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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

regarding the mandatory indication of the country of origin or place of provenance for meat used as an ingredient

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1. INTRODUCTION

Regulation (EU) No 1169/2011 of the European Parliament and of the Council on the provision of food information to consumers (hereinafter, 'the FIC Regulation')[1], which will enter into application on 13 December 2014, introduces a set of provisions on origin labelling of prepacked foods intended for supply to the final consumer or to mass caterers. Article 26(6) of the FIC Regulation requires the Commission to submit a report to the European Parliament and the Council concerning the possibility to extend mandatory origin labelling for meat used as an ingredient in prepacked foods.

The present report meets this obligation. It covers meat of all species (*e.g.* beef, pigmeat, poultry, sheep and goat meat, game, rabbit meat, horse meat) used as an ingredient in prepacked foods.

The main goals of this report are the following:

– To assess consumers' attitude towards mandatory origin labelling for meat used as an ingredient;

– To examine the feasibility of such labelling; and,

– To analyse the costs and benefits of the introduction of such measures, including the legal impact on the internal market and the impact on international trade.

It is accompanied by a Commission Staff Working Document, which provides detailed information underpinning the conclusions set out herein.

2. MANDATORY ORIGIN LABELLING – A BRIEF OVERVIEW

Prior to the adoption of the FIC Regulation, mandatory origin labelling has been applicable for specific foodstuffs. The indication of origin is currently mandatory for unprocessed beef and beef products (*e.g.* minced beef)[2] following the bovine spongiform encephalopathy crisis, prepacked imported poultry meat, honey, fruit and vegetables, fish, and olive oil.

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

[2] Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 850/97, (OJ L 204, 11.8.2000, p. 1).

The FIC Regulation introduces specific provisions concerning the indication of origin on foods on a horizontal basis. In particular:

– Article 26(2)(b) of the FIC Regulation requires the mandatory origin indication for **prepacked unprocessed meat** of swine, poultry, sheep and goats. The modalities for this mandatory origin labelling will be laid down in a Commission implementing act.

– Article 26(3) of the FIC Regulation provides that where the origin of a food is given and where it is not the same as that of its primary ingredient, the origin of the primary ingredient must also be given or be indicated as being different to that of the food. The modalities for the application of these rules will also be laid down in a Commission implementing act.

3. THE EU SUPPLY CHAIN OF FOODS WITH MEAT USED AS AN INGREDIENT

3.1. Overview of the EU sector

The EU meat processing industry represents more than 13,000 companies. It employs about 350,000 people and represents a turnover of EUR 85 billion.

The meat supply chain of meat to be used as an ingredient is both highly heterogeneous in actors involved as well as in products. Products can range from relatively simple meat preparations, e.g. fresh meat with spices/additives, to extremely sophisticated meat-related products, especially in the case of meat products and multi-ingredient foods with meat ingredients. In addition, the supply chain of meat used as an ingredient is quite complex and lengthy, involving several steps in production and marketing of the final products.

3.2. Consumption of meat and meat-related products

The overwhelming majority of EU consumers (83%) eat meat at least two or three times a week[3]. In addition, 88% of the EU27 consumers buy prepacked meat[4]. The majority of meat is pig (49%), poultry (29%) and beef (19%), while sheep, goat and other meats account only for 3% of EU meat consumption[5].

3.3. Production and outlook

Generally, 30-50% of the total slaughtered meat volume is processed into meat ingredients for foodstuffs (mostly into minced meat/meat preparations/meat products). In total, an estimated 70% of the EU processed meat production volume is made of pig meat, followed by poultry meat (18%), beef (10%) and other types of meat (2%). In 2012, EU total fresh meat production was 43.5 million tonnes carcass weight equivalent (around 33.8 million tonnes boneless meat equivalent). According to medium term market forecasts, total EU meat production, after having increased during both in 2010 and 2011, will contract by 2% over the next two years. After this reduction, total meat production is projected to steadily recover over the ten year

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

[4] Commission Report on the functioning of the meat market for consumers in the European Union, May 2013, to be found at: http://ec.europa.eu/consumers/consumer_research/market_studies/docs/mms_commission_report_en.pdf.

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

horizon and to reach almost 45 million tonnes in 2022, approximately the same level recorded in 2011[6].

3.4. Structure of the EU meat sector

The EU meat processing sector is characterised by a low degree of concentration, with the majority of companies being small- and medium-size enterprises ('SMEs') (90%). These SMEs are highly specialised and operate independently at different stages of the supply chain. Furthermore, there is limited vertical integration, especially in the pig meat and beef sectors. Vertical integration tends to be more prevalent in the poultry sector.

Meat processors tend to procure raw material mainly from traders on spot markets. Larger vertically integrated companies tend to procure both from slaughterhouses/cutting plants and traders.

The sourcing decisions as well as the frequent changes in the mix of suppliers depend on the availability of suitable raw material in sufficient volumes, the standard quality specifications determined by the quality specifications of the final products, the competitive price and the need to quickly adapt to any shortages, market disruptions and/or price fluctuations, by switching suppliers. In terms of sourcing practices, EU meat processors tend to procure unprocessed meat and other meat ingredients from multiple sources. Multiple sourcing within the EU is a prevailing practice for pig meat-based products, whereas multiple sourcing from EU and non-EU countries is mainly observed for beef- and poultry-based products. Food business operators ('FBOs'), and in particular SMEs, tend to change their suppliers three or more times per year to guarantee an adequate level of raw material at an affortable price.

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

Due to the characteristics of the EU meat processing sector and its complexity, there seems to be limited demand from processors for origin information on meat ingredients. It mostly concerns specific meat preparations coming from a 'single meat piece' (*e.g.* dried ham) or products for which meat of foreign origin is a specific condition for the production process.

For the majority of products, the raw materials arrive at the processing stage already cut, mixed and/or trimmed. Even when trimmings[7] or blending of raw materials are not involved prior to the arrival at the processing plant, the mix of raw materials from different suppliers is often the case.

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

Slaughterhouses and meat cutting plants are key actors for passing origin information to the next player in the food chain. The higher the degree of vertical integration and

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

7 Trimmings are the leftovers, when a carcass is cut up to pieces, which can have a high value.

the larger the company size is, the easier it is to ensure that origin information is passed along the food chain. On the contrary, the more complex the cutting and processing stages and the more advanced the level of processing, the more complex traceability becomes for the purposes of origin labelling.

SME survey

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

* Approximately 51% of the sampled FBOs were active in the production of meat and poultry meat products sector, approximately 33% of the sampled FBOs were active in the manufacturing of prepared meals and dishes sector, while another 31% were active in the processing and preserving of meat sector (some FBOs are active in more than one sector). Almost 80% of the sampled FBOs were manufacturing firms.

* Concerning the location of the trade/commercial activity of the sampled FBOs, 31% of those reported that 81%-100% of their activity is local. For 64% of those, none of their production is described as "Intra EU" (i.e. it is limited within a Member State) and for 72%, none of their production is set "Extra EU".

* About the origin of their primary raw material, 20% of the sampled FBOs identified their raw materials as national, whereas 44% and 75% of the sampled FBOs stated that almost none of their raw materials originated in Intra-EU" and "Extra-EU" respectively.

* 58% of the sampled FBOs do not have separate storage facilities for raw materials from different sources.

* According to the sampled FBOs, the main advantages stemming from informing the consumer about the provenance of the meat are mainly the fact that it gives reassurance about the quality of the product (61%) and that it helps differentiating amongst the available products (44%).

3.5. Existing EU traceability systems

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

– The existing EU traceability legislation is based primarily on the need to ensure food safety[8]. It is set up only 'one step back – one step forward' along the food chain, *i.e.* FBOs must be able to identify the businesses to which their products have been supplied and to trace down raw material inputs back to the immediate supplier. For foods of animal origin, more detailed information requirements are imposed to be passed on along the food chain[9]. However, these traceability requirements do not foresee readily origin information. Consequently, "cumulative traceability for origin determination purposes" is not currently required at EU level.

– Where more detailed traceability systems exist, these vary between the different animal species and do not extend beyond the unprocessed phase (*i.e.* slaughterhouses/packing plants).

[8] Article 18 of Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety, (OJ L 31, 1.2.2002, p. 1).

[9] Commission Implementing Regulation (EU) No 931/2011 of 19 September 2011 on the traceability requirements set by Regulation (EC) No 178/2002 of the European Parliament and of the Council for food of animal origin, (OJ L 242, 20.9.2011, p. 2).

Overall, because of the structure of the supply chain and the absence of any significant 'business-to-business' interest in this information, the transmission of origin information tends to stop at the earlier stages of the supply chain (slaughterhouses and cutting plants).

4. CONSUMERS' ATTITUDE TOWARDS MANDATORY ORIGIN LABELLING FOR MEAT USED AS AN INGREDIENT

According to FCEC study,[10] origin of food products in general is the fifth most important aspect influencing consumers' purchase decisions out of 11 aspects considered (47.4%), following taste (82%), 'best before'/'use by' dates (62%), appearance (61.3%) and price (48.3%). In addition, according to the 'GfK consumer study on the meat market',[11] the country of origin is the fourth key information aspect (out of 15 information aspects) – looked for by the consumers when they buy meat-related products, *i.e.* 48% of EU consumers, without much difference between EU15 and EU12). Origin follows 'best before'/'use by' dates (68%), price per kilogram (67%) and price (67%). Moreover, EU consumers are more likely to look at the country of origin when buying fresh meat including meat preparations (45%) than meat-based products (38%).[12]

With a more targeted examination on different types of processed meat-based products, the FCEC consumer survey results indicate that more than 90% of consumer respondents find it important that origin is labelled.[13] In addition, the following findings emerge from the FCEC consumer survey:

- Consumers are, by and large, interested in knowing more about the origin of meat for all the three meat-based product groups;
- Consumers indicated in all cases the highest interest to know the '*country where meat was produced*': nearly half of consumers (EU average) require this level of detail on the origin, while roughly only a third of consumers require any other level of detail (whether more general such as '*produced in the EU or outside the EU*', or more specific such as '*the country where the animal was born/raised/slaughtered*');
- There are significant differences in all cases between MS, with consumers in some MS consistently indicating more (or less) interest in origin information than in others.[14]

In past consultations and in relation to meat and meat products, consumers had also linked origin with safety. While there are legitimate reasons for wanting to know the origin of a food (e.g. support for local produce, characteristics of the product, ethical and environmental concerns), other reasons that have been quoted are not pertinent.

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10 Annex D (consumer survey) to the *"Study on the application of rules on voluntary origin labelling of foods and on the mandatory indication of country of origin or place of provenance of meat used as an ingredient", (hereinafter the 'FCEC study'),* not yet published. Given the fact that the FCEC consumer survey took place in the midst of the horse meat scandal (December 2012-March 2013) affecting consumer trust in the meat product/meat-containing product sector, it cannot be excluded that this factor might have influenced the outcomes of the study.

11 This study was carried before 2013, *i.e.* before the horse meat scandal.

12 Commission Staff Working Document, at pp. 22-28.

13 FCEC study, at p. 10.

14 These differences are elaborated in the Commission Staff Working Document, at pp.30-32.

This is the case specifically when origin is linked with safety, as products produced anywhere in the EU or imported into the EU are, by definition, 'safe'.[15]

Consumers currently buy meat with origin indications less often than they want, because of price considerations. This price-sensitivity is mainly reflected in the weak consumer "willingness to pay" ('WTP') for origin labelling on meat used as an ingredient[16]. At the first price increase over and above the base price (+5-9% depending on the level of information required), the consumer WTP falls significantly, *i.e.* by 60-80%, and continues falling with every further price increase. This trend applies to all products covered by the report without any significant differences amongst them.

These findings confirm a 'paradox' or a discrepancy between consumers' interest in origin labelling and WTP for that information. Consumers would be interested in receiving the information – at the highest level of detail possible – if this information was to be offered without any price increase. Consumers are generally not aware of the additional costs related to origin labelling and believe that these are just confined to 'the cost of some extra ink for printing'[17]. This paradox is also manifested in the gap that has been observed in a number of studies between intentions and actual purchasing behaviour, with price being an important factor that explains this gap[18]. If mandatory origin labelling results in a price increase for the consumers, the consumption of foods with meat used as an ingredient could decrease.

5. POSSIBLE SCENARIOS AND ORIGIN MODALITIES CONCERNING THE PROVISION OF ORIGIN LABELLING FOR MEAT USED AS AN INGREDIENT

For the purposes of this report, the following scenarios are being highlighted[19]:

– Scenario 1 – Maintain origin labelling on voluntary basis;

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

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

For the determination of origin under scenarios 2 and 3, different modalities have been studied for the three main categories of the products concerned in an increasing order of processing:

- Category I: Meat preparations and products made from mechanically separated meat:
  - Origin as defined in the Customs Code, *i.e.* the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient;

15 Commission Staff Working Document, at p. 40.

16 Annex D to the *FCEC study'*.

17 *"Study on mandatory origin labelling for pig, poultry and sheep and goat meat"*, LEI Wageningen University (2013).

18 FCEC study, at p. 25.

19 Other scenarios (*i.e.* mandatory labelling indicating place of provenance at higher or lower level than a country, mandatory origin labelling based on origin split in three stages – "born, raised and slaughtered" or mandatory origin labelling based only on the place of birth, or place of birth and slaughter or only place of slaughter) were considered unfeasible and therefore they have not been analysed in detail.

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

- Category II: Meat products:
  - Origin as defined in the Customs Code, *i.e.* the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient;
  - Origin information relating to the provenance of the raw material, *i.e.* place of minimum period of rearing prior to slaughter and place of slaughter.
- Category III: Multi-ingredient foods with meat ingredient(s):
  - Origin as defined in the Customs Code, *i.e.* the country where the ingredient was wholly obtained or the country of the last substantial transformation of the meat ingredient;
  - Origin information relating to the provenance of the raw material, *i.e.* place of minimum period of rearing prior to slaughter and place of slaughter.

6. ANALYSIS OF IMPACTS AND COSTS AND BENEFITS OF THE DIFFERENT SCENARIOS

6.1. Impact concerning consumer behaviour

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

Under scenario 1, origin information for meat ingredient(s) would not be systematically provided to consumers. As such, it does not provide a fully satisfactory solution to consumer demand for origin information, although it better corresponds to the low consumer willingness to pay for additional origin information.

Scenarios 2 and 3 would systematically provide consumers with origin information on meat used as an ingredient. Scenario 2, being less informative than scenario 3, may be considered as too generic and not worthy of any resulting price increase. Scenario 3 would provide meaningful information to consumers.

The possible price increase may nevertheless affect negatively the consumption of meat-related foods.

6.2. Economic impacts

6.2.1. Operating costs of FBOs

Scenario 1 does not raise any additional operational challenges compared to the current situation. It may be more appropriate in instances, where meat of EU and non-EU origin is mixed in the production process. The operating costs (*e.g.* production, sourcing and traceability costs) would be kept to the minimum.

Scenarios 2 and 3 would pose operational challenges and require radical adaptations especially with respect to meat ingredients of mixed origin (EU/non-EU). FBOs are likely to incur considerable additional operating costs as follows:

– The extent of additional costs could vary as they would depend on the specific operational situation of the concerned FBOs, the animal species concerned and the type of existing traceability systems.

– The most impacted costs items are likely to be: the adaptation of sourcing practices, possible changes in the mix of suppliers, switching to smaller production batches, the adaptation of production process to achieve segregation by origin within the premises, the adaptation of packaging/labelling and the implementation/adaptation of traceability systems.

– The additional costs for scenario 2 are likely to range from negligible up to 25%, whereas for scenario 3 are likely to range from +15-20% up to 50%. Additional traceability costs are estimated in the range of +3% to +10% of the total production costs.

– The trade of trimmings and fat is likely to be negatively affected. Given the difficulty to implement an appropriate traceability system, FBOs are likely to use such products less and less. This could result in additional losses, which are estimated at 10% of the turnover of slaughterhouses/meat cutting plants. However, the impact would largely depend on the applicable modalities for determining origin labelling.

6.2.2. Competitiveness, trade and investment flows

The impact on competitiveness and intra EU/international trade under scenario 1 would be minimal.

Scenarios 2 and 3 are likely to have the following impacts on competitiveness and intra-EU trade:

– Changes in the supply chain, which would further result in a segmentation of trade and in a decrease in the number of intermediaries and the number of meat ingredients, are likely to occur. Indeed, FBOs consider more cost effective to adapt the supply structure (sourcing, batch sizes, reducing intermediaries) than upgrading the internal traceability systems.

– FBOs are likely to face higher prices as their overall supply base would become limited.

– The outlets for meat ingredients of mixed origin or for trimmings/fat would become limited.

– FBOs using meat ingredients would be adversely affected compared to FBOs that do not use such ingredients.

– Changes in intra-EU trade flows for live animals, unprocessed meat and meat ingredients are likely.

– A risk for market segmentation of food products may emerge under scenario 3.

Scenarios 2 and 3 are likely to have the following impacts on international trade:

– Changes in the geographical structure/volume of trade flows between the EU and third countries are likely to occur. In that respect, a shift of EU FBOs

towards EU suppliers is likely to take place so as to avoid the complexities deriving from multiple EU and third country origins.

– Third country FBOs are likely to incur additional costs, especially under scenario 3.

These impacts would concern especially those third countries that currently export significant quantities of unprocessed meat/meat ingredients to the UE: Thailand and Brazil for poultry, Brazil and Argentina for beef. However, the extent of the impact will depend on the national provisions in place concerning origin labelling, if any[20]. Imports of pig meat and sheep meat for processing are virtually non-existent.

6.2.3. Administrative burden on businesses

Scenario 1 would result in negligible administrative burden and only for the businesses that provide the origin of the final food and that origin is different from the primary meat ingredient(s). Under scenario 2, the total burden is also estimated to be negligible. However, under scenario 3, the additional administrative burden may result in an increase of 8-12% of the total production costs.

6.2.4. Burden on public authorities

Scenario 1 is not expected to result in additional control costs except for the costs entailed by the general application of Article 26(3) of the FIC Regulation.

However, an increase by 10-30% in control costs is expected under scenarios 2 (to a lesser extent) and 3, depending on the level of detail of the origin information required. This increase would be more in terms of the number of staff needed, while under scenario 3 this increase may also include additional staff time, as compliance costs are mainly based on documentary checks. If the funding allocated to control authorities by the state budgets is not increased – which seems likely in the current economic environment – the expected increase in staff/staff time needed may lead to a reduction in the frequency of controls or a change in priorities, which may also result in increased risk for fraud. However, the burden on public authorities could be mitigated in case fees are put in place for the conduct of official controls.

6.2.5. Costs for consumers and possible social impacts

The provision of origin information is expected to result in increased costs, approximately 90% of which is estimated to be passed onto to the consumer and only 10% to the producer. These percentages may vary depending on the sector, the country concerned and the degree of vertical integration and market concentration.

Scenario 1 is not likely to result in an overall price increase. Where origin, however, is provided, the additional costs are likely to be passed onto the consumers resulting in products at price premium.

Scenarios 2 and 3 are likely to result in an overall price increase in the consumer price, which would be higher in the latter case. As such, scenario 3 – and to a lesser extent scenario 2 – may result in a decrease in the consumption of meat-related products. Other social impacts may also involve the following: market segmentation of meat consumption; adaptation of sourcing patterns; elimination of intermediaries; and, employment may be negatively affected.

[20] For example, it appears that in Brazil traceability and origin labelling is currently provided at country level on the basis of the place of farming and rearing.

6.2.6. Environmental impacts

The environmental impact of scenario 1 is likely to be minimal. Both scenarios 2 and 3 are likely to increase waste ingredients, especially in the case of trimmings/fat. Scenario 3 could also provide an incentive to consume products produced in proximity.

6.3. Advantages and disadvantages of origin modalities under Scenarios 2 and 3

The Table below provides a summary of advantages and disadvantages of the origin modalities considered under scenarios 2 and 3 (mandatory origin labelling):

Modalities under 2nd and 3rd scenarios		**Advantages**	**Disadvantages**
Category I: Meat preparations/ mechanically separated meat	Country where ingredient was wholly obtained or country of last substantial transformation (Customs Code)	– Provides meaningful information to the consumer; – Trimmings and fat could be used as ingredients, where origin is determined as the country of the last substantial transformation.	– Additional traceability systems; – Implementation could be challenging if multiple origins are involved; – Trimmings and fat are not likely to be used as ingredients in cases, where origin is determined as the place of minimum rearing prior to slaughter, given the challenges in storage/traceability.
	Place of minimum rearing prior to slaughter + place of slaughter	– Places more emphasis on the provenance of the raw material where the ingredient was not wholly obtained in one country.	– Additional traceability systems; – Implementation could be challenging if multiple origins are involved; – Trimmings and fat are not likely to be used as ingredients, given the challenges in storage/traceability.
Category II: Meat products	Country where ingredient was wholly obtained or country of last substantial transformation (Customs Code)	– Places more emphasis on the place of processing where the country of last substantial transformation applies; – Technically feasible for FBOs; – More practical, if multiple origins are involved; – Trimmings and fat could be used as ingredients.	– Provides no information on the provenance of the raw material where the country of last substantial transformation applies.
	Place of minimum rearing prior to	– Places more emphasis on the	– Provides no information on the

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

7. CONCLUSIONS

Consumer interest in origin labelling for meat ingredients appears to be considerably strong. There are significant differences amongst the different Members States as to consumer preferences and understanding of origin information as well as to levels of motivation/reasons for such information. The overall strong consumer interest in origin labelling, (a) ranks behind price and quality/sensory aspects in terms of the most important factors affecting consumer choice and (b) it is not reflected in the relevant consumer "willingness to pay"; at price increases of less than 10%, the "willingness to pay" falls by 60-80%.

The feasibility and the impact of origin labelling depend largely on the nature and applicable modalities as well as on the nature of the products concerned. For the purpose of this report, three scenarios have been examined:

– Scenario 1 – Maintain origin labelling on voluntary basis;

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

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

Scenario 1 would not raise any additional operational challenges for FBOs, as operating costs, impact on EU and international trade, administrative burden, burden on public authorities, additional costs passed onto to the consumer would be kept to the minimum. However, it would not provide a fully satisfactory solution to the consumer demand for origin information.

Both scenarios 2 (to a lesser extent) and 3 would address consumer need for origin information whilst they would pose operational challenges and require radical adaptations in the food chain. Scenario 2 is considered more feasible than scenario 3. In particular:

Scenario 2 would respond to the consumer demand for origin information but it may be considered as too generic and not worthy of any price increase resulting from additional operating costs for FBOs (ranging from negligible up to 25%), Regarding competitiveness and trade, changes in the supply chain may result in market segmentation and in a decrease in the number of intermediaries and the number of meat ingredients. As regards international trade, this scenario is likely to change trade flows with a risk for a shift of EU FBOs towards EU suppliers and to create additional costs for third country FBOs. Whilst administrative burden for food business operators is estimated to be negligible, the burden on public authorities is expected to increase by 10-30%.

Scenario 3 would on the one hand provide meaningful information to consumers, considering they are, by large, interested in knowing more about the origin of meat for all three meat-based product groups and on the other hand, it is likely to bring extra costs for the FBOs, resulting in price increases depending on the nature of the meat ingredient(s) concerned and the final product(s) that could affect consumption. Additional operating costs for FBOs under this scenario are likely to range from +15-20% up to 50%. Regarding competitiveness and trade the impact would be similar, though more prominent, to the one under scenario 2. Additional administrative burden may result in an increase of 8-12% of the total production costs whilst burden on public authorities is likely to be higher than the one under scenario 2. If the funding allocated to control authorities by the state budgets is not increased, which in the current economic environment is the prevailing tendency, a reduction in the frequency of controls or a change in the priorities is likely. The possible imposition of fees for the conduct of official controls could mitigate the official control costs.

The Commission is of the view that all possible scenarios present advantages/disadvantages that need to be widely discussed with the Council and the European Parliament. On the basis of these discussions, the Commission will consider what, if any, appropriate next steps should be taken. This may include, if appropriate, tabling a legislative proposal to regulate the labelling of origin of meat used as an ingredient in foods.