



An evaluation of the French experimentation of origin labelling for milk and meat used as ingredients

From January 2017 to December 2018, France conducted an experimentation of mandatory origin labelling for milk and meat used as ingredients in processed foods. Consultants at ADE, Protéis and OPSIO carried out an in-depth evaluation of the application and effects of the scheme at national level. In particular, they estimated its cost for the various actors in the concerned sectors and for consumers, and the impact on purchasing behaviours. The present note sets out the main lessons learned from this evaluation.

Various surveys conducted in the wake of crises and scandals involving food products (e.g. “mad cow disease” crisis, “horsemeat lasagna”) have highlighted the importance attached by French consumers to the origins of agrifood raw materials, and for dairy and meat products in particular.

Responding to this consumers’ expectation, France organised an experimentation of mandatory origin labelling for milk, whether consumed as a liquid or as an ingredient in dairy products, as well as for meat used as an ingredient in processed products. This experimentation was conducted over the period between 1st January 2017 and 31st December 2018. At the request of the Ministry of Agriculture and Food, and following an open call for tenders, this nationwide experimentation was evaluated by a conjunction of consulting offices: ADE, Protéis and OPSIO. As it was committed to doing, in early 2019 France delivered the detailed report on this evaluation to the European Commission¹.

There were several categories of objectives for this evaluation. Firstly, to analyse the implementation of this information on product origin in the dairy industry and in the main meat sectors, and to determine the operational difficulties it could cause. The evaluator was also tasked with assessing the cost entailed by this scheme for all the various players, ranging from manufacturers to consumers. Determination of possible changes in the purchasing behaviour of the latter was another objective of the evaluation, as were also the potential impacts of the experimentation on French imports.

After recalling the background to the French experimentation and its scope, the present note describes the approach and the evalua-

tion methods adopted. Its third section then describes the deployment of the scheme and the fourth its impacts on those involved in the industries to which the decree applies. Finally, the last section describes the effects on consumers and their purchasing behaviour.

1. Context of the experimentation and scope of the labelling scheme

EU regulations makes it mandatory to label certain categories of agrifood products to indicate the origins of raw materials used, in order to meet specific requirements of consumer protection and information. These rules for indication of origin cover beef, pig meat, sheep and goat meat, poultry, honey, fruit and vegetables, unprocessed fish, olive oil, wine and eggs.

However, the ingredients used in processed products such as prepared meats (*charcuterie*) and prepared dishes are not covered by those obligations. The scheme tested by France aimed at examining the effects of extending origin labelling to include those foodstuffs, and specifically for milk and meat, these being considered particularly sensitive for consumers. Following issuance of a favourable opinion by the *Conseil d’État*, decree no. 2016-1137 of 19 August 2016 initiated this national trial for a two-year period starting on 1st January 2017. At that date, it was possible for foodstuffs with non-compliant labelling to be placed on sale until existing stock was depleted, until 31st March 2017 at the latest.

The precise scope of the experimentation included milk, milk used in dairy products (e.g. butter, cheese), beef, pig meat, sheep meat, goat meat and poultry used as ingredients in food products (e.g. prepared meats,

prepared dishes), above certain percentages. For instance, origin labelling is not mandatory if the product includes less than 50% milk or less than 8% meat. Additionally, products manufactured or marketed outside France, those with a protected designation of origin (PDO) and those from organic farming were not subject to the decree’s stipulations.

In practice, the scheme makes it obligatory for the consumer packaging of milk and dairy products to include a statement of the origin of the milk at the collection and packaging or processing stages. Where meat is concerned, this indication must include livestock birth, farming and slaughtering localisation. It is possible to use the statements “country”, “EU”, “non-EU”, “EU and non-EU”. Lastly, a number of pre-existing statements were considered equivalent if the specifications applicable to them met the obligations laid down in the decree.

2. Evaluation method

The evaluation was structured around nine questions to be answered by ADE, Protéis and OPSIO, and these are listed in Sidebar 1. The work needed to answer them unfolded in three broad phases. The first, from June to October 2017, defined the framework and the evaluation method. It included a reconstruction of the decree’s operational logic, as based on the regulatory documentation avail-

1. ADE and Protéis, 2019, An evaluation of the implementation of decree no. 2016-1137 concerning the indication of the origins of milk and milk and meat used as ingredients, research funded by the Ministry of Agriculture and Food, <https://agriculture.gouv.fr/rapport-devaluation-evaluation-de-lapplication-du-decret-ndeg2016-1137-relatif-lindication-de>

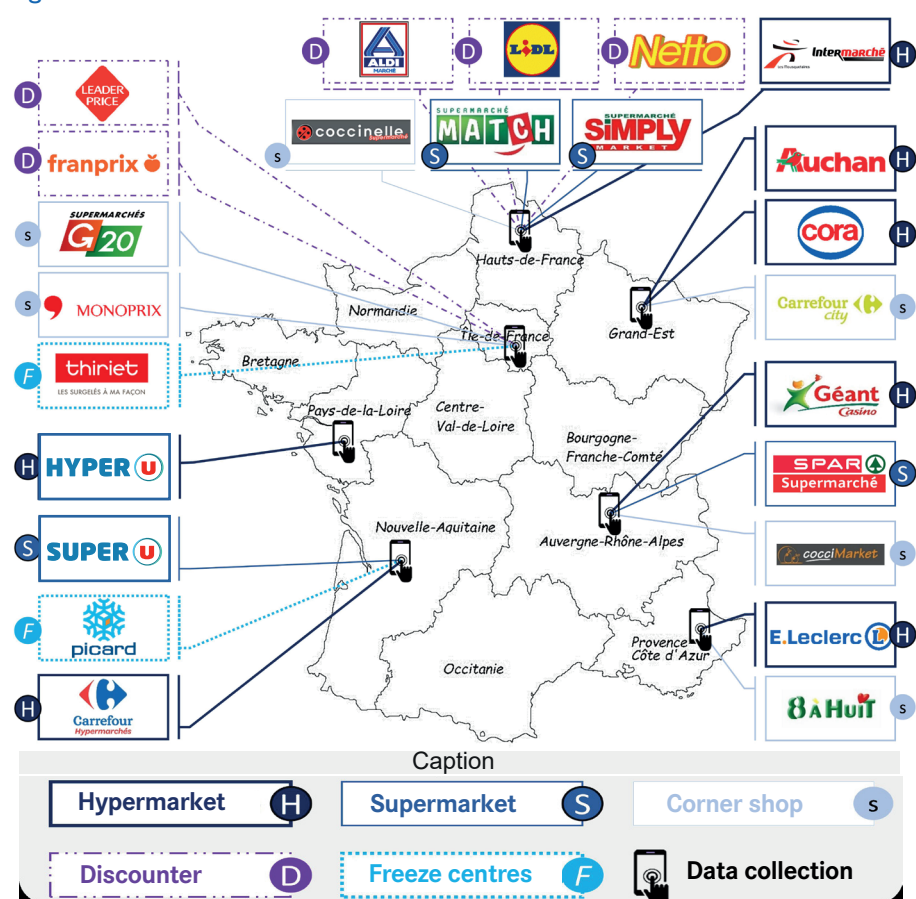
able, and this was discussed in an initial series of interviews with those involved, in addition to the reconstruction of a reference point, i.e. the situation as it existed in 2015-2016 before the announcement of the decree, to act as a “baseline” for the evaluation.

The second phase aimed at assessing the implementation of the decree in the summer of 2017. This was based on observation of over 8,600 product references covered by the decree and marketed in retail outlets of various types (cf. Figure 1).

The work needed to answer the evaluation questions was conducted in a third phase from November 2017 to September 2018. Several methods, both quantitative and qualitative, were cross-correlated in order to achieve this.

This involved conducting around twenty in-depth interviews, mainly face-to-face, with agrifood firms and supermarket chains. Two online surveys were also carried out with manufacturing companies in the prepared meats (*charcuterie*) and meat-based pre-cooked foods sectors (39 and 56 responses respectively). The managers of the distributor brands of central purchasing organisations for the major retail chains were also interviewed.

Figure 1 - Retail chains visited for the summer 2017 situation overview



Source: Evaluation Report p.11

Sidebar 1: Evaluation questions

- A.** What changes in product costs and what potential repercussions of the additional costs can be observed for agricultural producers, agrifood companies and the large retail chains? How are those costs allocated along the value chain?
- B.** What operational difficulties, if any, are encountered by operators (i.e. producers, processors, distributors) in implementing the decree?
- C.** What are the decree's impacts on:
 - 1 - Relations between sector actors,
 - 2 - Allocation of costs along the value chain,
 - 3 - The actors' relative negotiating strengths?
- D.** How is origin labelling perceived and understood by consumers?
- E.** Does mandatory origin labelling lead to changes in purchasing behaviour?
- F.** What is the situation with regard to changes in the selling prices of the products covered by the scheme and what are the impacts on household purchasing power?
- G.** What is the impact of the measure on trade flows?
- H.** In light of the results of the evaluation, would permanency and extension of mandatory origin labelling for milk and meat in processed products be desirable?
- I.** If the answer to H. is affirmative, what recommendations might be made to improve the scheme?

Where consumers were concerned, two types of survey were carried out. The first was conducted online and involved a sample of over 1,510 individuals, the aim being to collect a large mass of data on respondents placed in a purchasing context, notably by presenting them with various visuals (e.g. facing, logos, lists of ingredients). The second was a “shopper” survey conducted face-to-face in-store by consultants, enabling behaviour at the point of purchase to be determined. Cross-correlation of these methods was expected to allow identification of possible bias between statements by consumers (the online survey) and real situations, as well as providing key information on purchasing behaviour. In total, 300 purchasing situations were observed and 332 interviews were conducted with individuals aged 18 or over who had placed a product covered by the decree in their basket.

For the questions relating to purchasing power and trade flows, a range of sources were also used (Kantar World Panel, INSEE consumer price indices, data from Eurostat and from the French customs authority).

Lastly, based on these results, four potential scenarios for the post-experimentation outcome were suggested by the evaluators: permanent adoption of the decree; its abandonment; a broadening of the range of products covered; or greater detail in the infor-

mation provided to consumers. Each scenario was discussed from the standpoints of the various actors involved.

3. The results of the measure application

The overview of the situation as it was conducted in the summer of 2017 demonstrated that more than 90% of the products carried origin statements in accordance with the requirements of the decree. Reconstruction of the *ex-ante* situation (i.e. in 2015-2016) highlighted the fact that numerous voluntary initiatives already existed, both isolated and collective, undertaken by actors in the food chain, particularly for foods containing pork and beef and for liquid milk. However, certain categories of products had made substantial progress between the baseline situation and the 2017 overview, such as dairy products, non-PDO cheeses, poultry-based products and sandwiches (cf. Table 1).

Surveys of in-store product references provided interesting information on the origins of the ingredients covered by the decree and on the manner in which they were indicated for the various product families (a logo, collective or not, on product facing or in the list of ingredients, etc.). As an example of this, similar percentages of prepared meat products included meat of French origin (50%) or

Table 1 - Indicative comparison of product origin statements between the baseline situation (2015-2016) and the overview situation (summer 2017)

Product category	Baseline situation 2015-2016 (diverse sources)				Q3 2017 overview (source: ADE)	
	Sources	Year	No. of references	% with origin statement	No. of references	% with statement according to the decree or equivalent
Liquid milk	Syndilait	2015	Limited	79,0 %	198	93,4 %
		2016	90,00%	60,0 %		
Dairy products	FNIL FNCL	declarations:		50,0 %	1 685	90,8 %
Cheeses	OQALI	2015	1 110	15,9 %	1 209	93,7 %
Pork-based prepared meats – prepared dishes	INAPORC	2015	4 474	60,9 %	1 540	95,8 %
		2016	5 291	67,3 %		
Fresh processed or flavoured pork-based meat products	INAPORC	2015	240	70,8 %		nd
		2016	233	71,0 %		
Prepared poultry meats	APVF	2016	520	11,0 %	300	97,0 %
Breaded poultry products	APVF	2016	369	52,0 %	224	94,6 %
Frozen products (beef, veal, lamb 2015/16, pork 2017)	INTERBEV	2016	510	65,3 %	861**	84,1 %
Canned products (beef-, veal- or lamb-based)	INTERBEV	2016	292	35,6 %	343	81,9 %
Canned products (pork-, poultry-based and meat mixes)	Que Choisir		nd	nd	644	71,9 %
Sandwiches (ham and chicken)	Que Choisir	2016	25	8,0 %	134	100,0 %

Source: Evaluation Report, P. 24

EU origin (43%), whereas processed and flavoured meats were mainly French (80%). The entirety of the breakdown by product category is provided in the evaluation report.

4. Main impacts on industry actors

Short-term operational difficulties in implementing the decree

According to the evaluators, implementation of the decree essentially led to operational difficulties for agrifood companies and the major supermarket chains. However, those difficulties remained temporary, and were concentrated in the transitional period from September 2016 (anticipation of publication of the decree) to March 2017. They related mainly to the exact definition of the scope of the decree and the manner in which it was to be applied (e.g. recognition of equivalent product statements) and the short lead-time allowed for its implementation, this being especially problematic for businesses with a large number of product references to examine and adapt. For instance, the online survey on the prepared meats and pre-cooked dishes sector revealed that simultaneously ensuring the compliance of all products was a “major” or “very major” difficulty for 35% of respondents.

Other difficulties of a more technical and business-related nature were also highlighted: the adaptation of packaging and labelling; management of existing inventory with the older, non-compliant labelling; difficult discussions between distributors (supermarket chains) and their suppliers, agrifood companies, for distributor-branded products; lack of personnel or skills for internal management of the labelling requirements.

Operators overcame these obstacles, notably thanks to assistance from their industry representative organisations, especially where interpreting the decree was concerned. The flexibility allowed by recognition of equivalent product statements, and the three-month derogation for effective application of the decree, also helped.

The evaluators concluded that routine management of the decree’s requirements did not present subsequently any difficulties for agrifood companies, with the exception of a small number of firms using raw materials with origins that were multiple or varied over time and whose commercial strategy was incompatible with an excessively general origin statement (“EU” or “non-EU”).

Extra costs for the various actors that were limited and temporary and not passed on down the value chain

The interviews with industry representative organisations and agrifood companies led the consultants to conclude that the implementation of the decree generated, for manufacturing companies, only limited additional costs when referred to product units. They estimated an increase in ex-factory prices of around 0.1% to 0.5%. This extra cost might be as high as 1% for the most complex packaging, especially for prepared meats. These costs were observed over the period between the summer of 2016 and spring 2017 and were generally non-permanent. Of the companies active in the prepared meats and prepared dishes sectors (canned, frozen or fresh prepared) that responded to the online surveys, 53% and 80% respectively stated that they had incurred additional costs directly related to the decree’s entry into force. Those

costs were largely due to the time spent on applying the new requirements.

The interviews conducted with supermarket chains highlighted genuine variability in the costs incurred by different chains: they related essentially to staff costs (0.5 – 1.2 full-time equivalents), plus the cost of designing visuals for distributor-brand packaging. Seen in relation to the scale of the businesses of these actors, such costs were generally described as “very limited” by the evaluators.

The extra costs directly linked to the decree, limited and temporary as they were, did not lead to any allocation between actors and were not passed on down the value chain. The evaluation shows that they were largely absorbed by the manufacturers and in some cases by the retail chains.

A modest impact on relations between sector actors

The evaluators felt that relations between agrifood firms and supermarket chains were only temporarily affected by the decree: changes in large numbers of product references within a very short timeframe, varying levels of information and sometimes differing interpretations of the decree, led to some tension. Nevertheless, once the scheme was in place, relations stabilised between agrifood companies and distributors. An indirect impact was observed in a small number of leaders in the milk and dairy product industry which chose to reorganise in order to secure or redirect their procurement to reflect their decision (unrelated to the decree) to base their communication on a specific “country origin”.

Negligible impacts on sales and trade flows

The manufacturers and retail chains interviewed agree on the fact that application of

the decree had no impact on consumer prices, volumes or market shares for sales of the labelled products, irrespective of origin. This was so because strategies directed at adding product value and initiatives for more local procurement or procurement from specific origins were largely already in place before the decree.

Similarly, it transpires from the evaluation that the leading companies making the products covered by this study did not significantly modify the country origin of their supplies of milk or meat due to the implementation of the decree. Where changes were made in origin, these were marginal and linked to strategies in place before the decree or to market factors (e.g. price differentials, seasonality). In the case of milk, they mainly involved reorganisation of procurement where companies decided to base their communication on a specific origin.

5. Main impacts on consumers

Some awareness of the decree, but only limited perception of the changes

The online survey revealed that one third of the 1,510 responding consumers were aware of the decree and that virtually all (95%) wished to see such labelling made permanent following the two-year experimentation. However, its application attracted little attention either in projected situations (i.e. during the online survey) or in actual purchasing situations (the “shopper” survey). The reason for this lies in the various pre-existing equivalent voluntary initiatives, which have accustomed consumers to origin statements. Few consumers had therefore observed any change in their usual stores since the beginning of 2017. It is worth noting that although consumers said that they regularly looked at the packaging information, in the purchasing context (i.e. in the shopper survey), few had actually read the labelling. They paid most attention to front-facing information on products (by contrast to the statements included in the list of ingredients, which are often to be found on the sides or rear face).

When questioned as to the way in which the origins of the milk or meat were indicated on products, consumers most often quoted statements indicating French regions, specific logos, the French flag or indications of stages in product manufacture. However, product by product, the most common types of origin indication, as identified by the overview of July-August 2017, were not necessarily the most often noticed by consumers (particularly in the case of liquid milk, dairy products and cheeses).

Definite interest in origins but only limited impact overall on purchasing behaviour

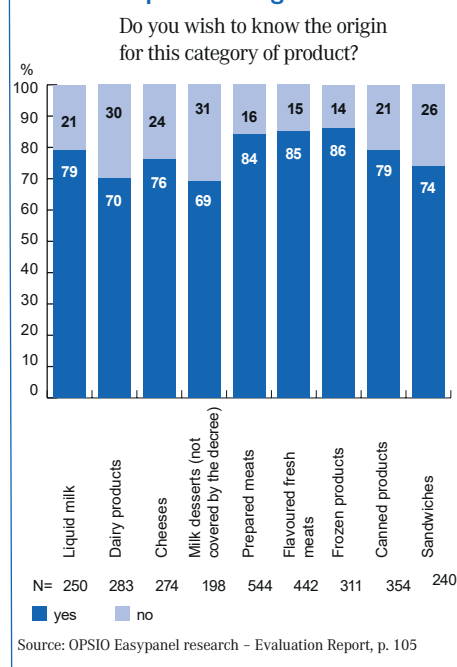
According to the online survey, a large majority of consumers wanted information on the origin of ingredients (70-86% depending on product category), the percentage being higher for meat (cf. Figure 2). These consumers stated that they placed very considerable trust in French local, regional or national origins and declared themselves to be highly inclined to buy such products, as well as, to a lesser extent, those of EU origin. This was less true of the indications “EU and non-EU” and “non-EU”.

Despite a broad desire for statements of origin, their impact on purchasing behaviour appeared generally limited. The results of a visual test conducted during the online survey revealed that few consumers had a good grasp of the logos and statements indicating origins when they were shown to

of respondents claimed to know the origin of the milk or meat used as an ingredient in the product they had placed in their basket and could say what that origin was. Of those consumers, 70% stated that they would not buy a product where this information was missing and 89% had already purchased the product. Nevertheless, the results vary according to product. Where prepared meat products were concerned, consumers granted much more attention to the origin of the meat: 68% had noticed the origin statement and 85% of these would not purchase the product without that information. Conversely, in the case of canned foods, only 10% of consumers could state the origin of the product they had placed in their basket.

Most food products are purchased very rapidly (30 seconds on average), or indeed virtually reflexively in the case of milk, dairy products and canned foods (less than 20 seconds).

Figure 2 - Results of the online survey on consumer interest in product origin



them for dairy products or meat-based products. Additionally, origins are rarely cited spontaneously as a high-priority purchasing criterion. When questioned openly as to their main purchasing criteria, fewer than 10% of respondents put origin first. On average, depending on product category, it came 5th at best (for prepared meat products and fresh processed meat), far below price, use-by date, brand or promotional offers, across all categories of products.

Finally, the “shopper” survey showed that in the actual purchasing context, only 28%

Ultimately, the results of this evaluation confirm consumers’ interest in origin labelling, even if such labelling was not reflected, in the context of this experimentation, by any major change in their purchasing behaviour. The results also evidence a very limited impact of the decree on production costs and an absence of impact on selling prices. Lastly, there were no significant changes in trade flows or countries of procurement for milk and meat, and the few modifications of origin that were observed could be explained essentially by strategies that had preceded the decree or alternatively by market factors.

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