



# Beyond Nutrition and Organic Labels—30 Years of Experience With Intervening in Food Labels

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## What Is the Issue?

Food labels can give consumers valuable information that they cannot verify for themselves. However, labels can also mislead consumers since food suppliers may voluntarily offer only information that increases demand for their products. In addition, consumers may not understand label claims, and instead of facilitating economic activity, labels may increase inefficiency in the marketplace. Food label claims have proliferated over the past three decades. Some of these additions have been federally mandated and some have been voluntary. Some may be certified or verified by the Government or by private-sector entities.

This paper includes five case studies from the past 30 years that highlight roles the Federal Government has played in food labels and the informational strengths and weaknesses of various labels. These case studies include the implementation of Federal standards for the “Nutrition Facts” label (mandatory for many foods), the USDA Organic seal, the voluntary labeling of food as made without genetically engineered ingredients, the voluntary labeling of meat and poultry products as raised without antibiotics (RWA), and the labeling of the federally defined country of origin of the product (COOL), which is mandatory for some food products. The case studies reveal the outcomes and implications of different interventions.

## What Did the Study Find?

This report’s main findings include:

- The Federal Government has developed uniform standards for disclosure and claims about some product attributes, and doing so led to labels that are credible and truthful. However, there are tradeoffs to consider.
  - The history of nutrition and organic labeling shows that creating a single, national standard can be a slow process, lasting many years.
  - Food manufacturers often compete on the basis of the product attributes they offer, and they work to make consumers aware of differences. In those cases, mandating label information may not make consumers better informed as they can already deduce everything they want to know about products, labeled or not.
  - Government standards for labeling some food product attributes have been rigidly defined, making alternative definitions illegal. This can discourage innovation and experimentation in marketing and product development.
- Once a single, mandatory, federally set standard is achieved, it does not automatically result in improved consumer understanding.

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

- The Nutrition Labeling and Education Act led to the inclusion of the Nutrition Facts label on most food packages—nutrition information that most consumers treat as credible and truthful, but that many ignore.
- Consumers sometimes confuse Government standards with other standards. For example, the USDA Organic seal is often confused with other label claims, such as “natural” or “raised without antibiotics” that have fewer and/or lower standards and lower production costs.
- The mandatory country-of-origin label gives consumers complete information about the origin of products covered, but no information at all about product quality. Nonetheless, some consumers automatically equate domestic production with higher quality—an assumption that may or may not be correct.
- Where there is no single, national standard for a food attribute and food suppliers develop product definitions and standards, label information may not be consistent and may mislead consumers. These labels may not be truthful or understandable.
  - USDA approval of RWA claims gave credibility to competing labels. However, evidence reveals that, because private firms independently defined what the claim meant, the label has not ensured that consumers understood differences in products.
- Enforcement choices the Government makes will have consequences for market efficiency.
  - Enforcement activities range widely among labeling programs. USDA has an active program to ensure the appropriate use of the USDA Organic seal, but has limited resources to enforce animal-raising claims.
  - Private organizations have been the chief impetus for penalizing violations of RWA standards. To see the law enforced, these groups have filed lawsuits and gone to court.
- Positive environmental effects of labeling alternatively produced foods are limited by market size.
  - Some consumers look to food labels to identify greater attention to environmental stewardship. However, the market share of many alternatively labeled foods (such as “USDA Organic” meat products) is still small, and these labels offer limited ability to reduce negative environmental effects.
- Effects on interstate trade, but also international trade, have been both positive and negative.
  - Setting a national organic standard ended variance among State standards. This gave the organic sector more access to interstate and international markets, increasing sales.
  - The World Trade Organization (WTO) found that COOL acted as a barrier to trade in meat. Some analysts found that net effects of COOL were negative, and there was no market failure problem to address.
- Government and third parties compete to educate consumers about food product attributes.
  - There are many ways beyond food labels to communicate information about food attributes to consumers—Quick Response codes (matrix barcodes scanned by smartphones, leading to a manufacturer’s website or a message), apps on phones, websites, list-serves, books, and magazines. These sources may access more indepth information, but have few controls to ensure truthfulness. They likely compete for consumers’ attention with information that is federally regulated.

## How Was the Study Conducted?

ERS researchers analyzed the successes and failures of five recent experiences in U.S. food labeling and have included summaries of current Federal activity in food labeling to put the case studies in context. They also examined major developments in providing food attribute information to assess the future of food labels.