



INDUSTRIAL COMMITTEES

# FOOD PROCESSING COMMITTEE



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**READINESS FOR IMPLEMENTATION OF THE TRACK AND TRACE SYSTEM**

On June 1, 2021 the system for labeling milk products was initiated for cheeses and ice cream. Starting from September 1, labeling has become mandatory for milk products with a long-term shelf-life (over 40 days).

From December 1, labeling became mandatory for products with a short-term shelf-life (under 40 days). The volume of such products exceeds the volume of products of the previous stage by a factor of 10.

There are cases of delays in supplying equipment. In addition, at the installation stage at the production site, it was found that the equipment necessary for labeling on high-speed dairy production lines lacked the necessary features or the requisite compatibility. The already installed equipment materially decreased the production rate on high-capacity lines, requiring the technical solutions to be altered and a search undertaken for code printing capabilities at printing offices, making the process even more costly.

Businesses make the maximum effort to comply with the requirements of the labeling system; however, many enterprises still face difficulties with the launch of labeling.

Additionally, there are risks related to the product acceptance procedure that retail enterprises are to carry out through the labeling system, and also to the practice of state control. At the early stage, the risk of errors, faults, and interruptions in the operation of the system is far too great.

**RECOMMENDATIONS**

- › Prevention of the interruption of supplies and circulation of goods due to state controls and sanctions on trade enterprises until the processes are normalized.

**COST OF IMPLEMENTING LABELING**

We also wish to mention the cost of implementing a labeling system. Installation of expensive equipment, software development and implementation, and the revision of tried-and-tested operating processes are required.

When introducing the marking with control identification marks (CIM), manufacturers are strictly restricted in their choice of packaging solutions since the launch of a product with a new packaging solution (new material, structure) requires the test of the ability to apply CIM marking, beyond the usual testing. So, the costs of the codes themselves and their application place a significant burden on businesses. Moreover, the cost of a code is the same for high-margin products (such as medicines, tobacco, perfumes, and even fur coats) and for low-margin products (e.g., milk, which is a socially significant product). Then there are the capital expenses for equipment and operational expenses for printing. At the current cost level, the marking would impact the prime cost of products. For the milk industry, capital expenses are estimated at RUB 12.2 billion, operating expenses at RUB 40.6 billion per annum, and the prime cost increase at 4%.

## RECOMMENDATIONS

- › Given the difficult economic environment, it is necessary to consider the possibility of reducing the costs of implementing labeling for businesses, inter alia through state support measures.

### INEXPEDIENCE OF EXPANSION OF THE LIST OF PRODUCTS SUBJECT TO LABELING WITH CONTROL IDENTIFICATION MARKS

#### IMPACT OF THE CURRENT INFORMATION CAMPAIGN FOR EXPANDING THE LIST OF PRODUCTS SUBJECT TO LABELING

The danger of running information campaigns that focus on a variety of research by the Russian media into the share of counterfeit products in specific product groups, providing varied data, focusing on the image and reputation of Russian goods on the domestic market and the markets of the Customs Union member states, and the potential impact on exports of these product groups to foreign markets.

Discrediting the operations of key Russian control and supervision authorities that perform comprehensive checks on quality and compliance of these product groups as per Russian legislation (including the Russian Federal Service for Surveillance of Consumer Rights Protection and Human Welfare [Rosпотребнадзор], the Federal Antimonopoly Service, and other bodies).

Discrediting the results of the Strategy for Improving the Quality and Safety of Foodstuffs on the Russian Market over 5 years.

Undermining the presumption on the part of Russian consumers that the Russian products on the market are safe and high-quality, which has a negative impact on the consumer price index, consumer demand, and the perception of economic stability on the part of said consumers;

#### INEXPEDIENCE OF EXPANDING THE LIST OF PRODUCTS SUBJECT TO LABELING AND TRACEABILITY IN SECTORS THAT ARE ALREADY ACTIVELY COVERED BY THE LABELING AND TRACEABILITY SYSTEM

The expansion of the list of products subject to labeling is at present inexpedient and will remain so until the current experiments and implementation of labeling and traceability stages have been completed in the extant product groups (dairy sector – third stage of implementation, bottled water – both stages of implementation, December 1, 2021 and March 1, 2022, beer – completion of the experiment on August 31, 2022, etc.). This is due to the high level of stress on the system and the limited number and capacities of equipment suppli-

ers and integrators currently working with the current product groups.

Besides, the expansion of the list of products subject to labeling in the foodstuffs sector seems inexpedient due to the current growth in inflation and consumer prices for principal consumer goods, including socially important ones, which will inevitably result in a drop in their affordability for consumers and eventually in the deterioration of their diets, until the situation in the Russian market is stable and the impact of foreign economic conditions in international markets which influence the domestic environment is weakened.

For example, at this time, domestic conditions and the development of the labeling and traceability system are actively influenced by the global chip crisis, as a result of which the delivery period for principal equipment has been materially lengthened for practically all product groups. Such foreign economic matters will remain a significant obstacle for expanding the labeling and traceability system until the period of foreign economic volatility is over and the situation in international markets is stable.

## RECOMMENDATIONS

- › To introduce a moratorium on the expansion of the list of product groups subject to labeling and traceability with control identification marks in the categories that are currently most active in the labeling process (the foodstuffs industry, light manufacturing): until the current experiments are over, and the system of labeling and traceability has been launched; and subsequent physical impact assessment (PIA) of the labeling system on key economic indicators for product groups (including the share of counterfeit products).

### APPLICATION OF THE PROVISIONS OF FEDERAL LAW NO. FZ-54 "ON THE DEPLOYMENT OF CASH-REGISTER EQUIPMENT WHEN PERFORMING SETTLEMENTS IN THE RUSSIAN FEDERATION" WITH REGARD TO PRODUCT GROUPS INCLUDED IN THE SYSTEM OF LABELING AND TRACEABILITY WITH CONTROL IDENTIFICATION MARKS

In early August 2021, new requirements of Federal Law No. FZ-54 "On the deployment of cash-register equipment..." became effective, establishing the rules for the submission of data for product groups subject to the system of labeling and traceability. According to the above requirements, participants in the circulation of bottled water will be obligated to deploy cash-register equipment (CRE) with the ability to account for CIMs. However, it is very difficult to make an unequivocal conclusion regarding the deadline for the commencement of mandatory



use of such CRE since Federal Law No. 54-FZ does not indicate the type of data to which the submission of this duty is related.

Clause 6.1. of Article 1.2 of Federal Law No. FZ-54 do not discriminate between the statuses of a manufacturer (wholesale dealer) and a seller to an end consumer, and related the duty to use CRE with the ability to account CIMs with the following:

- › use of cash payments for the labeled goods;
- › existence of the user's duty to submit data to the monitoring information system.

The above regulation does not specify exactly which data is to be submitted to the monitoring information system. This situation leads to legal uncertainty and a discrepancy between the conditions provided for in the Resolutions on the introduction of mandatory labeling with control identification marks and the federal laws of the Russian Federation.

This results in the following risks:

- › the necessity to implement the labeling and traceability system for product groups by CRE manufacturers (suppliers) earlier (e.g., as per the Resolution on the Labeling of Bottled Water, this stage is to start from March 1, 2025 – the stage of item-by-item traceability of a product; however, according to a conservative interpretation of Federal Law No. FZ-54, this obligation is to start from as early as December 1, 2021, for mineral water);

- › making the preparation processes for industries involved in the labeling and traceability system more complex and difficult due to the earlier deadlines for readiness;
- › difficulties with the procurement, update and operation of the updated equipment (CRE) as per the mandatory requirements of Federal Law No. FZ-54 in the part on labeled products (with the respective impact on the readiness of the industries for the implementation of the labeling system).

## RECOMMENDATIONS

- › To supplement Clause 6.1 of Article 1.2 of Federal Law No. 54-FZ of May 22, 2003 "On the deployment of cash-register equipment when performing settlements in the Russian Federation" with a direct indication of the obligation of circulation participants to submit data on ID codes and/or group packaging ID codes and/or shipping packaging ID codes to the information system. Thereby, the duty to transfer of the above data when handling goods using CRE will be provided for from the moment of the implementation of item-by-item accounting of products.



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