



The Voice of OECD Business

Business/OECD meeting on the economics of prevention

Summary of discussion with representatives

of the food and beverage industry¹

Paris, 23 July 2008

On **Wednesday 23 July, 2008**, a group of representatives from the food and non-alcoholic beverages industry met informally with the OECD Secretariat in Paris to discuss the OECD Economics of Prevention project. The project is an initiative of the OECD Health Committee. It is based in the Directorate for Employment, Labour and Social Affairs, and it involves collaboration with the Education and Trade and Agriculture Directorates, as well as with the World Health Organisation.

The aim of the meeting was to provide the OECD Secretariat with information about private sector initiatives that address issues that have been raised in the context of the Economics of Prevention project, and that will result in a final report (phase 1), due to be completed in Q4 2008 and published Q1 2009.

1. Opening Remarks

BIAC thanked the OECD Secretariat for agreeing to meet informally with business representatives from the food and beverage industry, and reaffirmed BIAC's strong support for the OECD work on the economics of prevention. BIAC reminded participants that this informal meeting would focus specifically on food and beverages issues that are relevant to the work being undertaken in the Economics of Prevention project.

BIAC further stated that healthcare costs have been rising for decades at a rate higher than GDP growth. This creates an economic burden, but it also creates potential for innovation to improve the quality of life. Prevention includes a wide range of approaches, such as smoking

¹ The summary has been prepared by BIAC.

cessation, vaccinations, workplace safety, etc. as outlined in a 2006 BIAC paper². The cost-effectiveness of these approaches requires further analysis.

Opening BIAC comments also stated that healthy employees and civil servants are essential for economic growth. On the one hand, the OECD focus on obesity is important and timely, while on the other hand it should be recognised that there is currently no evidence-based solution to preventing obesity. Obesity is linked to socio-economic factors, individual health factors, genetics, economics etc. The food and beverage industry recognizes this increase and is actively working collaboratively to address the rise in incidences of non-communicable diseases. However, the food and beverage industry strongly believes that the solution requires the overall promotion of healthy diets and lifestyles through increased information, education and other steps. However, solitary actions solely impacting specific products will not be successful. In this way, the approach to obesity-related NCDs is very different from the approach that has been taken with regard to smoking and tobacco.

In an effort to provide the OECD staff with comprehensive information about the many steps already being undertaken by the food and beverage industry specifically, as well as the deep commitment that the industry has to address these issues, a series of specific issues were discussed during the meeting. These included marketing self-regulation, product reformulation, workplace wellness, community projects, nutrition labeling and related education and the industry's work with the World Health Organization (WHO) on implementation of the Global Strategy on Diet, Physical Activity and Health. Corporate representatives provided examples of activities that are indicative of industry's engagement in support of the Global Strategy. This summary, however, does not provide an exhaustive list of every initiative being carried out by every company. Rather, it is meant to provide some specific examples as evidence of the larger trend of overall industry engagement. In addition, to the information included in this summary, BIAC had previously formally submitted to the OECD Secretariat the GMA and CIAA reports about industry's overall work to promote balanced diets and healthy lifestyles. The consultation concluded with a discussion of areas where the industry thought that government could play a role in combating obesity, as well as a question and answer period.

The OECD Secretariat provided an overview of their work on the [Economics of Prevention](#) project. The [Working Paper number 32](#) (already published) presents a conceptual framework about prevention generally, without providing specific policy recommendations. A policy survey of OECD government initiatives addressing obesity is currently being carried out. The OECD is interested in learning about specific private sector initiatives to combat obesity.

2. Self-regulation of marketing/advertising of foods and non-alcoholic beverages

The **World Federation of Advertisers** gave a presentation on the value of the self-regulation of marketing/advertising of foods and non-alcoholic beverages that target children less than 12 years of age (see copy to be attached). Advertising was defined as all

² BIAC Discussion Paper, 2006, Economics of Prevention, accessible on the Members Only section of the BIAC website under 2006 meetings for the BIAC Employment, Labour and Social Affairs Committee www.biac.org

marketing communications both online and offline, but does not include the point of sale. Any programme, magazine or website that has an audience of 50% or more that is either 12 years of age or under is within the scope of the self-regulation scheme.

The presentation emphasized that regulation and self-regulation must co-exist. The former should set out the legal framework within which companies are to operate, and it should recognize the need for self-regulation. Voluntary business initiatives allow companies to ensure better compliance with codes and practices that go above and beyond the law, rather than government-led enforcement of regulations (where government resources can often be more limited). Moreover, as big companies take more steps towards prevention, the effects trickle down to the activities of smaller companies that follow in their footsteps. For example, most major French companies have renounced advertising of certain products to children, and the French small and medium enterprises are cooperating in this regard.

Major multinational food and beverage companies have made commitments either to completely eliminate all marketing to children under 12 or to only market products that meet specific rigorous nutrition criteria. It is important to note that advertising budgets do not necessarily decrease as a result of self-regulation, nor should that be the objective. Self-regulation results in a change in the nature of the products advertised (i.e. specific calorie limits, sugar/sodium limits and/or nutrition requirements) rather than on the volume of advertisements. In fact, as food and beverage companies continue to reformulate and develop new products with an improved nutrition profile, advertising serves as an important component for introducing those products to the market in a consumer-friendly manner.

Challenges and impacts

The OECD Secretariat was interested to learn about the challenges that business encounters with respect to self-regulation. It also wanted to know about the impacts of self-regulation. According to the **World Federation of Advertisers**, one major challenge is to reach out beyond the 10 to 12 biggest global companies and to reach the small and medium-sized enterprises in other parts of the world.

Another challenge is that, while there is a high level of compliance on ethical standards, it is still too soon to be able to empirically measure the impact of self-regulation. The EU is currently reviewing the impact of the European self-regulation scheme and a report on its conclusions is expected to be released sometime in 2010.

3. Industry action in support of the WHO Global Strategy on Diet, Physical Activity and Health

Business participants expressed that government regulatory tools to combat obesity can often be too blunt and would not necessarily change consumers buying habits. Business is well-positioned to react to consumers' desires and to respond to the obesity problem because it has an open and ongoing communication with them. Businesses must react to consumers' needs otherwise they cannot survive in the highly competitive food industry. While Governments have a role to play in the overall regulatory scheme, consumers want

the food they purchase to meet certain criteria, including price, taste and convenience. Consumers inform business of their needs through their purchasing decisions.

Business is highly involved in efforts to combat obesity and fully supports the World Health Organization's Global Strategy on Diet, Physical Activity and Health. A representative of the Grocery Manufacturers Association distributed and discussed a letter that was recently sent by the CEOs of eight major food and beverage companies to the Director General of the WHO, Dr. Margaret Chan. The letter outlines company commitments in 5 key areas as identified in the Global Strategy: responsible marketing, product reformulation and innovation, providing increased consumer information through labeling, the promotion of physical activity and by partnering with the other stakeholders to address the NCD challenge in a collaborative manner. The companies have committed to making progress in each area, and to working cooperatively with the WHO to achieve the goals of the Global Strategy. The group also shared a joint WHO – World Economic Forum report on of workplace wellness that demonstrates the private sector's commitment to participating as an active partner in addressing these issues. http://www.weforum.org/pdf/Wellness/WHOWEF_report.pdf

Product innovation/reformulation

Business believes that all stakeholders must work to curb obesity. For this reason, companies have for many years, even before governments became involved, taken the lead to improve existing products to make them more nutritious and to reduce calories. Below are some specific examples of what companies have done in the area of product reformulation and innovation:

General Mills Inc. – General Mills Inc., a major cereal manufacture converted its entire cereal portfolio over to whole grain. This initiative has resulted in adding 60 million servings of whole grain a day to the diet of consumers all over the world. Importantly, consumers now have the benefit of increased whole grain consumption without having to change any of their existing preferences/behaviors with any of our cereals.

Working with consumers to learn about their needs General Mills Inc. has improved over 40% of their product portfolio since 2005. These improvements include sodium, fat and calorie reductions, as well as important enhancements such as Vitamin D and calcium. They have also used packaging innovations to create single-portion products, as well as microwavable packaging for vegetables to address the consumer desire for convenience in preparing vegetables. The company has also carried out several “silent” reductions of certain ingredients to enhance prevention while avoiding negative consumer feedback relating to taste or other issues. General Mills believes in the benefits of nutrition education for consumers. For example, on the day that the U.S. government released the new dietary guidelines (the food guide pyramid known as MyPyramid) to help Americans make healthy food choices and to be active every day, General Mills featured the MyPyramid and other key nutrition information on more than 100 million boxes of cereal to reinforce and introduce consumers to important, science-based nutrition guidance.

The Coca-Cola Company – The Company's focus on innovation has resulted in a broad range of non-alcoholic beverages for every occasion: hydration, energy, nourishment, relaxation and enjoyment, including juice and juice drinks, waters, sports and energy drinks, teas and coffees, soy-based drinks and beverages with added nutritional benefits. In 2007, the Company introduced more than 150 low-calorie or reduced calorie beverage products. In total, the range of low- and no-calorie beverage alternatives was expanded by approximately 17 percent from 2006 to 2007 across the globe.

In the U.S., approximately 50 percent of unit case sales are from diet sparkling soft drinks and still beverages (i.e. beverages without carbonation, including water, teas, coffees, sports drinks) – the remaining 50 percent of our unit case sales are from regular sparkling soft drinks. The growth of diet soft drinks is outpacing that of regular soft drinks.

In 2007, approximately 25 percent of our beverage products globally were low or reduced calorie; approximately 23 percent of our unit case volume globally was low calorie or reduced calorie.

Mars – As a confectioner, the company faces certain limitations to improve the healthiness of its product. However, it has increased the quality of nutrients in the products, and has eliminated transfat from its products. It also manufactures smaller portions of confectionary and aims to educate consumers about eating its products in moderation.

Kellogg – Since 1999, the company has been lowering the amount of salt in its products in Europe.

Kraft – The company manufactures products in re-sealable packages to encourage consumers to eat more healthily-sized portions.

Consumer information (labelling)

Company representatives agreed that it is important to continue to educate consumers about nutrition, and that without education, nutrition labelling requirements will not achieve the stated goal. Consumers need to know how to use the information that is provided to them on a label. All stakeholders including government can contribute to this goal by supporting programs that help to inform consumers how to use nutrition information to create a healthy diet.

Kellogg – The Company is helping consumers to make informed decisions about their eating habits. The need to be as transparent as possible is critical towards this objective. Therefore labeling that consumers can easily understand is important. Companies often find that the legal requirements for labeling can add to confusion for the consumer. For this reason, Kellogg working with other companies developed the GDA (guideline daily amount) system. It is a simplified labeling scheme on the front of the packaging, which shows percentages of GDA of sugar, salt, fat and calories in each serving. Kellogg will forward a forthcoming report to the OECD which will provide more information on the impact the GDA

has had on consumers. For more information about the GDA system visit <http://www.whatsinsideguide.com/Home.aspx>

The Coca-Cola Company - The company has also been instrumental in creating the International Food Information Council. The Council has proved valuable in effectively communicating science-based information on health, nutrition and food safety for the public good.

The Secretariat asked why business efforts had been focused on implementing the GDA approach, while certain government agencies and major retailers (e.g. in the UK) had recommended or adopted the alternative “traffic lights” approach. There was consensus among business representatives that the GDA approach was superior to, and more broadly applicable than, the traffic lights system.

Promotion of physical activity

Global food manufacturers have deep roots in communities around the world and are intensely committed to the economic success and continued growth of those communities. In many cases, companies produce their products in the countries where they are sold. Company representatives agreed that business succeeds where communities thrive and discussed their commitments to promote a healthy community. Below are examples of some company initiatives to encourage regular physical activity.

The Coca-Cola Company – The Coca-Cola system develops and launches physical activity and nutrition education programs in collaboration with governmental agencies and health experts. Millions of young people have participated in Coca-Cola-sponsored activities in their communities. There is a strong need to partner more effectively with local communities, and to stress that a balanced diet combined with physical activity is essential. For example, the “Happy Playtime initiative” was launched in 2004 and has reached more than 680,000 students in 705 schools in 19 Chinese cities. In the Philippines, the Kineti-Kids program, “It’s Fun to Be Fit” was launched in Manila in 2004 in partnership with the Department of Education and the Department of Science and Technology – Food and Nutrition Research Institute and has now reached 40 schools throughout the country and reached 150,000 elementary school children.

In the US, Triple Play: launched in 2004 in partnership with Kraft Foods and the United States Department of Health and Human Services as an after-school health and wellness program at Boys & Girls Clubs of America. And in Latin America, the Movimiento Bienestar program (Wellbeing Movement), launched in 2006, offers an integrated platform on wellbeing, including programs aimed at encouraging physical activity in students implemented with the collaboration of the Ministry of Education, the Minister of Sports and other government officials all over the continent. In Brazil, the industry (The Coca-Cola Company, Kraft, Nestlé, Sadia and Unilever) sponsors the program “Prazer de Estar Bem” aimed at decreasing child obesity and re-educating young people and adults on good physical activity and eating habits. The initiative currently reaches 285 schools and 235,000

people. A research study carried out among 975 participating students demonstrated that close to 78 percent decreased or sustained their BMI.

Kraft – The Company is working with a number of sports associations to promote physical activity, particularly in favour of younger generations and underprivileged groups. Kraft sometimes supports initiatives without displaying their own name or logo.

Kellogg – Kellogg also has a long standing commitment to helping improve the health of its community and of its employees. For example, some Kellogg offices have fitness facilities that provide a menu of proactive and interactive programs designed to help employees pursue healthier lifestyles, address health risks and boost physical activity. These include annual fitness challenges, classes, cholesterol checks, health assessments and other initiatives such as health coaching, nutrition counseling and workshops on health-related topics.

The **World Federation of Advertisers** concluded that an array of simultaneous measures needs to be developed, together with stakeholder involvement, instead of focusing only on one specific means of prevention. New effective regulatory tools use both government regulation and industry-led voluntary actions. Monitoring and peer pressure build confidence and increase the effectiveness of such tools.

4 - Role for governments and public-private cooperation – the point of view of the food and beverage industry

The OECD was interested in learning about what business representatives viewed as the role of governments in curbing obesity and how governments can cooperate with business.

Business participants agreed that governments can:

- gather nutritional information from the OECD countries and provide analysis on local and regional trends
- assure the availability of nutrition and physical education curricula in schools
- improve coordination between government ministries to avoid competing or contradictory policies
- work together with private sector marketing experts when designing public information campaigns
- Governments, as large employers, should adopt best practices in the area of workplace wellness. Private sector initiatives in this area have been measured and proven to be highly cost-effective in reducing health care costs and absenteeism.
- work to ensure more uniform geographical distribution of foods
- improve national databases of populations' nutrient intakes and other dietary information (the OECD could play an active role in supporting this effort)

The food and beverage industry stressed its support for a WTO Doha agreement that would reduce government intervention in the form of agricultural subsidies and tariffs. Business participants reaffirmed their view that tax increases on certain foods or beverages would have minimal impact on consumer behavior, as many studies have shown. They felt that a food tax would most likely result in hurting the lower-income individuals that spend a larger portion of their income on food. Adding an additional tax on food that is already expensive would have a disastrous effect. In addition, a tax increase would also undermine the good efforts of companies and the trust-building between business and government to date.

5. Discussion of the project's final phase and report

The first phase of the project will be completed by the end of 2008, resulting in a final report that will be published in the first quarter of 2009. The Secretariat aims to reach policy-relevant conclusions based on analysis of data.

The OECD-BIAC consultation³ prior to the OECD Health Committee meeting in November 2008 will allow for BIAC input to the draft report which will be made available two weeks prior.

³ The OECD Health Committee decided to open up all expert meetings to BIAC, but for the formal meetings they felt it more effective to have a BIAC-TUAC consultation prior to each meeting.