

Mandatory Origin Labelling: the cost burden for bulk commodities outweighs the benefits to consumers



The Primary Food Processors of the EU (PFP) represent the interests of the EU cocoa, flour, starch, sugar, vegetable oils and fats, and vegetable protein industries. Our sectors deliver single-ingredient products to consumers and supply food ingredients to second-processing industries.

PFP contributed to the DG SANCO Study on the mandatory indication of country of origin or place of provenance of unprocessed foods, single ingredient products and ingredients that represent more than 50% of a food conducted pursuant to article 26(5) of Regulation (EU) No 1169/2011 on the provision of food information to consumers (thereafter “Reg. 1169/2011”). PFP submitted an answer to the questionnaire addressed to food business operators, which was circulated by the consultant in charge of the study, and individual PFP sectors also sent submissions with more detailed information on their own specificities. Moreover, several of PFP sector products were selected to be part of the nine case studies carried out by the consultant (i.e., flour, sugar, sunflower oil).

In the context of the inter-services consultation on unprocessed food, single ingredient products, and ingredients that represent more than 50% of a food, pursuant to article 26(5) of Reg. 1169/2011, which may be accompanied by proposals to modify the relevant Union provisions, PFP would like to inform you of the main reasons why the Primary Food Processors of the EU cannot support new/additional requirements on origin labelling.

Requiring the labelling of the place of last substantial economic transformation or the place of harvest of raw materials to be expressed as “EU” or “non-EU”, or by country, or by other geographical location will have the following impacts on PFP sectors:

- It will **take away the flexibility to deviate the sourcing of raw materials** based on, for example, seasonal availability, weather/ climate variation, raw material quality or price, as this would notably imply the stopping and restarting of production to accommodate the changes of origin(s) on the labels.

- It will require radically **adapting or abandoning the continuous production processes** that PFP products are subjected to, where blending of raw materials from various origins is key, by requiring complete changes of the current practices as to bulk handling, storage, processing and the partitioning of production according to the origin of the raw material. These adaptations would not be economically viable.

- The need of constantly adapting the labels would **jeopardize the security of sourcing**.

- It will **affect the internal market and international trade** because customers are likely to request a “preferred” sourcing, thereby leading to a segmentation of the market, change of trade flows, and potential market disruptions. It will also likely impact some EU Member States more than others,

with potential bias towards increasing national preferences at the expense of food products from other Member States.

- It will **increase the environmental footprint of PFP foodstuffs**.

Moreover, mandatory origin labelling for PFP products would be **of little informative value or meaningless, and may even prove to be misleading** by wrongly suggesting that these products possess special characteristics when all similar products have the same characteristics.

Therefore, **the options and modalities suggested by the DG SANCO study (i.e., provision of place of last substantial economic transformation or place of harvest as “EU” or “non-EU”, or by country, or by other geographical locations) to provide country of origin information on ingredients of PFP members are not compatible with the industrial model they operate under** and which allows them to supply in large volumes, at low cost, and with a reduced environmental impact, the commodities that the market needs.

PFP therefore supports keeping the current EU voluntary origin labelling rules.

The production of PFP products under the current voluntary origin rules in a nutshell

Interchangeable sourcing and required blending

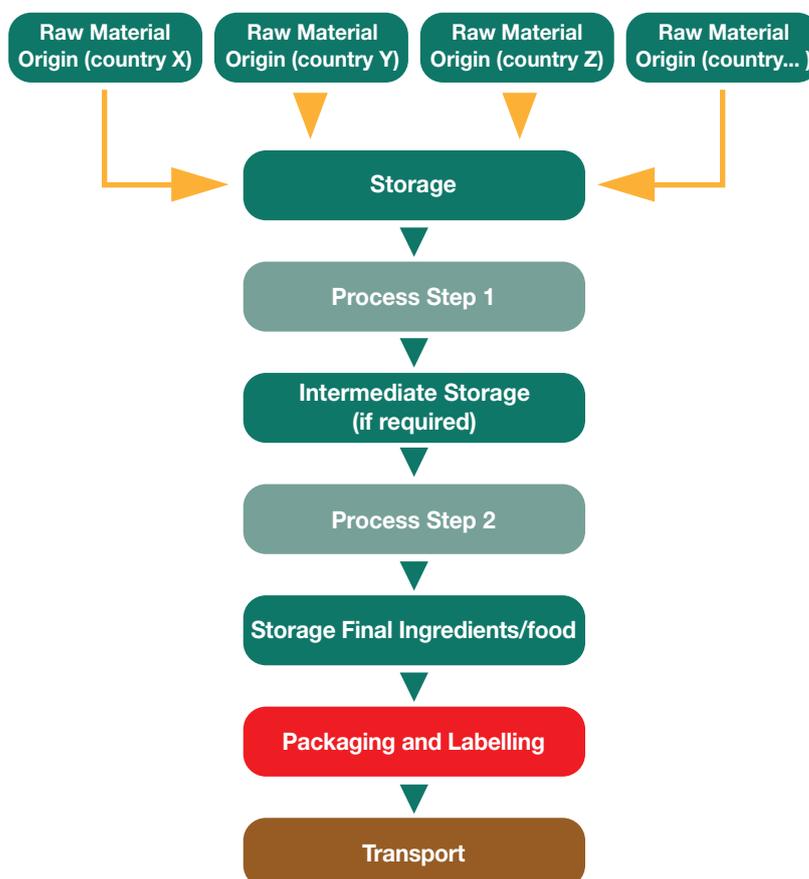
PFP members process bulk commodities, to ensure a standard quality of their products (e.g. cocoa, flour, starch, sugar, vegetable oils and fats, vegetable protein). The geographical origin of the raw materials is not a predominant parameter in the sourcing of raw materials. Rather, EU Primary Food Processors members source raw materials based on, for example, seasonal availability, weather/climate variation, raw material quality and price, with blending as a key step of the process.

As an illustration, currently origin can be switched 50 times during a year culminating in up to 140 changes in some cases. Moreover, blending is essential within the primary foods sector. Take for

example the milling process: the miller buys, blends and mills different types of traced wheat from different origins (mainly from intra- but also from extra-EU) to produce a mix capable of yielding the required quality of flour. Other examples are cocoa butter or vegetable oils and fats, which are blended at varying ratios to achieve specific functional properties and quality, and for which it will be difficult, without a complete change of the existing practices, to accommodate the contemplated extension of mandatory origin labelling. Moreover, sugar refineries refine raw sugar from multiple origins as the origins of the raw sugar vary according to availability.

Continuous production process

Primary food processing is in most cases a high volume, capital intensive industry, and production is conducted in a continuous process without any interruption. This requires a continuous supply of raw materials where raw materials coming from various origins (i.e., EU origins as well as non-EU origins) are processed at the same time. Each PFP sector has its own processing methods, but all share the same main steps. As illustrated by the diagram below, a single factory obtains raw materials from different origins. After the safety of the raw material is ensured, the raw material is stored in common tanks/silos. The origins are thus mixed prior to processing. The raw materials utilised by EU Primary Food Processors then go through several process steps (with or without intermediate storage, depending on the sectors). Final ingredients coming out of the last process step are then stored in common tanks/silos. Then, the ingredient is packaged (in more or less big containers, depending on the needs) and labelled. Finally, the food ingredient is transported, to food manufacturers (for further processing) and/or to retailers.



Traceability v. origin labelling

PFP would like to clarify that traceability and origin labelling are completely different issues. Traceability refers to the ability to verify the history, location, or use of an item by means of documented recorded identification. In the context of EU Food Law, traceability is the ability to track any food, feed, food-producing animal or substance that will be used for consumption, through all stages of production, processing and distribution.

The EU PFP sectors ensure traceability for incoming raw materials and outgoing foods (this

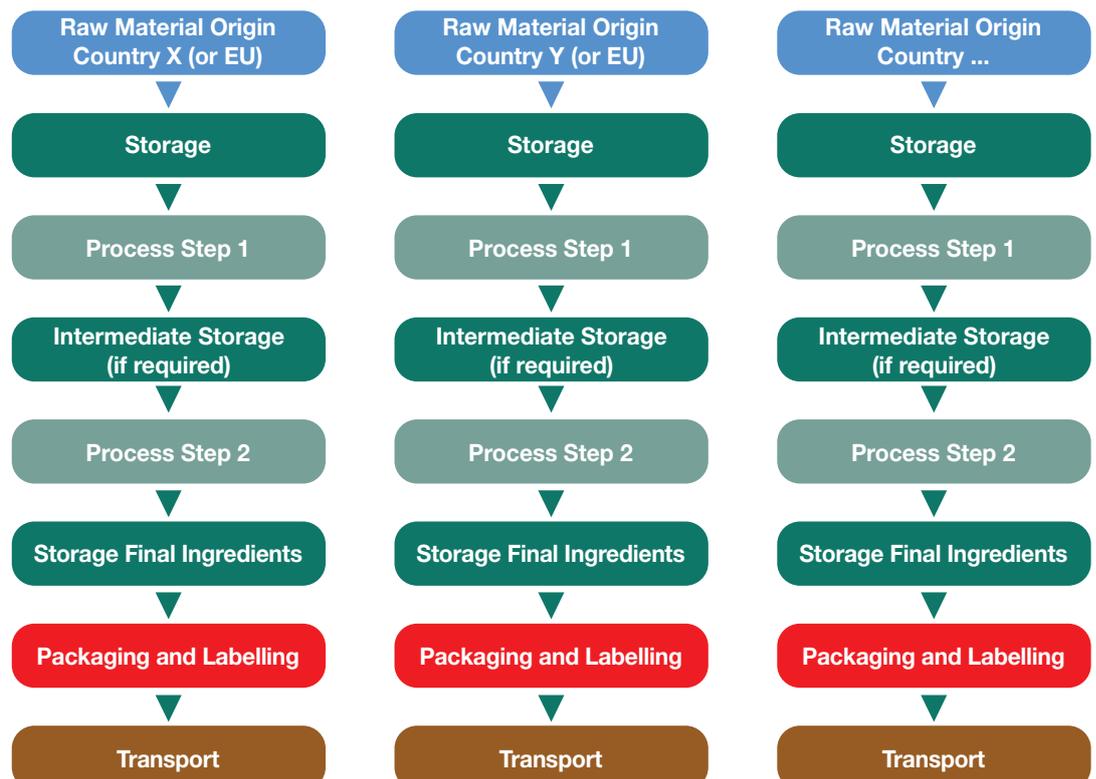
is the general food law principle). Indeed, EU Primary Food Processors process the raw materials in bulk. When the raw material enters the factory, the traceability is ensured and the safety of the products is verified. However, once the safety of the incoming raw materials is determined, the raw material enters the processing stages, and different raw materials are blended together. Traceability of incoming raw material does not require segregation of raw material per origin throughout the process. What matters is that in case of failure, either downstream or upstream traceability is ensured.

What the production of PFP products would be like with mandatory origin labelling

Mandatory origin labelling for PFP products would require tremendous operational adaptations. As shown by the diagram below, all the process steps would have to be separate for each origin of raw material that is handled, and this would be the case whether the origin has to be given by country or even as "EU" or "non-EU" (as even this option would require two separate processes). This means in practice that not only storage would have to be separate, but also process steps, packaging lines, labelling, and even possibly the final transport (as the different origins might not go to the same customers if customers request specific origins).

The separation of origins would theoretically have to be done either within each factory (hence multiplying storage and production lines) or by allocating one specific origin to one factory (meaning that each factory would process only one origin).

Moreover, in practice, the number of separate processes required would depend on the number of origins which could range from 2 to 4 or 8 or even more. This would require carrying out the exact same process steps in parallel for each origin (thereby multiplying storage facilities, processes, packaging lines, etc.) or by dedicating plants per origin.



The impacts of adapting to mandatory origin labelling

Impacts on sourcing

Mandatory origin labelling will take away the flexibility to deviate the sourcing of raw materials, as this would notably imply either the stopping and restarting of production to accommodate the

changes of origin(s) on the labels, or dedication of specific factories to specific raw materials origin.



Impacts on processing, handling, transport and storage

Mandatory indication of the origin will require changes as to bulk handling, storage and the partition of the production according to the origin of the raw material. This will require tremendous adaptations which would not be economically viable.

Heavy investments will, for instance, be needed to build additional silos to ensure new solutions as regards dedicated



storage of raw materials, production lines, packaging, transport and logistics, culminating in the worst-case to the building of new factories dedicated to specific raw materials from a specific origin and their processing and handling. Additional costs will also be incurred to certify a given origin. This will mean in practice issuing a specific paper/ certificate accompanying each product throughout the distribution chain.



Impacts on labelling

The requirement of having to constantly tailor packaging labels to the origin will interfere with the production line in such a way that the production process would lose its continuous nature, thereby reducing productivity to a great extent and seriously increasing



costs as this will require additional equipment and extra storage facilities to store the additional labels.

The need of constantly adapting the labels will also jeopardize the security of sourcing.

Impacts on the environment

The forced segregation of origins will increase the environmental footprint of PFP foodstuffs because:

- additional transport will be required (to carry the different origins to the customers who request them) and will thus generate increased CO₂ emissions,
- additional waste will be generated (whenever the continuous production process is interrupted, waste is generated),

- energy use will be increased (if the process has to be duplicated in additional production lines or if additional factories have to be built, or due to the switching from continuous to batch processing), and
- additional cleaning will be required (whenever the continuous production process is interrupted to change origins, cleaning will have to be done).



Impacts on the internal market and on international trade

The obligation to provide the origin of primary ingredients will have serious impacts on the internal market and on international trade because customers are likely to request a “preferred” sourcing. This will lead to:

- Segmentation of the market
- Change of trade flows
- Increased raw material prices and potential market disruptions
- Increased uncertainty in security of supplies (it would be practically impossible for the industry to maintain the current practice of having multiple suppliers).

As a consequence of the implementation of mandatory origin labelling and as far as the impacts on internal market are concerned, some EU Member States will likely be more impacted than others:

- plants that currently mainly source their raw material in their country because a large national production is available (e.g. Germany, France, Italy...) will keep this origin which will become exclusive, and will have a reduced output,

- plants situated in smaller Member States (e.g. Belgium, Netherlands) often have a more diversified sourcing as the national production does not suffice to meet their needs. These plants will face huge, if not unmanageable, challenges to supply customers that cannot accept to change their labels, increase phases when production has to be stopped due to lack of available raw material of suitable quality, and higher production costs. In the end, they might have no choice but to opt for buying exclusively their raw material from another EU country, and they will then have a competitive disadvantage.

Including a mandatory origin labelling also runs the risk to exacerbate existing misconceptions on the quality of food products produced in some countries or with raw materials originated from some countries. As an illustration, a consumer would avoid products produced or with raw materials from country X based on a-priori, stereotypes or historical reasons. This will ultimately increase national preferences and create further market disruptions in the internal market.



Origin labelling on PFP products would be of little informative value

In the majority of cases, origin labelling will not confer any particular quality or characteristics to the PFP products. The overall majority of PFP products are standardised. Sugar is a standardized product in the EU (Directive 2001/111/EC relating to certain sugars intended for human consumption). Cocoa and chocolate products are also standardized at EU level (through Directive 2000/36/EC relating to cocoa and chocolate products intended for human consumption). The Codex Alimentarius standardises wheat flour in CX-STAN152-1985, vegetable proteins in CX-STAN174-1989 and vegetable oils in CX-STAN210-1999. Thus, it does not matter in which country the product was produced or in which country the material was harvested.

Moreover, "country of origin" may cover different concepts in the minds of consumers when it comes to PFP products. It is unclear whether consumers would expect the country of origin to

be the country where a single-ingredient food was produced or the harvesting place of the agricultural raw materials from which this product is derived (e.g., sugar beet or cane, wheat, soya, cocoa etc.).

In addition, the origin labelling of PFP foodstuffs could even prove to be misleading by wrongly suggesting that a product labelled with a particular origin possesses special characteristics when all similar products have the same characteristics.

It is worth noting that when shopping for food, European consumers first consider taste and price as very important factors and origin only comes in the fifth place. Moreover, consumers rank origin labelling on staple foods as being of less importance to them according to the "BEUC consumer survey on origin labelling on food" made in January 2013.

CONCLUSION

Given these impacts, none of the options and modalities suggested by the DG SANCO study to provide country of origin information on ingredients produced by PFP members (i.e., provision of place of last substantial economic transformation or place of harvest as "EU" or "non-EU",

or by country, or by other geographical locations) are compatible with the industrial model these processors operate under and which allows them to supply in large volumes, at low cost, and with a reduced environmental impact, the commodities that the market needs.

PFP therefore supports keeping the current EU voluntary origin labelling rules.





PFP - THE VITAL LINK IN THE FOOD CHAIN

PFP - Primary Food Processors
Avenue de Tervuren, 168 (box 12)
B-1150 Brussels

www.pfp-eu.org
email : info@pfp-eu.org