

Country of origin labelling

How it impacts the food **supply chain**



Determining where a food product comes from is no longer easy when raw materials and ingredients criss-cross the globe or are blended before arriving in store. Yet consumers are more interested than ever before to understand where their food comes from and what's in it.

As food supply chains become more and more complex, rules of origin are needed to attribute one country of origin to each product. They can help define where a product was made and are important for implementing other trade policy measures, including trade preferences, quotas, anti-dumping measures and countervailing duties.

But, will this actually help consumers answer the question 'where does my food come from?'

Country of origin labelling (COOL) confusion

Unfortunately, consumers often believe COOL-related labelling is also an indication of food safety and quality. The reality is that the origin of a food doesn't have any direct correlation or impact on the safety or quality of a food product. Some consumers may believe that food coming from one country is safer or better than from another, but this is purely perception.

It's the production of food, from farm to fork, that governs the safety and quality of food, not its origin. And since COOL focuses solely on where the product comes from rather than how it is produced, it's a misperception that COOL leads to safer, better food.

The benefit of COOL

That said, COOL does assist in ensuring good traceability practices across the food sector. Having organizations follow COOL regulations helps ensure companies have strong traceability systems and are transparent and honest about what's in their products as they need to be able to prove where they come from. The potential for false claims on labels to leading to recalls, reputational damage or even shutting down an organization, makes it imperative that COOL claims are accurate and that strict attention is paid to both suppliers and supplies.

Complexity

COOL requirements are set out in national legislation. Even though the World Trade Organization has set out some high-level requirements, national legislation, (including COOL) can differ from country to country.

There is also confusion between COOL and "Protected Geographical Indication" (PGI) status. COOL requires that a food product's origin is clearly labelled. PGI is a protection system for producers rather than a legal requirement to label a product's origin. PGI designations are used to protect local foods such as Gorgonzola cheese, Cornish clotted cream and tequila. The most commonly known example is champagne. For a bottle of bubbly to carry the name champagne on its label, the contents must have been produced in the Champagne Region of France.

In Europe alone there are over 1,000 protected products. However, if a specific food category is covered by COOL legislation all products that fall within such category have to comply. For example, whereas cheese may not be covered by PGI, Gorgonzola is. Yet cheese could be covered as an entire category under COOL legislation.

¹ Source: World Intellectual Property Organization (WIPO)
http://www.wipo.int/geo_indications/en/

² Source: <https://www.theguardian.com/business/2017/feb/15/eu-fears-influx-of-british-champagne-once-brexit-ends-food-naming-rules>

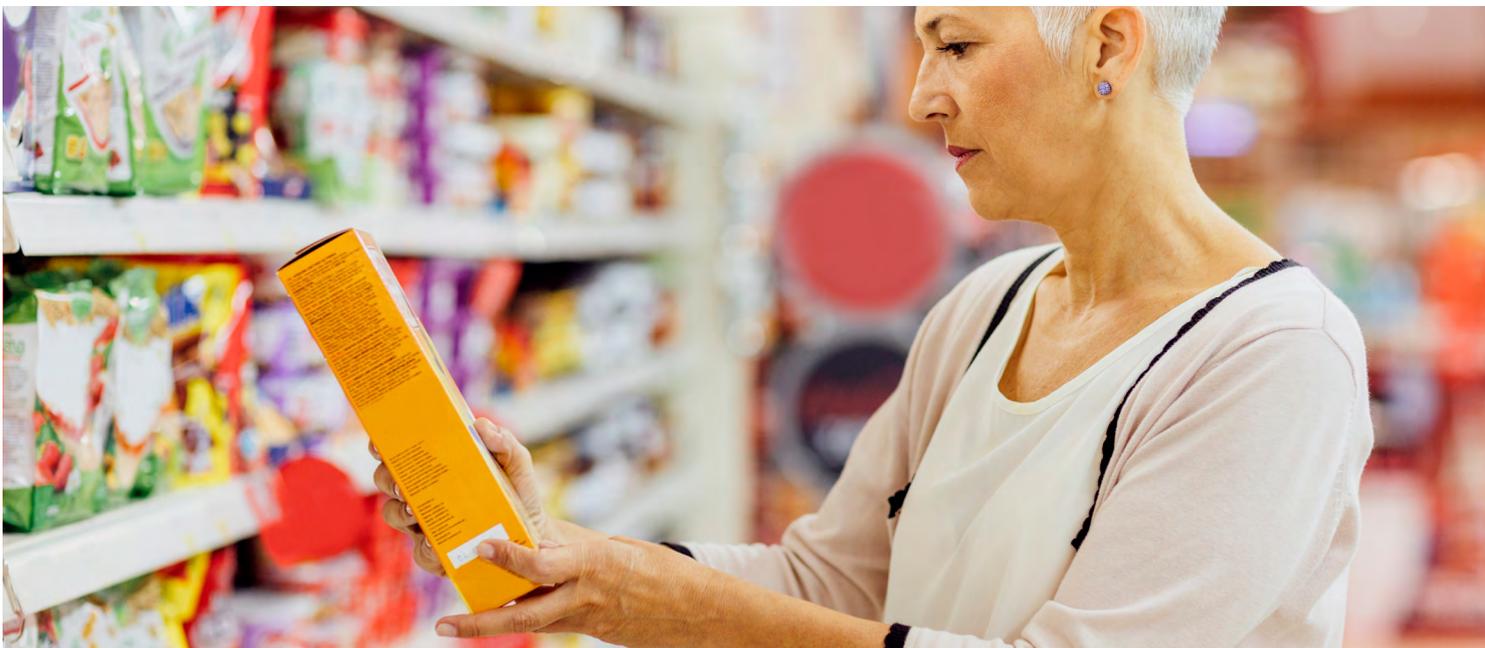
Protected Geographical Indication (PGI)

A geographical indication right enables those who have the right to use the indication to prevent its use by a third party whose product does not conform to the applicable standards. For example, in the jurisdictions in which the Darjeeling tea geographical indication is protected, producers of Darjeeling tea can exclude use of the term "Darjeeling" for tea not grown in their tea gardens or not produced according to the standards set out in the code of practice for the geographical indication. However, a protected geographical indication does not enable the holder to prevent someone from making a product using the same techniques as those set out in the standards for that indication. Protection for a geographical indication is usually obtained by acquiring a right over the sign that constitutes the indication.¹

PGI and Brexit

Brexit is likely to create some PGI challenges. A document from the European parliament's agriculture committee says: "As things currently stand, the UK has 59 such registered names [out of a total of 1,150 at EU level], including e.g. Lakeland Herwick Meat, West Country Farmhouse Cheddar Cheese, West Wales Coracle Caught Sewin [sea trout], and [economically important] Scotch Whisky. The question of what will happen to EU PGIs after the withdrawal of the UK is a difficult one. If no arrangements to another effect are made, the protection afforded by the above-mentioned legislation would normally cease to apply in the UK, which means that over a thousand European registered names could be exposed to violation in this neighbouring country of the EU27 [while paradoxically the 59 UK names would remain protected in the EU if the commission decisions granting this protection are not repealed]."

Outside their home country, protecting the PGI status of certain products can face challenges, notably from a legal perspective. Some countries don't uphold a geographical indication system for their own products, so products which are labelled PGI in one country, can be confronted on the international stage with foreign products claiming a similar geographical origin even though it has not been recognized as such by the PGI system. In this case, a country may enter into bilateral agreements with other countries, where both parties agree to give special status to a list of designated products. Or it can also seek the development of rules or agreements at the World Trade Organization level, which can take years if not decades.²



COOL and the WTO

Several years ago, Mexico and Canada took a case to the WTO stating that US COOL legislation was anti-competitive in the case of meat products. The WTO ultimately found in Mexico and Canada's favour, deciding that COOL unfairly discriminated against meat imports and that the labelling law violated a requirement that the US treat the Canadian and Mexican livestock industries no differently than it treats its own. As a result the US House of Representatives voted to repeal COOL for beef, pork and chicken in 2015, avoiding \$3.6 billion in potential retaliatory tariffs sought by Canada and Mexico.

Not everyone was disappointed as some argued that the rule has burdened the US meat industry. "The program has not worked, and it is time to put this failed experiment behind us once and for all," Representative Conaway said during the floor debate in US Congress and asserted that COOL has no impact on food safety. In addition it was pointed out by lawmakers that mandatory food COOL labelling isn't about food safety and that no matter where food in the US comes from, regulations remain in place to ensure safety and traceability.

On the other hand, a survey conducted by the Consumer Federation of America found that 90% of Americans favoured requiring a label with the country of origin on meat. It is also important to note that the WTO did not say American meatpackers couldn't put country of origin labels on their products. It only said that the US government couldn't require it through legislation. Therefore domestic meat-packers are still free to put stickers on their ground beef and pork loin packages that say the meat came from animals born, bred and slaughtered in the US.

Supply chain management

Many food businesses, particularly large internationals, struggle to confirm their suppliers. The supply chain experts at BSI have developed a probing list of questions that can help organizations determine how much they really know about their suppliers.

1. How many suppliers do you have?
2. How many are direct versus indirect suppliers?
3. Do you actively verify the living profiles of your suppliers?
4. Have you conducted risk assessments of all your suppliers?
5. How many of your suppliers has a member of your organization visited in person?
6. What issues have you identified and where?
7. What improvements have you made?
8. Does your supply chain adhere to your corporate values?
9. Can you tell your supply chain story?

These questions are simple but finding the answers may not be. Ensuring systems are in place to know and manage supply chains is vital to food safety, food quality, preventing food fraud as well as saving costs and improving efficiencies. Ultimately, it helps protect an organization's brand as any incident across a supply chain can have a detrimental, or even terminal, effect on its ability to operate.



COOL, traceability and food safety

Although there's no direct correlation between COOL and food safety and quality, it's important to point out that for COOL to work, food producers across the food supply chain must have effective traceability systems to ensure they know what goes into their food and the origin of products. When traceability systems are fully integrated and aligned with a producer's food safety management system, it's very likely to improve food safety.

Due to high-profile food fraud cases like the fertilizer-contaminated sugar and the melamine and horse meat scandals, there is a renewed focus on food traceability. Fortunately, the abundance of new technologies (e.g. Blockchain) being developed will make it easier for food businesses to adhere to COOL legislation because traceability systems will likely be built into their broader food safety practices.

Conclusion

COOL legislation is becoming more common and countries are developing more legislation over time as the public demands it. However, COOL alone doesn't make food safer or better. COOL is a challenge for the food industry. It's costly, difficult to enforce and complex to prosecute. But, if history is an indicator, consumer pressure will ultimately outweigh any objections to COOL. If consumers want to know where their food comes from on the labels of their food packaging, then in the long run this is probably where the market will go. In the meantime it's up to the global food industry to work together to educate consumers on what's in their food, make labels as clear and easy to understand as possible, continue to focus on strengthening their traceability systems and produce safe products that customers want.



What's COOL where?

Although the World Trade Organization has published COOL requirements, national legislation, differs from country to country. Use the links below to learn more about the varying requirements.

World Trade Organization: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm9_e.htm#origin

Australia: <http://www.foodlabels.industry.gov.au/>

United Kingdom: <https://www.gov.uk/food-labelling-and-packaging/food-labelling-what-you-must-show>

United States: https://www.ams.usda.gov/sites/default/files/media/COOL_Brochure_SUPPLIER_Final.pdf

Why BSI?

The food industry impacts every person on the planet. Though what the world's population may eat may differ depending on the geography, wealth, age, gender and availability of goods, no other sector plays such a vital role in all of our day-to-day lives and culture. Economically, food represents 10% of Global GDP (valued at US\$48 trillion by the World Bank).

But the food sector also faces significant challenges. Each year, food-borne illness makes one in ten people ill and is the cause of death for millions around the world. Population growth projections and an increasing middle class suggest that the demand for food will increase 70% by 2050. And, consumers are increasingly conscious about what goes into their food, how it's made, its impact on ecosystems and where it comes from.

BSI believes the world deserves food that is safe, sustainable and socially responsible. We support the food sector by developing and publishing standards of best practice, supply chain solutions as well as training and certification to not only the most popular food safety standards, but other business improvement standards that work together to make organizations more resilient.

Working in 172 countries, we pride ourselves on the expertise, integrity and professionalism of our people. Our mission is to help our 80,000 clients, ranging from high-profile global brands to small local companies, survive and prosper in today's world.



Our products and services

Knowledge

The core of our business centres on the knowledge that we create and impart to our clients. In the standards arena we continue to build our reputation as an expert body, bringing together experts from industry to shape standards at local, regional and international levels. In fact, BSI originally created eight of the world's top 10 management system standards.

Assurance

Independent assessment of the conformity of a process or product to a particular standard ensures that our clients perform to a high level of excellence. We train our clients in world-class implementation and auditing techniques to ensure they maximize the benefits of standards.

Compliance

To experience real, long-term benefits, our clients need to ensure ongoing compliance to a regulation, market need or standard so that it becomes an embedded habit. We provide a range of services and differentiated management tools which help facilitate this process.

For more information on improving your organization's business continuity practices, visit bsigroup.com/en-za or email bsi.za@bsigroup.com