**Nutrition Labelling detailed questions for Food Information Commission proposal UK consultation document – February 2008**

**Specific Questions:**

**Article 29 (1): Content of mandatory nutrition declaration**

Do you agree with a minimum nutrition declaration requirement, as proposed (energy, fat, saturates, carbohydrates with specific reference to sugars and salt)? Please give your reasons.

Do you support the proposed exemption from giving a nutrition declaration for wine, beers and spirits, pending a Commission report on the suitability of this labelling for these products? Please give your reasons.

**Article 30(3): Calculation of nutrition declaration**

Should the nutrition declaration only refer to the food "as sold" or "as consumed"? Would it be appropriate for manufacturers to decide which they use or do you think this has the potential to confuse or mislead consumers? Please give your reasons.

**Article 31 (3): Form of expression**

Should nutrition declarations include the expression of the nutrient as a percentage of the reference intake value on a mandatory basis? If so, should it appear on front of pack, back of pack or be left to the discretion of the manufacturer? Please give your reasons.

Should the expression of the percentage of the reference intake value be presented in relation to per 100g/ml or per portion or both? Please give your reasons.

**Article 32 (2) & (3): Expression of nutrition declaration on a per portion only basis**

Do you agree with the conditions given in Article 32(2) and (3) for when the nutrition declaration can be given on a per portion only basis? Please give your reasons.

**Article 33: Additional forms of expression**

33(1): Do you agree with the proposed criteria for the provision of additional forms of expressing the nutrition declaration? Please give your reasons.

33(2): Should additional forms of expression (such as the colour-coding of nutrients to give information on the levels present in a food) be permitted on a national level, as set out under Article 44? Is this provision sufficient? If not, please explain why, what you feel is necessary and how this could be accommodated within the proposal.

**Article 34 (1): Presentation of the nutrition declaration**

Should front of pack nutrition declarations be mandatory or should they be permitted on a voluntary basis provided they conform to agreed set principles defined at an EU or national level?

The proposal requires front of pack nutrition declarations to always include energy, fat, saturated fat, carbohydrates with specific reference to sugars and salt? Please let us have your comments on this requirement. Are there circumstances when it would be sufficient to provide information on energy only on front of pack? If so, please give details

**Annex B**

| Name of Consultation | Date of Consultation | Issue |
|---|---|---|
| The draft Food Labelling Amendment (No. 2) (Scotland) Regulations 2004 and provision of allergen information for foods sold loose (non-pre-packed), pre-packed for direct sale and fancy confectionery products.<br><br>Draft Voluntary Guidance on the Provision of Allergen Information for Foods that are not Prepacked.<br><br>Draft Food Labelling (Declaration of Allergens) (Scotland) Regulations | 21/06/2004<br><br>05/07/2006<br><br>22/06/2007 | Allergen Labelling (Food Sold Loose – including catering establishments). |
| Review of EU Food Labelling Legislation | 23/07/2004 | Labelling Clarity. |
| Review of EU Food Labelling Legislation.<br><br>Labelling Competitiveness, Consumer Information and Better Regulation for the EU | 23/07/2004<br><br>10/03/2006 | Alcoholic Drinks (including ingredients listing and health warning). |
| Review of EU Food Labelling Legislation.<br><br>Labelling Competitiveness, Consumer Information and Better Regulation for the EU | 23/07/2004<br><br>10/03/2006 | Country of Origin Labelling. |
| Labelling Competitiveness, Consumer Information and Better Regulation for the EU | 10/03/2006 | Nutrition Labelling. |
| UK National Food Labelling Provisions | 08/06/2007 | National Provisions, |
| A framework for the provision of mandatory food information and labelling requirements for food sold loose | 29/06/2007 | Key Labelling Principles. |

# Summary: Intervention & Options

| Department /Agency: | Title: | |
|---|---|---|
| **Food Standards Agency** | **Impact Assessment Of EU Proposal on the Provision of Food Information to Consumers** | |
| **Stage:** Consultation | **Version:** 1.0 | **Date: 14 February 2008** |
| **Related Publications:** | | |

**Available to view or download at:**

http://www.food.gov.uk

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### What is the problem under consideration? Why is government intervention necessary?

The legal requirements concerning food labelling have developed over time and are contained in various pieces of European and domestic law. The spread of legal requirements has made it difficult for businesses to understand what information is required by law to accompany food. In addition consumer research has shown that consumers find labelling information confusing and difficult to use. The draft EU Regulation will consolidate the general and nutrition labelling requirements, simplyfying and clarifying what information is required by law and where it should appear on food products. This will make food information clearer and more relevant to consumer needs.

### What are the policy objectives and the intended effects?

To create a single set of general labelling rules for all European Union Member States in one Regulation. This will allow consumers to obtain key information about food effectively. It will establish a clear, harmonised legislative framework for businesses; creating a single set of labelling requirements for food products when trading throughout Europe.

### What policy options have been considered? Please justify any preferred option.

1. Do nothing – Adopt/accept the Commission's proposed draft Regulation 'as is' without any negotiation.
2. Active negotiation – Negotiate in areas where we think changes are required and ensure the proposal avoids any unnecessary 'gold-plating'.

### When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

2015

**Ministerial/CEO Sign-off** For consultation stage Impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister/Chief Executive*:

.............................................................................................................Date:

* for Impact Assessments undertaken by non-ministerial departments/agencies and NOT being considered by Parliament

# Summary: Analysis & Evidence

| Policy Option: 1 | Description: Consult – EU Proposal on the Provision of Food Information to Consumers |
|---|---|

| COSTS | | | |
|---|---|---|---|
| **ANNUAL COSTS** | | Description and scale of **key monetised costs** by 'main affected groups' Reading and understanding of the new legislation as required by industry (£439,400) and Local Authorities (£9,160). Business: food analysis costs, £7.6m annual (from year 4), £37m one-off. LAs: nutritional testing costs of £4m annually (from year 4). | |
| **One-off** (Transition) | **Yrs** | | |
| **£ 7.49m** | 5 | | |
| **Average Annual Cost** (excluding one-off) | | | |
| **£ 11.6m** | | **Total Cost** (PV) | **£ 55.57m** |
| Other **key non-monetised costs** by 'main affected groups' | | | |

| BENEFITS | | | |
|---|---|---|---|
| **ANNUAL BENEFITS** | | Description and scale of **key monetised benefits** by 'main affected groups' | |
| **One-off** | **Yrs** | | |
| **£ N/K** | 5 | | |
| **Average Annual Benefit** (excluding one-off) | | | |
| **£ N/K** | | **Total Benefit** (PV) | **£N/K** |
| Other **key non-monetised benefits** by 'main affected groups' Consumers will benefit from increased information and choice and confidence in the market as well as further protecting consumer health by better ingredients recognition and improved dietary health. | | | |

Key Assumptions/Sensitivities/Risks: There are assumed to be no incremental re-labelling costs per se associated with these proposals; given the salient three and five-year transitional periods. The Agency considers these sufficient to encompass all commercial food re-labelling cycles.

| Price Base Year 2008 | Time Period Years 5 | **Net Benefit Range** (NPV) **£ N/K** | **NET BENEFIT** (NPV Best estimate) **£ N/K** |
|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| What is the geographic coverage of the policy/option? | UK | | | |
| On what date will the policy be implemented? | 2013 (approx) and for 2015 (Nutrition Labelling for Micro Businesses | | | |
| Which organisation(s) will enforce the policy? | Local Authorities | | | |
| What is the total annual cost of enforcement for these organisations? | £4 million (approximately) | | | |
| Does enforcement comply with Hampton principles? | Yes | | | |
| Will implementation go beyond minimum EU requirements? | No | | | |
| What is the value of the proposed offsetting measure per year? | £ N/A | | | |
| What is the value of changes in greenhouse gas emissions? | £ Zero | | | |
| Will the proposal have a significant impact on competition? | No | | | |
| Annual cost (£-£) per organisation (excluding one-off) | Micro £240 | Small £240 | Medium £240 | Large **Zero** |
| Are any of these organisations exempt? | No | No | No | No |

| | | | | |
|---|---|---|---|---|
| **Impact on Admin Burdens Baseline** (2005 Prices) | | | | (Increase - Decrease) |
| Increase of £ 7.35m | Decrease of | Zero | **Net Impact** | **£ +7.35m** |

Key: Annual costs and benefits: Constant Prices | (Net) Present Value

# Evidence Base (for summary sheets)

## PURPOSE AND INTENDED EFFECT OF MEASURE

1. The proposed European Regulation on food information to consumers aims to consolidate general and nutrition labelling requirements. The Regulation will modernise and clarify the labelling rules to help better inform consumer choice and help businesses understand the information that should accompany food products. This document examines the impact on the UK of the proposed Regulation. The assessment is subject to change as more information becomes available and negotiations progress.

## BACKGROUND

2. Food labelling legislation at European level is contained in two key Directives, which cover general labelling (Directive 2000/13/EC) and nutrition labelling (Directive 90/496/EC), and various amending Directives. These are implemented into UK law by the Food Labelling Regulations 1996 (as amended). In addition to these requirements there are also labelling rules contained in over 40 horizontal (general) and vertical (commodity-specific) pieces of legislation.

3. In 2004 the European Commission announced a review of general food and nutrition labelling legislation. The aim was to consider how best to update and consolidate labelling requirements into a single legislative framework in light of significant changes in consumer demand and marketing practices since 2000. In February 2006 the Commission published a consultation document seeking views on what food information consumers wanted. This was subject to a public consultation in the UK, and the Government's response, setting out its initial comments, was sent to the Commission in July 2006[1]

4. Following the consultation the Commission held a number of experts' working group meetings in Brussels (November 2006 to October 2007) to incorporate the results of the consultation, exchange views, and inform the drafting of the proposed Regulation. After amending the proposal the Commission published its draft Regulation on 4 February 2008. The proposal will shortly be discussed in the European Council and Parliament under co-decision.

## SCOPE OF THE EUROPEAN COMMISSION'S DRAFT REGULATION

5. Overall the general provisions for food labelling will remain the same under the new draft Regulation. Current mandatory requirements will be retained, for example, name of product; list of ingredients, allergen information, best before or use by dates, etc. In addition, the Regulation will also cover:

- mandatory front of pack nutritional labelling for energy, fat, saturated fat, carbohydrates, with specific reference to sugars; and salt;
- minimum font size of 3mm for labelling;
- allergen labelling for non pre-packed foods (retail and catering);
- tightening of controls on country of origin labelling;
- distance selling information;
- alcoholic drink labelling; and
- framework for national labelling schemes.

[1] A copy of this can be found at http://www.food.gov.uk/multimedia/pdfs/labelresponsetoeu0607.pdf.

## RATIONALE FOR GOVERNMENT INTERVENTION

6. The UK understands the importance of clear labelling in helping consumers to make informed decisions about the food they eat. At present, there is general consensus that the current systems need modernising to take into account changing consumer needs and business practices. In addition consumer research has shown that consumers find the current form of nutrition information difficult to understand which may be a contributing factor to the rise of obesity in the UK. Simplified general and nutritional labelling requirements contained in the proposal will help the consumer make more informed, healthier choices. The Government, therefore, wishes to ensure the proposal allows the UK to continue to use the voluntary approach to front of pack nutrition labelling.

7. If the UK fails to participate fully in negotiations, the opportunity to influence the development of the new Food Information Regulation would be missed. The UK Government is well respected in developing innovative approaches to providing information on food and the European Commission has already responded positively to the UK's views in preliminary discussions.

8. At present there are issues that need further consideration around the current drafting of the Regulation. We hope to address these through seeking views by way of public consultation, and resolution through active negotiation.

## OPTIONS

9. There are two options at this stage. These are:

**Option 1: Adopt/accept the Commission's proposed draft Regulation without any negotiation.**

10. The European Commission has presented the draft Regulation together with an Impact Assessment. The UK Government could 'do nothing' during negotiations, accepting the scope and requirements of the draft Regulation, along with any changes that are agreed by other Member States during negotiations.

11. This would not fulfil the Government's commitment to provide the consumer with comprehensive labelling information in order to allow them to make informed choices, particularly with regard to dietary health. Without input and active negotiation by the UK we could not challenge the intention, scope and transitional arrangement, or any other aspects of the EC proposal that do not align with UK policy. Such approach could lead to significant changes to existing UK policies and confusion for consumers and business, with the risk that the final Regulation might be disproportionate or difficult to implement in the UK.

**Option 2: Active negotiation –Support the introduction of the European Commission's Regulation, negotiate in areas where we think changes are required and ensure the proposal avoids any unnecessary 'gold-plating'**

12. This option would involve supporting the introduction of a single food information Regulation but negotiating to ensure the needs of UK consumers and businesses are considered and included as part of the development of the final Regulation. Though consultation with stakeholders and further consideration of the impact of the full proposal (option 1) FSA will gather evidence to help build up this option and consider areas where we would want to negotiate change in the EC proposal.

## CONSULTATION

13. The European Commission announced its review of general and nutrition labelling legislation in 2004, and published a consultation document in February 2006. This was subject to a public consultation in the UK, and the Government's response setting out its initial comments, was sent to the Commission in July 2006[2].

14. Following consultation, the Commission hosted a number of Experts' Working Group meetings in Brussels (November 2006 to October 2007) to exchange views and inform its thinking ahead of the publication of the Proposal and Impact assessment. The Agency has actively engaged with stakeholders throughout the process, hosting meetings, including an international conference in Rotterdam (February 2006), and keeping stakeholders informed of discussions via interested parties' letters.

15. The proposed measures have an impact on the Health Departments and Directorates, particularly the obesity strategy, BERR and the Enterprise Directorate (Business growth and innovation) in respect to trade issues, and Departments and Directorates with responsibility for Agricultural policy and DUIS on other technical issues. The Agency has involved all government departments as part of extensive stakeholder engagement since the Review was announced in 2004. They have been kept informed of the new proposal and have been involved in its development to date. Local Authorities Coordinators of Regulatory Services (LACORS) will also be consulted with on the enforcement of the proposed Regulation.

16. In February FSA will launch a formal 12 week consultation on the draft Regulation and this Impact Assessment to seek views on the European Commission's current proposal and areas where the UK may want to change the proposal. The consultation will allow all those interested in food labelling to contribute to the development of labelling policies. The responses we receive during this consultation will ensure the government has a robust evidence base ahead of negotiations and help inform the UK negotiating line.

17. Consultees are invited to contribute to the development of this Impact Assessment and the UK negotiating position by providing information to develop and refine the cost and benefit assumptions made in the Impact Assessment. **Where you consider the assumptions and/or estimates are inaccurate, please provide necessary supporting information to improve the current assessment.** This will aid the formation of a Regulatory Impact Assessment for Scotland.
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18. In addition to the public consultation the FSA will also be hosting stakeholder events in each of the four countries. **The event in Scotland will take place on the 12 March**. We will also continue to undertake stakeholder consultation throughout the negotiation and implementation stages of the proposal.

***We welcome views from stakeholders on these proposed consultation arrangements.***

## COSTS AND BENEFITS:

### Business Sectors Affected

19. The businesses affected would be those at all stages of the food chain involved in the provision of food information (including the catering sector). This would involve all trade in foodstuffs, even if not directly trading to the final consumer (business to business sales).

***Are the sectors and groups affected by the Regulation reasonably represented in this***

[2] A copy of this can be found at [http://www.food.gov.uk/multimedia/pdfs/labelresponsetoeu0607.pdf.

***Impact Assessment? If you partly agree or don't agree, please identify sectors that should also be considered and explain why.***

20. The costs and benefits of the proposal, based on current available evidence, are outlined below. The costs and benefits of Options 1 and 2 are the same, insofar as they represent the impact of the proposal in its current format. Option 2 – 'Active negotiation' will be updated in light of the responses received during the consultation and the areas where the UK will want to change the draft Regulation. At present Option 2 indicates the areas where we think changes are necessary. The Agency welcomes further information on the areas outlined in option 2 and the estimated cost/benefits of the option. Further Assessments of the impact of the legislation will be carried out as negotiations on the proposal progress.

**Option 1 – Adopt/accept the Commission's proposed draft Regulation 'as is' without any negotiation**

**Benefits to the Consumer**

Legibility

21. The Agency's 2007 qualitative research into food labelling requirements made the key finding that there are often issues around legibility on food labels. For example, the Agency's 2007 Consumer Attitudes Survey found that, over 40% of consumers find current food label print sizes hard to read.

22. Improvements in clarity will improve consumers' access to essential information, positively impacting on consumer choice and confidence in the market.

23. The Agency is currently (February 2008) commissioning a pilot study to explore the merits of eye-tracking as a technique to investigate consumer use of food labels. This research may inform future Impact Assessments.

Mandatory Front of Pack Nutrition Labelling

24. From the Agency's 2007 Consumer Attitudes Survey it was found that three-fifths of those interviewed agreed that they would like to have more information about the food that they buy. With almost half saying that they find it difficult to know if a product is healthy from the information provided on the label.

25. UK-wide, 52% of consumers said they always or usually looked at labels when buying products for the first time. In addition, a growing number of consumers say they look at nutritional information on food labels to check the fat and salt content when purchasing products for the first time. As in previous years surveys, the amount of fat, salt and sugar in food continues to be a key issue of concern for consumers. Salt was mentioned by over half of the UK sample, and fat and sugar each by more than two-fifths of respondents, when prompted with a list of possible concerns.

26. Although approximately 80% of UK companies already provide some level of nutrition labelling on a voluntary basis (Agency nutrition labelling research report (2001)) UK consumers still find current nutritional labelling difficult to use and want an easier "at a glance" system of labelling. In research conducted by the Agency to develop a voluntary front of pack labelling in 2005, 96% of consumers said they thought front of pack nutrition labelling would be useful in helping them make healthier food choices.

27. Loureiro, Gracia and Nayga (European Review of Agricultural Economics, 2006) find that consumers are willing to pay a significant premium for products with nutritional labels over the price they would pay for those without (up to 11% for boxes of cookies). These findings can be seen as providing an indication that consumers really want this information to aid their healthy dietary

choices. This paper also notes the findings of Kim et al. (2000) who find that such labels may lead to healthier diets.

28. As explained below, there is the potential to glean significant public health benefits in the UK, should current diets tend towards those with nutrient intakes as suggested by national guidelines/targets. Whilst mandatory nutritional labelling will not achieve these target intakes alone they may provide a further step towards achieving these goals as consumers are provided with increased nutritional information. Given the potential dietary health benefits explained, we note that even a one-tenth of one percent move towards achieving the aggregated target intake levels for salt, saturated fat and sugar in the UK would equate to a public health benefit in excess of £18m annually (when discounted this would equate to over £86 million's worth of health benefits over a five-year period).

29. In seeking to estimate the total UK value of reduced mortality and morbidity should the COMA/FSA/DH target intakes pertaining to salt, saturated fat and non-milk extrinsic sugars (NMES) be achieved from the population's current intake levels. The FSA has employed the existing analysis it provided to Ofcom for its published RIA relating to the restriction of broadcast advertising to children.

30. Using linear extrapolations of the same quantification of health effects methodologies and QALY/Intrinsic Value of Living monetisation methods as were employed in the Benefits section of the Ofcom RIA, the FSA estimates that a 3g per day reduction in salt intake (6g target vs. 9g current; UCL survey), plus a 2.3% (11% target vs. 13.3% current; National Diet and Nutrition Survey (NDNS) and 1.75% (11% target vs. 12.75% current; NDNS) reduction in total energy intakes by percentage for saturated fat and NMES respectively would result in approximately 27,000 annual UK death preventions equating to over 250,000 QALYs per annum.

| | Red/Inc | Annual UK<br>Deaths Prevented | QALYs Gained<br>(mortality + morbidity) |
|---|---|---|---|
| Salt | -3g/day | 20,200 | 170,000 |
| Sat. Fat | -2.3%e/I | 3,500 | 33,000 |
| Sugar | -1.75%e/I | 3,500 | 49,000 |
| Total | | 27,200 | 252,000 |

*See the Ofcom RIA for full methodological details and references.*

31. In monetary terms these saved QALYs (monetised at £30k each) would yield £7.56bn of annual health benefits to the UK and the inclusion of a value of living per se figure of £400k per prevented fatality would yield a further £10.88bn of benefits annually. In total these two elements would equate to an estimated monetised health benefit of £18.44bn annually to the UK.

32. These estimates of the monetary value of reduced mortality and morbidity seek to capture not only NHS costs but also productivity effects, forgone consumption and reduced/avoided pain, grief and suffering.

Origin Labelling

33. Given that the proposal is to retain country of origin or place of provenance labelling of food on a voluntary basis (unless its absence could mislead consumers), in theory, any commercial benefits of such labelling will already be being enjoyed by producers. Indeed, the Agency's 2005 assessment of the uptake of its guidance on country of origin labelling found that approximately 70% of UK foods (sampling concentrated on meat and meat products) currently provide an explicit statement of the origin of the product.

34. Tightening of the criteria for origin declarations provides a further safeguard against misleading consumers, as well as meeting the demand for additional information on the origin of meat through the food chain (i.e. born, reared and slaughtered).

Labelling of Alcoholic Beverages

35. The proposal requires ingredients lists and mandatory calorie labelling pertaining to the contents of alcohol beverages, other than wine, spirits and beer, thus aiding the provision of information and choice. Agency research has shown that consumers obtain an average of 7% energy intake from alcoholic drinks but are generally unaware of the contribution that these products make to their diet. Any increase in the consumer awareness of this contribution will improve the ability to make informed choices in this area.

Mandatory Allergen Labelling For Non-Prepacked Foods (Pre-packed for Direct Sale and Sold Loose)

36. The proposal requires the provision of allergy information for non-prepacked foods sold by retailers and caterer's. The aim of this measure is to protect vulnerable consumers and thus deliver public health benefits. It is important to acknowledge the potential for some firms not always being fully up-to-date with their (e.g. menu) labelling regarding allergens coupled with potential future consumer complacency under such a new regime.

**Benefits to Industry**

Harmonised Labelling Framework

37. The proposal establishes a clear, harmonised legislative framework for businesses, and consolidates existing legislation, translating into clear benefits for UK businesses working within the single market. Reasonable transition periods should allow industry to adopt any new requirements within normal label cycles.

***We welcome views from stakeholders on this benefits analysis and any omissions/further information that stakeholders can identify.***

**Cost to the Consumer**

Allergy Labelling for food sold non pre-packed

38. The proposal maintains the derogation for Member States to implement National rules for food sold loose and pre-packed for direct sale. However, the Commission has extended mandatory allergen labelling to apply to these foods. In June the Agency consulted on the best way to provide allergy information for non pre-packed foods suggesting a 'best practice non regulatory' approach to the provision of off-label information for these foods. The vast majority of consultation responses, including those from Consumers/Consumer groups, endorsed the Agency's approach to providing allergen information.

***We welcome views from consumer stakeholders on whether they believe the scope of the EC's proposal should cover allergen labelling for non pre-packed foods.***

**Costs to Industry**

Cost of re-labelling

39. The British Retail Consortium estimates that the cost to re-label a Standard Stock Keeping Unit (SKU) in the UK costs on average £1000 (see the FSA RIA nutrition and health claims, 2007). This figure has been supported by other stakeholders including a major UK retailer. Further, it has been suggested to the Agency that a period of two years would be sufficient to encompass the bulk of manufacturers' and specialist retailers' commercial re-labelling cycles. However, certain craft products labels may be changed less frequently and a figure of five years has previously been quoted.

40. In seeking to capture all of the salient re-labelling costs, the US Food and Drug Administration's (FDA) Labelling Cost Model (2003) considers the cost categories of: analytical testing; administration; graphic design; engraving and colour matching; printing and waste. Here, we consider analytical testing as an additional cost category to the £1000 per SKU re-labelling cost estimate and as noted later we do not consider that the current proposal will lead to significant labelling waste. As such the current UK re-labelling cost analysis seems consistent with the US FDA's categorisations. The US model considers compliance or transitional time periods of one, two and three years. The longer the period, the greater is their model's estimation of the proportion of required labelling changes, that co-ordinate with scheduled commercial labelling changes.

41. The US model assumes that given a three year period to comply, all branded SKUs will coincide with planned commercial re-labelling cycles, and that two-thirds of private labels will as well. These US assumptions seem to agree with the information industry has provided to the Agency in terms of larger firm re-labelling cycles. For smaller private label manufacturers and specialist retailers we here assume that the remaining third of private label SKUs from the US model would also coincide with planned commercial re-labelling cycles, should micro firms be given a five year transition period. This is indeed what the current proposal allows for.

42. As such, the Agency is assuming (based on the US model and UK industry information) that given the proposal's three and five year (micro firms) transition periods, the incremental costs associated with the act of re-labelling itself, beyond normal commercial practice, tends to zero under these proposals.

43. The Agency further notes and agrees with the opinion of the Commission's consultants, RAND Europe, that the costs to distance sellers of foods to provide all salient information on the label, at the point of sale, are small.

<u>Mandatory Front of Pack Nutrition Labelling</u>

44. The Agency's 2006 research, evaluating the impact on business of changes to nutritional labelling requirements in the UK, estimated that mandatory nutrition labelling would cost industry £185m as a one-off cost, with an additional annual on-going cost of £38m.

45. However, these figures, were on the one hand, considered to be an underestimate, as they did not fully capture the costs to the smallest firms. However, this can be seen as an overestimate, as the nutritional labelling being theorised in the Agency's research also pertained to fibre and protein levels in addition to the categories currently laid out by the Commission proposal (energy, fat, saturates, carbohydrates with specific reference to sugars, and salt). In the first instance, it thus seems sensible to let these two factors negate each other.

46. As noted in this IA, the act of re-labelling is one that takes place regularly, for commercial reasons. Therefore, given the lead times suggested, little, if any, additional re-labelling will be required as a direct result of the planned proposal.

47. Given this, the £185m and £38m figures need to be reduced to capture the real incremental costs that will be faced by industry i.e. product analysis costs. It is estimated that 80% of pre-packed foods currently carry some form of nutritional labelling in the UK (see FSA RIA voluntary front of pack signposting scheme, 2006). It is assumed that the requisite product analysis costs of meeting the new nutrient labelling requirements in the proposal are therefore, real incremental costs that will be incurred by any businesses, in the UK, not currently providing this information.

48. The Agency’s report into nutritional labelling costs notes a figure of £250 per product for nutritional analysis costs. Given the British Retail Consortium’s estimate that a standard SKU re-labelling in the UK costs on average £1000, it is estimated that 20% of the costs quoted in the Agency’s nutritional labelling report apply to product analysis costs (£250/£1000+£250).

49. It is thus estimated, that on a one-off basis, a product analysis cost for UK business of £37m applies, with on-going annual analysis costs of £7.6m. These on-going costs are assumed to apply after three years, given the lead time for the initial “one-off” analyses to occur, under the proposal. However, were these one-off costs to be spread over the three year period, they would equate to just over £12m per annum, for each of these three years.

50. Overall, food consumptions are expected to be unaffected by these labelling proposals, therefore, the UK market value (in excess of £50bn) is expected to be unaffected in aggregate.

***We welcome views from stakeholders on whether the cost assumptions in this area are correct.***

Voluntary Origin Labelling

51. The more exacting nature of the criteria, for downstream producers who voluntarily choose to label in this manner, may require more resources to be employed in ensuring the geographical provenance of ingredients. However, as such labelling is voluntary, any such extra resource costs, are not incremental costs salient to the current Impact Assessment.

***We welcome views from stakeholders on whether this assumption is correct.***

Labelling of Alcoholic Beverages

52. As with general ingredients labelling and nutrition labelling requirements, the Agency considers that the transitional periods are sufficient to allow re-labelling to take place within existing commercial cycles, thus negating any salient incremental costs of this part of the proposal.

***We welcome views from stakeholders on whether this assumption is correct.***

Mandatory Allergen Labelling For Non-Prepacked Foods

53. The Commission proposal at present requires mandatory allergen labelling for non-prepacked foods. The cost of complying with increased statutory labelling requirements for foods sold in these ways would be significant, both for businesses and the enforcement authorities. Although it would be difficult to quantify, as businesses may choose different ways of providing the information to the customer, such as product labelling, or point of sale notices (on e.g. menus, posters, point of sale displays etc.). Information we have received suggests that training counter operation staff in a large supermarket chain of around 200 stores through a full training course would cost in excess of £50,000

54. As the number of businesses that would be affected is large, the overall cost is likely to be very significant. There would also be a high cost to enforcement bodies, as extra visits may be required to ensure businesses are complying and time spent following up on issues if non-compliant.

55. The cost of changing a printed food product label is estimated to be in the region of £1,000 per product. This figure is generally accepted by industry and has been quoted in previous food labelling consultations.

56. In addition there would also be a cost to enforcement officers. This would include a cost in reading the legislation as well as enforcement of the legislation. If we estimate that each local authority (UK total = 469) will take approximately 10 - 20 samples per year (with the costs of analysis approx £80/sample) this gives a total UK estimate of additional enforcement resources of £ 375,000 - 750,000.

***We welcome views from industry regarding the potential impact and costs of extending the scope of allergen labelling to cover non-prepacked foods*.**

***In addition to the questions above, we welcome views from stakeholders on this costs analysis and any omissions/further information that stakeholders can identify. For example, are potential opportunity costs pertaining to branding space relevant?***

**Option 2 - Active negotiation –Support the introduction of the European Commission's Regulation, negotiate in areas where we think changes are required and ensure the proposal avoids any unnecessary 'gold-plating'**

57. In light of previous consultation with stakeholders the following sub-options have been identified as areas in which the UK could negotiate to achieve changes to the current draft Regulation. In order to help UK negotiations on these topics we require further quantification of the costs and the benefits from stakeholders. After the consultation this section will be updated to reflect the thoughts and figures on this option provided by stakeholders and a full cost benefit section will be added.

***Allergy Labelling for food sold non pre-packed***

58. The proposal maintains the derogation for Member States to implement National rules for food sold loose and pre-packed for direct sale. However, the Commission has extended mandatory allergen labelling to apply to these foods. In June 2007 the Agency consulted on the best way to provide allergy information for non pre-packed foods suggesting a 'best practice non regulatory' approach to the provision of off-label information for these foods. The vast majority of consultation responses, including those from Consumers/Consumer groups, endorsed the Agency's approach to providing allergen information.

***Do stakeholders believe the UK should negotiate to keep the non-regulatory best-practice approach to the provision of allergen information loose foods/pre-packed for direct sale?***

***Are there any other areas of the proposal that UK stakeholders would like us to negotiate change in the EC's draft regulation?***

**ENFORCEMENT, SANCTIONS AND REVIEW:**

59. Port Health Authorities (in relation to imported food), and Local Authority Environmental Health Departments will be responsible for the enforcement of the proposed new provisions. This remains unchanged from the existing enforcement arrangements.

60. The Agency's 2006 Regulatory Impact Assessment relating to voluntary front of pack signpost labelling for pre-packed foods, set out that the mandatory requirement of such labelling would likely involve local authorities confirming nutritional compositions of foods, with public analyst support. It was estimated that a cost of approximately £4million per annum was realistic, should nutrition labelling apply across the UK, as in this proposal.

61. Whilst the Agency does not consider that there would be significant incremental cost associated with enforcement activities concerned with ingredients labelling or voluntary origin labelling, the requirement to monitor non-prepacked food labelling of allergens could impose significant additional costs.

62. A reasonable estimate of the cost, with respect to the time taken by enforcers to read the new legislation, is £19.54. This figure is taken from the 2007 ONS ASHE (Annual Survey of Hours and Earnings) figures for a Public Service Professional of £15.03 per hour (median value), which, in-line with the Standard Cost Model, is then up-rated by 30% to account for overheads, to give the figure of £19.54 per hour. The total one-off cost to the 469 enforcement authorities, of an assumed hour required by a key employee to read and understand the new legislation, is thus: £19.54x469=£9,160.

***We welcome views from LACORS and other stakeholders as to the potential affects on enforcement activities.***

**REVIEW**

63. The effectiveness of the proposals will be monitored continuously, through feedback from stakeholders. Agency mechanisms for monitoring and review include: open fora, stakeholder meetings, surveys and general enquiries from the public.

64. The Agency will conduct a full review of the effectiveness of the Regulations by 2015.

***We welcome views from stakeholders on these proposed review arrangements.***

**ADMINSTRATIVE BURDENS**

65. Under the Standard Cost Model, used to estimate administrative burdens to industry, labelling expenditures count as administrative burdens as they provide information to third parties. As such, the incremental costs identified in the cost analysis section, i.e. those concerning product analysis, are identified as administrative burdens. The annual on-going administrative costs identified were £7.6m with one-off costs of £37m (spread over up to three years).

66. A further one-off cost comes with the need for the businesses affected to read and understand the new legislation. As with local authorities, it is assumed that an hour is a reasonable period for a key employee to do this. There are estimated to be 6245 UK food manufacturers and 23830 specialist retailers who will need to understand any new legislation - (non-specialist food retailers will not need to be costed separately as their pre-packed food will largely be prepared by manufacturers).

67. The estimate of the cost for businesses to read the guidance is £14.61. This figure is taken from the 2007 ONS ASHE (Annual Survey of Hours and Earnings) figures for Managers in Distribution, Storage and Retailing, of £11.24 per hour (median value), which, in-line with the Standard Cost Model, is then up-rated by 30% to account for overheads, to give the figure of £14.61 per hour.

68. The total one-off cost to the 30075 businesses of the estimated hour required to read and understand the new legislation is thus: £14.61x30075 = £439,400

***We welcome views from stakeholders on this administrative burdens analysis and any omissions/further information that stakeholders can identify.***

# Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

| **Type of testing undertaken** | ***Results in Evidence Base?*** | ***Results annexed?*** |
|---|---|---|
| Competition Assessment | No | Yes |
| Small Firms Impact Test | No | Yes |
| Legal Aid | No | No |
| Sustainable Development | No | Yes |
| Carbon Assessment | No | No |
| Other Environment | No | No |
| Health Impact Assessment | Yes | No |
| Race Equality | No | Yes |
| Disability Equality | No | Yes |
| Gender Equality | No | Yes |
| Human Rights | No | No |
| Rural Proofing | No | No |

# EU Annex

[Use this space to set out BRIEFLY the background and current EU position. Click once on the grey area below and type. Format using EB styles from the toolbar above]

Nutrition labelling

Current nutrition labelling requirements are laid down in European Union legislation (Council Directive 90/496/EEC). The provision of nutrition information on food labels is voluntary unless:

- a nutrition claim such as ‘low in fat’ is made,
- a health claim such as ‘calcium helps build strong bones and teeth’ is made, or
- vitamins or minerals have been voluntarily added to a food

in which case it becomes mandatory

Companies can use a short version (Group 1 nutrition labelling), which details energy, protein, carbohydrate and fat in a product, or a longer version (Group 2 nutrition labelling). Group 2 nutrition labelling gives details of the energy, protein, carbohydrate, sugars, fat, saturates, fibre and sodium in the foodstuff.

When making a nutrition claim, the type of nutrition claim being made will dictate whether Group 1 or Group 2 should be used. When a health claim is made, or vitamins and minerals have been added to a food then Group 2 nutrition labelling must be used. These requirements are laid out in Regulation (EC) No 1924/2006 on nutrition and health claims made on food, and Regulation (EC) No 1925/2006 on the addition of vitamins and minerals and of certain other substances to food.

# Annexes

## Competition Assessment

This impact assessment will be updated as the proposal progresses, and will be subject to further consultation.

The Competition Assessment Guidelines indicate that the proposals relating to legibility, ingredients listing and origin labelling will have little impact on the competitive structure or competitive processes of the UK food markets, given the transitional periods allowed for re-labelling to happen, with micro firms receiving 5 years and other firms 3 years. Therefore, in almost all cases it is expected that labelling changes can be made within the normal commercial re-labelling cycle, thus minimising any incremental costs.

In terms of mandatory nutrition labelling, the incremental cost requirement of some firms to conduct product analysis prior to labelling and in an on-going manner, has the potential to raise the average unit costs of wider-labelling activities for some firms, especially in the short-term. However, these product analysis costs have already been incurred by the majority of product lines in the UK and as such, are unlikely to significantly impact the competitive process in an adverse manner.

***We welcome views from stakeholders on how the options may affect competition in the food sector.***

## Small Firms Impact Test

This impact assessment will be updated as the proposal progresses, and will be subject to further consultation.

Given the original 3 year transitional period that extends to 5 years for micro firms, it is considered that in almost all cases, labelling changes can be made within the normal commercial re-labelling cycle, thus minimising any incremental costs for firms of all sizes.

As noted, in terms of mandatory nutrition labelling, the incremental cost requirement of some firms to conduct product analysis has the potential to raise unit costs, especially in the short-term. It is likely that the firms most impacted by these additional costs will be smaller companies. However, these product analysis costs are not very significant, at an estimate of £37m of one-off costs, across the UK's manufacturers and specialist retailers, and £7.6m of on-going annual costs. It is considered that these costs are unlikely to significantly impact smaller firms' competitiveness.

***We welcome views from any small business that will be affected by the proposed options.***

## Sustainable Development

The Agency's 2006 research, evaluating the impact on business of changes to nutritional labelling requirements in the UK, estimated that existing packaging stocks will tend to be mainly used up (69% by firm) within 12 months. Only 11% of firms require in excess of two years to use up their labels. Given the three year transition period and five years for micro firms, it is expected that there will not be any significant amounts of wasted product, packaging or labels. This is unlikely, therefore, that there will be any considerable implications on greenhouse gas emissions or negative impacts on natural resources.

Further, there will be public health and consumer choice benefits to society, as a direct result of increased clarity and the provision of nutrition information. It is expected that these benefits will outweigh any potential costs to industry, which will be minimised by the proposed transition periods.

***We welcome comments from all stakeholders on the sustainability impacts of these proposals.***

**Race equality issues**

The proposed legislation does not impose any restrictive compliance to any person from a particular race, gender or with disability.

**Gender equality issues**

The proposed legislation does not impose any restrictive compliance to any person from a particular race, gender or with disability.

**Disability equality issues**

The proposed legislation does not impose any restrictive compliance to any person from a particular race, gender or with disability.

**Annex G**

| Organisation |
|---|
| Aberdeen Buttery Co.Ltd |
| Aberdeen City Council |
| Aberdeen Scotch Meat Ltd |
| Aberdeenshire Council |
| Adam Smith College |
| AG BARR (Finlays NMW) |
| Andy Race (Fish Merchants) Ltd |
| Angus Council |
| Argyll & Bute Council |
| Argyll & Bute Health Board |
| Argyll & Clyde |
| Ass. Scottish Shellfish Growers |
| Ayrshire & Arran Health Board |
| Barratlantic Ltd |
| Baxters of Fochabers |
| Bell Bakers Limited |
| BHJ Protein Foods UK Ltd |
| Black of Dunoon (Bakers) Ltd |
| BMA Scotland |
| Border Beekeepers |
| Bramik Foods Ltd |
| British Deer Society |
| British Egg Industry Council |
| British Hospitality Association |
| British Nutrition Foundation |
| British Poultry Council |
| British Soft Drinks Association |
| British Trout Association |
| British Veterinary Association |
| Brown Brothers Ltd. |
| C J Lang & Son Ltd |
| Calder Millerfield Ltd |
| Caledonian Cheese Co |
| Cardowan Creameries Ltd |
| Castle MacLellan Foods |
| Centre for Public Health Nutrition Research |
| Charles Tennant & Co Ltd |
| Chilled Food Association |
| City of Edinburgh Council |
| Clackmannanshire Council |
| Claymore Dairies |
| Claymore Dairies Limited |
| Coca Cola Enterprises Ltd |
| Coldstorage and Distribution Federation |
| Comhairle Nan Eilean Siar |
| Co-operative Group (CWS) Ltd |
| COSLA |

| Organisation |
|---|
| Crannog Seafood Company |
| Cream o'Galloway |
| Dairy UK - Scotland |
| Dawnfresh Seafoods |
| Deans of Huntly |
| Deer Commission For Scotland |
| Deeside Natural Mineral Water |
| DEVRO Plc. |
| Devron Shellfish |
| Diageo |
| Drinking Water Quality Regulator |
| DSM Nutritional Products (UK) Ltd |
| Dumfries & Galloway Council |
| Dunblane & Stirling Districts Beekeepers Ass. |
| Dundee City Council |
| Dundonnell Smoked Salmon |
| East Ayrshire Council |
| East Dunbartonshire Council |
| East Lothian Council |
| East Renfrewshire Council |
| Eastwood Beekeepers Association |
| Edinburgh Community Food Initiative |
| Edinburgh Smoked Salmon Company (1992) Ltd. |
| Edinburgh Tea & Coffee Company Ltd |
| Ella Drinks Ltd |
| Falkirk Council |
| Farmlay Eggs |
| Federation of Small Businesses |
| Fife Council |
| First Milk Cheese Company |
| First Milk Ltd |
| Food Additives & Ingredients Association |
| Food And Drink Federation |
| Food Certification Scotland Ltd |
| Food Industry (North) Development Services |
| Food Innovation Institute (F2i) |
| Food Microbiology, Fish Handling and Processing |
| Food Partners Ltd. |
| Food Training & Consultants Company |
| G McWilliam (Aberdeen) Ltd |
| Galloway Lodge Preserves |
| Glasgow Caledonian University |
| Glasgow City Council |

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| Glasgow Metropolitan College |
| Glasgow Scientific Services |
| Golden County Foods Ltd. |
| Gordon & MacPhail |
| Grampian Country Food Group |
| Grampian Country Pork Halls Ltd |
| Grampian Oat Products |
| H.R. Bradford (Bakers) Ltd |
| Hallmark Meat Hygiene Ltd/ AA Duncan & Son |
| Harbro Ltd |
| Health & Sport Committee |
| Health Protection Scotland |
| Hebridean Seafare Ltd. |
| Heriot-Watt University |
| Highland Council |
| Highland Smoked Salmon Ltd |
| Highland Spring Ltd |
| Hutchison's Flour |
| Institute of Aquaculture |
| Inverawe Smokehouses |
| Inverclyde Council |
| Island Cheese Co Ltd. |
| Islay Crab Exports Ltd |
| J & I smith (Bakers) |
| J G Ross (Bakers) Ltd |
| James Rizza & Sons Ltd |
| James Ross & Son (Edin) Ltd. |
| Jolly's Fish & Farm Produce |
| Jura Fine Foods Ltd |
| Keltic Seafare(Scotland)Ltd. |
| Kettle Produce Ltd. |
| Kingdom Bakers Ltd |
| Klinge Foods Ltd. |
| Lerwick Fish Traders Ltd. |
| Loch Fyne Oysters Ltd |
| Lochaber Beekeepers Association |
| Lossie Seafoods |
| Lothian Health Board |
| Lothian NHS |
| M A Mackinnon's Marmalade |
| M&D Catering |
| MacDonalds Smoked Produce |
| MacDuff Shellfish |
| Mackays Ltd |
| Mackies Of Scotland |
| MacPhie of Glenbervie Ltd |
| MacRae Food Group |
| Macsween of Edinburgh |

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| Marine Harvest (Scotland) Ltd |
| Matthew Algie& Co Ltd |
| McIntosh Donald |
| Meat and Livestock Commission |
| Meat Hygiene Service |
| Middleton Food Products |
| Midlothian Council |
| Mitchells |
| Moray Seafood Ltd |
| Mortons Rolls Ltd |
| Munlochy GM Vigil |
| Nairn Beekeepers |
| Napier University |
| National Association of Health Stores |
| National Beef Association |
| National Beef Association Scotland |
| Neville Craddock Ass. |
| Newcastle University |
| NFU Scotland |
| NHS Ayrshire & Arran |
| NHS Borders |
| NHS Dumfries and Galloway |
| NHS Fife |
| NHS Fife - Nutrition & Dietic Dept. |
| NHS Forth Valley |
| NHS Grampian |
| NHS Greater Glasgow & Clyde |
| NHS Health Scotland |
| NHS Highland |
| NHS Lanarkshire |
| NHS Lothian |
| NHS Lothian (West Lothian CHCP) |
| NHS Orkney |
| NHS Tayside |
| NHS Tayside - Directorate of Public Health |
| Nisha Enterprises Ltd. |
| Norscot Seafoods Ltd |
| Nor-Sea Foods Ltd |
| North Ayrshire Council |
| North Lanarkshire Council |
| Oatmeal of Alford |
| Olrig & District Beekeepers Ass. |
| Orkney Herring Co Ltd |
| Orkney Islands Council |
| Pan Fish Scotland Ltd |
| Pars Foods Ltd |
| Pataks Frozen Foods Ltd. |
| Paterson Arran Limited |

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| Perth & Kinross Council |
| Perth College |
| Purely Scottish Mineral Water |
| Puremalt Products Ltd. |
| Quality Meat Scotland |
| Queen Margeret University College |
| Raven Rock Sea Products |
| Renfrewshire Council |
| Robert Gordon University |
| Robert Wisemans Dairies |
| Rowett Institute |
| Rowett Research Institute |
| Royal Highland & Agricultural Society of Scotland |
| Royal Highland Agricultural Society of Scotland |
| SAC |
| Sangs (Banff) Ltd |
| Scallop Association |
| Scotch Whisky Association |
| Scottish Ass.of Meat Wholesalers |
| Scottish Association of Master Bakers |
| Scottish Beef Cattle Ass. |
| Scottish Beekeepers Association |
| Scottish Beer & Pubs Association |
| Scottish Borders council |
| Scottish Care Commission |
| Scottish Chambers of Commerce |
| Scottish Consumer Council |
| Scottish Crofting Foundation |
| Scottish Enterprise |
| Scottish Enterprise Borders |
| Scottish Executive Rural Directorate |
| Scottish Federation of Meat Traders |
| Scottish Food & Drink Federation |
| Scottish Food Enforcement Liaison Committee |
| Scottish Food Guide |
| Scottish Food Quality Certification Ltd |
| Scottish Food Safety Officers Association |
| Scottish Fresh Foods |
| Scottish Grocers Federation |
| Scottish Health Food Retailers Association |
| Scottish Midland Co-op Society |
| Scottish Milk Products Ltd. |
| Scottish Organic Producers Association |
| Scottish Pig Producers Ltd. |

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| Scottish Salmon Producers Organisation |
| Scottish Sea Farms Ltd. |
| Scottish Shellfish Marketing Group Ltd. |
| Scottish Women's Rural Institutes (SWRI) |
| Scrabster Seafoods Ltd. |
| Sea Fish Industry Authority |
| Seafish Industry Authority |
| Seafood Scotland |
| Seafood Shetland |
| Shetland Aquaculture |
| Shetland Catch Ltd |
| Shetland Farm Dairies Ltd |
| Shetland Islands Council |
| Shetland NHS Board |
| Shetland Sheep Society |
| Shortbread House of Edinburgh Ltd |
| Skye & Lochalsh Beekeepers |
| Soil Association Scotland |
| Solway Veg. |
| South Ayrshire Council |
| South Lanarkshire Council |
| Speyfish Ltd |
| Stirling Council |
| Strathaird Salmon Ltd |
| Strathlomond Mineral Water Co Ltd |
| Strathmore Foods Ltd. |
| Summer Isles Foods |
| T & L Food Services Ltd |
| Tayside Scientific Services |
| TESCO Stores Ltd |
| The Association of Meat Inspectors |
| The British Dietetic Association |
| The Cheese Company |
| The Drambuie Liqueur Co.Ltd |
| The Halal Food Authority |
| The Highland Council |
| The Malt Distillers Association of Scotland |
| The Moray Council |
| The Moray Council |
| The Really Garlicky Company |
| The Robert Gordon University |
| The Royal Society of Edinburgh |
| Thomas Tunnock Ltd |
| Tilquhillie Fine Foods |
| Tobermory Fish Co. |
| United Central Bakeries Ltd |
| United Fish Industries |

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| University of Aberdeen |
| University of Abertay Dundee |
| University of Dundee |
| University of Edinburgh |
| University of Glasgow |
| University Of Paisley |
| University of St Andrews |
| University of Stirling |
| University of Strathclyde |
| University of Warwick |
| V.M.G. Bakery Ltd |
| Vegetarian Economy & Green Agriculture (VEGA) |
| Voluntary Health Scotland |
| Walkers Shortbread Ltd |
| West Dunbartonshire Council |

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| West Lothian Council |
| West Lothian Council - Domestic Services |
| West Minch Salmon |
| West of Scotland Fish Producers Organisation Ltd |
| Which? |
| Wicken Fen Wholesome Foods |
| William Yule & Son Ltd |
| Wine Standards Branch of FSA |
| Women's Food & Farming Union |
| Woodrows Of Dunfermline Ltd. |
| Youngs Seafood |