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# NEW FOOD LABELING REGULATIONS AND OPTIMAL METHODS FOR IMPLEMENTATION

POLICY PAPER

USAID GOVERNING FOR GROWTH (G4G) IN GEORGIA

22 MARCH 2016

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## ACRONYMS

AA	Association Agreement
DCFTA	Deep and Comprehensive Free Trade Area
EC	European Commission
EU	European Union
GM	Genetically Modified
GMO	Genetically Modified Organisms
G4G	Governing for Growth in Georgia
NFA	National Food Agency
USAID	United States Agency for International Development

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# 1. EXECUTIVE SUMMARY

The Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the European Union (EU) offer Georgia a framework for modernization. At the same time, it requires an extensive approximation of norms and regulations in various sectors, including food labeling. New regulations required by approximation can cause high compliance costs, particularly in the agriculture and food processing sector which is quite underdeveloped in Georgia compared to EU countries. Importantly, the AA and DCFTA do not obligate Georgia to copy laws from the EU. Rather, approximated laws need not be more trade-restrictive than necessary to fulfill a legitimate objective.

This policy paper concerns approximation requirements from the AA and DCFTA in the area of food labeling. The authors of this policy paper met with many key informants (experts), representatives of government and business and organized a public-private dialogue (PPD) to understand concerns vis-à-vis new food labeling requirements. Their comments and insights were synthesized into five policy issues and recommendations for solving the root causes of the policy issues as shown in this policy paper.

There are five key policy issues and related recommendations in the area of food labeling as shown in the following table. The balance of this policy paper describes the current situation, policy issues and recommendations in detail.

**Table 1: Key Policy Issues and Recommendations**

PROBLEM STATEMENT	RECOMMENDATION
<ul style="list-style-type: none"> <li>Gaps in the cattle identification system can cause some problems for the implementation of beef labeling regulation</li> </ul>	<ul style="list-style-type: none"> <li>Requirements for beef labeling should come into force after all problems in animal registration system are solved</li> </ul>
<ul style="list-style-type: none"> <li>Businesses worry they will be caught unaware by new food labeling requirements</li> </ul>	<ul style="list-style-type: none"> <li>Methods used to communicate with food business operators should be improved</li> </ul>
<ul style="list-style-type: none"> <li>Food business operators do not know how to develop the nutrition claim portion of food labels</li> </ul>	<ul style="list-style-type: none"> <li>The National Food Agency (NFA) should provide clear guidance to business on how to determine the content of the nutrition claim section of food labels</li> </ul>
<ul style="list-style-type: none"> <li>Penalties for violations of food labeling requirements appear disproportionate to the risk stemming from non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>The food-labeling-penalty system should be rebalanced to properly match fine value against risks to human health</li> </ul>
<ul style="list-style-type: none"> <li>The right of company confidentiality and the Right (need) of the public to know have not been properly balanced</li> </ul>	<ul style="list-style-type: none"> <li>Rules governing the balance between the public's right (need) to know and a company's right to confidentiality should be debated and set</li> </ul>

## 2. INTRODUCTION

The AA and the DCFTA with the EU offer Georgia a framework for modernization by opening the EU market via removal of customs tariffs and quotas and by an extensive approximation of norms and regulations in various sectors. At the same time, the negative impacts on Georgian producers from the approximation of laws should be minimized and the approximation process should run as harmlessly as possible.

New regulations required by approximation can cause high compliance costs. This is particularly true in the agriculture and food processing sector which is quite underdeveloped in Georgia compared to EU countries. Given this state of development, as new rules and laws are adopted it is important to have intensive dialogue with all stakeholders so that potential compliance costs are identified as early as possible in the policy-making process and, where possible, minimized by changing the approximation details.

Very importantly, the AA does not obligate Georgia to copy laws from the EU. Approximated laws need not be more trade-restrictive than necessary to fulfill a legitimate objective; taking account of the risks that non-fulfillment objective would create. Annex XI-A of the AA provides general principles for the evaluation of progress in the approximation process, namely:

The sanitary, phytosanitary and animal welfare law of Georgia shall be gradually approximated to that of the Union, based on the approximation list of the EU sanitary, phytosanitary and animal welfare law. That list shall be divided into priority areas that relate to measures, as defined in Annex IV to AA. For this reason Georgia shall identify its trade priority areas.

Georgia must approximate domestic rules to the EU *acquis* by either:

- Implementing and enforcing through the adoption of additional domestic rules or procedures to incorporate the rules of relevant EU *acquis*;
- By amending existing relevant domestic rules or procedures to incorporate the rules of the relevant EU *acquis*.

In either case, Georgia must:

- Eliminate any laws, regulations or any other measures inconsistent with the approximated domestic legislation;
- Ensure the effective implementation of approximated domestic legislation.

### **3. SCOPE OF THIS POLICY PAPER**

This policy paper addresses food labeling requirements within the general food safety regulation. It is important to distinguish the boundary between food safety and food labeling, so that discussion of food-labeling-specific issues can be focused. This section briefly describes that demarcation.

Food safety refers to measures taken to ensure that food is safe to consume (*i.e.*, healthfulness). It covers food processing, allowed ingredients, expiration dates and so forth.

Food labeling refers to measures taken to provide necessary information to consumers so that they can make an informed choice when buying. It includes producer, list of ingredients, expiration date and so forth.

In this policy paper we restrict matters to only food labeling; the suitability and effectiveness of food safety laws and regulations is beyond the scope of the Paper.

## 4. METHODOLOGY

This policy paper was prepared using a qualitative survey to study the most problematic issues and to find optimal solutions. At the outset, the team studied existing research papers concerning food labeling and the draft EU-Georgia approximation plan. All EU regulations concerning food labeling were closely analyzed and compared to existing Georgian legislation to find similarities and gaps. Additionally, in-depth interviews were made with officials from the Ministry of Agriculture and National Food Agency, experts and selected business entities<sup>1</sup>.

A draft of this policy paper was prepared and reviewed several times with G4G. Main findings, including problems and recommendations, were presented to interested parties at the special round table. Some adjustments were made to the policy paper as a result.

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<sup>1</sup> Slaughterhouses, retailers, distributors, also business operators fined in 2015 for violation of labeling rules.

## 5. SUMMARY OF DCFTA REQUIREMENTS REGARDING FOOD LABELING

The EU-Georgia approximation plan<sup>2</sup> contains three important regulations governing food marking and labeling that need to be adopted by the Georgian Government in 2015 or 2016:

### **2015: Regulation (EC) No 1760/2000: Establishing a system for the identification and registration of bovine animals and regarding the labeling of beef and beef products**

This regulation comprises rules for labeling of beef and beef products. It must strengthen the confidence of consumers in beef and avoid misleading them. Thus, it is necessary to develop the framework in which the information is made available to consumers by sufficient and clear labeling of the product.

Labeling means the attachment of a label to an individual piece or pieces of meat or to their packaging material. In the case of non-pre-wrapped products, appropriate information must be in written and visible form to the consumer at the point of sale. These requirements apply to beef at all stages in the supply chain, including the wholesale and other intermediary markets. Thus, a wholesaler selling beef to restaurants and processors must label its products in the same way.

The label must contain the following information:

- A reference number ensuring the link between the meat and the animal or animals;
- The approval number of the slaughterhouse at which the animal or group of animals was slaughtered and the country in which the slaughterhouse is established;
- The approval number of the cutting hall which performed the cutting operation on the carcass or group of carcasses;
- Origin of the beef.

This regulation applies to fresh beef, frozen beef and minced beef. Under the compulsory beef labeling system, food business operators marketing beef must indicate on the label information concerning origin, in particular where the animal or animals from which the beef was derived were born, fattened and slaughtered. A business operator<sup>3</sup> is required to label beef at all stages of marketing.

### **2016: Regulation (EU) No 1169/2011: On the provision of food information to consumers**

This Regulation should ensure that consumers are appropriately informed as regards the food they consume. The Regulation establishes the general principles, requirements and responsibilities governing food information and in particular food labeling. It lays down the means to guarantee the right of consumers to information and procedures for the provision of food information, taking into account the need to provide sufficient flexibility to respond to future developments and new information requirements.

Rules, provided by this regulation, apply to food business operators at all stages of the food chain, where their activities concern the provision of food information to consumers. It applies to all foods intended for the final consumer, including foods delivered by mass caterers, and foods intended for supply to mass caterers. Besides general principles, the regulation specifies the mandatory information that has to be written on the food label:

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<sup>2</sup> <http://moa.gov.ge/uploads/new/dcftaSURSATI.pdf>

<sup>3</sup> Business operator - a person whose activities are related to the production, primary production, processing, distribution of food/feed, animals, plants, products of animal and plant origin, veterinary drugs, pesticides, agrochemicals, as well as to services in the fields of veterinary and plant protection, and who is responsible for the compliance of his/her/its activities with the requirements defined by the legislation of Georgia.

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|---|---|
| <ul style="list-style-type: none"> <li>• The name of the food</li> <li>• The list of ingredients</li> <li>• Any ingredient or processing aid causing allergies or intolerances used in the manufacture or preparation of a food and still present in the finished product, even if in an altered form</li> <li>• The quantity of certain ingredients or categories of ingredients</li> <li>• The net quantity of the food</li> <li>• The date of minimum durability</li> <li>• Any special storage conditions and/or conditions of use</li> </ul> | <ul style="list-style-type: none"> <li>• The name or business name and address of the food business operator referred to in Article 8<sup>1</sup></li> <li>• The country of origin or place of provenance</li> <li>• Instructions for use where it would be difficult to make appropriate use of the food in the absence of such instructions</li> <li>• With respect to beverages containing more than 1,2 percent by volume of alcohol, the actual alcoholic strength by volume</li> <li>• A nutrition declaration</li> </ul> |
|---|---|

**2016: Regulation (EC) No 1924/2006: On nutrition and health claims made on foods**

This Regulation applies to nutrition and health claims made in commercial communications, whether in the labeling, presentation or advertising of foods to be delivered to the final consumer. The use of nutrition and health claims is only permitted if the average consumer can be expected to understand the beneficial effects as expressed in the claim.

The nutrient profiles for food must be based on scientific knowledge about diet and nutrition and their relation to health and must be established taking into account in particular:

- The quantities of certain nutrients and other substances contained in the food, such as fat, saturated fatty acids, trans-fatty acids, sugars and salt/sodium;
- The role and importance of the food (or of categories of food) and the contribution to the diet of the population in general or, as appropriate, of certain risk groups including children;
- The overall nutritional composition of the food and the presence of nutrients that have been scientifically recognized as having an effect on health.

Beverages containing more than 1, 2 percent by volume of alcohol must not bear health claims. As far as nutrition claims are concerned, only nutrition claims referring to low alcohol levels, the reduction of the alcohol content or the reduction of the energy content for beverages containing more than 1,2 percent by volume of alcohol are permitted.

**Nutrition Claims**

Specific rules are set for nutrition claims. The Annex of the Regulation No 1924/2006 provides conditions for labels containing the following terms:

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Low energy</li> <li>• Energy-reduced</li> <li>• Energy-free</li> <li>• Low fat</li> <li>• Fat free</li> <li>• Low saturated fat</li> <li>• Saturated fat free</li> <li>• Low sugars</li> <li>• Sugar free</li> <li>• With no added sugars</li> <li>• Low sodium/salt</li> </ul> | <ul style="list-style-type: none"> <li>• Very low sodium/salt</li> <li>• Sodium-free or salt-free</li> <li>• No added sodium/salt</li> <li>• Source of fiber</li> <li>• High fiber</li> <li>• Source of protein</li> <li>• High protein</li> <li>• Source of vitamins or mineral</li> <li>• High vitamins or mineral</li> <li>• Contains</li> </ul> | <ul style="list-style-type: none"> <li>• Increased</li> <li>• Reduced</li> <li>• Light</li> <li>• Natural</li> <li>• Source of omega-3 fatty acids</li> <li>• High omega-3 fatty acids</li> <li>• High monounsaturated fat</li> <li>• High polyunsaturated fat</li> <li>• High unsaturated fat</li> </ul> |
|--|---|---|

## **Health Claims**

The regulation also contains special conditions for health claims. The following information must be included in the labeling, or if no such labeling exists, in the presentation and advertising:

- A statement indicating the importance of a varied and balanced diet and a healthy lifestyle;
- The quantity of the food and pattern of consumption required to obtain the claimed beneficial effect;
- Where appropriate, a statement addressed to persons who should avoid using the food;
- An appropriate warning for products that are likely to present a health risk if consumed to excess.

Several types of claims cannot be made:

- Claims that suggest that health could be affected by not consuming the food;
- Claims that make reference to the rate or amount of weight loss;
- Claims that make reference to recommendations of individual doctors or health professionals.

For non-prepackaged foodstuffs (*e.g.*, fresh products such as fruit, vegetables and bread) put up for sale to the final consumer or to mass caterers and foodstuffs packed at the point of sale at the request of the purchaser or pre-packaged with a view to immediate sale, general nutrition rules and specific conditions do not apply.

## 6. CURRENT STATUS OF APPROXIMATION PROCESS

To ensure effective implementation of the DCFTA, Georgia submitted a list of legislation for approximation with EU regulations. The draft Approximation Plan specifies activities to be implemented in the DCFTA section on sanitary and phytosanitary measures. According to that plan, Georgia has to adopt new labeling rules in accordance with the three EU regulations described in the previous section. The Ministry of Agriculture is currently preparing new labeling regulation for beef and beef products based on Regulation (EC) No 1760/2000, the first regulation described in the previous section.

The second and third regulations described in the previous section relate to general information to be provided to consumers and nutrition and health claims. These regulations require relatively few changes in Georgian legislation; at the end of December 2013 the Government of Georgia issued Decree No 44: Technical Regulation about Additional Requirements for Food Labeling. This Decree already comprises the most important aspects of the second and third regulations noted previously, since they have the same foundational document, the *Codex Alimentarius*.<sup>4</sup>

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<sup>4</sup> The *Codex Alimentarius* is a collection of internationally recognized standards, codes of practice, guidelines and other recommendations relating to foods, food production and food safety

## 7. PROBLEM STATEMENTS

A great number of industry and governmental stakeholders were consulted when preparing this policy paper. The stakeholders eagerly described their concerns related to food labeling. Food labeling concerns and issues are summarized into the five problem statements described in this section.

### **Gaps in the cattle identification system can cause some problems for the implementation of beef labeling regulation**

Food business operators selling beef noted that consumers in Georgia tend to buy fresh meat; very limited amounts of frozen or cooled packed beef are sold. The operators do not foresee particular difficulties meeting new beef labeling requirements, according to EU standards, if slaughterhouses provide all required information and documentation. If slaughterhouses provide proper documents, as they are required to do so, then operators merely need to display those documents along with the meat to be sold.

Slaughterhouses, in turn, need proper documentation from suppliers of live cattle. The cattle supply documentation system is based on the required tagging of individual animals. At the start of 2015 the Ministry of Agriculture implemented a new tagging and registration program for individual animals and their stalls. The registration data is accessible through a newly created electronic database. Registration of cattle is free of charge through 2018. Farmers say that the registration process is running well and is not a particular burden; Ministry staff visit villages, tag animals and provide vaccinations for free once the animal is tagged and thereafter as required.

On the other hand, owners of slaughterhouses complain that not every animal is registered (*i.e.*, not yet tagged nor vaccinated) and that not all tagged animals (with a registration number) can be found in the database. In such cases, slaughterhouses are eligible to tag and register animals by their own. Though this rule provides the traceability, it does not ensure the validity of information about the animal, since the only one source of data is the cattle owner. This means that the slaughterhouses will not be able to provide authentic information, until these gaps in the animal registration process are not filled.

### **Businesses worry they will be caught unaware by new food labeling requirements<sup>5</sup>**

Food business operators find short transition periods for – and low awareness of – new food labeling regulations to be problematic. Particularly, small companies complain that they are not properly informed when food labeling rules change.

One should note, however, that the Ministry of Agriculture organizes public information meetings before adopting new regulations. Nevertheless, it appears it is not possible to cover every single food business operator this way. Especially food business operators in the regions of Georgia feel they do not receive the information they need and they fear they might unfairly and easily become victims of regulatory changes. In addition, every food business operator can receive messages via the web portal of the Revenue Service in case of law changes, though it appears this form of communication also is not effective.<sup>6</sup>

Other existing communication tools are not updated in a timely manner. The official website of the NFA has a page concerning Labeling of Food in the section on Information for Business Operators. This page contains<sup>7</sup> old labeling regulations which were invalidated in 2013. While the website is easy to navigate, it does not allow users to subscribe to a newsletter. The website does not contain FAQ section and also does not provide a layman's guide to labeling rules, including information about authorized laboratories where any necessary test can be done.

There are also problems with existing rules that have not been fully communicated to food business operators. Current food labeling rules have been in place since 2009, but Article 74<sup>1</sup> of the Food/Feed Safety, Veterinary and Plant Protection Code setting fines for violating regulations were added on December 27, 2013. As a result, many businesses established in 2013 and earlier are less aware of

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<sup>5</sup> This issue, while specific to food labeling, could also apply to new food safety regulations generally.

<sup>6</sup> Extracts from the web portal are shown in the Appendix.

<sup>7</sup> As of 10.01.16.

the rules than companies started after 2013. Most companies involved in food sector were launched before 2013, and they therefore have some historical informational gaps.

The root cause of these situations is simply insufficient attention to the issue by both the Government and business. Government does not communicate effectively and business does not listen effectively.

### **Food business operators do not know how to develop the nutrition claim portion of food labels**

Existing requirements include the obligation to show nutrition claims on food labels. The nutrition claim portion of a food label shows the number of calories, quantity of protein (and other items) and mineral and vitamin content of a serving. Many food business operators, particularly small and medium sized businesses, do not have sufficient knowledge to properly prepare the nutrition claim portion of the label.

There are generally two ways to determine nutrition claims. The first is to have the food tested in a laboratory, a costly method. The second is to calculate values based on the recipe for the food, an analytically difficult method.

Businesses today do not have easy access to information related to the nutrition claim. The NFA (nor others) does not provide any guidance to food business operators on which method to use in particular cases. The NFA also does not have a list of laboratories that could apply the first method and does not provide any instructions on how to use the second method. This type of information is not available on the NFA website (nor elsewhere in Georgian), and the NFA hot-line operator cannot provide it either.<sup>8</sup>

As a result, food producers cannot be certain that the methods they are using to determine nutrition claims are correct and meet regulatory requirements. The risk of an unintentional violation naturally increases.

### **Penalties for violations of food labeling requirements appear disproportionate to the risk stemming from non-compliance**

The Food/Feed Safety, Veterinary and Plant Protection Code regulates the basic principles and requirements for food safety, including labeling.<sup>9</sup> Article 74<sup>1</sup> of the Code determines fines for violating food labeling requirements. Food business operators feel fines for violating food labeling requirements are disproportionate compared to other types of violations. For example, the fine for violating food labeling procedures is 400 GEL. At the same time, placing food on the market after its expiration date (an unhealthful and unsafe practice) has a fine of 200 GEL. As noted earlier, except for a few very specific matters, an error on a food label is neither unhealthful nor unsafe although the consumer does not have all the information he or she should have.

The situation is similar for genetically modified (GM) products. From July 1, 2015, if GM components are 0,9 percent or more of a product's mass, then a label stating genetically modified organisms (GMO) must be clearly shown on the top left corner of the label. The fine for violating this regulation is 5 000 GEL. If the wrongdoing is repeated the fine will increase to 10 000 GEL<sup>10</sup>. At the same time, the largest fine for violation of general food safety regulations is 1 200 GEL. In these cases, on the surface either the first fine is too high, the second fine is too low or both. The purpose of fines is to motivate businesses to follow the law, generally with the most harmful violations having the largest fines. However, when some fines are disproportionate high compared to likely harm, and *vice-versa*, then businesses are under motivated (under punished) to avoid certain harmful violations and over motivated (over punished) to avoid other less harmful violations.

In addition, no provision is made for having issuing only a formal warning, not a fine, for the first violation with a suitable time provided for solving the problem before a second control.

The current fine system does not take into account the size of a business operator. An exemption is article 74<sup>2</sup> that sets penalties for selling expired food. In this case, the fine for small business operators is 200 GEL and for other businesses 500 GEL.<sup>11</sup> According to experts, existing universal

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<sup>8</sup> Conclusion was made after an experiment made on 09.12.15

<sup>9</sup> <https://matsne.gov.ge/en/document/view/1659434>.

<sup>10</sup> The Law of Georgia on Live Genetically Modified Organisms

<sup>11</sup> A small business operator is a business with an annual turnover less than 200 000 GEL.

fine system is not effective enough. Some fines are too high for small businesses, and some of them too low for big companies and do not provide enough incentive to reduce violations.<sup>12</sup> This situation stems from penalties being set at different times for different types of violations. The system of fines for violations has been established piece-meal rather than as an integrated whole.

### **The right of company confidentiality and the right (need) of the public to know, have not been properly balanced**

Article 59 of the Law of Georgia on Food/Feed Safety, Veterinary and Plant Protection, clearly states that an authorized person may not disclose information related to entrepreneurial activities, obtained as a result of implementing state control or risk analysis, without prior written consent of the business operator. Violations of food labeling requirements result from state control and therefore should be confidential.

However, the NFA often distributes announcements, mainly press releases, containing information about companies fined for violating labeling rules, usually including the brand name.<sup>13</sup> The internal regulation<sup>14</sup> of the NFA state that "one has the right to be informed about the environment, as well as risks concerning one's health and life". The regulations do not define this kind of information as confidential. It is controversial whether information about violation of food labeling rules should be spread in the mass-media or not, particularly when the violation does not cause any hazard for human life. For instance, the NFA often distributes press-releases informing about fining retailers for missing labels in the Georgian language.<sup>15</sup> It is clear that this sort of violation is free of risk for consumers, but this kind of news damages the reputation of a product or brand. Food business operators mentioned this problem in interviews.

On the other hand, there are situations where the public's right (need) to know is probably greater than a company's right to confidentiality. This would be the case where there is an imminent risk of people becoming sickened from an improperly labeled product (e.g., inclusion of nuts in a product without that information being on the label) or when the behavior of a company is particularly egregious.<sup>16</sup>

This situation has arisen because the proper balance between the right of company confidentiality and the right of the public to know has never been fully assessed and rules properly formulated as a consequence. For example, in what specific situations does the public's right (need) to know exceed the company's right to confidentiality?

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<sup>12</sup> For example, a small business operator was fined 5 000 GEL for violating GMO labeling rules, and was taken to the point of failure. Fines in amount of 400 GEL or even 1200 GEL are irrelevant for hypermarkets.

<sup>13</sup> For example, on July 23, 2015 the NFA issued a press release announcing that the LTD "Crystal Craft" was penalized in amount of 5 000 GEL for not marking GM products imported from Iran.  
[http://nfa.gov.ge/index.php?lang\\_id=GEO&sec\\_id=35&info\\_id=1493](http://nfa.gov.ge/index.php?lang_id=GEO&sec_id=35&info_id=1493).

<sup>14</sup> NFA Regulation No 386-9 of 20.10.2015 on Rules of Disclosure and Nondisclosure of the Information kept at NAF.

<sup>15</sup> [http://nfa.gov.ge/index.php?lang\\_id=GEO&sec\\_id=76&info\\_id=1118](http://nfa.gov.ge/index.php?lang_id=GEO&sec_id=76&info_id=1118);  
[http://nfa.gov.ge/index.php?lang\\_id=GEO&sec\\_id=76&info\\_id=1167](http://nfa.gov.ge/index.php?lang_id=GEO&sec_id=76&info_id=1167)

<sup>16</sup> This Paper does not define particularly egregious practices. Nevertheless, for certain there are some behaviors that by any measure would be considered to be particularly egregious.

## 8. RECOMMENDATIONS

Based on the problem statements noted in the previous section, this policy paper recommends a number of actions in the same five areas. The recommendations address the problems noted previously plus other practical matters that arose during the preparation of this Paper. These other practical matters did not rise to the level of a problem *per se*, but nevertheless they should be considered when developing new regulations.

The current approximation process is not be expected to lead to fundamental changes (the second bullet), except for beef and beef products (the first bullet). For all types of labeling-related regulations, much attention must be paid to the role of the NFA as the authorized person exercising state control. The control of food labeling should be effective, but should not generate additional pressure, particularly on SMEs.

### Requirements for beef labeling should closely follow AA practices, with additional attention paid to the animal registration system

New label standards will play a positive role in terms of strengthen the confidence of consumers in beef products. Market players anticipate no particular problems with approximation requirements except for the gaps in the animal registration system noted in the previous section. Therefore, recommendations shown in the following table include delaying implementation until the gaps in the animal registration system are filled. In addition, new regulation should offer adequate transition time to the business sector.

**Table 2: Recommendations related to Beef Labeling**

RECOMMENDATION	OUTCOME
<ul style="list-style-type: none"> <li>The <i>form</i> of the label (containing the information noted above) should not be standardized, so long as the <i>required information</i> is present in some form. The NFA should issue a recommended (though not required) <i>form</i> for slaughterhouses and subsequent processors</li> </ul>	<ul style="list-style-type: none"> <li>Labeled beef and informed consumers</li> <li>Traceability when problems are identified</li> <li>Information is always supplied in a standard format to ease interpretation</li> </ul>
<ul style="list-style-type: none"> <li>When displaying labeling information, operators at all steps, including retail outlets, should be held harmless for the accuracy of the label provided to them by a preceding operator</li> <li>An exception should be made when the operator is objectively aware that the information provided by the preceding operator is false</li> </ul>	<ul style="list-style-type: none"> <li>Operators, including retail outlets, will be held accountable for information that is under their control</li> <li>Operators, including retail outlets, will not be held accountable for information that is not under their control</li> </ul>
<ul style="list-style-type: none"> <li>Gaps in the cattle identification system should be solved before beef labeling regulations go into effect</li> </ul>	<ul style="list-style-type: none"> <li>When beef labeling regulation goes into effect, slaughterhouses will be able to provide required information</li> </ul>
<ul style="list-style-type: none"> <li>A comprehensive informational campaign, including use of social media, should be undertaken in the time leading up to the beef labeling regulation going into effect</li> <li>Targets should include all operators in the beef supply chain from farmers through slaughterhouses through retail outlet plus consumers</li> <li>The objective should be for every operator to be properly informed; the objective should not be to give every operator <i>only the opportunity</i> to become informed</li> </ul>	<ul style="list-style-type: none"> <li>All players in the beef supply chain are aware of their responsibilities</li> <li>Smooth implementation</li> <li>Less violation of labeling rules</li> </ul>
<ul style="list-style-type: none"> <li>Regulation for beef labeling should entry into force from 2018</li> <li>Operators in the beef supply chain should be</li> </ul>	<ul style="list-style-type: none"> <li>Operators, particularly retailers, will have enough time to become aware of and adapt to the new labeling standards</li> </ul>

RECOMMENDATION	OUTCOME
encouraged to undertake voluntary application of the rules before 2018	<ul style="list-style-type: none"> <li>• Early benefits to consumers from early voluntary application of the rules</li> </ul>

## Communication systems with food business operators should be improved

As noted in the previous section, some businesses are not aware of existing food labeling requirements. In addition, communication of new rules, when they are implemented, is not as effective as it might be. Therefore, there is a need to improve communications as noted in the recommendations shown in the following table. In this regard, proper and continual use of modern communication methods would cover the whole sector and would reach each stakeholder effectively, though this needs to be properly funded.

**Table 3: Recommendations on Communications to Businesses**

RECOMMENDATION	OUTCOME
<ul style="list-style-type: none"> <li>• The transition period for every regulatory change should be at least one year</li> </ul>	<ul style="list-style-type: none"> <li>• Operators and consumers will be better informed before the fact</li> <li>• Operators can better adjust to new rules</li> </ul>
<ul style="list-style-type: none"> <li>• A comprehensive informational campaign, including use of social media, should be undertaken before new labeling regulations go into effect</li> <li>• Targets should include all operators, retail outlets and consumers</li> <li>• The objective should be for every operator to be properly informed; the objective should not be to give every operator <i>only the opportunity</i> to become informed</li> </ul>	<ul style="list-style-type: none"> <li>• Increased awareness of business operators and consumers</li> <li>• Smoother implementation</li> <li>• Information transfer will take on a continual rather than intermittent character</li> </ul>
<ul style="list-style-type: none"> <li>• Guidelines for labeling regulations in layman's terms with easy visual examples should be created and publicized</li> <li>• Guidelines should include both new and existing regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Better understanding of requirements by operators</li> <li>• Past poor information will be improved</li> <li>• New information will be readily available</li> </ul>
<ul style="list-style-type: none"> <li>• Short brochures of guidelines should be sent to every food business operator or spread through distributor companies.</li> </ul>	<ul style="list-style-type: none"> <li>• Food business operators having no access to the internet will be informed</li> </ul>
<ul style="list-style-type: none"> <li>• The NFA official website should be modified to include additional functions: <ul style="list-style-type: none"> <li>- Subscribing to regulatory changes and instructions via e-mail and SMS</li> <li>- Frequently asked questions</li> <li>- Graphic visual presentations</li> <li>- Video instructions and own internet channel</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Food business operators will receive timely information about regulatory changes and instructions</li> </ul>
<ul style="list-style-type: none"> <li>• A properly working call-center with qualified staff should be established (similar to Revenue Service)</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility to receive information via telephone</li> </ul>

## Content of the nutrition claim section of food labels

As noted in the previous section, businesses have little guidance on how to set the values shown in the nutrition claim portion of a food label. Recommendations in this regard are shown in the following table.

**Table 4: Recommendations on Business Guidance**

RECOMMENDATION	OUTCOME
<ul style="list-style-type: none"> <li>• The NFA should analyze methods to determine</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge on how to determine the entries in</li> </ul>

RECOMMENDATION	OUTCOME
<ul style="list-style-type: none"> <li>how to determine values shown on the nutrition claim portion of food labels</li> <li>The NFA should recommend how to select the proper method for different situations</li> <li>Visual examples should be available</li> </ul>	<ul style="list-style-type: none"> <li>a nutrition claim part of a food label</li> <li>Guidance on selecting the correct method</li> </ul>
<ul style="list-style-type: none"> <li>The NFA should publish a list of approved laboratories when laboratory testing of food for the nutrition claim part of a label is required</li> </ul>	<ul style="list-style-type: none"> <li>List of laboratories to which food business operators can refer when needed</li> </ul>
<ul style="list-style-type: none"> <li>The NFA should include an application on its website<sup>17</sup> that would permit businesses to enter a recipe into the system and the system would recommend the form of the nutrition claim part of a label</li> </ul>	<ul style="list-style-type: none"> <li>Simple calculation of the nutrition claim entries for an arbitrary food recipe</li> </ul>
<ul style="list-style-type: none"> <li>In each case above, the NFA should ensure that simple instructions are provided so that any food business operator can make correct decisions</li> </ul>	<ul style="list-style-type: none"> <li>Food business operators are well informed about how to complete the nutrition claim part of food labels</li> <li>Better nutrition claims on labels</li> </ul>

### The food-labeling-penalty system should be rebalanced to properly match fine value against risks to human health

As discussed in the previous section, the current system of fines does not properly balance the size of fines against the evidence-based risks to human health. Some fines for violations that do not imminently affect human health are much higher than fines for violations that almost certainly affect human health. In addition, food business operators cannot receive an initial formal warning rather than a fine for a first offense.

Therefore, recommendations shown in the following table discuss how to rebalance the food-labeling-penalty system.

**Table 5: Recommendations on Penalty System**

RECOMMENDATION	OUTCOME
<ul style="list-style-type: none"> <li>First of all, a political decision to optimize fines for food safety system should be made</li> <li>Existing system should be deeply analyzed and its weak spots identified</li> <li>The minimum and maximum amounts of fines should be defined</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient precondition for reform</li> </ul>
<ul style="list-style-type: none"> <li>The food safety and labeling fine system should be comprehensively reassessed to ensure a proper balance between the severity of violation and the associated fine</li> <li>The core objectives of the fine system should be set. Size of business operator should be considered</li> </ul>	<ul style="list-style-type: none"> <li>The entire fine system will become more defensible</li> <li>Food business operators will be neither under motivated (under punished) to avoid certain harmful violations nor over motivated (over punished) to avoid other less harmful violations</li> <li>Balance will be restored on the penalty system for violation of GM labeling requirements</li> </ul>
<ul style="list-style-type: none"> <li>The fines for violating food labeling requirements should be changed: <ul style="list-style-type: none"> <li>The first violation should be subject to a <i>formal warning</i> with a suitable period given for resolving the issue</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Fair penalty system for violation of the food labeling procedure</li> <li>Food business operators are given a suitable time to solve the problem, without running the risk of severely damaging the business</li> </ul>

<sup>17</sup> Example: Calculating Calories and Nutrients in Meals: <http://hnrc.tufts.edu/restaurant-meal-calculator/>

RECOMMENDATION	OUTCOME
<ul style="list-style-type: none"> <li>- The second violation should be subject to a fine of <u>200 GEL</u> with a shorter period given for resolving the issue</li> <li>- The third and later violation within one year should be subject to a fine of <u>1,000 GEL</u> with a yet shorter period given for resolving the issue</li> </ul>	<p>(e.g., it is very hard and expensive for a company to change its packaging overnight)</p>

### Rules governing the balance between the public's right (need) to know and a company's right to confidentiality should be debated and set

As noted in the problem statements, the balance between the public's right (need) to know and a company's right to confidentiality has not been agreed upon.

Therefore, recommendations shown in the following table is straightforward: Set the balance. In addition, penalties for violation of confidentiality rules should be reinstated.

**Table 6: Recommendations on Information Disclosure**

RECOMMENDATION	OUTCOME
<ul style="list-style-type: none"> <li>• Generally, information should be confidential except when there is a reasonable cause to expect harm to health; the public's right to know should generally be limited to food safety issues, not food labeling issues</li> </ul>	<ul style="list-style-type: none"> <li>• Clear rules to guide regulations in this area and other areas</li> <li>• Improved protection of confidentiality information related to entrepreneurial activities when there is no imminent threat to human health</li> </ul>
<ul style="list-style-type: none"> <li>• Government should tread very carefully whenever a company's name or brand name is disclosed</li> </ul>	<ul style="list-style-type: none"> <li>• Company brands will be protected yet the public's right (need) to know will also be met</li> <li>• The sensitive issue of brand damage will be addressed</li> </ul>
<ul style="list-style-type: none"> <li>• Internal regulations of the NFA concerning confidentiality should clearly define rules for disclosure and distributing press-releases</li> </ul>	<ul style="list-style-type: none"> <li>• Increased motivation for authorized persons to protect the confidentiality of information related to entrepreneurial activities</li> </ul>

## 9. APPENDIX

### Messages informing business operators about new labeling regulations

**შეტყობინება** [X]

★ [წაშლა]

**გმო ეტიკეტის კონტროლი**

“სურსათად/ცხოველის საკვებად განკუთვნილი გენეტიკურად მოდიფიცირებული ორგანიზმებისა და მათგან წარმოებული გენმოდიფიცირებული პროდუქტის ეტიკეტირების შესახებ” საქართველოს კანონის თანახმად მიმდინარე წლის 1 ივლისიდან ეტიკეტირების წესების დარღვევისას, მათ შორის, ეტიკეტირების შეუძლებლობის შემთხვევაში, თანხლები დოკუმენტის არქონა გამოიწვევს ბიზნესოპერატორის დაჯარიმებას 5 000 ლარის ოდენობით. იგივე ქმედება, ჩადენილი განმეორებით, – გამოიწვევს ბიზნესოპერატორის დაჯარიმებას 10 000 ლარის ოდენობით.

მიღების თარიღი : 30-ივნ-2015 17:10:21      წაკითხვის თარიღი : 30-ივნ-2015 18:55:13

გმო ეტიკეტის კონტროლი      30-ივნ-2015 17:10:21      30-ივნ-2015 18:55:13      33860342

**შეტყობინება** [X]

★ [წაშლა]

**ყურადღება!**

ინფორმაცია I პირი, რომლის საქმიანობაც დაკავშირებულია სურსათის/ცხოველის საკვების წარმოებასთან, გადამამუშავებასთან, დისტრიბუციასთან (რეალიზაციასთან) ვალდებულია დარეგისტრირდეს ბიზნესოპერატორად საქართველოს იუსტიციის სამინისტროს საჯარო რეესტრში, წინააღმდეგ შემთხვევაში, დაჯარიმდება 500 ლარით. სურსათის ეროვნული სააგენტო nfa.gov.ge T 291 91 67 (127) ინფორმაცია II სურსათის მწარმოებელი/დისტრიბუტორი (რეალიზატორი) ვალდებულია უზრუნველყოს სურსათის ეტიკეტირება კანონმდებლობის შესაბამისად, წინააღმდეგ შემთხვევაში დაჯარიმდება 400 ლარით, იგივე ქმედება ჩადენილი განმეორებით 1 წლის განმავლობაში გამოიწვევს დაჯარიმებას 1200 ლარით. სურსათის ეროვნული სააგენტო nfa.gov.ge T 291 91 67 (127)

მიღების თარიღი : 23-თებ-2015 15:52:11      წაკითხვის თარიღი : 02-მარ-2015 10:17:24

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