Brussels, 4 June 2014
Ref. 14NUT102

FEDIOL highlights on mandatory country of origin labelling (COO labelling)

Executive summary

1. **Mandatory COO labelling is not possible to implement in practice for the vegetable oil and fat industry.**
2. **Such implementation would lead to breaks and shortages in the supply chain or would need a complete drastic change of the existing practices of the entire industry. This would undoubtedly imply severe costs for the industry and for consumers.**
3. **Potential distortion could be created among countries, given the size of the country at stake, the local production of oil seeds and the existing supply of vegetable oils/fats in a given country.**
4. **Mandatory labelling gives meaningless information to the consumers with regards to vegetable oil and fat. Knowing the place where the refining, blending occurred or where the oil seeds/oil fruits/beans are coming from will not help consumers to assess the quality of a product.**
5. **Mandatory COO labelling will lead to risks of market distortions in the Internal Market with increased national preferences and defiance for food products from other Member States.**

Context

Article 26 of Regulation (EU) No 1169/2011 on the provision of Food Information to Consumers (FIC) calls on the Commission to consider the extension of mandatory origin or provenance labelling to a number of food categories, in particular, single-ingredient foods[1] and foods containing an ingredient representing more than 50% of the food content. A report, which may be accompanied by proposals to modify the relevant Union provisions, is due by 13 December 2014.

FEDIOL has assessed the implications of the options that are considered and took part in the stakeholder consultation[2].
Specifically, FEDIOL members are processing

a) single ingredients goods -i.e. single seed bottled oil,

b) ingredients that represent more than 50% of a food – i.e. a blend of different seed oils where one oil represents more than 50% of the content or a sauce or margarine where an oil represents more than 50% of the food content.

[1] Following the definition as per article 2 of Regulation (EU) No 1169/20111, an ingredient refers to a single seed/fruit oil. A bottled oil composed of different seed/fruit oil is therefore to be considered as a food composed of several ingredients.
[2] DG SANCO study on the mandatory indication of origin or place of provenance of unprocessed foods, single ingredient products and ingredients that represent more than 50% of a food.

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Structure of the vegetable oil and fat industry

Directly and indirectly, FEDIOL covers about 150 processing sites that crush oilseeds and/or refine crude vegetable oils/fats. These plants belong to around 35 companies. It is estimated that over 80% of the EU crushing and refining activity is covered by the FEDIOL membership structure.

The activity of oilseed processing is spread over 17 Member States with a concentration of plants with crushing and refining activity in countries such as Germany, the Netherlands, France, Spain, UK, Italy, Czech Republic, Poland and Belgium.

In Europe, refined vegetable oils and fats for food applications amounted in 2012 to 13,176,000 tons or 54% of the European total vegetable oil and fat production. Hence, in case measures on mandatory country of origin labelling would be set in place, this could affect about 54% of the total European vegetable oil and fat production and have an impact on over half of the 25 billion € turnover of the European vegetable oil and fat industry.

Defining the Country of Origin (COO) for the vegetable oil and fat industry

As per Regulation (EU) No 1169/2011 and Regulation (EEC) No 2913/92, the place where the last substantial economically justified transformation took place confers the origin. In the case of vegetable oils and fats, one must distinguish 3 situations.

Firstly, for a single seed/fruit bottled oil, the country where the full refining occurs confers the origin. This concept is coherent with the quality of vegetable oils and fats. In practice, the quality of refined vegetable oil/fat for food applications, its taste and characteristics are dependent on the refinery. This is where all safety and quality checks are made[3], regardless of the place of harvest of the oilseed.
Hence, a fully refined vegetable oil/fat has a German origin when the refining took place in Germany, regardless of the country of production of the crude oil/fat and of the country of origin of the raw materials.

Secondly, for a blend of refined vegetable bottled oils from the same seed/fruit, the COO is given by the place where the blend took place if none of the oils weights more than 50% of the blend. A bottled oil composed in equal parts of oils refined in Germany, France and The Netherlands will have a Belgian COO, if the blending took place in Belgium.

Thirdly, in the case of a blend of refined vegetable bottled oils from the same seed/fruit, where one oil weights more than 50% of the blend, the COO is deemed to be given by this oil, regardless of the origin of the other oils. In the case of a bottled oil, where 50% of refined oil originates from France, the blend will have a French COO, whatever the place the blending took place.

Sourcing practices in the vegetable oil and fat industry

Processing of bulk oil seeds and vegetable oils and fats is a **continuous process** involving multiple origins, which are subsequently blended in silos or tanks and whereby the quality/safety of the final refined vegetable oil/fat is achieved through application of validated processes and product verifications.

What is determinant for the quality of refined vegetable oils/fats are the technology and the know-how in the refinery (the place where the primary ingredient underwent its last substantial economically justified transformation), where all safety and quality checks are

[3] What is determinant for the quality of refined oil are the technology and the know-how on site. Therefore in the case of vegetable oils and fats, the country of origin refers to the country, where the full refining occurred.

made. This is what determines the vegetable oil/fat quality, taste or specific characteristics, regardless of the place of harvest of the oil seed/oil fruit.

The raw ingredients – i.e. seeds, fruits or beans – come from **multiple sources**, whether from different EU and/or non-EU countries. Sourcing nationally or locally only is not a common or frequent practice. Changes in the mix of suppliers are frequent, can occur eight or more times a year and can affect a small or high number of suppliers.

The crushing/refining is done **without any interruption with a continuous supply of seeds/fruits/beans coming from different countries**. For example, a rapeseed refining plant can source during a year at least 8 different country origins (both EU and/or non-EU). This can increase to 12 in some cases. Looking at the number of origin switches during the year, this can reach from around 50 changes during a year up to 140 changes in some cases!

Reasons for changes in origin can be among other factors seasonal availability, weather/climate variation, product quality and/or better prices. It can therefore happen that seeds usually sourced from country A, will be sourced from country B instead, because of better availability, better product quality or price.

The geographical origin of the seeds/fruits/beans used for processing vegetable oils/fats is therefore generally not an important parameter for reaching a decision on sourcing the seeds/fruits/beans, unless factors such as seasonal availability, price, *etc.* force to change the supplier.

Existing traceability systems not suitable for tracing origin labelling

Traceability involves quality/safety checks along the process. By law, the level of traceability of "one step forward, one step back" is applied. However, in several cases, our industry goes beyond and applies a "more than one step back and one step forward approach" to further ensure quality and safety of the products at the different levels of the chain.

Such traceability system does not mean separation in the follow-on production stage (of crushing and refining). The traceability system as such is rather based on bulk commodity mass balance and therefore does not allow tracing specific origins in a particular batch.

Huge economic impacts for the vegetable oil and fat industry of mandatory COO labelling

4 options were particularly assessed by FEDIOL in understanding the impacts of mandatory COO labelling during the stakeholder consultation i.e.

- origin conferred by last substantial transformation and labelling EU/non-EU,
- origin conferred by last substantial transformation and labelling Member State/Third Country,
- origin conferred by place of harvest of the oil seeds/oil fruits/oil beans and labelling EU/non-EU,
- origin conferred by place of harvest of the oil seeds/oil fruits/oil beans and labelling Member State/Third Country.

Implementing a mandatory COO labelling would **imply severe costs for the industry and for the consumers**. FEDIOL estimate the costs incurred by crusher, refiner and bottler of vegetable oils and fats of **up to 0.45 EUR per litre of bottled refined vegetable oil/fat[4].** This includes among other the costs of label changes, administrative

[4] See annex I for further details.

steps and checks, higher transports and CO2 emissions and a complete change of the existing structure and practices of the industry. This represents huge additional cost considering an estimated refined oil price of approx. 1.5 EUR per litre based on Oil World public information.

These additional costs could not be borne by the processors and would be passed on to the next steps in the processing, and ultimately to the consumers, who would have to pay a higher price for each refined bottled oil bought. The price of one refined bottled oil, irrespective of its botanical origin, would rise. The same types of costs would equally apply in cases of single seed bottled oil or ingredients that represent more than 50% of a food, which are the 2 cases under consideration in the DG SANCO study survey.

Creating distortions among countries
Setting-up a mandatory COO labelling at Member States level will create distortions and discriminations between countries, depending on the size of the country at stake, the local production oil seeds/fruits/beans, the local refining production and the existing supply in a given country.

For example, if the bottling is taking place in a big country - i.e. where there is a large local oil seeds production and existing crushing and refining supply – this would enable the choice of a refinery being also situated in the same country. However, should the bottling take place in a small country – with a small local oil seeds production - this will make it difficult or impossible to find adequate quantity of seeds from the same country. This will ultimately prevent bottling companies situated in those smaller countries to make a COO linked to their country.

Furthermore, it will eventually also lead to shifts in factories from small countries to big countries. Indeed, a big country will also have a higher demand in having vegetable oils labelled under its country flag. There will therefore be a need of higher amounts of oils based on local seeds to maintain this. New refining facilities in the big country will have to be built. This will be done at the cost of the small country, where refining facilities will be closed. Indeed, the overall demand for refined vegetable oils will remain constant, meaning that the overall number of refining facilities will not change in Europe. Rather, there will be a shift from refining facilities across countries.

No added value but misleading information for the consumer
Mandatory COO labelling would give meaningless information to the consumer.

The quality of refined vegetable oil/fat for food applications, its taste and characteristics are given by the **refinery**, regardless of the place of harvest of the oil seed/fruit/bean or of the place where the refinery is located. What is determinant for the quality of refined oil/fat are the technology and know-how implemented in the specific refinery. This is where all safety and quality checks are made. It should be noted that all refined vegetable oils/fats produced in the EU or imported in the EU have to fulfil the same EU law requirements in terms of food safety in order to be placed on the EU market.

Therefore, knowing the country/area where the refining or blending occurred will not help the consumer to assess the quality of a product[5].
Knowing the country the seeds/fruits/beans are coming from will further mislead the consumer as it would wrongly suggest that they possess specific characteristics or a particular quality.

Setting a labelling at EU/non-EU level where the origin is conferred by the last substantial transformation will not provide additional information to the consumers, as in

[5] See BEUC consumer survey on origin labelling on food, *Where does my food come from*?, January 2013.

practice the overall majority of vegetable oils and fats for food uses available in Europe are either refined or blended in Europe.

Furthermore, adding a mandatory COO labelling could also enhance the exiting misconceptions on the quality of food products produced in different countries, which are based on a-priori, stereotypes or historical reasons. For example, consumers from country A could discriminate food products originated from country B based on the a-priori that those products are not of quality, although in practice they fulfil the same EU law requirements in terms of food safety. Mandatory COO labelling will further reinforce the defiance that some consumers have on products originated from other Member States, with a consequence of increased national preferences and a risk of market distortions in the Internal Market.

All in all it will mislead the consumer as it would wrongly suggest that the place the seeds/fruits/beans are coming from or the country/area where the refinery or blending occurs confer specific characteristics or a particular quality to the vegetable oil/fat.

In this context, the current status quo – implementation of voluntary origin labelling – should therefore be maintained.

Annex I – Overview of FEDIOL detailed assessment on mandatory COO labelling options as proposed in the stakeholder consultation

	EU – NON EU labelling	**Member State / Third Country labelling**	**Regional labelling**
Country of origin= refining (customs code)	0.003 EUR per litre of refined oil for label change +10 min per new certificate i.e. 900,000 EUR	From 0.05 to 0.1 EUR per litre of refined oil +10 min per new certificate i.e. 900,000 EUR	Not technically possible
Country of origin= place of harvest of seeds/fruits/beans	From 0.22 to 0.33 EUR per litre of refined oil + 30 min per new certificate i.e. 2,500,000 EUR	From 0.35 to 0.45 EUR per litre of refined oil + 30 min per new certificate i.e. 2,500,000 EUR	Not technically possible
Country of origin= refining(customs code) +place of harvest of seeds/fruits/beans	Not technically possible	Not technically possible	Not technically possible