

# Economic and Social Costs

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**Economic and social costs of open dating are an important consideration. Based on the previous chapters, costs can be discussed in terms of: 1) establishing shelf life, 2) putting the open date on each package, 3) enforcement, 4) comparison with nutrition-labeling costs, and 5) food disposal. At the present time, there are no exact cost estimates for each of these areas. The costs presented are the best estimates available.**

## COSTS OF OPEN DATING

### Establishing Shelf Life

Experts interviewed by OTA grouped the possible costs of establishing the shelf life of individual food products into two categories. The first, for perishable and semiperishable foods, would be about \$100,000 per item, requiring at least one investigator and a technician plus facilities for 1 year. Nonperishables would cost \$200,000 per item, taking 2 years to determine. These would be one-time costs, but future adjustments in the shelf life would have to be made with each change in product formula, package used, and mode of distribution, thus adding to costs in the long run.

### Dating the Package

The cost of putting a date on food packages will vary widely, depending on type of package and method of date placement. For example, for canned products, existing closing machines can be modified to emboss the open date on the can for a cost of between \$1,000 and \$3,600 per machine. This is a low cost on a per-can basis. However, for perishable products, equipment costs can vary between \$1,500 and \$15,000 per food product.

### Enforcement

In terms of enforcement, if the program were self-enforcing—that is, if there were no penalties for out-of-date food products and the only enforcement were consumers refusing to pay full price for out-of-date food—there would be no cost of enforcement per se. If a legal penalty were involved, the cost of enforcement could be more than \$500,000 per year.<sup>1</sup>

Even if the program were self-enforcing, there would be considerable cost in food either sold at a lower price or returned to the manufacturer as unsalable. This cost would vary widely with the length of shelf life, reliability of the distribution system, and popularity of the items. At present, this cost would be difficult to estimate.

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<sup>1</sup>U.S. Congress, Consumer Food Act of 1976, report to Committee on Commerce and the Committee on Labor and Public Welfare, U.S. Senate on S. 641, Mar. 4, 1976.

## Comparison With Nutrition Labeling

Because there are no good estimates on costs of open dating, a comparison with a similar area of labeling—nutrition labeling—is worthwhile. A survey conducted by the Grocery Manufacturers of America in 1975 indicated that \$8.4 billion worth of food products would have nutrition labeling that year. For those products, the initial average

cost of putting the information on labels per dollar of sales was estimated at .004 cent, and the average continuing cost at .00016 cent per dollar of sales. Thus, nutrition labeling, which involves complex testing procedures and more information to be printed on the label than does open dating, costs a minimal amount once established. The same should be true for open dating.

## IMPACT

### Processors

The greatest impact of an open-dating system would be on the food processors, especially if the system were completely mandatory. In this case, much research at high cost would be entailed for each product/package system, and at present, there may not be enough scientists or laboratories trained or available to do the total job in just a few years. Industry would need to apply new or modified films, adhesives, and packaging machines. With a voluntary/mandatory labeling system, the same costs would exist, but only those companies who could afford the costs would undertake the job. This would not tend to reduce market competition as might happen with a completely mandatory sell-by or best-if-used-by system.

### Wholesalers and Retailers

With a voluntary/mandatory or completely mandatory system in which enforcement and liabilities required segregation of product, retailers would have two related costs. The first would be more time to inspect shelves to ensure that no out-of-date products were present, and the second would be using space to sell out-of-date products at a reduced cost. The latter could be eliminated by returning the product to the food manufacturer, but that would mean an additional transportation cost and either a remanufacturing or disposal cost. At any rate, the result would be a price increase to the consumer.

Costs of various disposal schemes for out-of-date products can vary depending on the scheme and product category. For example, if mandatory open dating were imposed on fresh meat and poultry, without allowance for reconditioning and redating, the additional costs of open dating could be burdensome for some retailers. The impact would be greatest on smaller retailers who tend to have fewer inventory turnovers. Also, economic incentives already exist for retailers to minimize the amount of meat reconditioned.

Alternative disposal schemes at retail include marking out-of-date stock down in price, allowing return to processors (where appropriate), giving the food to charities, or simply disposing of it. The first of these is likely the least expensive to the distribution system in the long run, while the latter is likely the most expensive.

Social costs from mandatory open dating include potential for less variety of sizes and more products out-of-stock on retail shelves. Such reaction would be logical for retailers in an attempt to minimize past-date merchandise on their shelves.

### Consumers

The overall result of open dating, whether voluntary or mandatory (except for a pack date) would be to increase the cost of food to the consumer, since all the above costs would

be passed on as increased price, ' Experts on the OTA working panel could not make an exact estimate of increased cost, but thought it could be between 0.1 and 1 cent per package of food.

The greatest impact on consumers other than cost would be increased education on the storage and handling of foods, which might mean increased quality at point of consumption and an opportunity for purchasing out-of-date bargains.

#### Government

With a required open pack date, the overall cost to the Federal Government would not be much more than under present food package screening and recall procedures on the basis of misbranding.

\*Note that the use of a pack date could also increase costs to consumers if it causes the consumer to reject an otherwise acceptable product because of the date. This effect would be greatest on those products having the longest shelf life.

If the Government were to mandate a use-by or best-if-used-by date with Government-set standards of quality, a large share of current FDA and USDA budgets would be required for the research to set such standards for all packaged foods. Since it would have to be on specific products, consumers would likely complain that the Government is doing the industry's job. In addition, the size of the enforcement and legal force would have to be increased to cope with the problem of retail inspection and control.

If the labeling systems were voluntary, but with a mandated label format and quality standards set by the food companies, there would be little cost impact on the Government except through FDA and USDA education offices to help the consumer understand the label. However, based on problems with nutrition-labeling-education costs, this could be relatively expensive. Other costs to Government would be in enforcement if the correct label format were not used. Another problem would be in setting standards for removal or segregation of out-of-date food, especially with respect to the price reduction that should be used,