

COFECE issues recommendations so that labeling rules for food and beverages, in addition to providing relevant information for responsible consumption decisions, promote competition between companies

- *COFECE issues recommendations to the preliminary draft Standard, to enter into force soon, for the regulation of the labeling of pre-packaged food and non-alcoholic beverages*

Mexico City, January 22, 2020.- The Board of Commissioners of the Mexican Federal Economic Competition Commission (COFECE or Commission) issued an opinion with recommendations to the Preliminary Draft amending the “*Mexican Official Standard NOM-051-SCFI/SSA1-2010, general specifications for the labeling of pre-packaged food and non-alcoholic beverages - Commercial and health information*” (Preliminary Draft), to ensure that new rules, in addition to providing information that allows people to make responsible consumption decisions, favor the process of competition between companies in these markets.

The Preliminary Draft establishes certain specifications for frontal labeling of food and beverages so consumers can make better consumption decisions– through labels warning of contents with excess of calories, added sugars, sodium, fats, and saturated fats.

The Commission found areas of opportunity so that, in addition to ensuring that these requirements effectively provide useful information, they also favor the ability of companies to differentiate between themselves before consumers, and to communicate the distinguishing attributes of their products.

The Board of Commissioners considered that, in order to compete and to incentivize research and development in the food and beverage industry, companies should be given the opportunity to indicate in the labels those positive conditions of quality and variety of their products.

From the competition perspective, COFECE considers that the label system must allow:



- i) **Consumers to have truthful, enough and clear information that allows them to differentiate different products with similar warning labels.** Under the Preliminary Draft, products required to carry a frontal warning label are prevented from adding additional information about their nutritional and health properties. However, consumers require more information on the specific characteristics of the products to better differentiate and choose the most convenient product among those foods or beverages with the same warning label, but with differentiating characteristics.
- ii) **Companies to maintain incentives for research and development of new high-quality products.** The Preliminary Draft establishes that products with labels warning of an excess of regulated substances, cannot have recommendation statements or endorsement from societies and associations of professionals in the labels. This could potentially limit the companies' ability to provide consumers with further information on the positive characteristics of their products, reducing their incentives to invest in research and development of new products, since without differentiation, return on investments would be hampered.
- iii) **Allow new companies and products, that need to build brand awareness, enter the market and compete.** According to the Preliminary Draft, it is prohibited for products with warning labels to display characters, drawings, celebrities, gifts, offers, toys or advertisements in social networks. With the aim of not limiting the companies' ability to compete among them, mainly to avoid disadvantaging new companies or companies for which brand awareness is not high, the Standard should be flexible and allow them to implement strategies to promote and build consumer awareness.

To ensure that requisites for the labeling of food and beverages meet their original objective of providing consumers with the information to facilitate responsible consumption decisions, without unnecessarily limiting competition between companies, COFECE presented before the Ministry of Economy, the Ministry of Health, and the National Commission of Regulatory Improvement, recommendations so that the Standard allows:

- Providing consumers with truthful, sufficient and clear information on the contents of products to make better consumption decisions.



- Signaling and differentiation of quality attributes in a way that promote competition between foods and beverages that comply with the Standard.
- Differentiation between competitors through labeling and other means to publicize the characteristics of their products.

See the Opinion OPN-001-2020 (in Spanish):

<http://cofece.mx/CFResoluciones/docs/Opiniones/V127/21/5030617.pdf>

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The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. This contributes to people's well-being and the efficient functioning of markets. With its work, COFECE seeks better conditions for consumers, more services of higher quality and a "level playing field" for companies.

