

Pre-Packaged Goods: Regulations, Rationale and Potential Economic Benefits



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Key messages

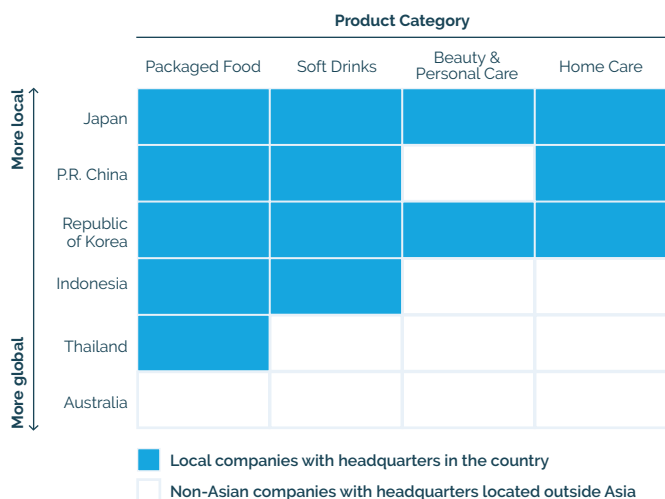
- Globally, traded pre-packaged goods are estimated to account for more than three-quarters of the total value of traded commodities.
- The metrological control system for pre-packaged goods aims to protect consumers regarding the actual quantity of product contained in a package. Internationally, the control system helps local authorities provide confidence for consumers, and it facilitates the trade of pre-packaged goods.
- Controlling pre-packaged goods is not only a legal requirement for packers; it also helps consumers make informed decisions when purchasing these goods.
- Governments, businesses, and consumers should work together to improve the metrological control of pre-packaged goods, with an aim to boost consumer protections and to maintain reliable trade.

What's the issue?

Over the last two decades, trade of goods has moved from commodities sold in bulk forms to pre-packaged goods. Globally, traded pre-packaged goods are estimated to account for more than 75% of the total value of traded commodities ².

The World Bank (2021) noted that the export value on selected commodities of pre-packaged goods in South East Asia reached USD 11.9 billion. Pre-packaged goods are easier to be traded across regions, therefore more countries have shifted their market from a local area to a global one, as shown by Figure 1³.

Figure 1: Adapted from McKinsey Report,
"The shifting consumer packaged goods market in a diversifying Asia"



Definition

OIML R87 states that a pre-packaged product is "a single item for presentation as such to a consumer, consisting of a product and its packing material, made up before being offered for sale and in which the quantity of the product has a predetermined value, whether the packing material encloses the product completely or only partially, but in any case in such a way that the actual quantity of product cannot be altered without the packing material either being opened or undergoing a perceptible modification."¹

The COVID-19 pandemic that began in 2020 altered consumers' behaviour, and it became a huge market disruptor. It has led to an increasing demand for pre-packaged goods, especially packaged foods and beverages. A review of the industry in 2021 showed that product categories of oil, condiments and spices demonstrated the best performance with a 9% increase in sales compared to 2019. Cookies and other baked goods also showed a considerable growth of 7%. However, rice, pasta, flour, tea, coffee, vegetables, fruit, milk, yogurt, butter, and cheese showed only a modest increase. The sub-sector for bottled water and soft drinks experienced a lower demand ⁹.

This growth can be attributed to the increased consumption of snacks, beverages, chips, chocolates, and frozen foods, primarily driven by the lockdown measures and the widespread adoption of work-from-home arrangements. With the implementation of strict lockdowns, people altered their shopping habits and began purchasing pre-packaged foods in large quantities ^{10 a b c}. Consequently, this trend encouraged companies and factories to accelerate their production processes, to meet the demand.

Despite the world's growing reliance on pre-packaged goods, there are still issues with conformity to the necessary requirements. In domestic and export markets, pre-packaged goods are often rejected because the labelled nominal (or net) quantity doesn't match the actual content.

Short weight, in which an actual quantity is below the declared nominal quantity, leading to non-conformance to the labelling requirement, still occurs.

Why is this important?

There are reasons to be concerned about the progress in controlling pre-packaged goods. Correct labelling is vitally important for products. It is not only a legal requirement for packers, but it helps consumers make informed decisions when purchasing pre-packaged goods, and to have trust in the quantity information on the label.

From a commercial viewpoint in a competitive context, consumer trust and confidence are the main variables for the manufacturers and packers operating in the pre-packaged goods sector. Entering the market with high trust is only possible if a high-quality product is offered at the right price, and with correct measurement of the actual quantity.

The main reason for this is limited government resources to control a wide variety of pre-packaged goods, produced by a large number of packers both domestically and internationally. Generally, the mode of regulation of pre-packaged goods all across world is based on relevant domestic and international standards; predominantly OIML R87 *Quantity of product in prepackages*¹ and OIML R79 *Labeling requirements for prepackages*².

In addition, consumers are increasingly adopting more sustainable behaviours. They are looking at a product's environmental impact, price, quality, and available quantities.

Accurate and reliable measurement of pre-packaged goods benefit everyone – governments, businesses, and consumers alike. It boosts protections for all parties, and it ensures that trust can be maintained.

The role of metrology

As vast quantities of goods are sold in the form of pre-packages, metrological control over them is an essential part of any viable management system. At the domestic level, metrology offers protection for consumers regarding the quantity of product in pre-packages. Internationally, the control system helps provide confidence, and it facilitates the trade of pre-packaged goods.

In many economies, quantities in pre-packages are controlled under a legal metrology authority. This maintains a national framework for controlling measurements and measuring instruments based on a legislative system for protecting transactions, certifications, and consumers.

This authority plays several key roles:

- Establishing rules and procedures for fostering confidence so that the labelling and the nominal quantity of pre-packages comply with all relevant legal requirements.
- Promoting the harmonization, uniform interpretation and implementation of the legal metrological requirements for nominal quantities, labelling requirements and production systems for pre-packages.
- Promoting the efficiency of the control of pre-packages whilst maintaining confidence in the nominal quantity, and facilitating fair trade of pre-packaged goods.



Legal metrology is underpinned by scientific metrology, which deals with the study, organisation, maintenance and development of the standards in the International System of Units (SI). For some issues such as product safety (e.g., pesticide level and additive content) and product quality (e.g., ingredients and nutrition), scientific metrology also plays important roles:

- Establishing the metrological traceability of standards to the SI, to establish recognition and acceptability of measurement results.
- Developing new measurement methods which aim to increase the accuracy of measurements.

What should policy makers do?

Here are some key recommendations for policy makers working in the area of pre-packaged goods:

- Facilitate the removal of technical barriers to trade through harmonization of the requirements on pre-packaged goods.
- Improve the legal metrology system for pre-packaged goods through training and capacity-building programs, aimed at developing, understanding, and implementing the Recommendations of the International Organization of Legal Metrology (OIML).
- Develop national capacity in metrology through enhancing the technical competence of national authority technicians, trade measurement inspectors, and legal metrology officers in other fields.
- Collaborate to enhance delivery of information on pre-packaged goods to industry and businesses with a special focus on micro, small and medium-sized enterprises (MSMEs).

Local example: Indonesia

There are more than 5,500 large packer companies, and astonishingly, 64 million micro-SMEs (MSMEs) in Indonesia under supervision of legal metrological control on pre-packaged goods⁸. Regular inspections are carried out by central and local government to ensure the correctness of labelling the declared net quantity. Annually, there are some priority commodities that are subject to regular inspection such as rice, drinking water, milk, tea, sugar, cooking oil, and cooking gas.

A major challenge in controlling pre-packaged goods involves issues with labelling and the dissemination of national regulations for pre-packaged goods to business entities, especially MSMEs.

A consumer survey conducted by the Indonesian Ministry of Trade in 2022 showed that only 43.4% of respondents actively check the information on the label concerning net quantity at the point of sale. The survey also showed that 71.6% of respondents trust that the actual quantity of the product in the package accurately matches the nominal quantity declared on the label¹¹. These statistics reflect that there has been limited public outreach on pre-packaged goods across conventional mass media or digital/electronic media.

Therefore, the Ministry of Trade has developed educational programs for businesses, a public outreach campaign initiative, and a technical assistance programme within a dedicated business incubator initiative. The incubator will run for a medium term (3-5 years), assisting SMEs to design labels and manage quantity control in their production system.

The government is also considering an alternative approach to control pre-packaged goods through a Quantity Marking Scheme as proposed in OIML G 21 *Guidance for defining the requirements for a certification system for prepackages*⁷. This approach is based on an assessment of the application of the quantity management system (or similar system) at the manufacturers or packers. It might cover assessments, certification, and licensing for the production system, and post certification conformity assessment activities.



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