of the following policy issues are considered in this impact assessment:

- Policy Issue 1 – Disparity in inclusion of nutrition labelling on prepacked foods - consideration of whether nutrition labelling should remain in general voluntary or become mandatory
- Policy issue 2 – How much nutrition information should be included on the label – consideration of the nutritional elements that should be included in the nutrition labelling
- Policy issue 3 - Nutrition labelling on front of pack
- Policy issue 4 - Legibility of information

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<sup>1</sup> European Commission (2007), White Paper on a Strategy for Europe on Nutrition, Overweight and Obesity related health issues - COM(2007) 279.

The main objectives of any changes to the nutrition labelling legislation are:

- to make key nutrition information more widely available and more easily understandable to the consumer
- to create a level playing field for companies to compete

The possible regulatory framework was considered and it was concluded that the options to deregulated completely and to have regulation only at national level would not have been effective in achieving the main objectives of the nutrition labelling legislation. Therefore, these regulatory approaches were not considered in relation to the individual policy issues. However, the options of not changing the legislation, taking a voluntary approach or including specific requirements in the legislation were considered for each of the policy issues.

The first policy issue (disparity in the availability and provision of nutrition information) was examined on the basis of doing nothing, allowing for a voluntary approach and the possible introduction of mandatory nutrition labelling. The introduction of mandatory labelling was examined on the basis of applying to all the industry or with exceptions for SMEs as a whole or only exceptions for microbusinesses. In terms of the potential impact on industry the application of mandatory nutrition labelling across the board would have a major impact is applied immediately, however, with a transition period of 3 years it was estimated that the costs would be reduced significantly to around €1.2 billion. Whilst for the objective of making information more widely available to the consumer, the option that would lead to the most widespread inclusion of information was the mandatory labelling of all prepacked foods with the exceptions of microbusinesses expected to lead to around 90% of prepacked food being labelled. It is anticipated that the more widespread availability of nutrition information would lead to changes in consumers' behaviour with potential benefits on public health.

The second policy issue related to the information that should be included on the label. Any change from the existing requirements would have a potential impact on businesses needing to collect different nutritional composition information for their products. There could be potential benefits to the consumers if the information that was included covered the nutritional components that are most frequently looked for by consumers and those that are important in public health terms as being associated with the risk of development of certain non-communicable diseases.

The third policy issue concerned the inclusion of nutrition information on the front of food packs. This is an issue because this presentation is not specifically covered by the existing legislation and there is an increasing variety of schemes being introduced. From the analysis, the options to do nothing or leave to voluntary approaches would mean continuing proliferation of different schemes that could eventually impede the free movement of such goods within the Community. There is a need for clarity of the situation, however, the ban of such labelling would potentially have negative consequences for the industry and consumers. Therefore the provision of a framework for front of pack labelling would benefit to consumer (reducing the risk of confusion) and benefit the industry (reducing the risk of the creation of barriers to the free movement of goods).

The final issue was the consideration of the legibility of information on the label. This is one of the main reasons for complaints by consumers. In the analysis of the options it appeared that doing nothing or leaving to a voluntary approach would not lead to a significant improvement in the situation. The inclusion of a minimum font size for the type on food labelling would help to address the main complaint from consumers and would impose less burden on the industry than including requirements for all aspects of legibility in the legislation.

## **2. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES**

### **2.1. Consultations**

The Commission wrote to the Member States on 21 January 2003 seeking their views and experience on the implementation of Directive 90/496/EEC on Nutrition Labelling of Foodstuffs<sup>2</sup>. Fifty responses were received from 14 governmental organisations, 2 consumer groups, 4 public health NGOs and 30 food industry organisations or companies<sup>3</sup>. In addition, the Commission organised meetings with Member States and stakeholders in 2003.

On 29 November 2005 the UK Presidency held a meeting on nutrition labelling with Member States<sup>4</sup>.

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<sup>2</sup> Letter of 21 January 2003 from Mrs Testori Coggi, Director of Food Safety: production and distribution chain to Permanent Representations of the Member States.

<sup>3</sup> Responses to the consultation are available on the Commission Food Safety website pages: ([http://ec.europa.eu/food/food/labellingnutrition/nutritionlabel/comments\\_en.htm](http://ec.europa.eu/food/food/labellingnutrition/nutritionlabel/comments_en.htm)).

<sup>4</sup> Note from the Presidency on nutrition labelling, 16 December 2005 (Doc ref: 15897/05) (<http://register.consilium.europa.eu/pdf/en/05/st15/st15897.en05.pdf>).

DG SANCO launched a public consultation process on labelling on 13 March 2006, by means of a consultative document<sup>5</sup> dealing with different areas of labelling, and among others, identifying the major questions to be addressed in review of the nutrition labelling legislation. As part of the consultation process there were discussions within the following groups: the Advisory Group on the Food Chain and Animal and Plant Health; the European Consumer Consultative Group; the Consumer Policy Network of senior consumer officials; and the Health Policy Forum.

The public consultation formally closed on 16 June 2006 and a total of 175 contributions were received. Ninety five of the respondents provided views on the nutrition labelling aspects of the consultation. The breakdown of organisation were: 22 governmental organisations, 10 consumer groups, 7 public health NGOs, 51 food industry organisations or companies and 4 from individuals. A summary of the responses is available on the Commission website<sup>6</sup>.

## **2.2. Consumers survey (Focus Group)**

A qualitative study on labelling was carried out by an external contractor (OPTEM) in 2005 in order to assess consumers' attitudes with respect to labels and their information content, and to analyse consumers' expectations<sup>7</sup>.

## **2.3. Data collection on behalf of the Commission**

In 2004 an impact assessment on the introduction of mandatory nutrition labelling was prepared for the Commission by an external contractor<sup>8</sup>. In addition, between 26 October and 8 December 2006 there was a Small and Medium Enterprise Panel on Food Labelling organised by DG ENTR in consultation with DG SANCO which sought the opinions and data from small and medium sized enterprises (SMEs) in 19 Member States on certain aspects of general food labelling and nutrition labelling. Over 800 responses were received during the survey the results of the survey are included where relevant in this report.

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<sup>5</sup> Labelling: competitiveness, consumer information and better regulation for the EU. A DG SANCO consultative document.  
[http://ec.europa.eu/food/food/labellingnutrition/betterregulation/competitiveness\\_consumer\\_info.pdf](http://ec.europa.eu/food/food/labellingnutrition/betterregulation/competitiveness_consumer_info.pdf).

<sup>6</sup> Summary of results for the consultation document on: "Labelling: competitiveness, consumer information and better regulation for the EU"  
([http://ec.europa.eu/food/food/labellingnutrition/betterregulation/lab\\_cons\\_summary.pdf](http://ec.europa.eu/food/food/labellingnutrition/betterregulation/lab_cons_summary.pdf)).

<sup>7</sup> [http://europa.eu.int/comm/consumers/topics/product\\_labelling\\_en.htm](http://europa.eu.int/comm/consumers/topics/product_labelling_en.htm)

<sup>8</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission (Service contract nr SANCO/2004/D4/EAS/SI2.378734). 30 November 2004  
([http://ec.europa.eu/food/food/labellingnutrition/nutritionlabel/impact\\_assessment.pdf](http://ec.europa.eu/food/food/labellingnutrition/nutritionlabel/impact_assessment.pdf)).

Finally, the internal process to develop the impact assessment was supported by an external contract with RAND Europe. The contractors provided an *ex ante* assessment on the economic impact of the different policy options. As part of the contract, from 22 March to 16 May 2007 RAND Europe carried out an online consultation of the food industry in order to collect information and data on the possible impacts of the revision of the legislation. More than two hundred responses to the questionnaire were submitted. The report of the contractor in support of the impact assessment can be consulted at the web site of the contractor<sup>9</sup>. Unfortunately, requests to the representative industry organisations for information on costs associated with labelling and the detailed survey of individual companies conducted by contractor via the representative organisations produced incomplete cost data making an assessment of representative costs extremely difficult.

#### **2.4. Ad hoc consultations**

Since 2004 there have been presentations and discussions on nutrition labelling within both the Round Table on Obesity and the EU Platform for Action on Diet, Physical Activity and Health. In addition, as part of their commitments to the Platform several members have prepared reviews of the nutrition labelling related issues, especially front of pack labelling schemes.

Member State authorities were consulted on the options for the revision of the legislation in the course of four Expert Working Group on Nutrition Labelling meetings between November 2006 and October 2007. Informal discussions and presentations have been held with various stakeholder groups e.g. representatives of the food industry.

#### **2.5. Inter-Service Steering Group**

A Commission Inter-Service Steering Group on the Impact Assessment of the revision of the legislation was established. The Group was led by DG SANCO with the participation of the following Commission Directorate Generals and Services: Agriculture and Rural Development, Enterprise and Industry, Research and Technology Development, Trade and the Secretariat General. The group met on 10 January 2007 (planned approach and the identified options were discussed), 27 March 2007 (report from the contractor on progress and collection of data were discussed) and 18 June 2007 (exchange of views on draft impact assessment report). The Group was consulted on the development of the online questionnaire conducted by the contractor and relevant documentation was circulated between meetings.

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<sup>9</sup> RAND Europe (Lila Rabinovich, Jan Tiessen, Flavia Tsang, Christian van Stolk). Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007. (<http://www.rand.org/randeurope/>).



## **2.6. The Impact Assessment Board**

The draft Impact Assessment was submitted to the Board on 27 June 2007 and discussed at the Board meeting of 18 July. The final opinion of the Board included a number of recommendations for the improvement of the impact assessment report, which were fully taken into account prior to the submission of the Commission proposal.

The key amendments made to the impact assessment following the issuing of the Board opinion:

- Clarification of the problem definition by highlighting the main issues that were identified as a concern to various stakeholders during the extensive consultation process and inclusion of a section on the international dimension;
- The comparison of the options for the policy issues is presented in relation to the following approaches: do nothing, voluntary action or regulation;
- Additional information the expected benefits to consumers were included in the analysis and comparison of the impacts;
- Clarification of the administrative burden and possible trade offs were included in the analysis and comparison of the impacts;
- The mitigating effects of different transition periods were highlighted in the comparison of the options.

## **3. PROBLEM IDENTIFICATION**

There are two Impact Assessments supporting the Commission draft proposal concerning the revision of the existing food labelling Community legislation. The two horizontal pieces of legislation are Directive 2000/13/EC providing for compulsory information on foods and Directive 90/496/EEC setting up harmonised rules on nutrition labelling, which is in principle optional.

The main purpose of this labelling legislation - to inform and protect consumers and to ensure the smooth functioning of the internal market - is still valid and has not been questioned by stakeholders during the extensive consultations. There is a general criticism about the piecemeal approach in the delivery of the entire spectrum of Community labelling legislation (horizontal and vertical). There have not been major issues identified in the implementation of the nutrition labelling legislation but concerns have been expressed about the failure of the current rules to address current stakeholders needs and expectations, which have changed over time.

The process of consultation demonstrated clearly that certain main issues are in need of review. However, stakeholders have very different views on how these issues should be addressed.

The label is an important means for information about prepacked foods to be passed to the consumer. The consumers indicate that they would like clear and better information about different aspects of a food product but there needs to be balanced against the space available on the label and increased burdens on the industry. In considering those interests account must be taken of the fact that much of the information on a label is not required by law but is essentially marketing information. Therefore, improving the legibility of the information is not necessarily incompatible with the addition of any new labelling requirements especially since the legislation provides derogations in case of space limitations on the label.

### **3.1. Relationship between the revision of the general labelling and nutrition labelling legislation**

Currently there are two separate, and in certain aspects fairly prescriptive, measures. Two separate impact assessments have been prepared since it was considered that the presentation of one impact assessment would appear to prejudge the outcome of the impact assessment process as regards whether nutrition labelling should remain voluntary or become mandatory.

In fact both directives are dealing with horizontal labelling issues so it would be important to have a coherent approach in the revision of both legislative measures. Specific areas of overlap between the two impact assessments are:

- consideration of the regulatory approaches including the alternative flexible approach of the exchange of information and development of best practice;
- the estimation of the fundamental costs associated with food labelling; and
- legibility of information on the label.

### **3.2. Background on nutrition labelling**

Nutrition labelling is the declaration of the nutrient composition of a food, for example the energy, fat and sugar content. In 1990 the Council adopted Directive 90/496/EEC on nutrition labelling of foodstuffs<sup>10</sup>. The original basis of the legislation was the harmonisation of the legislation as part of the establishment of the internal market. At the time it was also recognised that there was a growing interest in the relationship between diet and health and that the inclusion of nutrition labelling on foods would assist consumers' ability to make informed choices.

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<sup>10</sup> OJ L 276, 6.10.1990, p. 40.

The framework legislation lays down certain rules on the inclusion of nutrition information on pre-packed foods. The inclusion of nutrition information is voluntary but becomes compulsory when a nutrition related claim is made concerning the food. There is a standardised format in which nutrition labelling must be presented. The mandatory information depends on the nature of the claim made, it can range from:

- “Group 1” list of 4 elements (energy, protein, carbohydrate and fat) to
- “Group 2” list 8 elements (Group 1 plus sugars, saturates, fibre and sodium) as illustrated in figure 1
- Other nutrients (e.g. polyunsaturates, cholesterol and specific vitamins and minerals) can also be included
- The information must be given per 100g, per 100ml and may also be given as per portion. However, if the food is sold prepacked as an individual portion it is possible to include the nutrient content in per portion alone.

**Figure 1. - Examples of nutrition labelling declaration**

| Group 1               |                     | Group 2 (with per portion) |                     |                    |
|-----------------------|---------------------|----------------------------|---------------------|--------------------|
| Nutrition information |                     | Nutrition information      |                     |                    |
| Typical composition   | per 100 g           | Typical composition        | per 100 g           | per 30g portion    |
| <b>Energy</b>         | 1640 kJ<br>387 kcal | <b>Energy</b>              | 1640 kJ<br>387 kcal | 492 kJ<br>116 kcal |
| <b>Protein</b>        | 5 g                 | <b>Protein</b>             | 5 g                 | 1.5 g              |
| <b>Carbohydrate</b>   | 85 g                | <b>Carbohydrate</b>        | 85 g                | 25 g               |
| <b>Fat</b>            | 3 g                 | of which sugars            | 35 g                | 11 g               |
|                       |                     | <b>Fat</b>                 | 3 g                 | 1 g                |
|                       |                     | of which saturates         | 1.5 g               | 0.5 g              |
|                       |                     | <b>Fibre</b>               | 2 g                 | 0.5 g              |
|                       |                     | <b>Sodium</b>              | 0.5 g               | 0.2 g              |

### 3.3. Stakeholder needs

All stakeholders believe that the inclusion of nutrition information is an important source of information for the consumer when making food choices. It supports the consumer education campaigns on healthy eating. However, the extent of nutrition labelling varies between Member States, with many companies voluntarily providing this information (estimates suggest a range of between 30% and 85% for pre-packaged foods). In addition, there is dissatisfaction among stakeholders on the current legislation but there are divergent views on how the legislation could be improved. Therefore, it is important to consider the three main groups of stakeholders – consumers, industry and Member State Authorities – who would be affected by any changes to the legislation.

#### 3.3.1. Consumers

Consumers are a key stakeholder group in the debate about food labelling and there is a high level of interest in nutrition among consumers<sup>11</sup>. The expectations of consumers within the EU vary across regional and national borders, those in Southern France are likely to have different concerns and priorities around labelling than those in Latvia.

Although most consumers claim to look at nutrition information other studies suggest that the use of the information is more limited<sup>12</sup>. Consumers show many differences in how they check for and use nutrition information. Around 35% of people look for nutrition information when they buy a product for the first time. In addition, people needing a specialised diet<sup>13</sup>, women, more educated and younger people<sup>14</sup> are more likely to look for and use nutrition information. Some consumers require or prefer a comprehensive overview of the nutrient content, while others have concerns regarding only some nutrients (for example the energy, salt, fat or sugar content of a product).

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<sup>11</sup> European Consumers' Organisation (BEUC) (2005) Report on the Consumers' Perception of Foodstuffs Labelling. Results of Consumer Research conducted on behalf of BEUC from February to April 2005 (BEUC/X?032/2005 August 2005).

<sup>12</sup> European Heart Network (2003) A systematic review of the Research on Consumer understanding of nutrition labelling.

<sup>13</sup> Drichoutis, A, Lazaridis, P, and Nagaya. R, M. (2005) "Consumers' use of nutritional labels: a review of research studies and issues", Academy of Marketing Science Review 2006 (9).

<sup>14</sup> Food Standards Agency (2007) Food Labelling Consumer Research What Consumers Want A Literature Review.

Even though the current legislation provides some specifications on format, the precise detail of the label is broadly at the discretion of the manufacturer so there are differences in the presentation of the information. Many consumers find nutrition labels hard to use but the research has not indicated whether the cause of the problem is the presentation or other factors such as the amount of information, lack of understanding of terms, placement of the information, type size, etc.. Although it is worth noting that the legibility of the information is a frequent complaint of the consumer. What is clear is that labels can be complex and most consumers would like simple, clear, understandable, standardised and authoritative nutrition information.

### *3.3.2. Food industry*

The food and drink manufacturing and retail sectors are characterised by small and medium sized enterprises. A small number of large manufacturing companies account for a large part of the turnover in (see Annex 1). Although harmonisation of the requirements on nutrition labelling facilitate intra-Community trade, the industry has expressed concerns about the prescriptive nature of the current legislation and the effect in terms of the design of packaging. Even if the information is provided voluntarily, it must still follow a standardised format and this can restrict the scope for company-level innovation, especially as there is pressure to reduce the amount of packaging on foods. In addition, this prescription is seen to be preventing innovation as novel ways of presenting the nutrition information are outside the legal framework. A major concern of the food industry is the cost associated with any changes in labelling legislation.

### *3.3.3. International dimension*

During the consultations the international issues were not identified as a specific issue separate from the general issues for the food industry overall. In fact the basic principle of food labelling means that traders need to ensure that the label is in a language that is understandable in the country of marketing, therefore, manufacturers frequently need to amend their labelling to the local markets.

However, third countries can benefit from the harmonisation of the Community approach to labelling issues as it can make it easier for manufacturers to export their products to the Community as they do not need to accommodate their labelling to different approaches at Member State level.

#### 3.3.4. *Member States Authorities*

Member States wish to strike a balance between the concerns of consumers and those of the food industry within their country. Member States are aware of the need to reduce barriers to the internal market which is facilitated by a harmonised approach. However, there is increasing pressure from some to have increased flexibility at the national level, in particular, where there are innovative nutrition labelling systems being proposed or in use. However, the need for such flexibility is not shared by all Member States, with many seeing the benefit from harmonisation of the Community rules leading to similar consumer expectations across the EU and the industry being able to more readily market their products across borders.

### 3.4. **Rationale for the revision of the legislation**

The recently published White Paper on a Strategy for Europe on Nutrition, Overweight and Obesity related health issues<sup>15</sup> stressed the need for consumers to have access to clear, consistent and evidence-based information when deciding which foods to buy. Nutrition labelling is an established way for information to be passed to consumers to support health conscious decision making in relation to food purchases. There is wide agreement in Europe today that the effectiveness of that nutrition labelling can be strengthened as a channel for information to consumers to support their ability to choose a balanced diet.

Having legislation at Community level supports the internal market which is beneficial for food business and also for consumers. However, the need for a revision has been brought to the fore by consumers and industry, over a period of some years, expressing dissatisfaction with certain aspects of the current legislation. The consultation in 2006 focused on the main issues that had been identified as the most important during the 2003 consultation process, namely: whether nutrition labelling should be voluntary or mandatory; the amount of information that should be included; alternative formats for providing nutrition information; and, the presentation of the information. In addition, in recent years there has been more widespread inclusion of nutrition information on the front of packs. This presentation is not specifically dealt with under the current legislation and questions have been raised whether they meet the existing legislative requirements. There is a divergence in the schemes being used by individual companies, specific sectors or promoted by Member States and there is concern that the proliferation of such schemes can create barriers to trade or increase costs to industry creating a threat to the internal market.

On the basis of the extensive consultations four main policy issues for consideration in the review of the legislation were identified and are considered in this impact assessment.

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<sup>15</sup> European Commission (2007), White Paper on a Strategy for Europe on Nutrition, Overweight and Obesity related health issues, COM (2007) 279 final.

### **3.5. Policy Issue 1 – Disparity in inclusion of nutrition labelling on prepacked foods**

#### **3.5.1. Summary**

The current approach to inclusion of nutrition information means that the extent and quality of the provision of nutrition information on prepacked foods to consumers is variable both between different food categories and the proportion of products with labelling in individual Member States.

Some consider that an increased level of provision of nutrition labelling is essential in order to increase consumer use of such labels, whilst others consider that the latest research shows that this labelling is very little used<sup>16</sup>. There is no doubt that the proportion of nutrition labelling is increasing in the EU, especially on those products which are produced by larger companies but the level of provision is not uniform. For nutrition labelling to be used as a channel to help all EU citizens to make informed dietary choices, which potentially can have an impact on their health, it is important that nutrition information is included on as many foods as possible. This means that the mandatory labelling should be considered.

#### **3.5.2. Background**

The inclusion of nutrition information across product categories is not uniform, for example in the drinks sector one study indicated that 23% of cordials or syrups for dilution had nutrition information compared to 56% of soft drinks and 83% of fruit juices<sup>17</sup>. Whilst over 80% of products such as breakfast cereals, frozen vegetables, margarine, milks and soups included nutrition information less than 40% of ice-creams and jams did so. In certain categories, such as chewing gum, coffee and spices, no products included nutrition information although these foods are considered to be of limited nutritional importance in the diet. Further information from this study on the inclusion of nutrition information across different product categories is given in Annex 2.

Research in the United States indicates that the provision of nutrition information on a voluntary basis is less likely on certain products which have negative attributes such as high levels of fat or sugars<sup>18</sup>. In another study the provision of information varied but in some food categories (salted snacks, cereals, yogurts and margarine spreads) almost all products included nutrition information<sup>19</sup>.

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<sup>16</sup> Cowburn, G. and Stockley, L., “Consumer understanding and use of nutrition labelling: A systematic review,” *Public Health Nutrition* 8(1), (2004): 26.

<sup>17</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission.

<sup>18</sup> Mathios, A. D. (2000) The impact of Mandatory Disclosure Law on product choices: as analysis of the salad dressing market. *Journal of Law and Economics* 43:2.

<sup>19</sup> Mojduszka, E. M., Caswell J. A. (2000) “A Test of Nutritional Quality Signaling In Food Markets Priori to Implementation of Mandatory Labeling” *American Journal of Agricultural Economics* 82.2 p. 298-309.

The uneven distribution of information across Member States is illustrated by one study where the inclusion of nutrition information in tabular form across four countries was investigated. The results show that on average 56% of the products included nutrition information but this varied between the different countries from 41% to 85% of the products surveyed<sup>20</sup>. In the 2006 survey targeted at SMEs across 19 Member States 56% of companies included nutrition information but it varied from 33% to 95% of companies in different Member States.

### **3.6. Policy issue 2 – How much nutrition information should be included on the label**

#### *3.6.1. Summary*

The aim of nutrition labelling is to inform the consumer to facilitate their ability to choose a nutritionally balanced diet therefore the question is what information should be included on a nutrition label to achieve this aim. At the moment nutrition labelling must consist of at least energy, protein, carbohydrates and fats. The WHO Global Strategy on Diet Physical Activity and Health<sup>21</sup> noted that the following nutrients were associated with increased risk of noncommunicable diseases: fats, saturated fatty acids, trans-fatty acids, free sugars, and salt (sodium). These broadly coincide with the most frequently mentioned nutritional elements in the 2006 consultation. However, certain stakeholders have called for inclusion of the existing Group 2 elements plus trans fatty acids as they believe that the consumers should have information on all the most important elements. Other stakeholders argue that a long list of nutrients is confusing for the consumer. Although research shows that many consumers find nutrition labels hard to use, it is difficult to know whether the cause of the problem is the amount of information or other factors (type size, format of presentation, lack of understanding of terms, placement, etc.). The balance between providing information on the components most relevant to public health and comprehensive information needs to be considered against consumer understanding and risk of information overload.

#### *3.6.2. Background*

In the 2006 consultation the most frequently mentioned elements in relation to nutrition labelling were: energy (calories), fat, saturated fat, sodium (salt) and sugar. Potentially, the restriction of labelling to these five elements would focus consumers' attention, and that of industry, on the key nutritional elements that are a concern in terms of the overall diet. However, the consumer and health NGOs argue that the nutrition labelling should include eight nutrients. In addition, Members of the European Parliament have called for action on the labelling of trans fats. Therefore, there is no clear consensus on which elements should be included in the nutrition labelling.

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<sup>20</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission.

<sup>21</sup> World Health Assembly Resolution 57.17, 2004, Global Strategy on diet, physical activity and health.



Research suggests that consumers often feel overwhelmed by the amount of information on food labels<sup>22</sup>, to the extent that one researcher has suggested that “a large list of detailed product information may cause many consumers to disregard the label completely”<sup>23</sup>. Determining which nutrition elements should go on a label requires careful consideration of the information overload issue, while at the same time taking into account nutrients about which, from a public health perspective, consumers should have information. In addition, consideration needs to be given to the accessibility and costs associated with obtaining relevant information by food manufacturers.

### **3.7. Policy issue 3 - Nutrition labelling on front of pack**

#### *3.7.1. Summary*

The inclusion of nutrient content information in simplified form, or not in tabular form, has been increasing in the recent years through the promotion of such schemes by individual Member State Authorities and representative industry organisations. The situation regarding such presentations, particularly those being promoted for use on the front of pack, is not clear under the existing legislation leading to a need for clarification. In addition, the application of different schemes potentially could lead to confusion for the consumer and barriers to trade for the industry.

#### *3.7.2. Background*

The issue of simplified nutrition information, in particular included on the front of pack, has arisen since the SANCO consultation conducted in 2003 so views on this issue were sought in 2006. The responses indicate there is an interest in the developments in this area but there were divergent opinions on the best way forward and all stakeholders highlighted the need to ensure that any format should be meaningful and easily understood by consumers.

Although not specified in the current legislation, tradition has been for the nutrition label to appear on the back of the pack. However, there is a view that such a location (and there may be some link to presentation) does not engage the majority of consumers. Research suggests that while consumers are keen to have the traditional back of pack nutrition label, the majority use it infrequently or not at all<sup>24</sup>. Reasons given for lack of use were: the label is too complex (too much information); unsure how to use the information; poorly presented (difficult to read); and simple lack of interest. At the moment, stakeholders tend to see back of pack and front of pack labelling as linked, but separate, issues. The latter is a simplified label which is used in addition to, rather than instead of, the traditional back of pack label.

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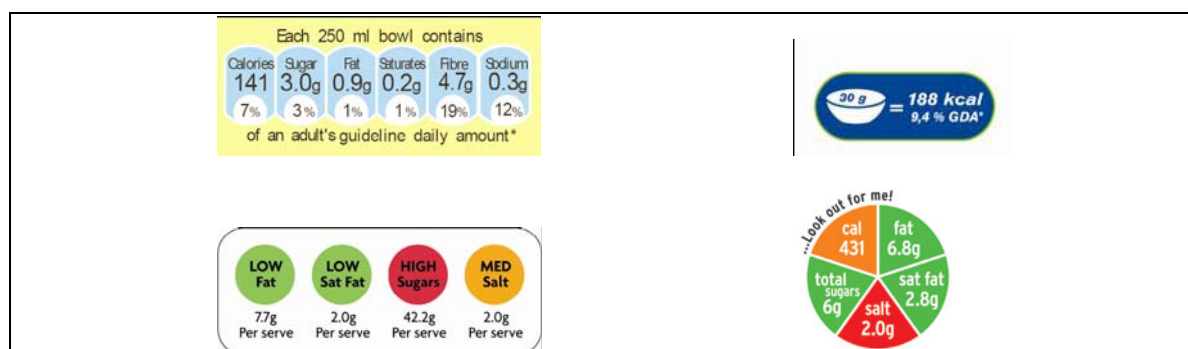
<sup>22</sup> Schuttelaar & Partners (2005) Desk research report on labelling prepared for the Ministry of Health, Welfare and Sport, The Hague, The Netherlands.

<sup>23</sup> Golan, E. Kuchler, F and Mitchell, L (2001), “Economics of Food Labelling”, Journal of Consumer Policy 24, p. 117-184.

<sup>24</sup> Schuttelaar & Partners (2005) Desk research report on labelling prepared for the Ministry of Health, Welfare and Sport, The Hague, The Netherlands.

Evidence is emerging from recent moves by parts of industry, and some Governments, to put some nutrition information on the front of the pack. In countries where simplified schemes have been introduced consumers like such schemes<sup>25</sup> and such labelling is apparently leading to changes in purchasing behaviour<sup>26</sup>. However, there are concerns about possible adverse effects, for example the information being too simplistic. Some stakeholders have suggested that confusion could be caused by a proliferation of alternative formats. Some examples of labelling schemes that include nutrient content information of food are given in figure 2.

**Figure 2: examples of provision of nutrition information on the front of packs**



In view of the proliferation of front of pack labelling schemes within the EU (either proposed or already in place), there is the expectation that the revision of the Directive will clarify the rules with respect to such schemes. Indeed, some stakeholders have called for a single EU system to be made mandatory.

### 3.8. Policy issue 4 - Legibility of information

#### 3.8.1. Summary

There is little benefit to the consumer if the nutrition labelling information is hard to read. The question of legibility concerns various aspects of presentation, font size, type and colour, contrast with background etc. The main cause for complaint is font size particularly for the back of pack information. There is a need for consideration whether the legislation should be adapted to give a framework for the general provision that labels should be legible. This issue is of relevance to all information provided on food labels, not just nutrition information.

<sup>25</sup> Grunert, K and Wills, J (2007) A review of European research on consumer response to nutrition information on food labels, Journal of Public Health (in press)

<sup>26</sup> Watson, E. (2006) Front-of-pack nutrition labels prompt surprise swing in sales, Food Manufacture, 2 May p. 8.

### 3.8.2. Background

Nutrition labels have to be clear and comprehensible in order to be useful for consumers to make better-informed food and diet choices. Studies show that the format of labels is an important element in “maximizing the possibility that labelled information will influence its audience”<sup>27</sup>. Although the current legislation notes that the nutrition label ‘*shall be printed in legible characters*’, the feedback from the consultations suggest that consumers do not find that the information provided complies with this provision. A review of various European studies of label usage amongst consumers found that one of the main causes of consumer dissatisfaction is that the size of print is often too small<sup>28</sup>. There are other presentation issues, for example the colour of the print, contrast with the background and the type face, therefore, there is a need for consideration of clarification of some basic aspects of legibility within the revision of the legislation. The provision of multilingual labelling, either to reduce potential labelling costs associated with marketing products in different countries, might be a factor in leading to small font sizes. Although in some countries multilingual labelling might be necessary due to the rule that the language used on the label should be understood by the consumers in the place of sale.

## 3.9. Regulatory approach

Within the Commission work programme the revision of Directive 90/496/EEC on nutrition labelling of foodstuffs and Directive 2000/13/EC of the European Parliament and of the Council on the general food labelling<sup>29</sup> have been included as one action in the agenda planning. It will be important to have a coherent approach in the revision of both legislative measures.

It was decided not to follow the so-called ‘basic approaches’ for the design and analysis of the policy options as the specific policy issues that had been identified in the problem definition rather than the regulatory approach are considered to be important aspects for the impact analysis. However, certain basic approaches considered as a means of finding solutions to the main policy issues, as well as the option of no intervention, are considered below.

### 3.9.1. Do nothing

The baseline of doing nothing would maintain the current situation with the following consequences:

- failure of the legislation to adapt to changing stakeholder needs and demands;

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<sup>27</sup> Golan, E. Kuchler, F and Mitchell, L (2001), “Economics of Food Labelling”, Journal of Consumer Policy 24, p. 117-184.

<sup>28</sup> Schuttelaar & Partners (2005) Desk research report on labelling prepared for the Ministry of Health, Welfare and Sport, The Hague, The Netherlands.

<sup>29</sup> OJ L 109, 6.5.2000, p. 29.

- confusion and lack of availability of relevant information for the consumer;
- continued lack of clarity on the legality of simplified nutrition labelling schemes;
- potential proliferation of different schemes which could lead to increase burden on the manufacturing industry with different national or sectorial approaches;
- impediment of the internal market due to proliferation of simplified labelling schemes;
- effectiveness of labelling as a communication tool not reaching its full potential due to lack of legibility of the information.

### 3.9.2. *Deregulation*

The option of deregulation would entail the abolition of the basic policy instruments concerning nutrition labelling rules and would have the following consequences:

- direct impact on other legislation that make reference to the framework for nutrition labelling, for example vertical rules and the recently adopted horizontal regulations on nutrition and health claims<sup>30</sup> and the addition of vitamins and minerals to foods<sup>31</sup>;
- distortion of fair competition through differences in national rules;
- potential proliferation of different schemes which could lead to increased burden on the manufacturing industry with different national or sectorial approaches;
- inconsistent approach in terms of the content and availability of information potentially leading to confusion for the consumer;
- impediment the smooth functioning of the internal market as there is a risk of development of national rules or approaches.

The existing rules have proven their benefits in providing a basic framework for the provision of nutrition information to the consumer and facilitating the free circulation of goods. Removing the harmonised rules would meet strong resistance from the majority of Member States, industry and consumers. Therefore, de-regulation was not considered to be a viable approach.

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<sup>30</sup> Regulation (EC) No 1924/2006 of the European Parliament and of the Council of 20 December 2006 on nutrition and health claims made on foods.

<sup>31</sup> Regulation (EC) No 1925/2006 of the European Parliament and of the Council of 20 December 2006 on the addition of vitamins and minerals and of certain other substances to foods.

### 3.9.3. *National legislation*

The repeal of the harmonised rules and the creation of national rules for nutrition labelling would have the following consequences:

- a proliferation of different national rules that would impede the smooth functioning of the internal market;
- distortion of fair competition;
- increased administrative burden for industry since operators would have to familiarise themselves with the relevant legislation of each Member State in which they trade;
- inconsistent approach in terms of the content and availability of information potentially leading to confusion for the consumer;
- lack of common rules that are used as a basis for other Community legislation.

### 3.9.4. *Alternative approach (self-regulation, co-regulation, guidance)*

The different features of consumer information and food labelling on the one hand and the current trends towards the development of a “new legislative culture” call for the assessment of a new approach that could strike the balance between flexibility and prescription and between action at the national and action at EU level.

The manner in which information is presented on labels is a good example of a rapidly changing feature of modern commercial practices. Similarly, consumers’ needs and attitudes constantly evolve. Therefore, labelling rules should be able to keep pace with technological innovation and change in consumer’s behaviour.

In particular, recent years have seen an increased development and use by Governments and industry of simplified nutrient content labelling especially on the front of pack (‘signposting’), aimed at making nutrition information easier for the consumer to find and use. However, on the one hand, some of the existing schemes are difficult to reconcile with the legal framework established by the existing legislation; on the other hand, due to the novelty of these systems, there are currently no clear benchmarks against which to measure the efficiency of any given scheme.

Having recourse to a multi-level governance (local/national/community) based on the principle of commitment to formal, measurable best practice and data sharing between involved stakeholders could be a relevant and viable alternative in the area of food labelling. In addition, such an approach would allow sufficient experiments and research to be made in order to provide solid evidence about the best systems for nutrition labelling.

Moving the already harmonised detailed requirements to a more flexible approach would present no added value given that such requirements have proven their merits in allowing free circulation of goods. As far as any new policy issues are concerned, the introduction of a more elaborate and sustainable approach to consumer information emerging from best practices and from a constant dialogue with stakeholders has the potential to achieve beneficial results both for industry and consumers. The new governance model that is being proposed in the framework of the General Food Labelling revision would be a means to achieve the flexibility to allow the evidence of consumer preference and use of nutrition labelling to be used as a basis of best practise that could be promoted throughout the industry.

#### *3.9.5. Prescriptive Regulatory EU Action*

Given the need for uniform rules and legal certainty the regulatory approach is the most appropriate framework to address the current problems in the area of food labelling. A level of prescription is frequently asked even by economic operators because detailed rules save industry from the trouble of developing its own policy under its own responsibility. The alternative approach of enhanced cooperation between stakeholders would need to have a framework of operation established in the legislation so that it has legitimacy for all the stakeholders and ensure a level playing field for all. In the context of each of the main issues it is appropriate to consider the effectiveness of alternative approaches in achieving the objectives of the legislation.

#### *3.9.6. Form of legal act*

An option on the form of the EU measure would be to change the legal act from a Directive to a Regulation. This would be justified by the fact that the majority of the existing rules of the nutrition labelling of prepacked foods are prescriptive with little flexibility for Member States in how the rules should be applied, thus being more “Regulation-like” than a framework Directive. A move to a true framework measure that allows for potentially different application of the rules by individual Member States would create barriers to trade for both companies in the EU and third countries. It could also lead to a different level of information provision to consumers. A Regulation would give a more consistent approach for the industry to follow, it would reduce the administrative burden on the industry as they would not need to familiarise themselves with the implementation of the regulations by the Member States. Consumers could expect that where nutrition information is provided it would follow certain basic rules. In addition, a regulation would ensure that the rules became applicable at the same time across the EU avoiding problems with delayed transpositions by Member States and consequent infringement procedures by the Commission to assure the free circulation of goods. It would also reduce the administrative burden costs associated with the transposition of the legislation by Member States.

An option that is being considered is the combination of the Directive 2000/13/EC of the European Parliament and of the Council on the general food labelling and nutrition labelling legislation into one measure which would simplify the regulatory framework.

### **3.10. The right of the Union to act – Subsidiarity test**

The proposal is to revise existing legislation so the problem at issue and the objectives pursued by the Union have been already defined. Article 95 of the Treaty, functioning of the internal market, provided the legal basis for the EU legislative measures on nutrition labelling. In addition, it can be considered that nutrition labelling could also be relevant to issues related to informing the consumer (Article 153) and protection of human health (Article 152). The core of the Community action is setting the conditions for the labelling of food within the EU which can not be appropriately addressed by Member States alone if the common internal market is to function smoothly.

The Commission's recently adopted Strategy on nutrition notes that the individual is ultimately responsible for his lifestyle, while recognising the importance and influence of the environment on his behaviour; and, that only a well-informed consumer is able to make rational decisions. Nutrition labelling is an action that contributes to a better diet by providing the necessary information to inform decision making of EU consumers. It is considered that action at the EU level would deliver better results than a series of individual actions by Member States because:

- a harmonised approach across Member States may simplify administrative burden on any food companies operating either trans-nationally or Community wide, and
- uniform action will ensure Community wide minimum standards for consumers and thereby reduce inequity for citizens across the EU

A proliferation of different national labelling schemes that are not mutually recognised could undermine the current single market opportunities which could have a major impact on trade given the high volume of intra-Community trade which in 2003 accounted for over 75% of all trade with flows of around €120 billion<sup>32</sup>. The SME Panel survey indicates that 65% of companies trade their products in more than one Member States and over 60% of the respondents favoured harmonisation of nutrition labelling through European legislation.

The problem definition section explains the situation since the establishment of the current legislation in order to identify the policy issues where community action can create added value. The revision would update the regulatory framework for the inclusion of nutrition labelling on prepacked foods to take account of consumer needs and developments in the provision of such information to the consumer.

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<sup>32</sup> Eurostat (2004), The food industry in Europe, Statistics in focus 39/2004.

A harmonised legislation on nutrition labelling will reduce the asymmetry in the provision of nutrition information and consumers' expectations. In the light of the different elements outlined, EU action is justified as experience shows that Member States can not achieve a harmonised common market satisfactorily and that the EU can act more efficiently for the provision of information to help consumers make informed dietary choices. This in turn can help them identify a diet that follows healthy eating advice and that can help reduce the risk of obesity and nutrition related diseases.

#### **4. OBJECTIVES**

The Commission's strategic objectives and principles of Better Regulation and Simplification, improving the implementation of regulations, facilitating innovation, social equity, environmental protection and international responsibilities while maintaining high level of public health protection should underline the objective of the legislation. The simplification needs that emerged from the consultation of Member States and stakeholders in relation to nutrition labelling was to make the labelling easier and clearer for operators and consumers.

The main objectives of the legislation on nutrition labelling are:

- to make key nutrition information more widely available;
- to make nutrition labelling more easily understandable to the consumer; and
- to create a level playing field for companies to compete.

Taking this objective into account, the broad scope of the revision should meet the needs of consumers and industry, and reflect the following specific objectives:

- provision of key nutrition information – which means that the nutritional elements that should be included in the nutrition label need to be reviewed;
- increase the availability of information to the consumer with nutrition information included on nearly all relevant prepacked products;
- the information to be presented in a way that makes it easy for the consumer to find, understand and use, including its legibility;
- clarify the legislative situation of nutrient content information provided on the front of pack;



- flexibility, allowing the industry to innovate on nutrition labelling, adapt to different markets and consumer demands, and to take account of the variations in packaging (size, shape, etc.);
- to avoid impediment of the single market, and to meet the expectations of consumers and industry, there should be mechanisms in place to control the extent of any flexibility at the national and EU level.

A schematic illustrating the hierarchy of the objectives for the nutrition labelling revision is presented in Annex 3.

## **5. MAJOR POLICY OPTIONS**

With a view to achieving the objectives a number of measures have been considered. These have been divided into two categories:

- (1) Measures that during the consultations were identified as having a major impact, e.g. major policy actions with potential economic, social or environmental impact. For these a more detailed analysis on the basis of the do nothing, voluntary measures and amendment of the legislation.
- (2) Measures that are required to bring the legal text into line with other EU policies and legislation. The impacts of these measures are considered minor and not requiring detailed analysis as they mostly relate to legal updating and clarification. These issues include: defining mechanisms to facilitate the updating of the legislation and the presentation of nutrition content information.

It is intended that the proposal will repeal Directive 90/496/EEC. The provisions of the Directive will be reviewed, for some of the issues there is a need to develop a new policy, whilst for others, corrective measures including updating and clarifying the legal text, can be introduced.

The combination of the Directive 2000/13/EC on general food labelling and the nutrition labelling legislation into one measure would simplify the regulatory framework for these horizontal labelling issues.

### **5.1. Baseline projection**

If the legislation is not changed then it is anticipated that there would be a continued gradual increase in the inclusion of nutrition labelling on prepacked foods from the current levels of around 56% of products across the EU. It is expected that simplified labelling schemes would continue to be developed by individual companies, sectorial parts of the industry and Member State authorities and that there will be inclusion on products across the EU.

## **5.2. Policy Issue 1: Disparity of provision of information - Voluntary or mandatory nutrition labelling?**

### **Options**

#### *5.2.1. Option 1: No change - Maintain current rules (nutrition labelling mandatory if a claim is made)*

No change to the present legislation would mean keeping the present system of nutrition information provided on a voluntary basis but it becoming mandatory when a nutrition related claim is made.

#### *5.2.2. Option 2: Encourage inclusion of nutrition information on a voluntary basis*

To promote the inclusion of nutrition information by encouraging Member States and stakeholders to promote the inclusion of nutrition information on all relevant prepacked foods. At the Community level this could be done, for example, through encouraging the Members of the Platform for Action on Diet, Physical Activity and Health to make appropriate commitments.

#### *5.2.3. Option 3: Introduce mandatory nutrition labelling for all prepacked food*

Introduction of mandatory inclusion of nutrition information of certain nutritional elements for all prepacked foods.

#### *5.2.4. Option 4: Introduce mandatory nutrition labelling for all business, but with exemptions or longer transition times for all SMEs*

Introduction of mandatory inclusion of nutrition information of certain nutritional elements for prepacked foods produced by businesses that are not classified as SMEs or allow extended transition periods for all SMEs.

#### *5.2.5. Option 5: Introduce mandatory nutrition labelling for all business, but with exemptions or longer transition times for a limited number of SMEs*

Introduction of mandatory inclusion of nutrition information of certain nutritional elements for prepacked foods with the exception of certain SMEs (for example micro businesses or certain categories of foods) or to allow extended transition periods for certain SMEs.

## **5.3. Policy Issue 2: Nutritional elements to be included in the nutrition information**

### **Options**

#### *5.3.1. Option 1: No change – labels have Group 1 list (energy, protein, carbohydrates and fat) or Group 2 list (Group 1 plus sugars, saturated fats, fibre and sodium) additional information can be provided voluntarily*

No change to the present legislation would mean keeping the present system of nutrition information being provided on a minimum of 4 elements increasing to 8 or more elements depending on the nature of the nutrition related claim.

5.3.2. *Option 2: Encourage voluntary and self regulatory approach to have a consistent approach to the elements that are included in the nutrient declaration*

Remove the existing requirements on Group 1 and Group 2 list of nutrients and promote consistent approach to the inclusion of certain nutrients in labelling by encouraging Member States and stakeholders to cooperate and reach agreement on a voluntary harmonised approach. At the Community level this could be done through encouraging the Members of the Platform for Action on Diet, Physical Activity and Health to make appropriate commitments.

5.3.3. *Option 3: Specify the 5 key elements - calories, fat, saturated fat, salt and sugars - but allow additional elements from a positive list to be added to the labelling*

In the 2006 consultation the nutritional elements that were most frequently mentioned were energy (calories), fat, saturated fat, salt and sugars. It would simplify the basic structure of the nutrition labelling and increase consistency whilst allowing inclusion of additional nutrition elements, for example those that are the subject of a nutrition related claim on the labelling.

5.3.4. *Option 4: Change Group 1 labelling to 5 key nutritional elements - calories, fat, saturated fat, salt and sugars - and change Group 2 to labelling 9 elements - calories, protein, fat, saturated fat, trans fatty acids, carbohydrates, sugars, fibre, and salt (with additional voluntary elements from a positive list)*

This option would provide information on the nutrients that are of most interest and provide flexibility for the industry to add additional information on the label in a standardised format. The declaration of additional elements would be linked to nutrition related claims.

5.3.5. *Option 5: Specify 9 elements - calories, protein, fat, saturated fat, trans fatty acids, carbohydrates, sugars, fibre, and salt (with additional voluntary elements from a positive list)*

This would provide information on the majority of the important nutritional elements that have been identified as relevant for consumers to be able to make informed food choices.

## 5.4. **Policy Issue 3: Nutrition labelling on front of pack**

### **Options**

5.4.1. *Option 1: No change - Maintain current rules – placement of nutrition label left to discretion of manufacturer, no mention of labelling on front of pack in particular*

No change to the present legislation would mean nutrition information being provided, in general, on the back of pack. The situation regarding nutrition information on the front of packs would not be clarified.

5.4.2. *Option 2: Encourage voluntary and self regulatory approach to have a consistent approach across the industry*

Promote a consistent approach to the inclusion of nutrient content information, especially on front of pack labelling, by encouraging Member States and stakeholders to cooperate and reach agreement on a voluntary harmonised approach.

5.4.3. *Option 3: Ban nutrition labelling on front of pack*

Would clarify the legal situation with respect to the inclusion of nutrient content on the front of packs.

5.4.4. *Option 4: Provide a harmonised framework for nutrition labelling on the front of pack*

This option would clarify the provisions that should apply to nutrient content information included on the front of packs.

5.4.5. *Option 5: Mandatory nutrition labelling on the front of pack*

This option would clarify and make mandatory the provisions that should apply to nutrition content information included on the front of packs.

## 5.5. Policy Issue 4: Legibility of information

### Options

5.5.1. *Option 1: No change – broad requirement for the label to be legible and some prescription on format*

No change to the present legislation would mean leaving the interpretation of the provisions of the legislation to the competent authorities in Member States possibly through case-law.

5.5.2. *Option 2: Encourage voluntary and self regulatory approach to clarifying basic requirements on legibility*

No change to the present legislation but encourage the development of industry-wide codes of practice or guidance on basic requirements for legibility of the labels.

5.5.3. *Option 3: Introduce a minimum text size for information on nutrition labels, other presentation issues left open, although further measures could be introduced via comitology based on experience gained*

Whilst only directly addressing one issue of presentation (text size) this would provide a basis of control for this aspect and allow for further regulation, if necessary, of other aspects of presentation that can influence legibility of labels (e.g. colour, contrast, background effects).

5.5.4. *Option 4: Introduce clear rules for presentation covering all relevant issues (text size, font, colour, format, etc.)*

This option would address, as far as possible, all the aspects of legibility of nutrition information included on the labels.

## 6. ANALYSIS OF IMPACTS

This Impact Assessment combines quantitative and qualitative approaches so that adequate consideration is given to a broad range of direct and indirect social, environmental and economic impacts.

The impact analysis is based on the evidence obtained through a review of the literature (published in peer reviewed journals and non-peer reviewed publications), reports prepared by Member States, data collected through the survey for the 2004 impact assessment report, the SME Panel on Food Labelling in 2006 and the online questionnaire organised in 2007 by the external consultant RAND Europe.

In addition, the impact assessment was reviewed by the experts from different Commission Directorate-Generals' represented in the Inter-Service Steering Group on Impact Assessment.

**Data limitations:** There is limited detailed cost information available on the impact of nutrition labelling which makes it difficult to apply the Standard Cost Model. The industry was asked through various fora to provide representative data on costs associated with labelling but such information was not forthcoming. The stakeholder online questionnaire on labelling issues between March-May 2007 included specific and detailed questions on the costs associated with the food labelling process (see Annex 4). Unfortunately, not all respondents completed the questions on costs and due to the overall quality of the responses it was not possible to derive reliable estimates of time spent or costs associated with labelling of products that could be applied in a Standard Cost Model. There is some limited information from the 2004 impact assessment report on overall costs to industry associated with the introduction of mandatory labelling of 7 nutritional elements. On the benefit side, there were problems of attribution of benefits associated with nutrition labelling and how benefits can be monetised. In general the process of the consultations and surveys were not specifically designed to achieve a representative sample of the EU so the results can not be regarded as representative.

Based on these data limitations, the assessment of the options has not been undertaken using the Standard Cost Model. Estimations on administrative burdens using available data from the available studies have been completed and the assumptions for the estimated costs are explained in Annex 5.

## **6.1. Approach taken in assessing the impacts**

The current legislation applies to prepack foods i.e. foods that are not packed at the request of the consumer or that are packed on the same premises of manufacture for immediate sale. The approach in assessing the impacts has been to consider the proportion of labels on prepacked products that might need to change. Although this is potentially a crude measure, it is practically impossible to examine in detail the impacts because of the sheer range of products and labels that exist. Therefore this section starts by providing general information about the labelling process so that the potential impacts can be more readily understood.

## **6.2. Food Labelling Process**

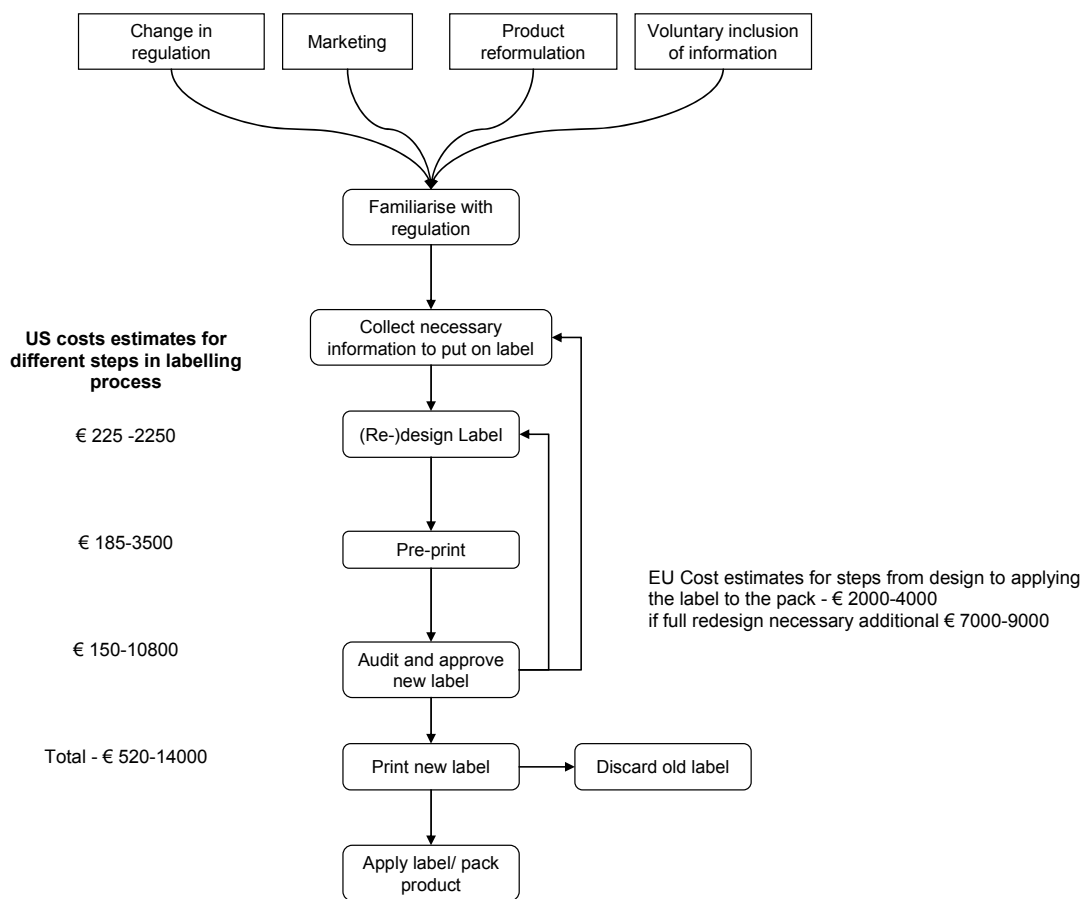
In considering the economic impacts that might occur due to changes to the nutrition labelling legislation, it is important to understand the labelling process, including recognition that even in the absence of labelling legislation, prepacked food would still be labelled. Therefore, whilst changes in food labelling legislation may mean some additional costs associated with including the information required, companies producing prepacked foods will always have costs of labelling that are not due to legislative requirements (for example printing and packaging costs). The various steps that comprise the food labelling process are set out in figure 3.

There are a wide variety of means of labelling prepack foods such as information printed directly on the packaging material or labels stuck on to the package. For example, tins can have paper labels stuck onto the tin or can have the labelling information printed directly on the tin (e.g. soft drinks). In surveys of producers of prepacked foods when asked about costs of implementing changes the responses range from a negligible cost to a substantial cost if there is a need to invest in new equipment. The different packaging materials and methods of labelling have an impact on the labelling costs making it difficult to give a representative figure. However, where available the information collected in the 2004 impact assessment is provided as a benchmark<sup>33</sup>.

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<sup>33</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission

**Figure 3: overview of the food labelling process**



### 6.2.1. Drivers for labelling changes

A label change can be triggered by various reasons; the most common ones are: changes in regulations, marketing reasons, product reformulation and recipe changes and adding additional information to the label. Food manufacturers have indicated that changes in regulations is the most common reason for labelling changes but changes in the recipe or updating the label are also considered important reasons<sup>34</sup>. Labels are usually changed by producers at regular intervals. These life cycles of a label may range from a few months for highly marketed, branded products such as cereals or soft drinks, or they might be a few years for niche products and commodity products such as sugar, salt or flour.

<sup>34</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

### 6.2.2. *Familiarisation with the regulations and information to be provided*

Before designing/redesigning a label the company needs to be familiar with the legislation to identify the legal requirements for the new label. A UK administrative burden exercise estimated the costs attributed to familiarisation and understanding the General Food Labelling regulations as 13% of all administrative costs across all the food regulations<sup>35</sup>. An administrative measurement exercise conducted in Denmark estimates the costs associated with familiarisation with food labelling legislation to account for 5% of the total administrative burden associated with the food regulations.

If the information to be provided on the label is not readily available within the company, additional costs are associated with the collection of this data. In the case of nutrition labelling, there would be costs of obtaining the nutrition composition of the product. The 2004 survey estimated that cost for obtaining information on the nutritional composition of food by analysis of the products was on average €57 for 4 nutritional elements but increased to around €256 with an additional 3 nutritional elements. The costs associated with obtaining the information on the nutrient composition through calculation from the recipe ingredients and food composition tables was generally much less.

### 6.2.3. *Design and printing costs*

The design costs vary with the extent of the overhaul of the label, with a complete overhaul being the most expensive option. The 2004 impact assessment indicated that a small change would cost €2000-4000 whilst full redesign of a label would cost an additional €7000-9000 if the changes had to be implemented immediately. Although companies may have a range of different products many of the labels have the same basic layout so once the underlying design has been developed the changes to the other labels would be a minor modification and associated costs would be reduced.

Labels are printed by a different method the costs of which vary. There are US estimates of costs associated with preparing the printing plates ranging from \$380 (€225) for a minor change up to \$16,600 (€14000) for a full redesign. Another cost implication of labelling changes is the write off of existing stocks of labels. Data on the typical stock of labels available for the UK indicates that 69% of companies use their labels within 12 months, and only 11% need more than 24 months to use their labels<sup>36</sup>.

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<sup>35</sup> FSA (2006), "Food Standards Agency: Administrative Burdens Measurement Exercise: Final Report", June 2006.

<sup>36</sup> Leatherhead Food International (2006) *Evaluating the impact on business of changes to nutrition labelling requirements in the UK*, prepared for the Food Standards Agency, London, UK.



The potential impact of labelling changes on businesses can be reduced if the changes are incorporated into the usual lifecycle of a label. Table 1 summarises the frequency of labelling changes reported in two recent surveys<sup>37 38</sup>.

**Table 1: Frequency of labelling changes**

|                  | Percentage of labels changed |                    |                    |       |
|------------------|------------------------------|--------------------|--------------------|-------|
|                  | Once a year                  | Once every 2 years | Once every 3 years | other |
| RAND Survey      | 37%                          | 26%                | 20%                | 18%   |
| SME Panel Survey | 29%                          | 26%                | 25%                | 19%   |

On the basis of the available information it is estimated that over a 3 year period 80% of companies would introduce labelling changes as a normal part of their business operation. Normally the implementation of new labelling requirements are not imposed immediately and generally there is a period of transition included in the legislation with some flexibility with products that had been labelled and placed on the market before a certain date being able to continue to be sold. The period in which products that do not comply with the requirements can continue to be placed on the market will have an impact on the ability of companies to adapt to the new requirements and the associated costs. Therefore in the assessment of the impacts the effect of different transition times on food business operators is estimated.

### 6.3. Administrative burden

Standard Cost Modelling measures the administrative burden to industry of complying with regulations. The burden refers to the provision of information to third parties, the regulator and the public. In the case of food labelling, the administrative burden of providing information to regulators will be minimal as the regulator does not require the provision of information from those regulated. In the case of the cost of providing information to the public, the cost of compliance is part of the overall cost of labelling and difficult to disaggregate.

The calculations presented in Annex 5 do not apply Standard Cost Model as required by Impact Assessment Guidelines. It draws from the SCM analysis of Member States, and then combines these data with data collected by the external consultants. It enabled only a rough estimation of overall costs, but this is already useful for the analysis of options.

<sup>37</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

<sup>38</sup> SME Panel results.

The administrative burden exercises in the different Member States have tried to establish the current costs of compliance to industry and show that it is not possible to anticipate what the costs to industry related to revisions in labelling regulations might be and in which type of industry specifically these costs will be incurred.

It should be borne in mind that a food manufacturer would label his food product to be able to distinguish it from his competitors products. Therefore, there is an ongoing underlying costs associated with producing and labelling products even in absence of mandatory labelling legal provisions. Where regulation can have an impact is in the requirements on the information that must be included on the label and the costs associated with providing the specified information. There is an ongoing project to assess the administrative burden associated with the food labelling legislation. The Directorate General Enterprise and Industry, and Health and Consumer Protection are working closely together on this project.

#### **6.4. Impact on employment, equal opportunities, private life and access to social protection, health and educational systems**

It is considered that social aspects relating to employment, equal opportunities, private life and access to social welfare systems will not be substantially affected by the revision of the legislation so these aspects are not be considered separately during the analysis of each of the policy issues.

#### **6.5. Environmental impacts**

The potential environmental impacts could be that the requirements for the provision of certain information on food labels would mean that the manufacturer increased the size of the packaging to provide the information in a legible format. This would lead to increased use of material resources and energy, and an increase in the amount of waste. Under the existing General Food Labelling legislation small packages may be exempt from certain labelling requirements. If similar exemptions were put in place for nutrition labelling, no significant environmental impacts would be expected from the introduction of mandatory nutrition labelling or other aspects of labelling that are being considered as part of the review of the existing legislation.

#### **6.6. Policy Issue 1: Disparity of provision of information - Voluntary or mandatory labelling?**

Option 1: No change - Maintain current rules (nutrition labelling mandatory if a claim is made)

Option 2: Encourage inclusion of nutrition information on a voluntary basis

Option 3: Introduce mandatory nutrition labelling for all prepacked food

Option 4: Introduce mandatory nutrition labelling for all business, but with exemptions or longer transition times for all SMEs

Option 5: Introduce mandatory nutrition labelling for all business, but with exemptions or longer transition times for a limited number of SMEs

#### 6.6.1. *Economic impacts*

##### 6.6.1.1. Competitiveness, trade and competition in the internal market

Broadly speaking, the competitiveness of an industry can be defined in terms of the profitability of its production. In an undifferentiated-products industry, profitability is mainly linked to lower production costs compared to competitors. The introduction of mandatory nutrition labelling requirements to all firms, regardless of market share or size, is likely to impose greater costs on the smaller firms, which might compromise their competitiveness. However, there is conflicting evidence, for example, an analysis of British SMEs, in the wake of the full introduction of European regulation in 1993, found no considerable effects of the labelling regulation on their competitiveness<sup>39</sup>. Whilst, a more recent study of the US situation shows that the introduction of mandatory nutrition labelling increased the likelihood of SMEs – compared to large companies – leaving the food market<sup>40</sup>.

As far as the potential impact on the internal market is concerned no significant impacts are foreseen with any of options.

##### 6.6.1.2. Impact on innovation and research

The increase level of provision of nutrition labelling on foods might have an impact on the development of healthier options. It is hypothesised that the mandatory declaration of nutrition information would lead to the reformulation of products which have more negative nutritional attributes but very few studies have been conducted to examine this theory. One study before and after the introduction of mandatory nutrition labelling in the USA suggests that base brands “significantly increased the levels of positive nutrients but did not reduce the level of negative nutrients” but firms appeared to have introduced new ‘healthy brand extensions’. The study results show that as the number of healthy brand extensions increased, the unit sales for base brands decreased<sup>41</sup>. It seems that mandatory nutrition labelling can increase the number of healthier options being offered.

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<sup>39</sup>. A. Cumbers, R. Leigh and D. Smallbone, “The Single European market and the new regulatory regime in the food sector: The impact on small and medium-sized manufacturing firms”, *British Food Journal*, 97(4) (1995): 13-19.

<sup>40</sup> Christine Moorman, D. Rex and Carl F. Mela, “The effect of standardized information on firm survival and marketing strategies”: (2005) 263-74.

<sup>41</sup> Moorman, C. (1998) Market-level effects of information: Competitive responses and consumer dynamics, *Journal of Marketing Research* 35:1.

Assuming that there would be a similar effect in the EU if mandatory nutrition labelling was introduced then it would be expected that with the voluntary declaration there would be less incentive to reformulate the products as companies might choose not to include any information. So it is likely that option 1 and 2 would have a limited impact as would option 4 as there would not be a major increase in the number of products including nutrition information. Options 3 and 5 would potentially have the greatest impact on reformulation of products.

#### 6.6.1.3. Operating costs and conduct of business

##### **2003 – 2004 in the EU25 there were:**

285,000 food manufacturing businesses with a total turnover in 2005 of €836 billion

- less than 1% were large companies that accounted for nearly 54% of turnover
- around 79% were micro businesses that accounted for around 7% of the turnover
- 889,000 retail businesses in which food, drink and tobacco predominates with a turnover in 2004 of €888 billion
- with 495,000 retail businesses specialised in food retailing that accounted for 13% of turnover

There is limited information on the cost to industry across the EU of the introduction of mandatory nutrition labelling. A survey conducted in the UK to assess the potential impact for business of changes to nutritional labelling requirements estimates that the one-off cost to the UK industry of the introduction of mandatory nutrition labelling of 8 elements would be approximately £185 million, with an additional estimated on-going cost on an annual basis of nearly £38 million<sup>42</sup>.

<sup>42</sup>

Leatherhead Food International (2006) *Evaluating the impact on business of changes to nutrition labelling requirements in the UK*, prepared for the Food Standards Agency, London, UK.

Mandatory nutrition information could also have an impact for companies which market their products in several countries if adding mandatory nutrition labelling requirements had knock-on effects on the number of stock-keeping units (i.e. basic label design for products within a range of products), warehousing, and distribution operations<sup>43</sup> (from the survey of SMEs around 65% of companies marketed their products in another Member State<sup>44</sup>). In this context the use of multilingual labelling could be affected. One study shows that 74% of companies with a turnover in excess of €50 million use multilingual labelling but this figure drops to 14% for companies with a turnover below €50 million<sup>45</sup>. Data from the survey conducted by RAND Europe suggests that large firms are more likely to produce multilingual labels with 40% of large, 25% of medium, 25% of small and 9% of micro-businesses producing multilingual labels<sup>46</sup>. (In some Member States due to the language requirements companies may be obliged to label their products with more than one language.)

Options 1 and 2 are not expected to impose any operating costs on the industry.

The other options are expected to have impacts which will vary depending on the timeframe for the change in the labelling requirements. Based on the assumptions on costs as outlined in Annex 5 it is estimated that the costs associated with redesigning a label for the mandatory inclusion of nutrition labelling with immediate effect (option 3) would be €21.8 billion. Whilst with a 3 year transition period that allowed for re-labelling during the normal redesign of the label it is estimated that the costs would be reduced to €1.2 billion.

Option 3 would have an impact on the greatest number of businesses. Based on the level of inclusion of nutrition labelling at the moment it is estimated that around half of businesses would be affected. Under option 4 there would only be an impact on large businesses that are less than 1% of the food and drink manufacturers of which around 75% are already providing nutrition labelling. Therefore, the impact of option 4 would be limited with potentially, if implemented with immediate effect, having an impact on less than 700 companies. Option 5, extended transition times for microbusinesses, would have an impact, at most, on 20% of companies.

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<sup>43</sup> SME Panel results.

<sup>44</sup> SME Panel results.

<sup>45</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission.

<sup>46</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

#### 6.6.1.4. Impact on administrative burden

In the context of administrative burden the costs associated with familiarisation with the legislation and obtaining the necessary nutrient content information is assessed. Depending on the nature of any mandatory requirements the costs would not be incurred by companies that already include nutrition labelling on their products. Studies suggest that on average in the EU around half the companies provide some nutrition information on their products but the proportion of products with labelling varies significantly between Member States<sup>47 48</sup>.

Based on the estimates of costs outlined in Annex 5 the estimation of administrative burden associated with familiarisation with the legislation and collecting the necessary information for companies that do not include nutrition labelling are: if mandatory labelling was for Group 1 nutrients (energy, protein, carbohydrates and total fat) the estimated costs of collection of information are €1 billion through analysis of the product itself and €0.5 billion through manual calculation from recipes. If mandatory labelling was for Group 2 elements (Group 1 plus sugars, saturated fats, fibre and sodium) the estimated costs increase to €3.7 billion with analysis of the product itself and €1.4 billion with manual calculation from recipes. Of these overall costs it is estimated that around €0.4 billion is associated with familiarisation with the legislation.

The assessment of the impacts of the different options are similar to those under operating costs. With options 1 and 2 having no impact and options 3 to 5 having impacts on companies in the different categories that do not currently include nutrition labelling information on their products (at the most around half the companies in total).

#### 6.6.1.5. Impact on SMEs

SMEs in Europe constitute the large proportion of the food industry. They range from firms of less than 10 employees or turnover of less than €2 million (micro enterprises) to medium-sized firms of up to 250 employees or turnover between €2-50 million. As a result of these differences, it is likely that not all SMEs will face the same challenges in complying with changes in labelling regulations. In this analysis the information on SMEs is in relation to number of employees.

The evidence suggests that a move towards mandatory nutrition labelling could present particular challenges for micro and small enterprises. This is because larger firms enjoy economies of scale, which lowers the cost per-unit of complying with regulations.

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<sup>47</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

<sup>48</sup> SME Panel results.

There is limited information available on the voluntary inclusion of nutrition information based on company size. The survey conducted by RAND Europe<sup>49</sup> indicated that 25% of SMEs who responded to the survey included nutrition information. The breakdown by size of company was 4% of medium, 30% of small sized and 2% of micro sized businesses providing information. A recent survey in the UK<sup>50</sup> reported that 46% of SMEs included some nutrition information. The breakdown by size of company was 73% of medium and 42% of small and micro sized businesses providing information. Regarding the analysis of the options, no specific impacts for SMEs are expected with options 1, 2 and 4. Based on the data from the RAND and UK surveys option 3 could potentially have an impact on 56-75% of SMEs companies. Whilst, the impact of option 5 would be less than option 3. Any impact on different categories of SMEs would depend on the criteria for the exclusion of SMEs from having to meet the requirements of the legislation or the period for transition for adaptation to the new requirements. As indicated in Annex 5, extended transition periods (between 3 to 5 years) would facilitate the adaptation to new requirements as a period of 3 years would reduce the costs to industry by 94% compared to immediate implementation and it is expected that a 5 year period would allow virtually all companies to adapt their labels during the normal labelling cycle.

#### 6.6.1.6. Third countries and international relations

The European Union is an importer of food products from non-EU countries. Data from Eurostat shows that in 2005 the United States, Brazil, Argentina and Turkey were the four top EU trading partners in terms of value of imports into the region<sup>51</sup>. The United States introduced mandatory nutrition labelling legislation in 1994, since then, many other countries have introduced mandatory requirements, including Australia and New Zealand, Canada, Brazil and others. Around 30% of the value of imports for the sector that includes food and drink of the top ten trading partners in 2005 was from countries that already have mandatory nutrition labelling of foods.

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<sup>49</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

<sup>50</sup> Leatherhead Food International (2006) *Evaluating the impact on business of changes to nutrition labelling requirements in the UK*, prepared for the Food Standards Agency, London, UK.

<sup>51</sup> Confederation of Food and Drink Industries of the EU (2006) *Data and trends of the European Food and Drink Industry*, CIAA, Belgium.

No significant negative impacts are expected with options 1 and 2 although with option 2 companies may need to take action to follow voluntary agreements. Option 3 to 5 could have impacts depending on the degree of flexibility and nature of the requirements. Mandatory nutrition labelling might be a greater barrier to trade for countries where nutrition labelling is not mandatory (such as China) than for countries where it is (such as Brazil and the USA). It is possible that firms in emerging and developing countries, particularly SMEs, may have difficulty in meeting the requirement for mandatory labelling. It is possible that the introduction of mandatory nutrition labelling could be challenged by third countries under international trade agreements, however, so far the mandatory requirements introduced by third countries have not been the subject of a formal challenge.

## 6.6.2. Social impacts

### 6.6.2.1. Impact on availability of information to consumers

Economic theory suggests that firms will disclose information on their products as long as it increases the revenues from the product through increased sales or through a higher premium<sup>52</sup>. This might lead to a spread of labelling information on positive food characteristics and increased information for the consumers. Evidence from the US prior to the introduction of mandatory food labelling suggests that the provision of information is not uniform<sup>53</sup>. This appears to be also the case in the EU as there is variation between the proportion of labelling in different Member States and in the proportion of products in different food categories that include nutrition labelling<sup>54</sup>. Based on the data available it is estimated that over 50% of prepacked foods on the EU market include some nutrition labelling information<sup>55 56</sup>.

The provision of nutrition information is beneficial for consumers, as a means to compare different products on the basis on their nutritional quality, and to make better informed choices about the prepackaged food they purchase. In addition, the widespread availability of comparable nutrition labels could lead to consumers becoming familiar with them, which has been found to be an important factor in label understanding and use<sup>57</sup>.

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<sup>52</sup> Golan, E.; Kuchler, F. and Mitchell, L. (2001), "Economics of Food Labelling", *Journal of Consumer Policy* 24, p.117-184.

<sup>53</sup> Drichoutis, A.; Lazaridis, P. and Nagaya, R. M. (2006), "Consumers' use of nutritional labels: a review of research studies and issues", *Academy of Marketing Science Review* 2006 (9).

<sup>54</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission.

<sup>55</sup> SME Panel results.

<sup>56</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission.

<sup>57</sup> Moorman, C. (1996) A quasi experiment to assess the consumer and informational determinants of nutrition information processing activities: the case of the Nutrition Labeling and Education Act, *Journal of Public Policy and Marketing* 15.



Under option 1 there would be no immediate change in the provision of information to the consumer although there could continue to be a progressive increase in the number of labelled products. Option 2 would be expected to lead to a more rapid update of voluntary labelling by the industry. However, it is unlikely that all products would be labelled.

The across the board mandatory requirement of Option 3 would lead to a significant increase and more uniform provision of information across the EU. Option 4 could lead to a small increase in the proportion of products with nutrition labelling (possibly between 10-15% on average for the EU). If under option 5 micro businesses were exempted it is estimated that over 90% of relevant prepacked foods would include nutrition information. These three options, especially options 3 and 5, would be expected to deliver results more quickly than a pure voluntary approach.

#### 6.6.2.2. Public health and safety

##### **Third country estimates of costs and benefits associated with the introduction of mandatory labelling**

###### United States

benefits US\$4200 million over 20 years

cost to industry US\$1500 million over 20 years<sup>58</sup>.

###### Canada

benefits CA\$5300 million in direct and indirect costs in 20 years

costs to industry CA\$300 million over 20 years<sup>59</sup>.

###### Australia and New Zealand

between 320-460 deaths; costs to the health system of between AUS\$47-\$67 million, and a lowered value of life by AUS\$341-\$486 million for every year that mandatory labelling was delayed<sup>60</sup>.

<sup>58</sup> Golan, E., Kuchler, F. and L. Mitchell. 2001. Economics of Food Labelling. *Journal of Consumer Policy* 24: 117-84.

<sup>59</sup> Hawkes, C. (2004) *Nutrition labels and health claims: The global regulatory environment*, World Health Organization.

<sup>60</sup> Hawkes, C. (2004) *Nutrition labels and health claims: The global regulatory environment*, World Health Organization.

While the *ex-ante* assessment of potential health improvements in the USA, Canada and Australia and New Zealand estimated positive outcomes, the actual causal relationship between food labelling and subsequent diet choice is not well understood<sup>61</sup>.

The potential benefits of mandatory nutrition labelling to public health are difficult to quantify. Any impact on public health is based on assumption that the information on the food label will lead to a change in consumers' behaviour and there is some evidence to support this assumption<sup>62 63</sup>. One of the few studies assessing the impact of nutrition labelling on consumers' diet choices tracked the changes in market share of salad dressings before and after the introduction of the mandatory nutrition labelling in the USA. Following the mandatory nutrition declaration there was a decrease in the sales of the salad dressings with the highest fat/saturated fat content<sup>64</sup>.

Considering the possible impact on public health in the EU, according to the World Health Organisation (WHO), largely preventable chronic diseases cause 77% of the disease burden in the European Region (Comprising 53 countries (including the EU27)). In 2000 WHO estimated that in Europe approximately 136 million healthy life years were lost, of which 56 million were due to major nutritional risk factors<sup>65</sup>. Using obesity and overweight as an example, for the EU27 as a whole, the adult obesity prevalence was 15.7% in 2005 (ranging from 7.2% in France to 30.3% in Malta)<sup>66</sup>. In terms of costs, extrapolation of the available data on the costs associated with obesity and overweight in certain Member States using 2005 GDP figures gave an estimate of the cost for the EU25 as €40.5 billion a year and when costs associated with overweight are included the estimated costs double<sup>67</sup>. One study estimated that in 2003 the direct and indirect costs associated with cardiovascular diseases in the EU25 was €168 billion<sup>68</sup>.

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<sup>61</sup> Philipson, T (2004) *Government perspective: food labelling*, Presented at the symposium "Science-based solutions to obesity: What are the roles of Academia, Government, Industry and Health Care?", held in Boston, MA, March 10-11, and Anaheim, CA, October 2 2004.

<sup>62</sup> Variyan J., and J. Cawley. 2006. Nutrition labels and obesity. *National Bureau of Economic Research Working Papers*, series, No. 11956, USA.

<sup>63</sup> Watson, E. (2006) Front-of-pack nutrition labels prompt surprise swing in sales, Food Manufacture, 2 May p. 8.

<sup>64</sup> Mathios, A. (2000) The impact of Mandatory Disclosure Laws on product choices: an analysis of the salad dressing market, *Journal of Law and Economics* 43:2.

<sup>65</sup> World Health Organization (2004) *Food and health in Europe: A new basis for action*, WHO Regional Publications European Series No. 96, WHO.

<sup>66</sup> Lankhuizen, M., Oortwijn, W., Tsang, F., Cave, J. RAND EUROPE (2007) An Analysis Of The Impact Of The Rising Prevalence Of Overweight And Obesity In The European Union.

<sup>67</sup> European Commission (2007), White Paper on a Strategy for Europe on Nutrition, Overweight and Obesity related health issues, COM (2007) 279 final.

<sup>68</sup> Leal, J., Luengo-Fernández, R., Gray, A., Petersen, S, Rayner, M. (2006) Economic burden of cardiovascular diseases in the enlarged European Union, *European Heart Journal*, 27 (13); 1610-1619.

There is no estimate for the EU population of the impact of nutrition information on energy or fat intake and any potential benefit of mandatory labelling would ultimately depend on the impact on consumers' behaviour and number of people making any positive change in their diet. Studies of dietary interventions suggest that a reduction in fat content by 10% corresponds to reduction in energy intake that would be associated with an average loss of about 3 kg in body weight<sup>69</sup>. At a population level, 3 kg equates to about 5% difference in obesity prevalence<sup>70</sup>. In the report of RAND Europe on the analysis of the impacts of the rising prevalence of obesity it is proposed that knowing the quantitative relation between nutrition and physical activity on the one hand and obesity on the other will enable us to assess the impact of policy. If it is assumed a policy is capable of reducing food energy by x% this will have an effect on obesity of x/2%<sup>71</sup>. Based on these assumptions and using the US estimation that the introduction of mandatory nutrition labelling would lead to a decrease in fat consumption of 1.25%<sup>72</sup> the potential decrease in prevalence of obesity could be 0.65%. Using the estimate of the prevalence of cost of obesity and overweight to the EU25 in 2005, and assuming that all consumers changed their behaviour, the change in fat consumption would be equivalent to € 1.7 billion.

Based on the estimate of the benefit used by the UK Authorities to assess the impact of a change in the advertising of certain foods to children<sup>73</sup>, gives a rough estimate of potential benefit of between € 2-5 billion based on the assumption that around 4% of the EU population changed their dietary habits and reduced their salt intake by 1 %.

In terms of the potential impact of the different options, under option 1 and 2 there may be an increase in the number of products including nutrition labelling but it is not certain what would be the increase in the proportion of labelled products. Option 4 would have a limited impact as there would be a limited increase in the number of products with nutrition labelling. Option 3 would have the greatest impact on increasing the number of prepacked foods with nutrition labelling. Option 5 would mean nearly all prepacked products would have nutrition information so would have slightly less of a potentially positive impact than option 3. Assuming that the provision of nutrition information would lead to healthier dietary choices then options 3 and 5 would have the greatest potential impacts.

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<sup>69</sup> Astrup A. Healthy lifestyles in Europe: prevention of obesity and type II diabetes by diet and physical activity. *Public Health Nutrition*, 2001; 4 (2B): 499-515.

<sup>70</sup> WHO. Diet, nutrition and the prevention of chronic diseases. Report of a joint WHO/FAO expert consultation. WHO Technical Report Series 916. Geneva: World Health Organization, 2003.

<sup>71</sup> Lankhuizen, M., Oortwijn, W., Tsang, F., Cave, J. RAND Europe (2007) An Analysis of the Impact of the Rising Prevalence of Overweight and Obesity in the European Union.

<sup>72</sup> Golan, E., Kuchler, F. and L. Mitchell. 2001. Economics of Food Labelling. *Journal of Consumer Policy* 24: 117-84.

<sup>73</sup> Ofcom (Office of Communication) (2007) Impact Assessment Food Advertising to Children.

The estimates of the impact to public health that mandatory nutrition labelling could have are subject to the caveat that it is not possible to fully isolate its impact from that of changes in food consumption and health patterns caused by secular factors. There is also the complexity of reliably assessing the counterfactual, that is, what the public health situation would be in the absence of mandatory nutrition labelling.

#### 6.6.3. *Impacts on Member State Authorities*

It is likely that when changing from one regulatory framework to another government departments move resources between areas based on existing and emerging needs. This makes the costs to public administration of different regulatory framework very difficult to quantify.

Through interviews conducted by RAND Europe, a number of representatives of Member States agreed that the introduction of mandatory labelling is unlikely to lead to a significant increase in the administrative burden to governments, as it could be incorporated into existing systems of control. In fact, some respondents suggested that standardisation might be helpful in that it would make monitoring simpler<sup>74</sup>.

In conclusion, in general no significant negative impacts would be expected and some authorities may find that the introduction of mandatory nutrition labelling would make some aspects of enforcement easier. Depending on the systems associated with the voluntary approach (option 2) the Member States Authorities may need to be involved in the coordination and consultation processes.

### 6.7. **Policy Issue 2: Information to be included as part of nutrition labelling**

Option 1: No change – labels have Group 1 (energy, protein, carbohydrates and fat) or Group 2 list (Group 1 plus sugars, saturated fats, fibre and sodium) additional information can be provided voluntarily

Option 2: Encourage voluntary and self regulatory approach to have a consistent approach to the elements that are included in the nutrient declaration

Option 3: Specify 5 elements - calories, fat, saturated fat, salt and sugars - but allow additional elements from a positive list to be added to the labelling

Option 4: Change Group 1 labelling to 5 key nutritional elements - calories, fat, saturated fat, salt and sugars - and change Group 2 to labelling 9 elements - calories, protein, fat, saturated fat, trans fatty acids, carbohydrates, sugars, fibre, and salt – with additional voluntary elements from a positive list

Option 5: Specify 9 elements - calories, protein, fat, saturated fat, trans fatty acids, carbohydrates, sugars, fibre, and salt (with additional voluntary elements from a positive list)

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<sup>74</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

### 6.7.1. *Economic impacts*

#### 6.7.1.1. Competitiveness, trade and competition in the internal market

In general, no significant impacts are foreseen with any of the options if nutrition labelling remains voluntary. However, under option 2 it is more likely that the large firms would have the resources to participate in voluntary collaborative approaches which might impact on the competitiveness of SMEs.

#### 6.7.1.2. Impact on innovation and research

As mentioned under the analysis of the impact of mandatory nutrition labelling the inclusion of information on certain nutrients can encourage reformulation of products. It is expected that options 1 and 2 would not have significant impacts on research in this area. Whilst options 3, 4 and 5 could have an impact on research into product reformulation by companies, particularly with respect to the five nutritional elements that are common across the options, if they include nutrition labelling on their products. In addition, with option 4 and 5 there could be an impact on the formulation of a product with respect to the other four nutritional elements specified, for example trans fats and fibre.

#### 6.7.1.3. Operating costs and conduct of business

If the labelling remained voluntary then the operating costs would remain the same in general. Companies would need to adapt to new rules if they were introduced and if these were mandatory then there could be additional costs that have already been assessed under the options of the first policy issue.

#### 6.7.1.4. Impact on administrative burden

Under this policy option the costs associated with obtaining the information on the nutrient composition of the product will be used as the basis of the analysis of the impacts on administrative burden. Under the current legislation companies can use the following means to obtain the nutrition information: direct analysis of representative samples of the food; calculation from the nutrient content of the ingredients used in the recipe; or using representative nutrient content information for their products from generally recognised food composition tables. It is foreseen that these alternative methods would be retained in the revised legislation.

The 2004 impact assessment report indicated that while the costs of analysis of obtaining information on the four nutritional elements of Group 1 is relatively modest (a mean of €57), increasing the number of nutrients to seven (Group 1 plus sugars, saturated fats, and sodium) raises costs to a mean of €256 and the analysis for fibre again increases the cost of analysis to a mean of €354. The additional cost of analysis for trans fatty acid composition of an individual food is around €50 so the total cost for 9 nutrients by direct analysis is estimated as around €400. At the moment the content of trans fatty acids is not available for all foods so depending on the availability of such information it may be necessary for specific analysis of foods to be completed. The costs associated with calculation from the recipe and composition tables was from €70<sup>75</sup> if it was done manually. Although there is some evidence that small manufacturers are using databases and software effectively to calculate the nutrition value of their products; the cost of obtaining information per product line being quoted as low as €10<sup>76</sup>. The responses to the SME Panel survey indicated that 56% of companies that included nutrition information analyse their products, 28% calculated from recipes and 17% derive the information from representative food composition tables. Within these companies 48% indicated that the inclusion of nutrition information did not increase the cost of production.

#### **The current situation in Europe<sup>77</sup>**

56% of companies provide nutrition information on their products

49% include Group 1 (energy, protein, carbohydrate, fat)

18% include Group 2 (Group 1 plus sugars, saturated fat, fibre and sodium)

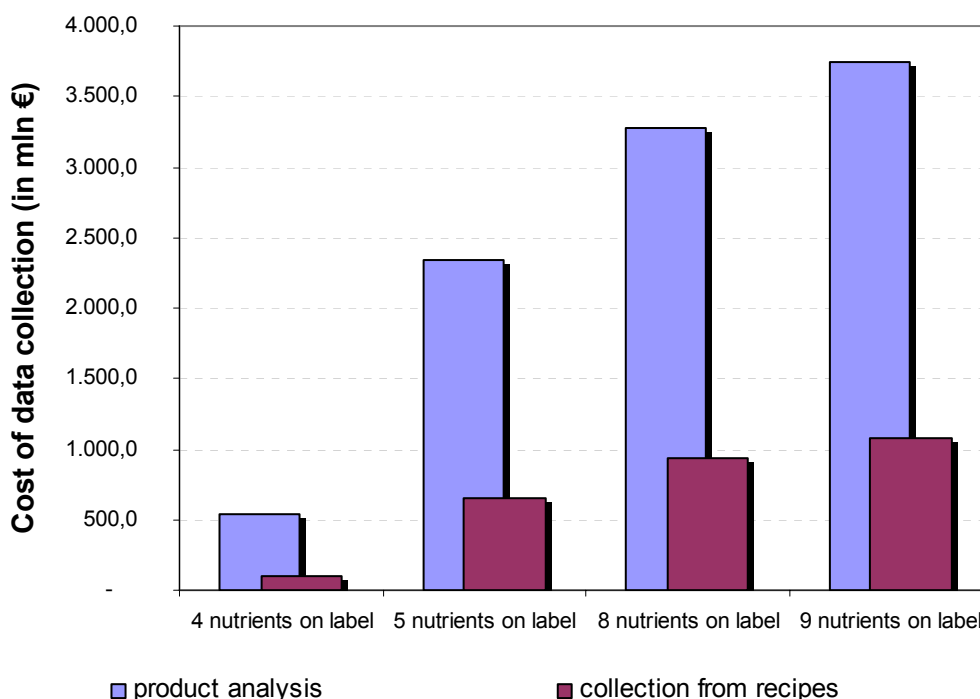
Figure 4 gives an overview of the estimated costs to the industry on providing nutritional information on 4, 5, 8 or 9 nutrients through own analysis of the product or calculation from recipes.

<sup>75</sup> European Advisory Services (EAS). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission.

<sup>76</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

<sup>77</sup> SME Panel results.

**Figure 4: Overview of estimated costs to the industry associated with the provision of information on 4, 5, 8 or 9 nutrients by analysis of the product or calculation from recipes**



Option 1 is not expected to have any impact on the industry. Option 2 would require cooperation between the industry, manufacturers and retailer, representative consumer organisations and the Member State Authorities. Depending on the chosen mechanisms for the voluntary approach there will be varying levels of demands on the industry. The other options would have potential impacts on the industry as they all introduce a change to the current requirements.

Under option 3 and 4 the inclusion of 5 nutritional elements on a mandatory basis would affect around 80% of companies around half of which would need to obtain data on the content of saturated fats and sugars (the costs of which would be modest) and the other half would need to obtain information on all 5 elements, the cost of analysis which on average would be around €250 but the costs of calculation using food composition tables would be much less. Based on the calculations outlined in Annex 5, it is estimated that the cost to the industry as a whole for collecting the information on 5 elements would vary from €0.7 billion to €2.3 billion depending on whether the information was manually calculated from food composition tables or was with compositional analysis of the product itself. Under option 3 companies that currently include information on Group 2 nutrients would need to reduce the number of nutrients so this could be associated with a reduction in their ongoing costs.

Under options 4 and 5 if the inclusion of all 9 elements was mandatory then it would potentially affect nearly all businesses. The companies that do not include any information would need to obtain the information on all elements which could cost from €10 to €400 per product. Companies that already include Group 1 would need to obtain information on 5 elements which might cost around €300 for analysis but much less is by other mechanisms. Based on the calculations outlined in Annex 5, it is estimated that the cost to the industry as a whole for collecting the information on 9 elements would vary from €1.1 billion to €3.7 billion depending on whether the information was manually calculated from food composition tables or was from compositional analysis of the product itself. The companies that provide Group 2 information would need to identify the trans fat content of their products. The currently limited availability of information on the trans fat content of foods in food composition tables could potentially create an additional cost in obtaining the necessary information.

If the inclusion of 5 or 9 elements was voluntary then options 3 to 5 would affect only those businesses that include nutrition information on their products, currently around 56% of companies.

#### 6.7.1.5. Impact on SMEs

No impacts are expected with option 1 for SMEs. Under option 2 the impact of voluntary mechanisms would mean that the companies would need to take the initiative to be kept informed of any voluntary codes of practice to the nutritional elements included on the labelling. There is no information available at the EU level on the provision of Group 1 or 2 nutrients based on company size. Based on the evidence that in general SMEs are less likely to include nutrition information on their products it is expected that there would be a greater negative impact on SMEs compared to large companies under options 3 to 5.

#### 6.7.1.6. Third countries and international relations

No negative impacts are expected with option 1. Option 2 would mean that the companies in third countries would need to have a mechanism to follow developments that lead to a voluntary harmonisation of inclusion of information. Option 3 to 5 could have impacts as the format of the nutrition labelling would not be in line with the current international Codex Alimentarius guidelines on nutrition labelling so it would be considered a barrier to trade for third countries. In addition, for EU based companies providing information on 5 nutritional elements for the EU market for the export market they would need to obtain information on at least the protein and carbohydrate content if they wished to include nutrition labelling on the exported products.



As noted with respect to mandatory labelling many of the companies exporting their products to the EU would need to already accommodate the mandatory labelling requirements that exist in certain countries around the world. These requirements specify between 7 to 14 nutritional elements so in many cases companies would already have access to the necessary information to be able to provide the information for the EU market so there might not necessarily be additional costs associated with obtaining the required information but there could be costs associated with designing the food label.

### 6.7.2. *Social impacts*

#### 6.7.2.1. Impact on availability of information to consumers

Under option 1 there would be no change in the provision of information to the consumer. Option 2 would be less efficient than other options in ensuring that there is a consistent approach to the nutrients that are included on the labelling. It is possible that under a purely voluntary approach the industry would be reluctant to provide information on the negative aspects of their products, for example fats or salt (sodium). In addition, a voluntary approach to which nutrients should be included in the labelling could mean that the consumer is not fully informed about the nutrient composition of the product when a claim is made. Option 3 would lead to a uniform presentation of information across the products that include nutrition labelling on a voluntary basis and the restricted number of nutritional elements that are usually included in the nutrition labelling might help the consumers to understand and use the information<sup>78</sup>. This option does not include all nutritional elements that are included under Group 2 labelling that can also be important in informing consumer choices (e.g. certain fats and fibre) and which consumer may have been using under the current labelling regime. Therefore there would be a reduction in the provision of information which would be viewed negatively by some stakeholders and Member States.

The nine elements proposed under options 4 and 5 are likely to provide consumers with more comprehensive information and thus help them make the most informed dietary choices. However, there is the danger that consumers may feel overwhelmed by the quantity of information and may not be familiar with all the nutrients which could create confusion. Option 4 would allow a shorter declaration with some of the most important nutritional elements and a fuller declaration with 9 nutritional elements.

Evidence from Europe and elsewhere indicates that the profusion of different types of nutrition labels may hinder consumers' decision-making<sup>79</sup>. Under options 3 and 5 there would be greater consistency in the amount of information that is included in the labelling.

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<sup>78</sup> Moorman, C. (1996) A quasi experiment to assess the consumer and informational determinants of nutrition information processing activities: the case of the Nutrition Labeling and Education Act, *Journal of Public Policy and Marketing* 15.

<sup>79</sup> Cowburn, G. and Stockley, L., "Consumer understanding and use of nutrition labelling: A systematic review," *Public Health Nutrition* 8(1), (2004): 26.

#### 6.7.2.2. Public health and safety

Option 1 is not expected to have a significant impact on public health. If under option 2 there is a reduction in the provision of information on the negative aspects of products there could be a negative impact. The five nutritional elements that have been suggested as being included either alone or with other nutritional elements on a voluntary or mandatory basis are the elements that were most often referred to in consultations as being of interest to the consumer. In addition, they have been identified by the WHO as important in relation to development of obesity and noncommunicable diseases and are seen as some of the most important nutritional aspects for public health. In general the EU population is consuming too much energy, fat (in particular saturated and trans fats), free sugars and salt, therefore, highlighting these elements on the label might encourage consumers to take them into account when choosing their diet. Options 3 and 4 would mean that information on these important nutritional elements would be included on the nutrition labelling. Option 5 would mean that other nutrients that would not necessarily be declared, such as trans fats, would also be included in the label. Both options 4 and 5 would mean that consumers could be more fully informed. These options could potentially have a positive impact on public health.

#### 6.7.3. *Impacts on Member State Authorities*

With the exception of Option 2, no significant impacts on Member State Authorities are expected with any of the options. Depending on the systems associated with the voluntary approach the Member States Authorities may need to be involved in the coordination and consultation processes. In addition, under a purely voluntary approach there would be problems with the operation of the Community legislation on nutrition and health claims which requires the declaration of certain nutrients if a claim is made. It is possible that without Community legislation Member States may introduce national legislation on nutrition labelling which could create a situation of information asymmetry across the EU and potential barriers to the free movement of goods.

### 6.8. **Policy Issue 3: Nutrition labelling on front of pack**

Option 1: No change - Maintain current rules – placement of nutrition label left to discretion of manufacturer, no mention of labelling on front of pack in particular

Option 2: Encourage voluntary and self regulatory approach to have a consistent approach across the industry

Option 3: Ban nutrition labelling on front of pack

Option 4: Provide a harmonised framework for nutrition labelling on the front of pack

Option 5: Mandatory nutrition labelling on the front of pack

### 6.8.1. *Economic impacts*

#### 6.8.1.1. Competitiveness, trade and competition in the internal market

Options 1 and 2 would not have any impacts on the competitiveness of companies. A ban on front of pack labelling (Option 3) might have a negative impact on those companies that have already introduced such labelling. Option 4 could have an impact on those companies whose existing schemes are not in conformity with the harmonised system but would help with respect to the internal market as there are already differences in approach at national level. Finally, option 5 could potentially have the greatest impact on all businesses but in particular there could be a negative impact on the competitiveness of SMEs but it would facilitate the functioning of the internal market particularly if there was complete harmonisation of the system.

#### 6.8.1.2. Impact on innovation and research

The clarification of the inclusion of presentation of nutrition labelling on foods and the framework for the inclusion of such information would give a framework for future research. The ban on the inclusion of front of pack labelling would potentially reduce the level of consumer research into use and understanding of nutrition labelling. The provision of nutrition information on the front of pack may stimulate product reformulation, particularly if it was mandatory.

#### 6.8.1.3. Operating costs and conduct of business

The situation regarding the simplified nutrient content information included on labelling is not clear. Options 1 and 2 would not clarify or harmonise the current situation where there is a proliferation of different approaches. Option 1 is not expected to have any impact on the industry whilst with option 2 the industry would need to have mechanisms in place to coordinate the voluntary approach.

A ban on the inclusion of nutrition information on the front of packs under option 3 would bring clarity to the situation. There are some stakeholders who are concerned that the front of pack information detracts from the fuller information which is traditionally included on the “back of pack”, however, the majority of stakeholders appear to favour the development of front of pack schemes as there is increasing evidence that they are liked and used by consumers<sup>80</sup>. If there was a ban on front of pack labelling it would mean that those companies who have already introduced such labelling would need to change their labelling. A recent survey of food businesses in the UK where the inclusion of nutrition information on the front of pack is most widespread indicated that 13% of the companies surveyed included some nutrition information on the front of pack and 17% were considering the introduction<sup>81</sup>. Overall the impact would be considered negative.

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<sup>80</sup> Grunert, K and Wills, J (2007) A review of European research on consumer response to nutrition information on food labels, *Journal of Public Health* (in press).

<sup>81</sup> Leatherhead Food International (2006) *Evaluating the impact on business of changes to nutrition labelling requirements in the UK*, prepared for the Food Standards Agency, London, UK.

Option 4 could have an impact on those companies who have already implemented their own scheme may need to adjust to the harmonised requirements. It is difficult to estimate the exact proportion of businesses that might be affected as this is an area of innovation in the food business but the information above suggests that from 13 to 30% of UK companies could be affected. The mandatory inclusion of information on the front of pack (option 5) would have an impact on costs for nearly all businesses that would need to adapt their operating practices to include the necessary information.

There is limited, and conflicting, information on consumer preferences particularly with respect to different forms of declaration of the nutrient content such as interpretive “traffic light” schemes or in relation to guideline daily amounts. Therefore, if there was inclusion of nutrition information on the front of pack on voluntary or mandatory basis it would probably be necessary to allow time for consumer research to identify the forms of declaration that are most widely appreciated across the EU.

#### 6.8.1.4. Impact on administrative burden

The mandatory inclusion of information on the front of pack (option 5) would have an impact on nearly all businesses that would need to obtain the necessary information and make changes to the labelling. The other options would not impose a specific requirement to provide information so they are considered as not having any impact on administrative burden.

#### 6.8.1.5. Impact on SMEs

No impacts are expected with option 1 for SMEs and limited impact from options 2 and 3. As with other policy issues it is expected that the options that would require labelling changes, in particular mandatory labelling, would be greater on SMEs than on large companies as SMEs are less likely to include nutrition information on their products at the moment.

#### 6.8.1.6. Third countries and international relations

No negative impacts are expected with option 1. Under option 2 the companies would need to have mechanisms in place to be kept informed of any voluntary harmonisation of approach. The introduction of mandatory labelling on the front of pack (option 5) would in particular have an impact as this is not required by any third country. Whilst options 3 and 4 are less likely to have an impact as there is not widespread use of nutrition front of pack labelling in third countries so the introduction of a ban would have limited impact. The harmonisation of the framework for the provision information on the front of pack under option 4 could make it easier for third country companies to export their product to the EU.

### 6.8.2. *Social impacts*

#### 6.8.2.1. Impact on availability of information to consumers

Under option 1 there would be no change in the provision of information to the consumer. Option 2 may lead to a greater harmonisation of the approach on a voluntary basis than option 1. A ban on front of pack labelling (option 3) would be seen as a potentially negative impact as the emerging evidence is that inclusion of nutrition labelling on the front of pack is of interest and useful to the consumer.

Options 4 and 5 would lead to a more uniform presentation of information across products which might help the consumers to compare products, as well as understand and use the information. Also under these options the inclusion of information on the front of pack might have a greater impact at the point of purchase decisions than the back of pack information. As previously mentioned there is evidence that suggests some consumers like and understand simplified front of pack nutrition information.

#### 6.8.2.2. Public health and safety

Option 1 is not expected to have any impact on public health. Option 2 may lead to a certain harmonisation of approach if the voluntary coordination was effective. If as suggested by research that the information on the front of pack has an influence on the purchasing choices of consumers to products that are healthier options, then the inclusion of nutrition information on the front of pack might have a greater impact than information on the back of pack alone. Option 3 could potentially have a negative impact whilst options 4 and 5 could have a favourable effect on food choices.

#### 6.8.3. *Impacts on Member State Authorities*

If a ban on front of pack labelling was introduced then Member States who have developed preferred options and guidance for such schemes would need to adjust their guidance. Otherwise there are no significant impacts with the alternative options.

### 6.9. **Policy Issue 4: Legibility of information**

Option 1: No change – broad requirement for the label to be legible and some prescription on format

Option 2: Encourage voluntary and self regulatory approach to clarifying basic requirements on legibility

Option 3: Introduce a minimum text size for information on nutrition labels, other presentation issues left open, although further measures could be introduced via comitology based on experience gained

Option 4: Introduce clear rules for presentation covering all relevant issues (text size, font, colour, format, etc.)

### 6.9.1. *Economic impacts*

#### 6.9.1.1. Competitiveness, trade and competition in the internal market

No significant impacts are foreseen with Options 1 and 2. Options 2 and 3 would have a potential impact on those companies that did not comply with the minimum requirements established in the legal framework, there could be an impact on their competitiveness if there was a need to increase the number of different labels due to limitation of use of multilingual labels.

#### 6.9.1.2. Impact on innovation and research

Requirement on the legibility of nutrition labelling on foods in general would not have an impact on the basic level of innovation and research by a company.

#### 6.9.1.3. Operating costs and conduct of business

A study in the UK<sup>82</sup> indicates that the nutrition information on most of the labels assessed was easily visible and clearly legible. In a small number of cases, however, lack of visibility or legibility arose, normally as a result of printing or layout inadequacies. On average where nutrition information was given it occupied around 4.6% of the printable area of a pack with a range of between 0.25% and 22.5% of the printable area.

Option 1 is not expected to have any impact on the industry. Under option 2 there may be some costs to the industry to develop and monitor voluntary approaches.

With respect to option 3 there is little evidence about the impact of the introduction of a minimum font size for information on nutrition labels. In the USA, Canada and Australia and New Zealand, where minimum font size requirements apply, information is lacking about how this affected firms, if at all.

Respondents to the survey conducted by RAND Europe reported that increasing font sizes could lead both to the need for larger packages, and to an increase in costs for redesigning labels but there is no specific information available on the potential costs<sup>83</sup>. It is expected that the specification of aspects of presentation beyond font size, as under option 4, would also incur costs for food manufacturers and that these would be greater than if only minimum font size was defined.

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<sup>82</sup> CCFRA Technology Limited (2005) An assessment of the Uptake of the Food Standards Agency Guidance on Clear Food Labelling.

<sup>83</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

Specifications for labelling that require more space might make it necessary to reduce the number of languages on multilingual labels. Depending on the existing level of compliance with any specifications for presentation, labels might have to be redesigned and printing equipment etc. adjusted, these activities would fall in the cost estimates of €2,000 to €13,000 for labelling changes from the 2004 report<sup>84</sup>. The actual incurred or marginal costs of providing a minimum font size will be much lower if they can be integrated into the labelling change cycle.

#### 6.9.1.4. Impact on administrative burden

The change in requirements on legibility would not have an impact on the requirements for which information is provided to the consumer and is not expected to have any significant impacts on administrative burden.

#### 6.9.1.5. Impact on SMEs

No impacts are expected with option 1 for SMEs and no particular impacts with option 2. As with other policy issues it is expected that the impact of the different options under Options 3 and 4 would be greater on SMEs than on large companies as costs for implementing changes are generally proportionally greater for SMEs.

#### 6.9.1.6. Third countries and international relations

No negative impacts expected with options 1 and 2. Options 3 and 4 could have impacts although some companies that might be affected by changes in the EU legislation would have to already take account of legislation in third countries that include specification of minimum font size or other aspects of presentation.

### 6.9.2. *Social impacts*

#### 6.9.2.1. Impact on availability of information to consumers

Under option 1 there would be no change in the legibility of the provision of information to the consumer. On the basis of evidence from the UK that in one survey on 87% of packages the minimum font size was not in line with the best practise guidance it is considered that option 2 would not address the basic legibility problem frequently raised by consumers. A minimum font size as proposed under option 3 is likely to have a positive impact in helping consumers read nutrition information which is fundamental to helping consumers make better informed food choices, which is the central aim of nutrition labelling. These positive impacts could reasonably be expected to be even greater if all aspects of legibility were provided for in the legislation as proposed under option 4.

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<sup>84</sup> European Advisory Services (EAS) (2004). The Introduction of Mandatory Nutrition Labelling in the European Union, Impact Assessment Undertaken for DG SANCO, European Commission.

#### 6.9.2.2. Public health and safety

Option 1 is not expected to have any impact on public health and option 2 would have limited impact, if any. Options 3 and 4 should make it easier for consumers to read and use the information. If increased use led to changes in food choices to healthier options then there could potentially be a positive impact on public health.

#### 6.9.3. *Impacts on Member State Authorities*

No significant negative impacts are expected with options 1, 2 and 4. Options 3 and 4 might make it easier for Member States to implement legislation. Option 3 may require input from Member States in the future if it was necessary to harmonised aspects of that influence the legibility of information such as contrast, colour etc..

### 7. **COMPARING THE OPTIONS**

For the comparison of the options Annex 7 provides tables that summarise the impacts of the four policy issues examined:

- Policy Issue 1 – Disparity in inclusion of nutrition labelling on prepacked foods - consideration of whether nutrition labelling should remain in general voluntary or become mandatory
- Policy issue 2 – How much nutrition information should be included on the label – consideration of the nutritional elements that should be included in the nutrition labelling
- Policy issue 3 - Nutrition labelling on front of pack
- Policy issue 4 - Legibility of information

In this section a comparison of the different approaches and the possibilities for optimising the options are examined. The main approaches examined were:

- Do nothing
- Voluntary mechanisms
- Regulatory approach



## 7.1. Do nothing

If the legislative situation remains as it is the problems that have been identified would continue to exist. Currently, the provision of nutrition information on foods is not consistent in the EU, in many cases there is no information provided at all. In others there is nutrition labelling of the 8 nutritional elements of Group 2 plus other nutrients on the back of pack along with information on five or more nutrients included on the front of the pack. The majority of products that include nutrition information only give the Group 1 elements (energy, protein, carbohydrates and fat). However, these nutritional elements do not completely match those that are most frequently mentioned by consumer (energy, total fat, saturated fats, salt and sugars) and which are of most relevance in public health terms.

If there was no intervention, it could be expected that there would be a gradual increase in the provision of nutrition information on food labels either due to claims triggering mandatory nutrition labelling or an increase in the provision of such information on a voluntary basis. However, it is expected there would continue to be a **disparity in the provision of information** included in terms of: the nutritional elements included (four, eight or more); the availability of information between Member States; and between product categories, especially for products that would be considered less healthy options. Even though there is limited data for the whole of Europe, the evidence suggests that in many countries in the EU the level of nutrition labelling is already above 50% (for example in the UK), and in other countries it is approaching this level (such as Poland). In spite of a growing trend towards providing nutrition labelling, it is unlikely that all firms will eventually disclose the nutrition information on all their products, which hampers the effectiveness of nutrition labelling as a public information strategy and limits potential impacts on public health.

The framework for the provision of **nutrition information** under the current system is a minimum of four nutritional elements (energy, protein, carbohydrate and fat) or, depending on the claim, mandatory labelling of eight nutritional elements may be triggered with the possibility to include certain other nutrients including vitamins and minerals. However, the nutrients that are of main interest to the consumer do not coincide with the four basic elements of the current Directive. Therefore, under the do nothing option, the information provided might not meet the information needs of the consumer.

The development of the more widespread inclusion of nutrition information on the **front of pack** is an interesting development and there is increasing evidence that consumers like the presentation of information on the front of pack. The inclusion of such information is not uniform across manufacturers, retailers or Member States. The current situation in the UK helps to illuminate the issue. At the moment there are different schemes for front of pack nutrition labelling in the UK; the UK Food Standards Agency is promoting the voluntary use of a “traffic light” labelling scheme that classifies the content of certain nutrients as “high” (red), “medium” (amber) or “low” (green). Other food manufacturers and some retailers have agreed to incorporate the labelling in their own front of pack schemes. Other food manufacturers and retailers are applying an scheme promoted by the European food manufacturers association (CIAA) which is to give the information on the nutrient content of a portion of a product in relation to a guideline intake (Guideline daily amount or GDA). On the UK market there is a proliferation of schemes. Without any action there would continue to be the development of schemes with the potential that consumers could be frustrated if there was not any consistency between the basic criteria for the different schemes.

**Legibility** of the information is the most frequent complaint about labelling is the, in particular the size of the type face. A UK survey<sup>85</sup> of the labelling of products noted that “A large number of products were found to have given undue emphasis to information on branding, claims, pictures and the like, and to have done so at the expense of the essential information specified in the Food Standards Agency’s Guidance. In a majority of these cases, it would seem to have been possible to avoid doing so, in one or more of the ways recommended in the Guidance.”. Therefore, it appears that the problem of use of a small type face is not solely due to the size of the packaging. If no action is taken it likely that the problem of legibility of nutrition labelling would continue.

In conclusion, the do nothing option is not expected to have any significant economic, social or environmental impacts. However, given that certain problems have been identified with the current situation, the do nothing approach is not expected to lead to a convergence of the consumer expectations and the provision and presentation of the information by food manufacturers and retailers.

## **7.2. Voluntary mechanisms**

Through voluntary mechanisms, for example self-regulatory or co-regulatory approaches, it is expected that there could be developments that might help solve certain problems that have been identified.

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<sup>85</sup> Campden & Chorleywood Food Research Association Group (2005) An Assessment of the Uptake of Food Standards Agency Guidance on Clear Food Labelling, November 2005.

Representative consumer organisations are calling for mandatory full nutrition information on back of pack (eight or more elements) with front of pack information and associated interpretive elements (such as traffic light schemes used to give an at-a-glance overview of the nutrient content of a product). Voluntary commitments have been made by the food manufacturers and retailers to provide more nutrition information on their products and across a wider range of products which potentially could lead to a reduction **disparity in the provision of information**. Such commitments have included provision of information on the front of pack, at a minimum the amount of energy but if space allows, the inclusion also of fat, saturates, sugars and salt. Several large food manufacturing companies have committed to roll out the scheme across their products in the EU by the end of 2008. As around 75% of large manufacturers already provide some nutrition information on their packs if all the large manufacturers were to follow the voluntary commitment of the representative European food manufacturers association CIAA then there could be an increase of over 10% of products with nutrition labelling giving a coverage of over 65% of products on the market.

The voluntary commitment by the representative food industry organisations, both manufacturers and retailers, is to encourage their members to increase the **amount of nutrition information** provided. This means that companies that do not currently provide any nutrition information are encouraged to include information on at least four nutritional elements and, if front of pack is included, to indicate as a minimum on the front of pack the amount of energy in the product. Companies that already include 4 nutritional elements are encouraged to include 8 elements and front of pack labelling. As already noted several large companies have committed to following the scheme but uptake by other parts of the industry is less clear.

Under a voluntary approach there is less likely to be consistency in the nutrients on which information is provided. It has been recognised that some of the important elements in public health terms are energy, fat, saturated fats, sugar and salt. There are other nutritional elements that are generally perceived as having positive attributes such as fibre and vitamins and minerals. Under a voluntary approach the focus of the nutritional information provided could be on the elements that highlight the positive nutritional attributes of a product whilst information on the elements that might be perceived as giving a more negative impression of the product would not be declared. Also it is likely that on a voluntary basis there would be a lack of consistency in the information provided.

The inclusion of specified nutrition information on the **front of pack** means that there is a focus on the elements of main concern in public health terms in a place which is easier for consumers to see when making their purchasing choices. A pure voluntary approach would mean that there could be lack of harmonisation in the information that is provided on the front of pack which could lead to consumers finding it more difficult to understand and use the information.

The information may be provided in relation to 100g or 100ml of a product, per portion or serving, as well as in relation to guideline recommended intakes (GDAs) and other labelling systems such as “traffic lights”. This situation makes it difficult for consumers to always find the information they may wish to use to inform their food purchase and consumption habits. Therefore, there is a need to consider if further guidance or harmonisation on the way that the information is presented on the label is required.

Regarding **legibility**, in the previously mentioned UK survey<sup>86</sup>, it was noted that the guidance on minimum font size was not being followed by the majority of manufacturers. Therefore, it appears that voluntary mechanisms alone would not lead to a change in the approach of manufacturers to ensuring the legibility of the information provided.

Within a strengthened voluntary system, progress on the availability of nutrition information could be made in a shorter timeframe than under the do nothing option. In addition, a participative approach involving all stakeholders is expected to deliver a greater convergence of the consumer expectations and the provision of nutrition information by the industry. Although voluntary initiatives would be expected to lead to the increased availability of information it is likely that the uptake would remain uneven across the Community leaving the problem of disparity in the provision of information. As under the do nothing option, it is expected that if manufacturers consider that the inclusion of nutrition information would have a negative impact on their sales then they would not include such information. Therefore, the potential benefits of increased availability of nutrition information would be less than a mandatory approach.

The cross reference in other legislation, such as the nutrition and health claims Regulation, to the nutrition labelling legislation means that a purely voluntary approach in this area would impede the functioning of other Community legislation.

### **7.3. Regulatory approach**

The introduction of new labelling and information provision requirements impose costs on many food producers. However, the extent of these costs depends on any supporting mechanisms that might be put in place and on the timeframe given to firms to adjust and respond. In addition, under this approach consideration would need to be given to whether certain categories of foods should be excluded from mandatory labelling e.g. products which are not an important source of nutrients or that might have a natural variation in nutrient content that make it difficult to give representative information on the nutrient composition.

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<sup>86</sup> Campden & Chorleywood Food Research Association Group (2005) An Assessment of the Uptake of Food Standards Agency Guidance on Clear Food Labelling, November 2005.

The current **disparity in the availability of nutrition information** between both products and Member States is not likely to change in the foreseeable future without some intervention. Therefore, mandatory requirements are considered to be the mechanism to most effectively achieve the objective to make key nutrition information more widely available. It is estimated that a mandatory requirement would impose costs on the industry, if made immediately applicable, of €21.8 billion. Whilst with a 3 year transition period that allowed for re-labelling during the normal redesign of the label it is estimated that the imposed costs would be reduced to €1.2 billion.

The question of the **nutritional elements** that should be included in the nutrition information is important. As noted in the problem definition the current requirements for the minimum nutrition declaration do not completely coincide with the nutritional elements that appear to be of most interest to consumers. Therefore, it would appear appropriate to revise the minimum requirements for nutrition labelling to be in line with consumer demands. However, it is important that if certain nutritional attributes are emphasised in the food labelling then full information on those elements should also be included on the label. Although the inclusion of additional elements such as fibre, carbohydrates and protein would enable the consumer to make a fully informed choice it does not appear that this would bring a significant difference in the potential benefit of focusing on the five key nutritional elements. But there does not appear to be any benefits in the preventing the inclusion of such additional information on a voluntary basis.

The collection of information for mandatory nutrition labelling is expected to have an impact on at least 50% of companies, with between 55-75% of SMEs being affected depending on the number of nutrients declared. The costs associated with obtaining the information on up to 9 elements through the analysis of the product are estimated to be €3.7 whilst with manual calculation from recipes would be around €1.1 billion. However, there is a growing range of resources available to firms for the inexpensive calculation of the nutrient composition of their products. Evidence suggests that even for small firms, the availability of special software, for example, means that nutrition information is no longer so costly and time-consuming to obtain. In Australia and New Zealand such a system can be used by manufacturers free of charge on the FSANZ website<sup>87</sup>. Therefore, the provision of nutrition labels on their food products should not present a disproportionate challenge for many firms including those categorised as SMEs.

The specification of energy, fat, saturates, sugars and salt as the minimum nutrition declaration would not be in line with the current provisions Community or international requirements and would mean a large proportion of businesses, including those importing products, would need to change their labels.

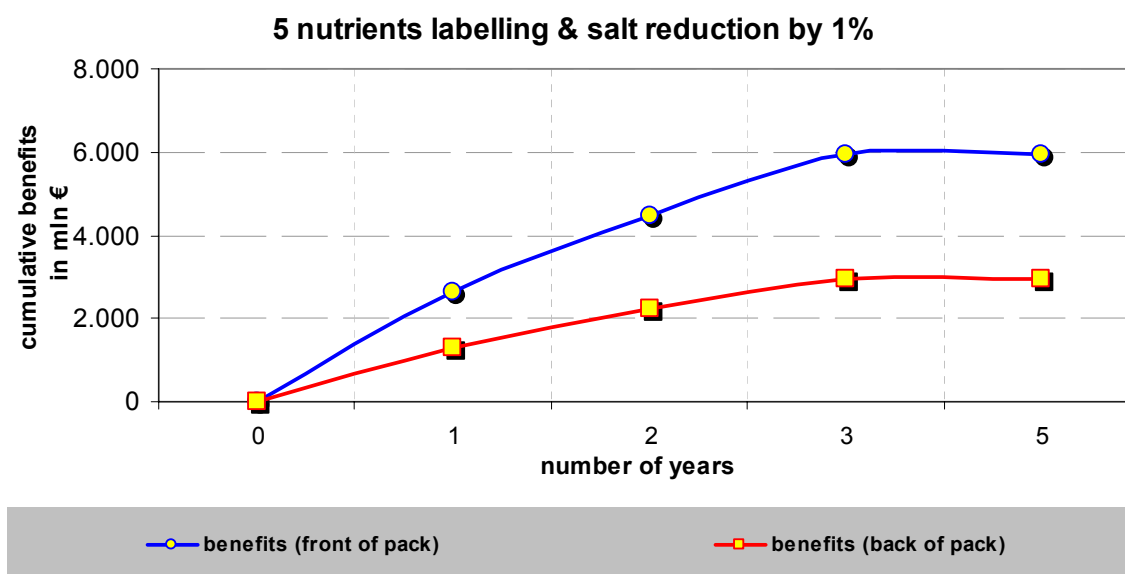
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<sup>87</sup> Centre for International Economics (2002) *Evaluating the benefits and costs of food regulations: a scoping study*, prepared for Australia and New Zealand Food Authority, Australia.

The **placement of the information** is also of importance if the revision of the legislation is to achieve the objective of the nutrition information to be presented in a way that makes it easy for the consumer to find, understand and use. The consumers have generally expressed the view that front of pack labelling can be useful, and for the various schemes that are in use at the moment there is evidence that they are liked and used by consumers. Reports of the use of front of pack labelling suggest that it is more likely to influence the choice of consumers. The available information suggests that information provided on the front of pack is twice as likely to influence the purchasing choices of consumers.

Figure 5 provides an overview of the estimated potential benefits of front or back of pack nutrition labelling if this was to lead to a 1% reduction in the salt intake of the EU population as a whole. In case of front of pack labelling it is assumed that the label is read by 80% of the customers (if not every time, at least during first purchase), in case of the back of pack label the ratio goes down to 40%. It is assumed that the same proportion of customers who read the information are influenced in their dietary choice. With respect to the placement of the information it is estimated that inclusion on the front of pack is likely to have a greatest impact.

**Figure 5: Estimated potential costs and benefits of labelling of 5 nutritional elements either on front or back of pack being associated with a 1% reduction in salt intake and placement of information**



At the moment there are different schemes for the presentation of information on the front of pack which are either endorsed by Governments, industry associations or are company specific schemes. However, there is a need for more research on use and preference of consumers across the EU as the use of schemes is not universal across all the Member States. The provision of a framework for the inclusion of information on the front of pack would ensure that where such information is given then certain nutritional elements are included. It would be necessary to provide some flexibility to allow for the evidence on the most useful presentation or interpretive elements to develop and for voluntary mechanism to optimise a common approach.

On the issue of **legibility**, the specification of a minimum font size in the legislation would tackle the most frequent complaint of consumers about the legibility of labels. Provisions to accommodate small packages for which it may be difficult to have a minimum font size without leading to an increase in the overall pack size would help to reduce the potential impacts. In addition, a suitable transition period that enabled in the majority of cases for any labelling changes that might be required to be incorporated into the usual labelling cycle would help to reduce any direct costs associated with changes in the legislation.

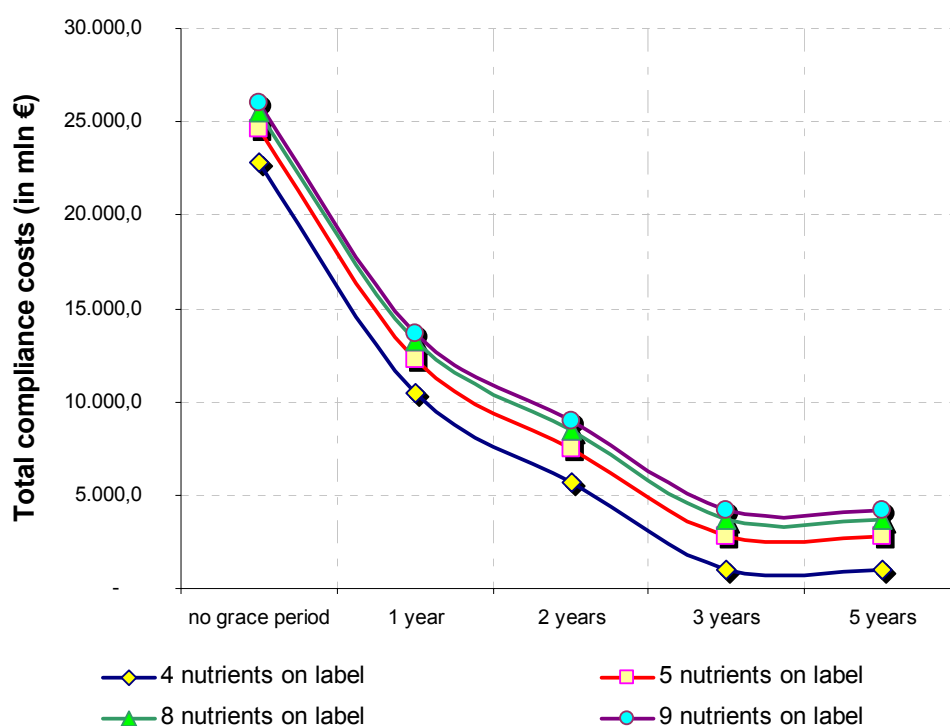
Specific rules on typeface size would address one of the fundamental issues related to legibility of information. However, it is recognised that this is not the only aspect. If other aspects of legibility are seen to be creating a significant problem for consumers then the desirability of harmonisation on these factors may need to be addressed in the future.

There is inadequate information to assess the impact of the change in the legislation to include a minimum font size however manufacturers already have to follow the principle that their labels should be legible so the inclusion of specific requirements related to legibility in the legislation would provide a framework through which it could be expected that the label would be legible for the average consumer.

## 7.4. Optimising the regulatory approach

A mechanism to ease adaptation to new legal requirements is allowing firms a suitable amount of time to respond to the regulation. It costs less for firms to have to comply over the medium term than if they had to comply immediately, because there is a natural cycle in product lines and labels, into which changes to labels can be incorporated. Public administration officials and food manufacturers have indicated that a period of transition from voluntary to mandatory nutrition labelling, which would take into account labelling cycles, would significantly reduce the costs of complying with the regulation. The US Food and Drug Administration Labeling Cost Model estimated with a 6 month compliance period no private labels and only 5% of branded products would comply if changes were made as part of the usual labelling cycle with a 2 year compliance period two thirds of own brands and one third of private labels would comply and after a 3 year period all own brand products and two thirds of private labels would comply<sup>88</sup>. These estimates appear to be in line with the responses to surveys of EU businesses which suggest that within a 3 year period 80% of product labels would have been changed<sup>89</sup>.

**Figure 6: Estimated potential compliance costs associated with the labelling of different number of nutrients depending on transition periods allowed**



<sup>88</sup> Muth et al. (2003), FDA Labeling Cost Model.

<sup>89</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.



In the absence of legislation companies would still label their products otherwise consumers would not be able to distinguish the products from one another. Therefore, there will always be a cost to industry associated with labelling. Industry can minimise the costs associated with any changes in requirements for labelling by incorporating labelling changes within the normal timetable for label changes.

Figure 6 illustrates the estimated costs for compliance that would be associated with the introduction of the requirements either with immediate effect (where manufacturers were unable to adapt to the requirements during the usual label redesign process) or the costs associated with transition periods of 1, 2, 3 or 5 years. This figure illustrates that with extended transition periods the costs imposed on industry can be significantly reduced.

It is therefore likely that while for some of the smallest firms, the introduction of mandatory labelling would present serious challenges, for many SMEs mandatory nutrition labelling would not impose significant costs. In countries that introduced mandatory nutrition labelling for foodstuffs, exemptions for some micro and small firms were also allowed, to reduce the impact of the new regulatory environment on these firms' survival and competitiveness.

The provision of support mechanism such as the nutrition calculator through Member States or at the Community level would enable companies to obtain the necessary information on the composition of their products while incurring limited costs. Suitable transition periods would allow the majority of companies to accommodate the labelling changes in the normal labelling cycle.

With respect to providing more flexibility on the inclusion of legible nutrition information an exemption could be made for small packs.

## **7.5. Preferred option**

Considering the potential impacts of the different approaches, the introduction of mandatory front of pack nutrition labelling of the nutritional elements that are of most interest to the consumers and that are among those that are of importance in public health terms, particularly with respect to the risk of development of non-communicable diseases, would achieve the aims of making the information more widely available in a form that is accessible to the consumers. To reduce the potential impact on SMEs it would be possible for the information to be based on not only analysis of the products themselves but also from composition of representative products in food composition table or calculation from the compositional information on the individual ingredients in the product recipe. Additional measures to reduce the impact of the introduction of mandatory requirements would be to have extended transition times to allow for the changes to be made during the normal re-labelling cycle of a business.

## 8. MONITORING AND EVALUATION

The general monitoring of the legislation on nutrition labelling is included in the Regulation 882/2004 on official controls of food and feed<sup>90</sup>. This Regulation foresees that the Member States implement efficiently the requirements of the food legislation. The Commission (Food and Veterinary Office) controls the correct enforcement of the Member States.

The monitoring would be done by the Commission and Member States for example through reports from Member States, NGOs and self monitoring activities of the industry.

- To assess the availability of information to the consumer monitoring could be done through surveys of the products on the market by organisations such as NGOs, Member State Authorities and self monitoring by the industry.
- The monitoring of the presentation of the information, and consumer understanding and use, including its legibility could be through consumer surveys by various organisations and enforcement activities of Member State Authorities.
- Any change in the functioning of the internal market could be assessed through the feedback at national or European level through the governance system for the exchange of best practice on national schemes that is foreseen as part of the revision of the legislation.

In order to keep the evaluation proportionate to the resources allocated and in line with the impact of the programme and activity concerned, an evaluation should apply under the evaluation programme as planned by DG SANCO. The Commission should carry out an evaluation of the new legislation as from 5 to 7 years after the date of application of the legislation in order to assess its relevance to stakeholders' needs. In particular, such evaluation should focus on the uptake and efficiency of the voluntary national schemes foreseen in the draft proposal in view of assessing the need for Community rules on aspects for which such schemes have been adopted.

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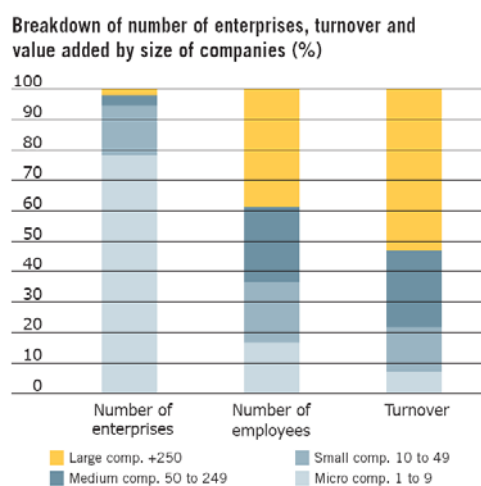
<sup>90</sup> OJ L 165, 30.4.2004, p. 1–141.

## **ANNEX 1- Structure of the European food and drink industry**

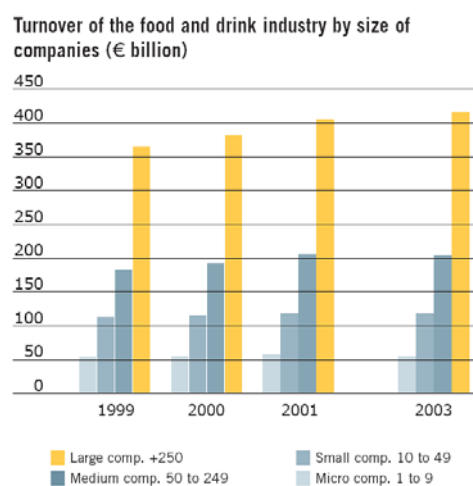
### **Food manufacturing**

In 2005 the food and beverage manufacturing industry within the EU25 had a turnover of €836 billion, employing 3.8 million people. In 2003, there were 282,600 businesses 99.1% of which had less than 250 employees and generated 47.8% of total turnover and employed 61.3% of the workforce within the food and drink sector. In contrast, the large companies, constituting just 0.9% of businesses provided 53.8% to the turnover and employed 38.7% of the respective workforce<sup>91</sup>.

#### *Structure of the European food and drink industry*



Source: Eurostat, SBS size class, 2003 data



Source: Eurostat, SBS size class, 1999-2003 data

**Comparison between turnover, value added and number of employees of the food and drink industry and the manufacturing industry by size of companies (%)**

|                     |                                 | Micro comp.<br>1 to 9 | Small comp.<br>10 to 49 | Medium comp.<br>50 to 249 | Large comp.<br>+ 250 |
|---------------------|---------------------------------|-----------------------|-------------------------|---------------------------|----------------------|
| Turnover            | Manufacturing ind. <sup>1</sup> | 6.8                   | 13.3                    | 20.8                      | 59.1                 |
|                     | F&D ind.                        | 6.8                   | 15.1                    | 26.0                      | 52.2                 |
| Value added         | Manufacturing ind. <sup>1</sup> | 7.3                   | 15.8                    | 22.3                      | 54.6                 |
|                     | F&D ind.                        | 8.7                   | 15.0                    | 22.5                      | 53.8                 |
| Number of employees | Manufacturing ind. <sup>2</sup> | 9.5                   | 21.8                    | 25.2                      | 43.4                 |
|                     | F&D ind. <sup>3</sup>           | 16.4                  | 20.7                    | 24.3                      | 38.7                 |

(1) EU-25 except MT, PL, SE  
(2) EU-25 except MT, LU, SE, PL, FI  
(3) 2001 figures

Source: Eurostat, SBS size class, 2003 data

SOURCE: CIAA (2006)

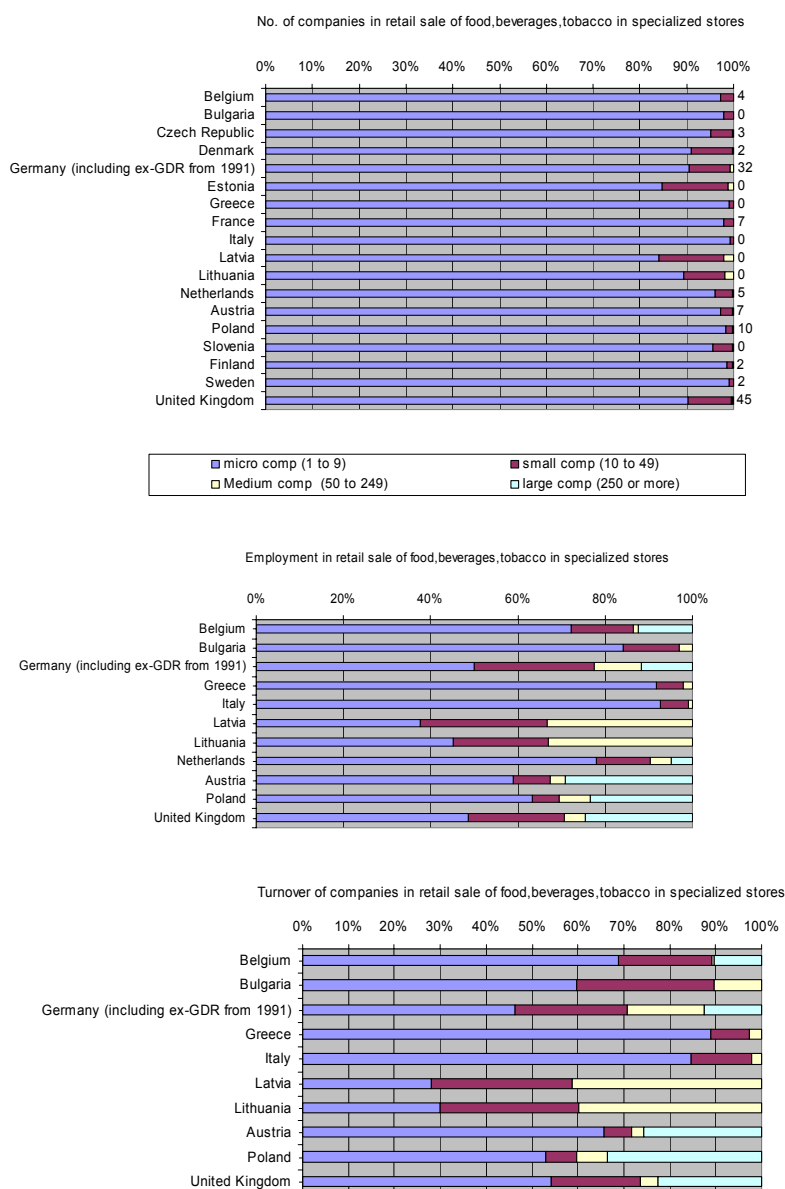
<sup>91</sup>

Based on EUROSTAT data, as presented in: CIAA (2006): *Data & trends of the European Food and Drink Industry*, CIAA, Brussels.

## Food retail

In the sector of food retailers, specialised food retailers are generally relatively small outlets such as fruit and vegetable shops, bakers, butchers and fishmongers which do not belong to a larger chain. In 2004 there were 889,284 food retailing businesses with specialised food retailing companies representing 56% of the sector and the non-specialised were 44%. Specialised retailers accounted for around 14% of the €888 billion total turnover and employed 23% of the 6.2 billion workforce.

### Structure of retail sale of food, beverages and tobacco in specialised stores, 2004 data

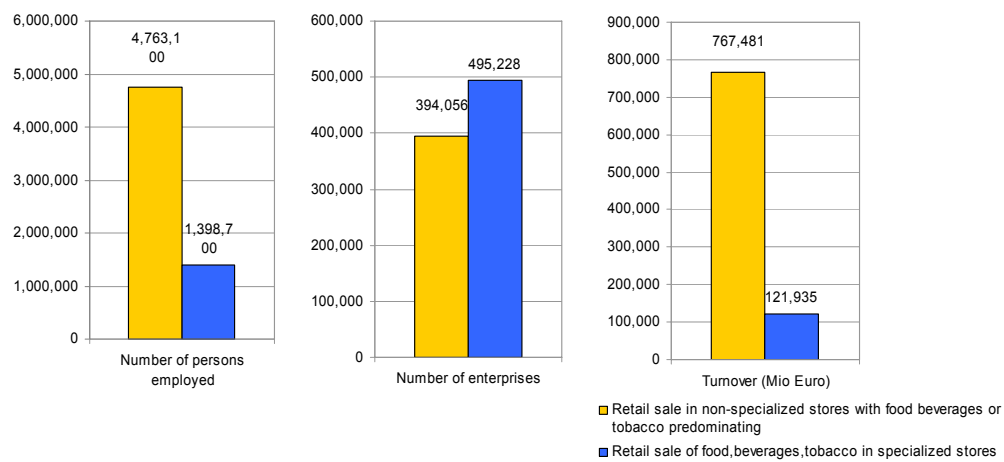


SOURCE: EUROSTAT Database<sup>92</sup>

<sup>92</sup>

Due to data limitations and the confidential character of some of the statistics, no European average data (EU-27 or EU-25) can be provided and results are only shown for countries with complete data sets.

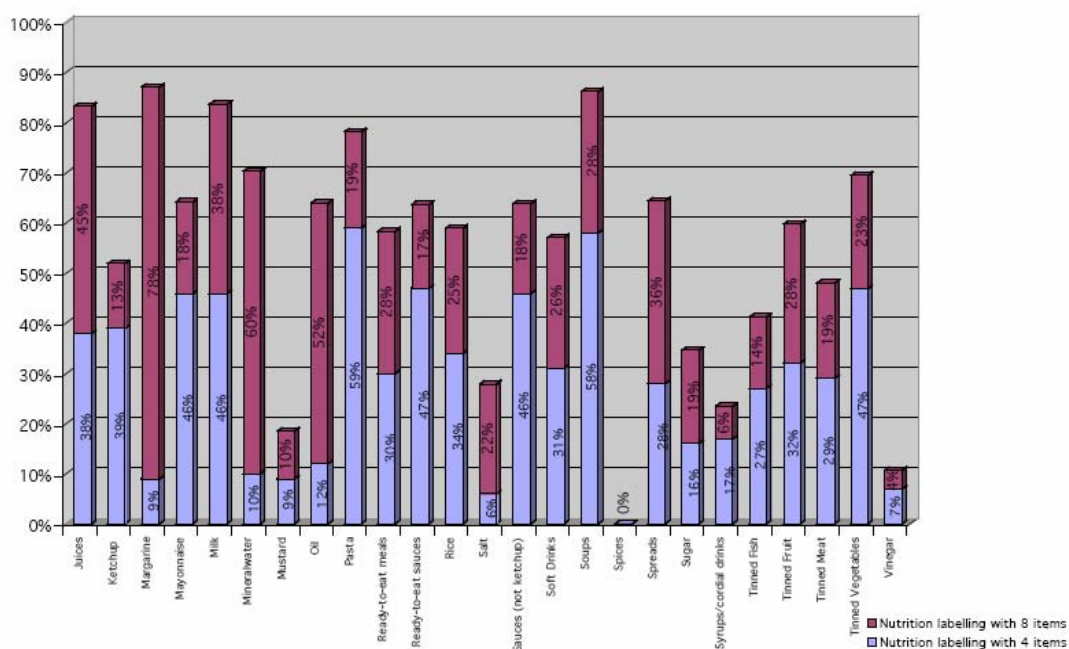
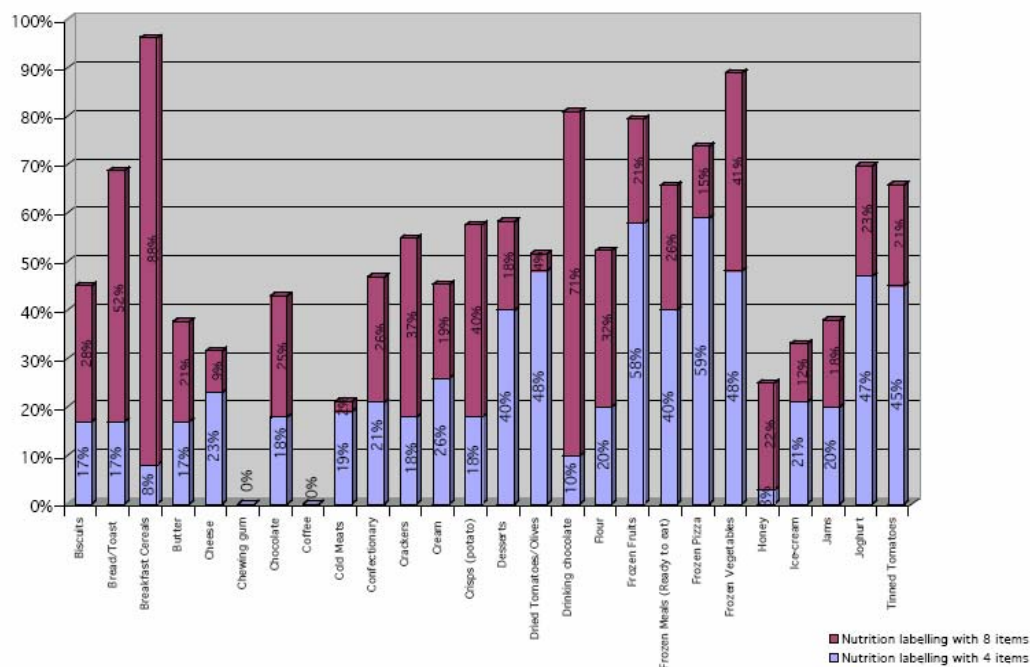
## Structure of European food retail industry, 2004 data



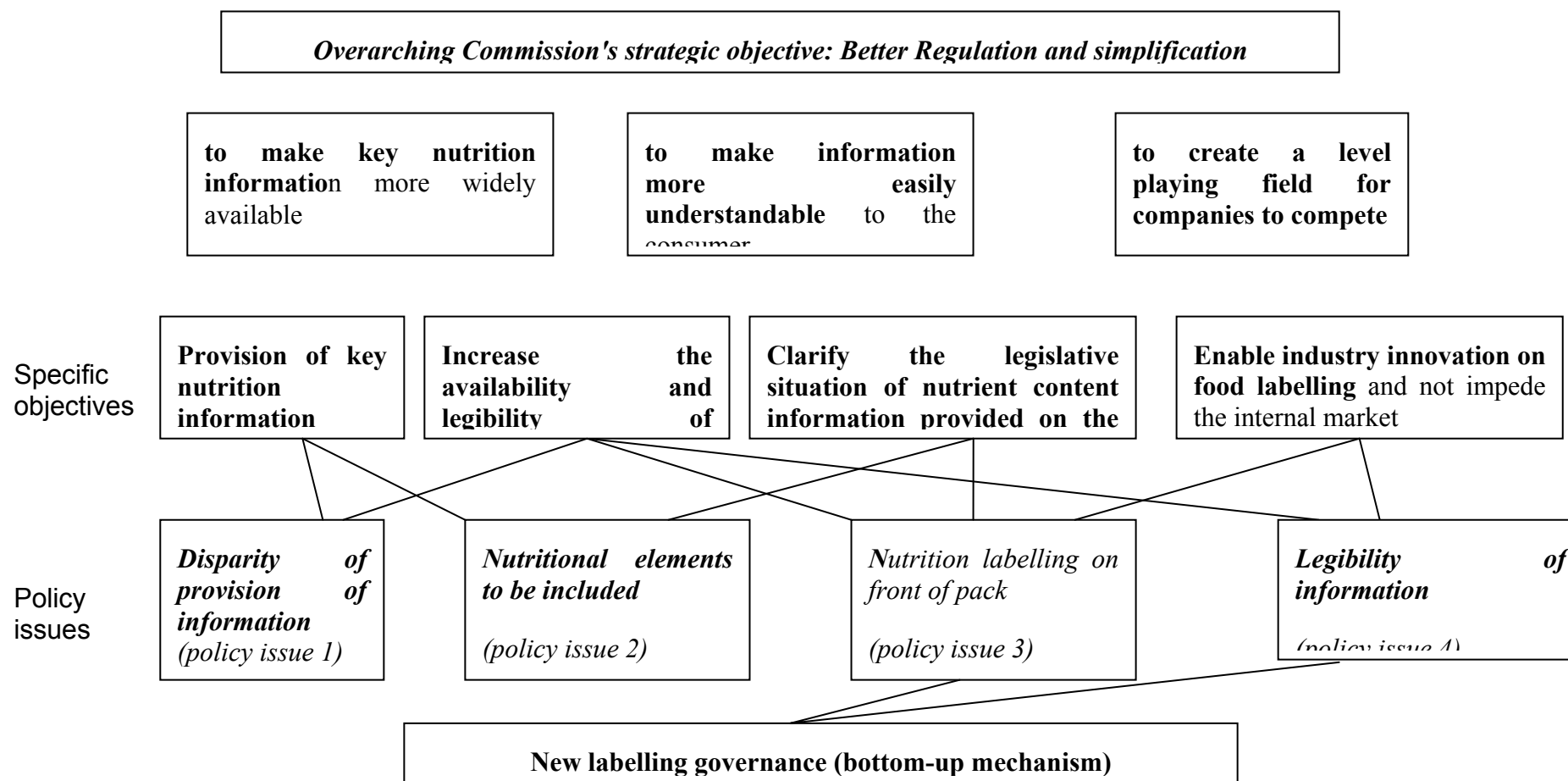
SOURCE: EUROSTAT Database

## ANNEX 2 - Distribution of nutrition labelling on different food products in four European countries

Source: EAS 2004 Report - 2,954 food products were included in the survey



### ANNEX 3 - Nutrition Labelling Objectives



## **ANNEX 4 - Extract of RAND Questionnaire – Questions on labelling costs**

### **Costs of food labelling**

We would like to understand the costs associated with making a label and the activity that is associated with the costs.

1. What is the per-unit average cost of production in euro across your range of stock-keeping units?
2. What is the average cost per stock-keeping unit of labelling (i.e. designing and applying the label)
  - in euros and
  - as a percentage of the total on average cost of production of a stock-keeping unit?
3. When you produce a new label, what is the average cost (direct and indirect), associated with the following tasks (outsourced or not)? Please estimate this cost as a percentage of the total cost of the production of the label.
  - Identification of the information legally required on the label (identifying and understanding the regulations that apply; obtaining relevant information to comply with labelling regulations; obtaining data for the label through analysis etc.)
  - Translation for labelling in different languages
  - Redesign of the label and packaging
  - Production of the printing plate
  - Printing of the label
  - Audit and inspection associated with compliance with the labelling regulations
  - Other (please specify)
4. How many times in the last 10 years have you changed labels, solely as a result of a change in labelling regulations? (Options given: None, once, twice, three times, other (please specify [tick box]))
5. What was the average cost per stock-keeping unit of changing the labels specifically due to a past change in the labelling legislation?
  - (1) no costs specifically due to changes in legislation
  - (2) average cost in euros, and
  - (3) as a percentage of the average total cost of a stock-keeping unit,



## **Administrative costs of labelling**

How much time (in man-hours, including work of external consultants) on average per year do you estimate your company spends on the following tasks?

- Determination of the information legally required on the label (identifying and understanding the regulations that apply; obtaining relevant information to comply with labelling regulations; obtaining data for the label through analysis etc.)
- Translation for labelling in different languages
- Redesign of the label and packaging
- Production of the printing plate
- Printing of the label
- Audit and inspection associated with compliance
- Submitting information to the regulator
- Other (please specify)
- Total

What is the average cost per hour of staff (across grades) working on these tasks (as above)?

What is the main reason for the amount of time spent on these tasks (please rank them: 1=main reason; 5=least important reason)?

- Part of the usual labelling cycle (launch of new products, normal changes of labels)
- It takes time to familiarise ourselves with the relevant regulations
- There is a large number of regulations to comply with
- Adapting to changes in the regulations
- Other (please specify)

## **ANNEX 5 - Food labelling – estimation of administrative burden and labelling re-design costs**

As described in the overview of the food labelling process, the food labelling process can be divided into five main parts:

- Familiarisation with the regulation
- Collection of necessary information
- Re-design of label (if needed)
- Printing
- Packing

As the last two processes, printing and packing, remain unchanged as a result of labelling regulations they are not analysed in this Impact Assessment.

### *Number of labels in the EU*

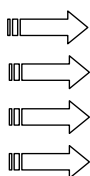
Before the actual assessment of each cost generating process, the actual number of labels that are subject to this regulation should be analysed. Unfortunately there are no available data so one has to rely on estimation.

The estimation was done on the basis of average number of labels per company, with division into four types of companies distinguished on the basis of employment size. The average was assumed constant for all Member States.

The starting point of this estimation was the research carried out by RAND<sup>93</sup>, which divided companies on the basis of an average number of labels / stock keeping units (SKUs - the total number of products and the different packaging sizes or types). This data enabled to roughly attribute a number of labels / SKUs per company (four groups by employment size). One has to then assume that a number of labels / SKUs per product (same ingredients formula) will increase with size of the company growing. This analysis led to the following results:

RAND analysis of labels / SKUs

| Number of labels / SKUs | % of total number of companies |
|-------------------------|--------------------------------|
| 0 - 9                   | 7,0%                           |
| 10 - 24                 | 11,0%                          |
| 25 - 49                 | 15,0%                          |
| 50 - 99                 | 15,0%                          |
| 100 - 249               | 16,0%                          |
| 250 - 999               | 19,0%                          |
| 1000 -                  | 25,0%                          |



Own assumption on no. of labels / SKUs and products per company

| Company (by employment size) | in average enterprise by employment |                    |
|------------------------------|-------------------------------------|--------------------|
|                              | Number of labels / SKUs             | Number of products |
| 1 - 9                        | 25                                  | 25                 |
| 10 - 49                      | 250                                 | 125                |
| 50 - 249                     | 500                                 | 167                |
| 250 or more                  | 1.000                               | 250                |

<sup>93</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007. – p.109.

The above analysis enabled the calculation of total number of SKUs / Labels. For subsequent analysis of costs, at this stage both the % of products with nutrition information already provided as well as % of labels with information provided in adhesive form (as opposed to printed on pack) had to be assumed. The EAS study identified that there are already 56% of products with nutrition information provided on the pack (the % goes even higher for big companies), while it also identified that only 37% of labels are printed on pack (the % also increases with size of company). Based on the above, the number of SKUs / Labels was estimated to be the following:

| Number for EU-27   | with no nutrition info |           |            | with nutrition info  | total             |
|--------------------|------------------------|-----------|------------|----------------------|-------------------|
|                    | adhesive               | printed   | total      | adhesive and printed |                   |
| Number of Labels   | 10.618.585             | 4.527.965 | 15.146.550 | 11.747.700           | <b>26.894.250</b> |
| Number of Products | 7.048.459              | 2.328.149 | 9.376.608  | 5.378.850            | <b>14.755.458</b> |

### *Familiarisation with the regulations and information to be provided*

After the need for changing a label has been established, the company has to become familiar with the legislation to establish the legal requirements for the new label. A UK administrative burden exercise estimated the costs attributed to familiarisation and understanding the General Food Labelling regulations as 13% of all administrative costs across all the food regulations<sup>94</sup>. An administrative measurement exercise conducted in Denmark estimates the costs associated with familiarisation with food labelling legislation to account for 5% of the total administrative burden associated with the food regulations (a summary of the administrative burden survey in certain Member States is summarised on Annex 5).

**Table 1: Summary of administrative burdens from all food regulation and food labelling legislation**

|                 | Total turnover food and drink industry (2004; 2002 for DK)<br>in mln € | Number of companies (2004) | Administrative burden associated with all food regulation |                  |                         | Administrative burden associated with food labelling |                  |                         |
|-----------------|--|----------------------------|---|------------------|-------------------------|--|------------------|-------------------------|
|                 |  |                            | in mln €  | as % of turnover | per company (in tho. €) | in mln €   | as % of turnover | per company (in tho. €) |
| Denmark         | 19.809,20  | 1.773,00                   | 554,90  | 2,80%            | 312,97                  | 93,20  | 0,47%            | 52,57                   |
| The Netherlands | 48.707,60  | 4.545,00                   | 940,00  | 1,93%            | 206,82                  | 337,50   | 0,69%            | 74,26                   |
| United Kingdom  | 108.795,80   | 7.066,00                   | 180,00  | 0,17%            | 25,47                   | 10,20  | 0,01%            | 1,44                    |

The above information clearly indicates that there is high divergence between the data. The average cost per company of familiarisation with the legislation varies from € 188 in UK to € 2.628 in Denmark. For purposes of this analysis we have assumed an average cost of € 1.408 per company. With total number of companies in EU-27 of 295.777 (ESTAT 2004) the one-off cost of familiarisation with the legislation adds up to €416.5 million.

<sup>94</sup> FSA (2006), "Food Standards Agency: Administrative Burdens Measurement Exercise: Final Report", June 2006.

### *Collection of necessary information*

If the information to be provided on the label is not readily available within the company, additional costs are associated with the collection this data. In the case of nutrition labelling, there would be costs of obtaining the nutrition composition of the product. The information has to be however collected only for one type of product only, regardless of how many different labels / SKUs are then sold under this product line. It has been estimated from the available information that costs for obtaining information on the nutritional composition of food by analysis of the products was on average € 57 for 4 nutritional elements but increased to around € 250 with an additional 3 nutritional elements, to € 350 in case of total of 8 nutrients, and finally to € 400 in case of total of 9 nutrients. The costs associated with obtaining the information on the nutrient composition can be however significantly reduced through calculation from composition of the recipe ingredients or derived from food composition tables.

|                                      | <i>unit cost per label</i> | <i>number of labels - only the ones with no nutrition info (in thousands €)</i> | <i>TOTAL COST OF DATA COLLECTION (in mln €)</i> |
|--------------------------------------|----------------------------|---|---|
| in case of own research:             |                            |   |   |
| for 4 nutrients =                    | 57,0                       | 9.377   | <b>534,5</b>                                    |
| for 5 nutrients =                    | 250,0                      | 9.377   | <b>2.344,2</b>                                  |
| for 8 nutrients =                    | 350,0                      | 9.377   | <b>3.281,8</b>                                  |
| for 9 nutrients =                    | 400,0                      | 9.377   | <b>3.750,6</b>                                  |
| in case of calculation from recipes: |                            |   |   |
| for 4 nutrients =                    | 10,0                       | 9.377   | <b>93,8</b>                                     |
| for 5 nutrients =                    | 70,0                       | 9.377   | <b>656,4</b>                                    |
| for 8 nutrients =                    | 100,0                      | 9.377   | <b>937,7</b>                                    |
| for 9 nutrients =                    | 115,0                      | 9.377   | <b>1.078,3</b>                                  |

Concluding, once the calculation from the recipe ingredients and food composition tables is made available, the costs of collection of information will be substantially reduced (71% in case of 9 nutrients and 83% in case of 4 nutrients).

### *Re-design costs*

The final cost element, after the food-business has collected all the necessary information to be presented, is the design of the label is the next step. The design costs vary with the extent of the overhaul of the label, with a complete overhaul being the most expensive option. The 2004 impact assessment indicated that a small change would cost € 2000-4000 whilst full extensive resign of a label would cost an additional € 7000-9000 if the changes had to be implemented immediately. Although companies may have a range of different products many of the labels have the same basic layout so once the underlying design has been developed the changes to the other labels would be a minor modification and associated costs would be reduced. In this assessment we have therefore assumed that in the case of need for re-design costs concern only a type of product, while all labels / SKUs under this product line has to be only slightly modified (see below).

For the purposes of this analysis, we have assumed that all labels that already include nutritional information or when this information can be provided in adhesive form, the costs of re-design is largely reduced to €225 (taken from US FDA assessment), while in the remaining cases it is on average €7.000 (average of costs of full re-design).

However, the potential impact of labelling changes on businesses can be reduced if the changes are incorporated into the usual lifecycle of a label. Table 1 summarises the frequency of labelling changes reported in two recent surveys<sup>95 96</sup>.

On the basis of the available information it is estimated that over a 3 year period 80% of companies would introduce labelling changes as a normal part of their business operation. Normally the implementation of new labelling requirements are not imposed immediately and generally there is a period of transposition included in the legislation with some flexibility with products that had been labelled and placed on the market before a certain date being able to continue to be sold. The period in which products that do not comply with the requirements can continue to be placed on the market will have an impact on the ability of companies to adapt to the new requirements and the associated costs.

**Table 2: Frequency of labelling changes**

|                  | Percentage of labels changed |                    |                    |       |
|------------------|------------------------------|--------------------|--------------------|-------|
|                  | Once a year                  | Once every 2 years | Once every 3 years | Other |
| RAND Survey      | 37%                          | 26%                | 20%                | 18%   |
| SME Panel Survey | 29%                          | 26%                | 25%                | 19%   |

As indicated by the above table the larger the company, the more frequent is a label re-design. For the purposes of this analysis, we have therefore assumed that while it takes on average up to 5 years for micro business (1-9 employees) to re-design it labels, for bigger companies a 3-year period is on average sufficient to include the new labelling requirements in normal re-design cycle. Based on aforementioned, assuming that all companies will be exempted similarly, the following estimates of redesign costs we calculated:

| deadline of compliance<br>with requirements | full re-design   |                     | only small modification |                     | re-designed in any case |                     | TOTAL COST     |
|---|------------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|----------------|
|   | number of labels | cost per label in € | number of labels        | cost per label in € | number of labels        | cost per label in € |                |
| at once                                     | 2.328.149        |                     | 24.566.101              |                     | -                       |                     | 21.824.416.854 |
| grace period of 1 year                      | 1.472.790        |                     | 15.296.261              |                     | 10.125.200              |                     | 13.751.185.113 |
| grace period of 2 years                     | 801.945          | 7.000,0             | 8.128.830               | 225,0               | 17.963.475              | -                   | 7.442.600.056  |
| grace period of 3 years                     | 138.000          |                     | 1.012.000               |                     | 25.744.250              |                     | 1.193.700.000  |
| grace period of 5 years                     | -                |                     | -                       |                     | 26.894.250              |                     | -              |

As above table indicates costs can be significantly reduced if any grace period is given, however already with lead period of 3 years the total costs reduce on average by 94%. All costs could be on average avoided if an additional 2-year grace period is granted for micro businesses.

<sup>95</sup> RAND Europe. Assessing the impact of the revisions to the EU nutrition labelling legislation. TR-522-EC May 2007.

<sup>96</sup> SME Panel results.

## Administrative burden - summary

The above analysis, despite the efforts made throughout last years, does not apply Standard Cost Model as required by Impact Assessment Guidelines. It draws from the SCM analysis of Member States, and then combines these data with data collected by the external consultants. It enabled a rough estimation of overall administrative burden, as well as analysis of options. The specific options are analysed in detail in the corresponding sections.

The number of assumptions behind this analysis does not allow drawing far-reaching conclusions on the data presented above; it nevertheless enables policy makers to assess the degree of impacts associated with various policy options.

In order to provide useful comparison of above findings with other estimates, the above findings are below compared to the analysis of administrative burdens carried out in Member States. As described in section on costs of familiarisation with legislation (see above Table), there are examples of such measurements in Denmark, the Netherlands, Sweden and the UK (further information from the studies are given in Annex 5).

The industry turnover for Sweden is not available. In terms of the overall administrative burden of € 913 million associated with all food regulations, food labelling legislation accounted for 7% of the overall burden and nutrition labelling was 0.3% of the overall burden and 4% of the burden associated with food labelling.

It is not possible to reliably extrapolate the figures for administrative burden to the EU as a whole. But to illustrate the possible costs based on the available information it may be assumed that the administrative burden associated with the food labelling legislation ranges between 0.01% and 0.69% of industry turnover. The administrative burden of food labelling legislation to the EU-27 based on the 2004 food and drink manufacturing industry turnover of € 852.1 billion would be between € 85 million and € 5880 million across 282,600 businesses. If 4% of the administrative burden associated with labelling was due to nutrition labelling the administrative burden would be between € 3 million and € 235 million.

These figures are hence well below the previous calculations which proves that assumptions taken in previous analysis are very cautious and that the costs are likely to be inflated substantially.

## **ANNEX 6 - Summary of results of assessment of Administrative Burdens associated with food labelling in Denmark, the Netherlands, Sweden and the United Kingdom**

|  | Denmark  |  | The Netherlands <sup>97</sup>   | Sweden   | United Kingdom   |
|--|--|--|---|--|--|
| <i>Definition of administrative burden used</i>  | Administrative activities (e.g. collection of information within the company) to meet data requirements, consisting of internal resource use in the form of the employees' time consumption and occasionally an external resource use in the form of costs to accountants, external experts etc. In total, these administrative costs constitute the costs that are related to the performance of different administrative activities. |  | The costs to Dutch industry of complying with the information requirements of government regulation. These concern the collection, processing, registering, storage, and provision of information | Administrative costs are defined as costs born by business to gather, store or transmit information which is required in regulation. | UK calculates the sum of internal, external and overhead costs to meet an information obligation and adjusts it for the business as usual costs (costs that would have been incurred in the normal business process), which gives a net administrative costs |
| <i>Total amount of total administrative burden associated with all food regulations identified</i> | € 554.9 million (current exchange rate) per year as of 2005 (all regulation within the Danish Veterinary and Food Agency)  |  | €940 million per year as of January 2006  | € 913 million (current exchange rate) per year as of 2006  | €180 million (current exchange rate) as of May 2005 over 53 regulations  |
| <i>Total amount of administrative burden associated with European regulations</i>                  | (all regulation within the Danish Veterinary and Food Agency)<br><br>Category A <sup>98</sup> : 45 %<br><br>Category B: 26 %<br><br>Category C: 30 %   | Horizontal Labelling regulations<br><br>Category A: 95 %<br><br>Category B: 0 %<br><br>Category C: 5 % | €535 million per year   | Category A: € 900.1 million<br><br>Category B: € 12.5 million<br><br>Category C € 0.005 million                                      | Category A: 49%<br><br>Category B: 49%<br><br>Category C: 2%.  |

<sup>97</sup> The Dutch measurement of administrative burden is compared to a baseline measurement undertaken at the time of the introduction of the overall regulation. Compared to this baseline measurement, administrative burdens in the 2006 report were €111 million less. For full details see, Bex, P.H. and Duits, B.H. (2006), "Administratieve Lasten in de VWS Voedselketen", SIRA Consulting: Nieuwegein. Interdepartementale Projectdirectie Administratieve Lasten (2003) "Metten is Weten: Handleiding voor het Definieren en Meten van Administratieve Lasten voor ket Bedrijfsleven", Den Haag, December.

<sup>98</sup> Category A is the European regulation with no discretion in implementation. Category B is European with domestic discretion, which accounts for 49%. Category C is domestic regulation with full discretion.

|   |  |  |   |   |
|---|--|--|---|---|
| <i>Total amount of administrative burden associated with food labelling</i> | Horizontal labelling:<br>€ 93.2 million per year | €337.5 million per year  | Horizontal labelling:<br>€ 62.5 million per year<br><br>Vertical labelling:<br>€ 0.842 million per year<br><br>Nutrition labelling:<br>€ 2.8 million per year<br><br>Traceability:<br>€ 37.9 million per year | UK assessed the impact of the 1996 Food Labelling Directives Total administrative costs were: 10.2 million (current exchange rate) or 6% of total administrative burdens<br><br>Net administrative costs adjusted for normal business practices were: €6.87 million (current exchange rate) |
| <i>Distribution of total administrative burden per type of industry</i>     |  | Food production: 3.3% of total administrative burdens<br><br>Packaging productions: 0.03%<br><br>Food and drinks industry: 33.5%<br><br>Transport: 0.8%<br><br>Wholesale and importing: 15.4%<br><br>Retail: 26.5%<br><br>Hotels and restaurants:19.3% |   | Not given   |



|   |  |  |      |   |
|---|--|--|------|---|
| <i>Type of administrative cost incurred</i> | Horizontal labelling only:<br>- Familiarisation with requirements: 5%<br>- Collection of information: 5%<br>- Text description: 30 %<br>- Copying, distribution, archiving 60% |  | n.a. | 62% of the administrative cost associated with complying with the Food Labelling regulations of 1996 was an internal cost. The remainder (38%) was external. The main categories of administrative burdens identified for the total measurement are:<br><br>- Gathering and assessing relevant information / figures (28%);<br><br>- Familiarisation with requirements (7%); and<br><br>- Reporting - including written descriptions, copying, filing, distributing or submitting information / reports (5%). |
|---|--|--|------|---|

#### SOURCES:

Denmark: Ervers- og Selskabstyrelsen (2005), *AMVAB Ministeriet for Familie og Forbrugeranliggender*, conducted by Muusmann Research & Consulting and COWI A/S

The Netherlands: For full details see, Bex, P.H. and Duits, B.H. (2006), “Administratieve Lasten in de VWS Voedselketen”, SIRA Consulting: Nieuwegein. Interdepartementale Projectdirectie Administratieve Lasten (2003) “Metten is Weten: Handleiding voor het Definieren en Meten van Administratieve Lasten voor ket Bedrijfsleven”, Den Haag, December.

Sweden: NUTEK (2007); *Näringslivets administrativa kostnader på livsmedelområdet*, Stockholm: NUTEK – Verket för Näringslivsutveckling

FSA (2006), “Food Standards Agency: Administrative Burdens Measurement Exercise: Final Report”, June 2006.

## **ANNEX 7 - Comparing the options**

The following scoring system is used to compare the options:

- ++ Evidence of substantial increase in benefit/reduction of costs in a particular area (e.g. for consumers, individual producers or market competitiveness) compared to the status quo
- + Evidence of some benefit increase/reduction of costs in a particular area compared to the status quo
- ≈ Evidence of no change in a particular area compared to the status quo, or evidence of no net cost or benefit
- Evidence of some reduction of benefits/increases in cost in a particular area compared to the status quo
- Evidence of substantial reduction of benefits/increases in cost in a particular area compared to the status quo

## Comparison of Policy Issue 1: Disparity of provision of information - Voluntary or mandatory labelling?

| Impact category  | Option 1 - Maintain current rules  |   | Option 2 – voluntary mechanisms                            |   | Option 3 - mandatory nutrition labelling for all business  |   | Option 4 - Option 2, with exemptions for all SMEs  |   | Option 5 - Option 2, with exemptions for a limited number of SMEs  |   |
|--|--|---|--|---|--|---|--|---|--|---|
| Economic   |  |   |  |   |  |   |  |   |  |   |
| Competitiveness trade and competition in the internal market | - No significant impact  | ≈ | - No significant impact                                    | ≈ | - Greater costs on the smaller firms, which might compromise their competitiveness in the food industry<br><br>- No significant impacts on internal market | - | - No significant impact  | ≈ | - No significant impact  | ≈ |
| Research and innovation                                      | - No significant impact  | ≈ | - No significant impact                                    | ≈ | - Could lead to some product reformulation   | + | - Limited product reformulation  | ≈ | - Could lead to some product reformulation   | + |
| Operating costs and conduct of business                      | - No additional costs to industry – no need to respond to new legal requirements | ≈ | - possibly additional costs for self regulatory mechanisms | - | - Would impose costs to industry associated with printing labels   | - | - With adequate time-frame for compliance, most firms could adjust efficiently   | ≈ | - Would impose some costs to parts of the industry<br><br>- With adequate time-frame for compliance, most firms could adjust efficiently               | - |
| Admin. costs on businesses                                   | - No significant impact  | ≈ | - No significant impact                                    | ≈ | - Would impose costs to industry associated with collecting nutrition information  | - | - Across the EU, the small proportion of large firms which do not currently provide nutrition information would incur some costs of collecting nutrition information | ≈ | - Companies other than microbusinesses which do not currently provide nutrition information would incur some costs of collecting nutrition information | - |

| Impact category                          | Option 1 - Maintain current rules   |   | Option 2 – voluntary mechanisms   |   | Option 3 - mandatory nutrition labelling for all business   |    | Option 4 - Option 2, with exemptions for all SMEs  |   | Option 5 - Option 2, with exemptions for a limited number of SMEs  |    |
|--|---|---|---|---|---|----|--|---|--|----|
| SMEs                                     | <ul style="list-style-type: none"> <li>- No additional costs</li> <li>- Remain less likely to provide nutrition information than larger firms</li> </ul>  | ≈ | <ul style="list-style-type: none"> <li>- Remain less likely to provide nutrition information than larger firms</li> </ul>   | ≈ | <ul style="list-style-type: none"> <li>- SMEs are less likely to include information on a voluntary basis so face greater costs than large companies</li> </ul>                                       | -- | <ul style="list-style-type: none"> <li>- No costs for SMEs</li> </ul>  | ≈ | <ul style="list-style-type: none"> <li>- Exemptions for some of the most vulnerable firms</li> <li>- Some SMEs which are not exempt would need to include nutrition information</li> </ul> | -  |
| Trade                                    | <ul style="list-style-type: none"> <li>- No change in international trade situation</li> </ul>  | ≈ | <ul style="list-style-type: none"> <li>- Need to keep up-to-date with any voluntary agreements</li> </ul>   | ≈ | <ul style="list-style-type: none"> <li>- costs to third country companies associated with collecting nutrition information</li> </ul>   | -- | <ul style="list-style-type: none"> <li>- costs to large third country companies associated with collecting nutrition information</li> </ul>  | ≈ | <ul style="list-style-type: none"> <li>- costs to certain SMEs and large third country companies associated with collecting nutrition information</li> </ul>                               | -  |
| Social                                   |   |   |   |   |   |    |  |   |  |    |
| Availability of information to consumers | <ul style="list-style-type: none"> <li>- Uneven access to nutrition information</li> <li>- Unlikely to reduce information asymmetry and lead to full nutrition information disclosure</li> <li>- Limited standardisation could lead to confusion</li> </ul> | ≈ | <ul style="list-style-type: none"> <li>- Uneven access to nutrition information</li> <li>- Unlikely to reduce information asymmetry and lead to full nutrition information disclosure</li> <li>- Limited standardisation could lead to confusion</li> </ul> | ≈ | <ul style="list-style-type: none"> <li>- Aids comparability and leads to consumers becoming familiar with labels increasing their usefulness</li> <li>- Reduction of information asymmetry</li> </ul> | ++ | <ul style="list-style-type: none"> <li>- Would not have significant impact on the proportion of products with nutrition labelling across the EU</li> <li>- Uneven access to nutrition information</li> </ul> | ≈ | <ul style="list-style-type: none"> <li>- Most products would have nutrition information; facilitates comparability</li> <li>- Reduction of information asymmetry</li> </ul>                | ++ |

| Impact category          | Option 1 - Maintain current rules |   | Option 2 – voluntary mechanisms                        |   | Option 3 - mandatory nutrition labelling for all business   |   | Option 4 - Option 2, with exemptions for all SMEs                  |   | Option 5 - Option 2, with exemptions for a limited number of SMEs   |   |
|--------------------------|-----------------------------------|---|--|---|---|---|--|---|---|---|
| Public health and safety | - No impact                       | ≈ | - Limited impact                                       | ≈ | <ul style="list-style-type: none"> <li>- Likely to help consumers make better informed decisions about their diets</li> <li>- Product reformulation likely to lead to improved nutrient composition of foods</li> </ul> | + | - Limited impact   | ≈ | <ul style="list-style-type: none"> <li>- Most products would have nutrition information; facilitates better informed decisions on food choices</li> <li>- Product reformulation likely to lead to improved nutrient composition of foods</li> </ul> | + |
| Member States            | - No impact                       | ≈ | - Possible need for participation in voluntary systems | ≈ | <ul style="list-style-type: none"> <li>- No evidence of impact on costs</li> <li>- Might make enforcement easier, due to standardisation</li> </ul>   | + | - No evidence of impact  | ≈ | <ul style="list-style-type: none"> <li>- No evidence of impact on costs</li> <li>- Might make enforcement easier, due to standardisation</li> </ul>   | + |
| Environment              | - No evidence of impact           | ≈ | - No evidence of impact                                | ≈ | - If exemptions for small packages, no likely environmental impact  | ≈ | - If exemptions for small packages, no likely environmental impact | ≈ | - If exemptions for small packages, no likely environmental impact  | ≈ |

## Comparison of Policy Issue 2: Nutritional elements to be included in the nutrition information

| Impact category  | Option 1 - Maintain current rules         |   | Option 2 – voluntary mechanisms  |   | Option 3 - Specify the 5 key elements - calories, fat, saturated fat, salt and sugars  |   | Option 4 - Change Group 1 labelling to 5 key nutritional elements and change Group 2 to 9 nutritional elements              |   | Option 5 - Specify 9 elements - calories, protein, fat, saturated fat, trans fatty acids, carbohydrates, sugars, fibre, and salt |   |
|--|---|---|--|---|--|---|---|---|--|---|
| Economic   |   |   |  |   |  |   |   |   |  |   |
| Competitiveness trade and competition in the internal market | No significant impact                     | ≈ | No significant impact  | ≈ | No significant impact  | ≈ | No significant impact   | ≈ | No significant impact  | ≈ |
| Research and innovation                                      | No significant impact                     | ≈ | No significant impact  | ≈ | Could lead to some product reformulation   | + | Could lead to some product reformulation  | + | Could lead to some product reformulation   | + |
| Operating costs and conduct of business                      | No change in costs to industry in general | ≈ | Industry would need to establish mechanisms to facilitate voluntary coordination | ≈ | Some producers, who provide information on Group 2, might experience reduction on costs due to need to label fewer elements<br><br>If voluntary cost limited to to changing labelling to new nutrients | ≈ | If voluntary cost limited to to changing labelling to new nutrients   | ≈ | If voluntary cost limited to to changing labelling to new nutrients  | ≈ |
| Administrative costs on businesses                           | No significant impact                     | ≈ | No significant impact  | ≈ | Cost for obtaining the information, but would be less than those associated with providing 8/9 nutritional elements  | - | Cost for obtaining information on relevant nutrients  | - | Cost for obtaining information on relevant nutrients   | - |
| SMEs   | No change in costs to SMEs                | ≈ | No change in costs to SMEs   | ≈ | SMEs less likely to include nutrition information so less likely to incur costs if voluntary declaration   | ≈ | SMEs less likely to include nutrition information so less likely to incur costs if voluntary declaration                    | ≈ | SMEs less likely to include nutrition information so less likely to incur costs if voluntary declaration                         | ≈ |
| International trade  | No significant impact                     | ≈ | Need to follow voluntary agreements  | - | Declaration not in line with Codex Guidelines so could be additional cost for obtaining information and including on labels  | - | Declaration not in line with Codex Guidelines so could be additional cost for obtaining information and including on labels | - | Declaration not in line with Codex Guidelines so could be additional cost for obtaining information and including on labels      | - |

| Impact category                                    | Option 1 - Maintain current rules  |   | Option 2 – voluntary mechanisms  |   | Option 3 - Specify the 5 key elements - calories, fat, saturated fat, salt and sugars   |   | Option 4 - Change Group 1 labelling to 5 key nutritional elements and change Group 2 to 9 nutritional elements   |   | Option 5 - Specify 9 elements - calories, protein, fat, saturated fat, trans fatty acids, carbohydrates, sugars, fibre, and salt  |        |
|--|--|---|--|---|---|---|--|---|---|--------|
| Social   |  |   |  |   |   |   |  |   |   |        |
| Impact on availability of information to consumers | <p>Consumers do not have comprehensive information</p> <p>It is less likely that firms will voluntarily provide information on Group 2 nutrients</p> | ≈ | <p>Consumers do not have comprehensive information</p> <p>It is less likely that firms will voluntarily provide information on Group 2 nutrients</p> | ≈ | <p>Restricting nutrition information to 5 elements might mean that information on other elements that are important (fibre and certain fats) would not be included on the label</p> <p>If restricted to 5 elements, those firms which are already providing information on Group 2 nutrients would have to reduce amount of information provided → this is likely to be considered a negative impact by consumers</p> | + | <p>Allows for 5 most important nutritional elements and additional elements</p> <p>Firms with products with negative attributes, such as high levels of fats and low levels of fibre, have no incentive to disclose this information</p> | + | <p>Provides consumers with more comprehensive information on nutrition quality of food products → helps more informed decision-making</p> <p>Reflects most macro nutrients consumers should balance in their diet</p> <p>Risk of information overload, but could be effective as part of wider health and nutrition education and awareness campaigns</p> | +<br>+ |
| Public health and safety                           | No significant impact  | ≈ | <p>Contribution to public health would depend on nutrients declared. Less likely to have negative attributes declared</p>                            | - | <p>Could make contribution to public health as 5 elements are among those that in general consumers need to decrease their dietary intake</p> <p>May lead to reformulation in relation to 5 elements included in the labelling</p>  | + | <p>Could make contribution to public health if consumers use the information on the 5 elements and the additional information</p> <p>May lead to reformulation in relation to elements included in the labelling</p>                     | + | <p>Could make contribution to public health if consumers use the additional information</p> <p>May lead to reformulation in relation to elements included in the labelling</p>  | +      |
| Member States                                      | No change in costs of enforcement and control  | ≈ | Possible need for participation in voluntary systems   | ≈ | No change in costs of enforcement and control   | ≈ | No change in costs of enforcement and control  | ≈ | No change in costs of enforcement and control   | ≈      |
| Environment  | No evidence of impact  | ≈ | No evidence of impact  | ≈ | No evidence of impact   | ≈ | No evidence of impact  | ≈ | If exemptions for small packages, no likely environmental impact  | ≈      |

### Comparison of Policy Issue 3: Nutrition labelling on front of pack

|   | Option 1 - Maintain current rules                             |   | Option 2 – voluntary mechanisms  |   | Option 3 - Ban nutrition labelling on front of pack   |   | Option 4 - Provide a harmonised framework for nutrition labelling on FOP   |   | Option 5 - Mandatory nutrition labelling on FOP  |   |
|---|---|---|--|---|---|---|--|---|--|---|
| Economic  |   |   |  |   |   |   |  |   |  |   |
| Competitiveness, trade and competition in the internal market | No impacts on competition in the internal market is concerned | ≈ | No impacts on competition in the internal market is concerned                    | ≈ | Bring clarity to the situation regarding inclusion of nutrition information on front of packs<br><br>Might affect competitiveness of firms that have already introduced such labelling<br><br>Could facilitate the internal market as it would remove the potential barriers that voluntary national schemes could create | - | Bring clarity to the situation regarding inclusion of nutrition information on front of packs<br><br>Might affect competitiveness of firms that have already introduced such labelling but which is not in compliance with harmonised provisions<br><br>Facilitate the internal market | - | Bring clarity to the situation regarding inclusion of nutrition information on front of packs<br><br>Greater costs on the smaller firms, which might compromise their competitiveness in the food industry<br><br>Facilitate the internal market | - |
| Research and innovation                                       | No significant impact   | ≈ | No significant impact  | ≈ | Reduce research in consumer understanding of innovative presentation of nutrition information   | - | Remove uncertainty on presentation and companies may increase consumer research<br><br>Could lead to some product reformulation  | + | Remove uncertainty on presentation and companies may increase consumer research<br><br>Could lead to some product reformulation  | + |
| Operating costs and conduct of business                       | No significant impact   | ≈ | Industry would need to establish mechanisms to facilitate voluntary coordination | ≈ | Firms that have already introduced such labelling would be a need to change labels  | ≈ | Voluntary front of pack labelling incurs no new costs to industry<br><br>Might have impact on firms that have already introduced such labelling but which is not in line with harmonised scheme as they need to change labels  | ≈ | Potential impact for all firms, including those that have already introduced such labelling but which is not in line with harmonised scheme as they need to change labels  | - |
| Administrative costs on businesses                            | No significant impact   | ≈ | No significant impact  | ≈ | No significant impact   | ≈ | No significant impact  | ≈ | Mandatory labelling would impose costs - level would depend on number of nutrients included in the declaration   | - |



|  | <b>Option 1 - Maintain current rules</b>   |   | <b>Option 2 – voluntary mechanisms</b>   |   | <b>Option 3 - Ban nutrition labelling on front of pack</b>  |   | <b>Option 4 - Provide a harmonised framework for nutrition labelling on FOP</b>  |   | <b>Option 5 - Mandatory nutrition labelling on FOP</b>   |   |
|--|--|---|--|---|---|---|--|---|--|---|
| SMEs   | No change in costs to SMEs   | ≈ | No change in costs to SMEs   | ≈ | SMEs less likely to be affected compared to large companies as they tend to include nutrition information less frequently so less likely to need to change labels | ≈ | No particular impacts for SMEs compared to industry as a whole   | ≈ | If mandatory systems put in place greater costs to SMEs  | - |
| International trade                                | No significant impact  | ≈ | Need to follow voluntary agreements  | - | No significant impact   | ≈ | No significant impact  | ≈ | Some impact due to mandatory requirements that do not exist in third countries   | - |
| Social   |  |   |  |   |   |   |  |   |  |   |
| Impact on availability of information to consumers | <p>Most nutrition information likely to be provided in back of pack</p> <p>No change in accessibility of information for consumers</p> <p>If no rules regarding content and format, front of pack labelling likely to lead to different systems and potentially cause consumer confusion</p> | ≈ | If no voluntary rules regarding content and format, front of pack labelling likely to lead to different systems and potentially cause consumer confusion | ≈ | Eliminate provision on front of pack which evidence suggests is a presentation that is liked and used by consumers  | - | Front of pack labelling could help consumers use nutrition information by providing at-a-glance information on nutrition composition | + | Front of pack labelling could help consumers use nutrition information by providing at-a-glance information on nutrition | + |

|                          | Option 1 - Maintain current rules             |   | Option 2 – voluntary mechanisms                      |   | Option 3 - Ban nutrition labelling on front of pack   |   | Option 4 - Provide a harmonised framework for nutrition labelling on FOP   |   | Option 5 - Mandatory nutrition labelling on FOP  |   |
|--------------------------|---|---|--|---|---|---|--|---|--|---|
| Public health and safety | No impact                                     | ≈ | Limited impact                                       | ≈ | Consumers no longer have access to readily visible nutrient content information so no longer likely to influence food choices | - | <p>Could lead to more obvious comparability between products and contribute to better consumer decision-making</p> <p>Emerging evidence that front of pack labelling can influence consumer food choices</p> <p>Product reformulation likely to lead to improved nutrient composition of foods</p> | + | <p>Mandatory labelling could lead to improved comparability between products contribution to better consumer decision-making</p> <p>Emerging evidence that front of pack labelling can influence consumer food choices</p> <p>Product reformulation likely to lead to improved nutrient composition of foods</p> | + |
| Member States            | No change in costs of enforcement and control | ≈ | Possible need for participation in voluntary systems | ≈ | <p>No changes in costs of enforcement and control</p> <p>Need to revoke guidance if promoting national scheme</p>             | ≈ | <p>No changes in costs of enforcement and control</p> <p>Need to revoke/update guidance if national scheme not in line with harmonised scheme</p>  | ≈ | <p>No changes in costs of enforcement and control</p> <p>Need to revoke/update guidance if national scheme not in line with harmonised scheme</p>  | ≈ |
| Environment              | No evidence of impact                         | ≈ | No evidence of impact                                |   | If exemptions for small packages, no likely environmental impact  | ≈ | If exemptions for small packages, no likely environmental impact   | ≈ | If exemptions for small packages, no likely environmental impact   | ≈ |

## Comparison of Policy Issue 4: Legibility of information

| Impact category   | Option 1 - Maintain current rules   |   | Option 2 – voluntary mechanisms   |   | Option 3 - Introduce a minimum text size, other presentation issues left open - further measures via comitology  |   | Option 4 - Clear rules for presentation covering all relevant issues (text size, font, colour, format, etc)  |    |
|---|---|---|---|---|--|---|--|----|
| Economic  |   |   |   |   |  |   |  |    |
| Competitiveness, trade and competition in the internal market | No significant impact   | ≈ | No significant impact   | ≈ | Impact on companies that are not complying with minimum requirements who need to revise their labels   | - | Impact on companies that are not complying with minimum requirements who need to revise their labels   | -  |
| Research and innovation                                       | No significant impact   | ≈ | No significant impact   | ≈ | No significant impact  | ≈ | No significant impact  | ≈  |
| Operating costs and conduct of business                       | No significant impact   | ≈ | No significant impact   | ≈ | Likely to incur some costs to business   | - | Likely to incur some costs to business   | -- |
| Administrative costs on businesses                            | No significant impact   | ≈ | No significant impact   | ≈ | No significant impact  | ≈ | No significant impact  | ≈  |
| SMEs  | No change   | ≈ | No significant impact   | ≈ | No evidence of impact on SMEs different than on large firms  | ≈ | No evidence of impact on SMEs different than on large firms  | ≈  |
| International trade   | No significant impact   | ≈ | No significant impact   | ≈ | Impact on companies that are not complying with minimum requirements who need to revise their labels   | ≈ | Impact on companies that are not complying with minimum requirements who need to revise their labels   | ≈  |
| Social  |   |   |   |   |  |   |  |    |
| Impact on availability of information to consumers            | Consumers not satisfied with current label – no standardisation leads to confusion, also information not always presented in clearest possible way for consumer ease of use | ≈ | Consumers not satisfied with current label – no standardisation leads to confusion, also information not always presented in clearest possible way for consumer ease of use | ≈ | Minimum text size could improve consumer understanding of and engagement with nutrition labels<br><br>Lack of standardisation on other issues might prevent nutrition labels from becoming optimal information tools for consumers | + | Could make a contribution to consumer understanding and use of information<br><br>Improves comparability, clarity, usability and familiarity with nutrition labels | ++ |
| Public health and safety                                      | No significant impact   | ≈ | No significant impact   | ≈ | No significant impact  | ≈ | No significant impact  | ≈  |

| Impact category | Option 1 - Maintain current rules  |   | Option 2 – voluntary mechanisms                |   | Option 3 - Introduce a minimum text size, other presentation issues left open - further measures via comitology |   | Option 4 - Clear rules for presentation covering all relevant issues (text size, font, colour, format, etc) |   |
|-----------------|--|---|--|---|---|---|---|---|
| Member States   | No evidence on impact<br><br>No change in costs of enforcement and control | ≈ | Need for participation in voluntary mechanisms | ≈ | No evidence on impact<br><br>No change in costs of enforcement and control                                      | ≈ | No evidence on impact<br><br>No change likely in costs of enforcement and control                           | ≈ |
| Environment     | No evidence on impact  | ≈ | No evidence on impact                          | ≈ | If exemptions for small packages, no likely environmental impact  | ≈ | If exemptions for small packages, no likely environmental impact  | ≈ |