

including butter and other products that are high in butter fat.

3. Relabeling Costs

In the analysis of the proposed rule, FDA estimated that 39,000 SKUs were associated with the 32,000 products that would change their information panels at a cost of \$30 million. During the comment period reopened November 2002, FDA received comments that we would have to reestimate the relabeling costs for the final rule. Under this final rule many more labels will have to be changed than under the proposed rule.

FDA has used the new Labeling Cost Model to reestimate the relabeling costs of this final rule. Based on information in the model, three-quarters of the labels normally will be scheduled to be changed during the 30 month compliance period. FDA estimates that about 78,000 (25 percent) of the almost 308,000 SKUs will have to be changed earlier than would have been planned without this rule. Included in the cost of relabeling are administrative, graphic design, pre-press preparation, printing and engraving, and the lost value of

discarded labels. Across product categories, the average low relabeling cost per SKU is about \$1,100 and the average high relabeling cost per SKU is \$2,600. The reported estimated costs of changing labels varies within a product category because different packaging converters and food manufacturers reported different costs to RTI International. Table 5 shows the total SKUs changed earlier than planned and the total estimated costs of relabeling per product category and for the entire industry.

TABLE 5.—RANGE OF RELABELING COSTS BY PRODUCT CATEGORY

Product Categories	SKUs Changed	Low	Medium	High
Baked Goods	12,500	\$10,941,000	\$16,137,000	\$27,231,000
Baking Ingredients	1,700	\$1,615,000	\$2,380,000	\$3,899,000
Baby Foods	200	\$164,000	\$249,000	\$404,000
Selected Beverages	9,000	\$11,871,000	\$16,659,000	\$25,437,000
Breakfast Foods	1,000	\$801,000	\$1,237,000	\$2,044,000
Selected Candy	4,100	\$4,801,000	\$6,974,000	\$10,846,000
Selected Condiments, Dips and Spreads	3,700	\$4,026,000	\$5,970,000	\$9,283,000
Dairy Foods	8,700	\$10,744,000	\$16,025,000	\$25,032,000
Desserts	3,500	\$2,762,000	\$4,263,000	\$7,042,000
Dietary Supplements	8,100	\$13,449,000	\$20,110,000	\$34,041,000
Selected Dressings and Sauces	2,800	\$2,908,000	\$4,352,000	\$6,757,000
Eggs	2,400	\$1,983,000	\$2,896,000	\$5,086,000
Entrees	2,400	\$2,012,000	\$3,078,000	\$5,032,000
Fats and Oils	800	\$759,000	\$1,160,000	\$1,848,000
Fruits and Vegetables	7,500	\$7,426,000	\$10,915,000	\$17,882,000
Seafood	1,400	\$1,732,000	\$2,541,000	\$3,786,000
Side Dishes and Starches	4,100	\$3,361,000	\$5,124,000	\$8,494,000
Snack Foods	3,600	\$3,604,000	\$5,288,000	\$8,499,000
Soups	700	\$809,000	\$1,194,000	\$1,854,000
Weight Control Foods	200	\$196,000	\$283,000	\$489,000
Total	78,400	\$85,964,000	\$126,835,000	\$204,986,000

4. Margarine Reformulation Costs

One consequence of this regulation will be the reformulation of some foods to reduce levels of *trans* fat. Because those changes in food composition are attributable to this rule, the costs of reformulation are counted here. The benefits to consumers of being able to choose reformulated foods containing less *trans* fat will be counted in section

VI.E of this document. In the analysis of the proposed rule, FDA estimated the average reformulation would cost \$440,000 per product and would take a full year. Some comments stated that reformulation was very expensive, required a long time to accomplish and would, under certain circumstances, require the use of more expensive inputs. No comments contradicted FDA's estimate of the per product cost

of reformulation or provided information to change that estimate, so FDA will continue to use a per product reformulation cost of \$440,000. In the proposed analysis FDA assumed that only large firms would reformulate. There was no controversy over this assumption.

As mentioned previously, based on comments, FDA estimates that 15 percent of margarine products have