

Mandatory method of production labelling – An opportunity to deliver growth



Labelling Matters is a partnership project of Compassion in World Farming, Eurogroup for Animals, RSPCA, and Soil Association. We are calling for mandatory method of production labelling of all meat and dairy products sold in the European Union.

Mandatory method of production labelling provides the Commission with a straight-forward opportunity to deliver increased opportunities and growth in all meat and dairy sectors, by improving consumer choice, and allowing the market to influence and reward improvements in farm animal welfare.

Existing initiatives demonstrate the success of method of production labelling in delivering consumer-supported price differentiation.

Delivering growth

President Juncker has made economic growth his number one priority. To help achieve this the Commission can make adjustments to address barriers to growth in important areas of the economy.

The Common Agricultural Policy has delivered a plentiful and affordable food supply for EU citizens. The farming and food sectors together provide 7% of all jobs and generate 6% of European gross domestic product.¹ Agricultural subsidies account for 39% of the EU's budget.²

Reform of the CAP in 2003 and then again in 2013 aimed to enhance competitiveness and empower farmers to respond more directly to consumer demands. However, where government has moved aside, retailers have stepped in to guide market development instead. The distance between farmer and consumer is, arguably, as great as ever.

However, with minor adjustments at EU level, consumers could more easily communicate their tastes and demands to farmers, allowing farm businesses to respond more effectively and grow more efficiently.

The EU Animal Welfare Strategy 2012-15 emphasises an intention to improve standards of farm animal welfare, and to empower consumers to drive these standards through the market place. In our view, based on evidence from existing examples, improved farm animal welfare offers an excellent opportunity to add value to farm products and deliver growth.

Most European consumers shop in supermarkets. Without direct contact between farmers and consumers, food labels have become the single most important factor in communicating demand in order to inform supply. Currently, however, meat and dairy markets are distorted by the widespread use of confusing labels. This undermines the competitiveness of higher welfare brands and disincentivises new entrants, further improvements, and innovation. We believe that a minor intervention is necessary to correct this distortion, and deliver growth in the higher welfare sector.

CAP reform

CAP reform in 2003 aimed to 'enhance the competitiveness of the farm sector, promoting a market-oriented, sustainable agriculture'.³ As the Scottish government put it at the time, 'farmers will regain the freedom to manage their holdings as best suits individual circumstances as well as the freedom to produce for the market.'⁴

A Commission communication in advance of reform stated that 'For consumers the proposals represent a major step forward in integrating [...] welfare concerns into the CAP.'⁵ Importantly, 'Decoupling will encourage farmers to respond to market signals generated by consumer demand rather than by quantity related policy incentives. This would, 'help farmers to better respond to consumer demand'.⁵

At that time farmers' organisations embraced reform on the basis that farmers would benefit from greater freedom, flexibility and fair competition.

These principles were re-affirmed in the 2013 reform, which aimed 'to strengthen the competitiveness of the sector, promote sustainable farming and innovation and support jobs and growth in rural areas.'¹

Market-led improvements

The EU Strategy for the Protection and Welfare of Animals 2012-2015 emphasises the EU's intention to empower consumers to make informed choices in order that the market can drive further improvements in farm animal welfare.

Labelling Matters believes mandatory method of production labelling of meat and dairy products is the best way for the Commission to deliver on this central aspect of its strategy. Clear, objective labelling provides consumers with the information they most want to know: 'how was this animal kept?'

Clear, honest labelling of meat and dairy produce is critical if the European Commission is to deliver on its strategic vision.

Confusing labels distort the marketplace

Recent research has provided compelling evidence that, based on the label alone, most consumers, even those who feel they have 'a reasonable, basic knowledge' or 'a good knowledge' about 'how farm animals are kept and reared', are likely to misinterpret the farming method used for meat and dairy products.⁶ Most consumers are unable to identify from the label how the animals that provided the meat or dairy products were farmed, such as whether they were kept outdoors, indoors with good facilities, or in basic conditions, or in a mixture of these systems.

This research demonstrates that consumers are confused, explicitly or implicitly, over the farm systems used to produce their meat and dairy foods. This is important because labels influence consumer behaviour directly at point of sale. Confusing labels have a significant adverse economic impact on those producers operating to higher welfare standards because they undermine natural consumer preferences, preventing the market place from operating efficiently.

The research indicates that the market place for higher welfare animal products in the EU is unhelpfully distorted, against higher welfare meat and dairy products, by the widespread use of confusing labels for meat and dairy products from systems likely to result in lower welfare.

The widespread existence of confusing labels undermines the competitiveness of higher welfare brands and disincentivises new entrants, further improvements, and innovation.

Consumers cannot play their part in delivering improvements

Intensive farming is now the norm for key food species in the EU. Reasonable estimates suggest that around 90% of pigs reared for meat in the EU are housed in barren systems. Similarly around 90% of meat chickens in the EU are produced in standard intensive systems. The dairy picture is more complex, but statistics show that

dairy farming is becoming more intensive, which in some countries is often associated with an increase in the time spent indoors and zero-grazing.⁷

While farming methods have changed, public perceptions of farm systems have not kept pace. As the research above shows, there now appears to be a strong disconnect between people's assumptions about European farming systems and the methods of production actually employed by most European farmers.

As well as affecting farm incomes this market distortion represents a significant challenge to European Commission ambitions for farm animal welfare, as described in the EU Animal Welfare Strategy 2012-2015. The strategy emphasises the EU's intention to increase transparency and the provision of adequate information – empowering consumers to make informed choices in order that the market can drive further improvements in farm animal welfare.

The guiding principle of the strategy is that 'everyone is responsible'. However, it is very difficult for consumers to drive improvements in animal welfare if they are unable to accurately identify the farming system used to produce meat and dairy products for purchase.

The role of retailers

Retailers play an important role in cushioning citizens from external economic pressures by helping to keep prices low. They have also become increasingly important in setting standards, and directing supply. Retailers have successfully stepped into the role formerly adopted by government, but while they can interpret consumer demands powerfully, they do so through the prism of their own business models.

For the majority of farmers, large retailers are the adopted route to market, and the label remains the primary means of communicating with consumers. Confusing labelling undermines simple conversations about quality and value, reducing the competitiveness of higher welfare products, and dampening the market's ability to deliver economic growth.

Case study – EU egg labelling rules

The mandatory EU egg labelling rules provide a successful labelling precedent, using terms that are short and easily understood by consumers. Under these rules, egg packs must be labelled 'eggs from caged hens', 'barn eggs' or 'free range eggs'.

Commission figures show the proportion of cage-free egg-laying hens in Europe rose from 19.7% in 2003 to 42.2% in 2012.⁸ The remarkable rise in the production of cage-free eggs suggests that consumers are reacting positively to the availability of clear information as to farming method. Independent research found an average recognition rate of 59% among European consumers in 2013.⁹

The European Commission has officially recognised the link between increased sales of higher welfare eggs and mandatory labelling since 2004. It has also recognised that the labelling scheme allows consumer-supported price differentiation.¹⁰

Case study – UK pork labelling

In the UK, voluntary method of production labelling of pork products has facilitated substantial growth in higher welfare pigmeat, and led to greater overall value of the UK pork market.

A voluntary code of practice for labelling pork products was introduced in the UK by the British Pig Executive (industry trade body) in 2010. Prior to this date the labelling terms 'outdoor bred', 'outdoor reared' and 'free

range' had been used for some pork products by food retailers. However, without consistency or clear definitions this had led to confusion amongst consumers as to what farming systems they were supporting when buying pork labelled with these terms. The voluntary code of practice introduced clear definitions for these terms, setting out key elements of the farming systems they described. This information was made available to the public on a website (www.porkprovenance.co.uk) and all major retailers in the UK signed up to applying the definitions when using the labels on their own brand products. Each of these methods of production has better welfare potential than intensive indoor pig farming. Around 40% of UK pigs are now born outdoors and assured as 'outdoor bred', 'outdoor reared', 'free-range', or 'organic'. Around a third are assured by the RSPCA scheme, Freedom Food.

The scheme is successful because it has been adopted on a whole industry basis, meaning it operates as though it were mandatory.

The Anderson's report to the Oxford Farming Conference in 2015 noted that, '40% of UK pigs are reared outdoors, involving higher costs which is unique to the UK pig herd, but also attract[ing] premium prices.'¹¹

McDonalds restaurants have also recognised consumer interest in higher welfare, and the importance of this market. In the UK, McDonalds only uses RSPCA Assured pork from pigs reared under RSPCA standards.

We believe that even greater market penetration could be achieved for UK pork products from outdoor systems, if indoor intensive systems were also labelled. This would provide complete transparency, and enable consumers to make a full and fair comparison.

Importantly, the UK voluntary labelling initiative only applies to pork products sold in Britain. This indicates that there is substantial room for growth in pork sales from outdoor production systems in all other Member States. However, to achieve this level of success in all Member States, we believe mandatory labelling, agreed at Commission level, will be necessary.

Underpinned by robust outcome-based assessments

We believe method of production labelling should be underpinned by robust welfare outcome-based assessments. These objectively measure welfare and provide a mechanism that can give reassurance that systems generally felt to be associated with higher welfare (outdoor and extensive indoor systems) are indeed delivering good welfare.

In the UK the AssureWel project is already delivering robust affordable welfare outcome assessments as part of existing farm assurance schemes, such as Soil Association and Freedom Food and Red Tractor. More information about welfare outcome assessment can be found on the AssureWel website: www.assurewel.org

Better enforcement

On farm assessments linked to mandatory method of production labels also provide an affordable opportunity to improve producer compliance.

The Commission believes that its mandatory egg labelling rules have significantly improved compliance.

In the UK around 40% of pigs are now born outdoors and independently assured as 'outdoor bred', 'outdoor reared', 'free-range', or 'organic'. Farmers are keen to participate in Red Tractor and RSPCA Assured schemes so that they can reliably demonstrate their standards to consumers. The labels add value to pork products, and farmers want to be able to use them.

There is mounting evidence that farmers will choose to embrace standards when point-of-sale mechanisms, such as method of production labels, exist to help them demonstrate their efforts to consumers.

A small change

We view mandatory method of production labelling as a simple measure to enhance transparency in the EU marketplace, which will help increase marketplace opportunities for farmers and has the potential to deliver significant growth across all meat and dairy product areas. In addition to aiding growth, labelling will also help the Commission deliver its objective of market-driven improvements in farm animal welfare.

Mandatory method of production labelling will benefit consumers, who will be able to correctly identify products from farming systems associated with higher animal welfare. It will reward farmers working to higher welfare standards and encourage others to do the same.

Mandatory method of production labelling will increase producer confidence in the market for higher welfare meat and dairy products, incentivising new entrants, and stimulating further improvements, and innovation.

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