

## **FEDIOL assessment of the practical implications of mandatory country of origin labelling options on the vegetable oils sector<sup>1</sup>**

### *Introduction*

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<sup>2</sup> 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. In general, refined vegetable oils for food amounted in 2012 to 13.176.000 tons or 54% of the total vegetable oil production. Hence, in case measures on mandatory labelling would be set in place, this could affect about 54% of the total vegetable oil production and have an impact on over half of the 25 billion € turnover of the vegetable oil sector.

### *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. 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, Belgium, etc.

## **1. Definitions**

### *Defining the Country of Origin (COO) for the vegetable oil and fat sector*

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** conferred by the oils. In practice, the quality of refined vegetable oil for food application, its taste and characteristics are dependent on the refinery. This is where all safety and quality checks are made<sup>3</sup>, regardless of the place of harvest of the oilseed.

Hence a fully refined oil has a German origin when the refining took place in Germany, regardless of the country of production of the crude oil and of the country of origin of the raw materials.

Secondly, for a *blend of bottled refined 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

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<sup>1</sup> It should be noted that olive oil is subject to a specific EU legislation and is therefore not in the scope of the present analysis.

<sup>2</sup> Following the definition as per article 2 of Regulation (EU) No 1169/2011, 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.

<sup>3</sup> 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.

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 bottled refined 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.

### *3 cases applicable to the vegetable oil and fat sector*

According to the terms of reference of the Commission study<sup>4</sup>, 3 cases can be identified, for which mandatory labelling has serious impacts.

- A. A single seed bottled oil<sup>5</sup> – e.g. a bottle of sunflower oil
- B. A blending of different seeds oils where one oil represents more than 50% of the content – e.g. a blended bottled oil composed of more than 50% of sunflower oil
- C. A sauce or margarine where an oil represents more than 50% of the food content

### *Options for indicating the origin of the product or of the ingredient*

In the Commission terms of reference, 3 options are envisaged for mandatory labelling:

1. origin labelling indicating the Member State or third country;
2. origin labelling based on a) EU/non EU origin or b) EU/third country;
3. other geographical entities as place of provenance.

## **2. Practical impacts of mandatory labelling on the refining and bottling process**

For the purpose of identifying the practical implications of mandatory labelling, this paper will focus on 2 activities: refining and bottling.

As regards the **refining**, the **primary raw ingredients –i.e. seeds or fruits – come from multiple sources**, whether from different non-EU and/or from EU countries. Sourcing nationally or locally only is not a common or frequent practice. Changes in the mix of suppliers are frequent, can occur five or more times a year and can affect a small or high number of suppliers. This can be due among other factors to seasonal availability, weather/climate variation, product quality and price. The refining implies a **continuous production process**. This means in practice that the refining is done without any interruption with a continuous supply of seeds/fruits coming from different countries. This practice is common to the primary food processing sector<sup>6</sup>.

When it comes to the **bottling**, the **key criterion** to take into account is the **distance** between the place of the bottling and the place of the refining. In practice, a bottling company situated in country A will have as a principal refining supplier a refining company situated as close as possible to its location within country A (either in country A or outside). Indeed, transport involves high costs which bottling companies try to minimize as much as possible.

Mandatory COO not only will lead to higher transport costs, but as well to **discrimination between countries and between companies depending on where they are located**. 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 enables the choice of a refinery being also situated in the same country. However, should the bottling takes place in a small country, this will make it difficult or impossible to find an

<sup>4</sup> 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.

<sup>5</sup> In view of the definition of "ingredient" in Regulation 1169/2011, one can wonder of the status of an anti-oxygen additive which could be added in an oil.

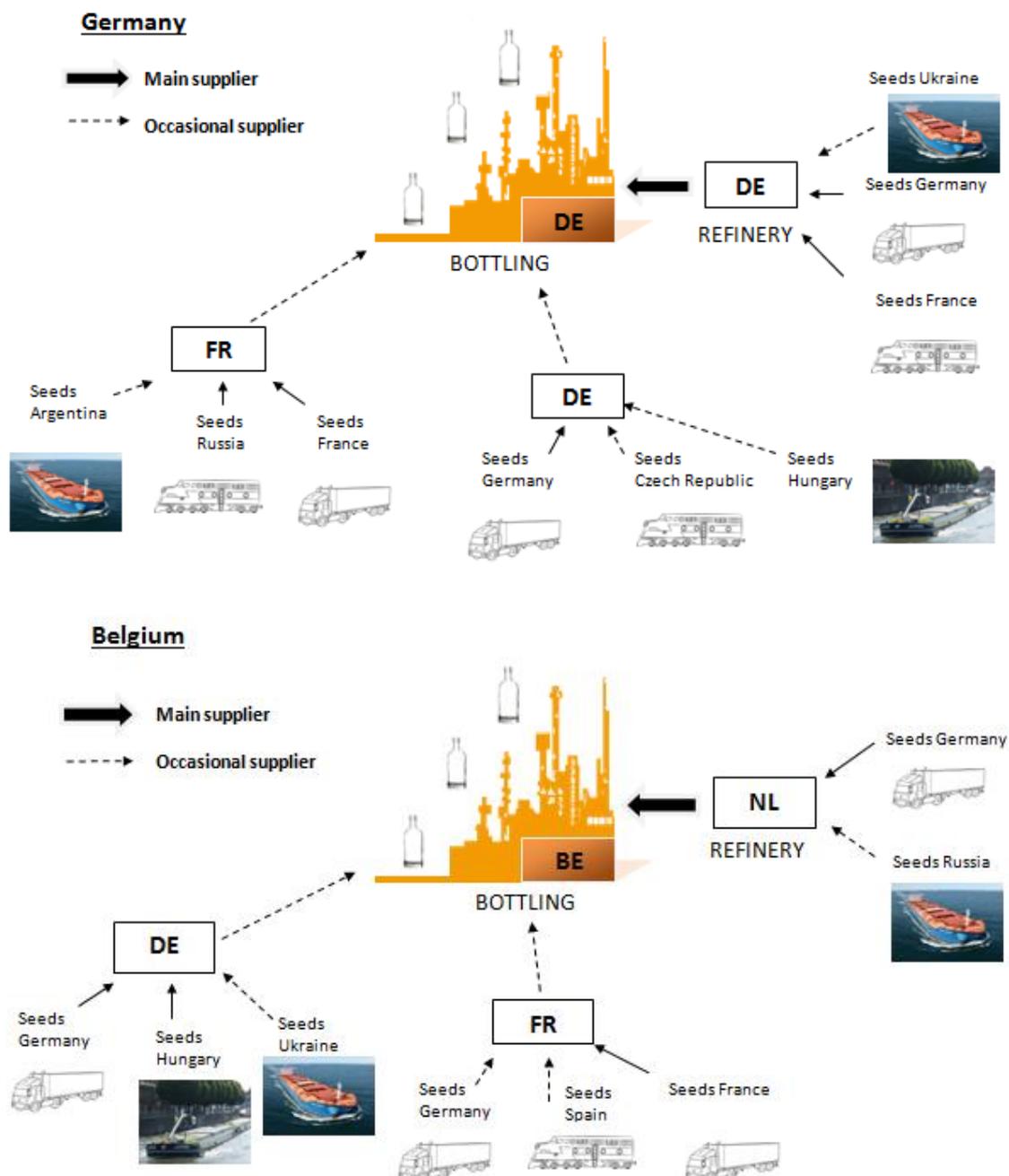
<sup>6</sup> See PFP position on COOL labelling, September 2013.

adequate refining company processing the exact required oil and/or in requested volume in that same country, obliging them to find a refinery outside their country. This will ultimately prevent bottling companies situated in those smaller countries to make a COO linked to their country (as COO of refining).

Furthermore, as in the refining, the bottling also entails frequent changes in suppliers. Whilst having a **main supplying refinery** is the rule, circumstances such as availability, quality, price, weather/climate variation, will lead in all cases to resorting to occasional refinery suppliers.

The graphs below illustrate this issue. In this graph, Germany is considered as a "big" country and Belgium as a "small one".

Simplified graph of a single sunflower bottled oil

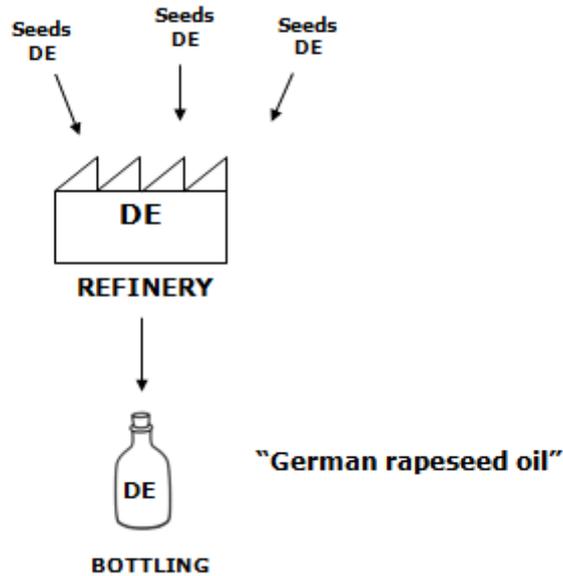


**3. Why imposing a mandatory labelling has limited value for the consumers and for the vegetable oil and fat sector**

The figures are meant to illustrate different cases where a rapeseed oil would be labelled as having a German origin if COOL was made compulsory.

Simplified graph of a single rapeseed bottled oil

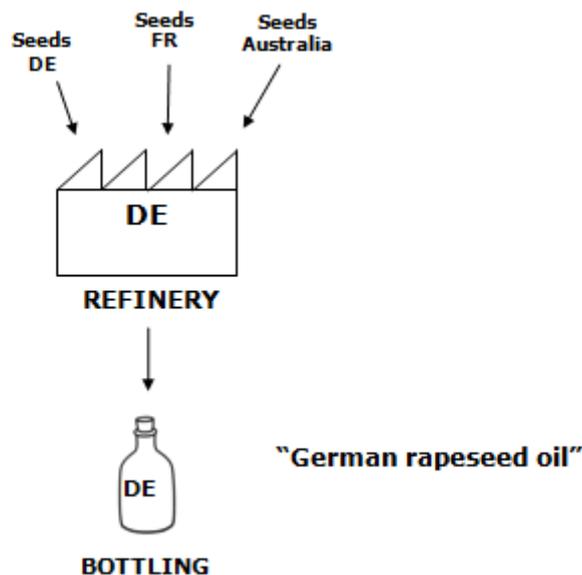
Case 1



The refinery confers the COO. In this case, the seeds are coming from German, the refinery and bottling occur in Germany.

This represents a very rare situation for the vegetable oil and fat sector that a refiner will permanently source seeds grown in his country.

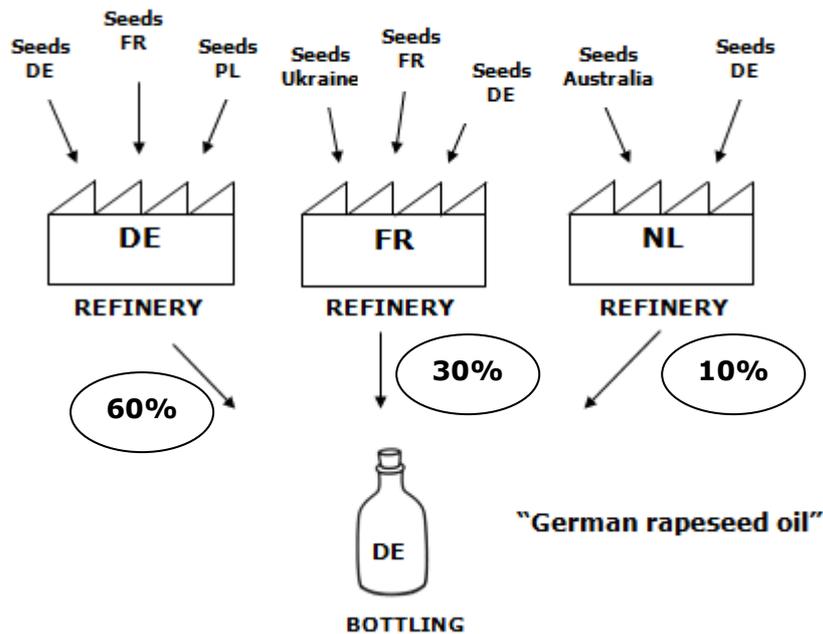
Case 2



Again, the refinery confers the origin. However, the seeds are not necessarily all coming from Germany. Generally refiners have 3 or 4 change-over per year.

For a bottler, he may source his oil from a single refiner during most of the time, but not permanently.

Case 3

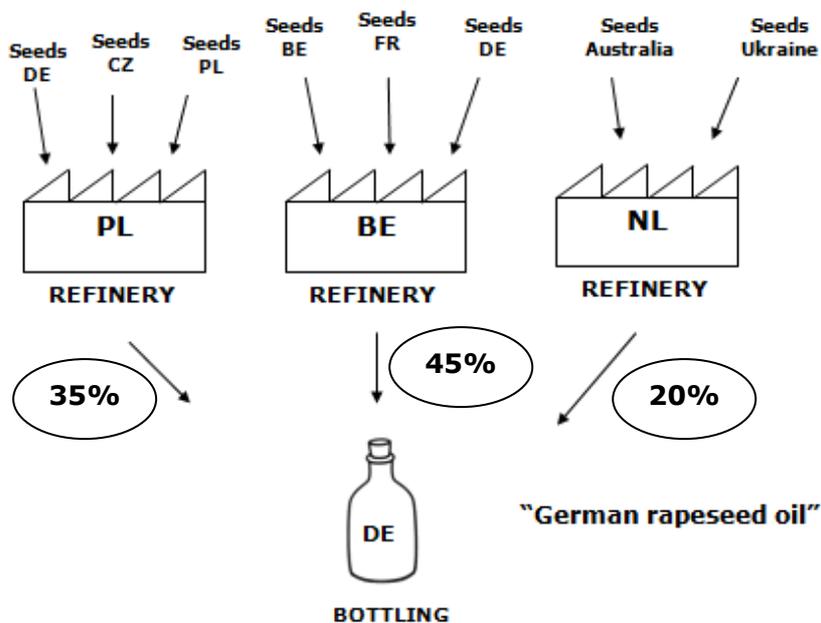


In this case, the COO is still given by the German refinery as the rapeseed oil refined in Germany weights more than 50% of the total of the oils. The information provided has limited value as several refineries are engaged.

An "EU/non EU" or "EU/third country" would not bring more information for the consumer.

This represents a normal situation for the vegetable oil and fat sector. Bottlers frequently face situation, where they must source from different origins.

Case 4



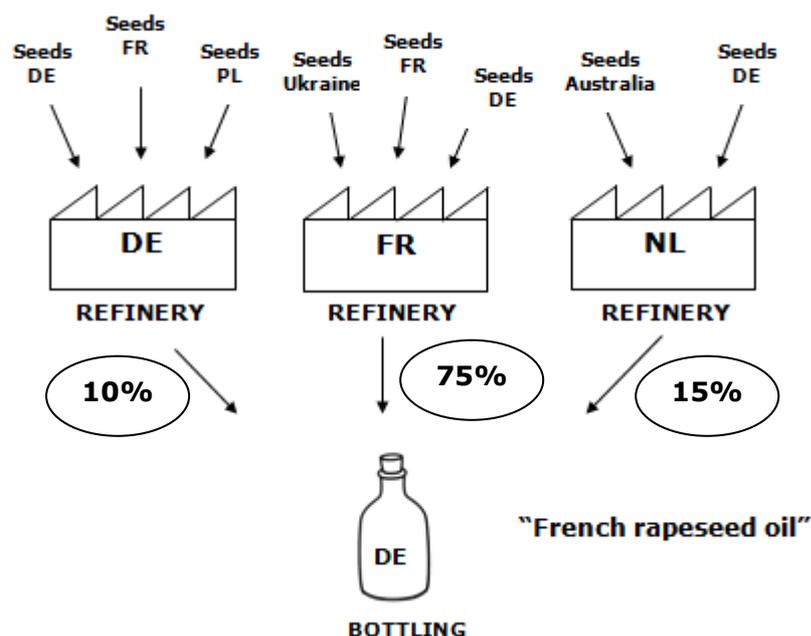
In this case, the COO is given by the bottling as none of the oils present weights more than 50% of the total of the oils. The information provided is meaningless from a consumer point of view.

An "EU/non EU" or "EU/third country" would not bring more information for the consumer.

This represents a normal situation for the vegetable oil and fat sector.

Most of the time, bottlers are operating as described in cases 1 or 2, but will several times in a year have no choice but to fall in cases 3 and 4. **However, in practice, they will also regularly be placed in a fifth case, where there will be an oil origin that will predominate in the blend that will not be their usual origin.**

Case 5



The oil refined in France weights more than 50% and confers the origin.

Summary of the different cases for a "German single rapeseed bottled oil"

Origin Labeling		Seeds	Refining	Bottling	Frequency
"German rapeseed oil"	Case 1	DE	DE	DE	Very rare
	Case 2	Worldwide	DE	DE	Normal situation
	Case 3	Worldwide	> 50% DE + < 50% Worldwide	DE	Normal situation
	Case 4	Worldwide	Worldwide (no country > 50%)	DE	Normal situation
...becomes a "French rapeseed oil"	Case 5	Worldwide	> 50% FR + < 50% Worldwide	DE	Normal situation

In view of the situations described in the figures above, a mandatory labelling applicable to single seed bottled oils and fats with a COO/provenance either as Member State or EU/third country **does not make sense in practice** and **provides meaningless information to the consumer**.

Following the consumer need to know the label in order to *help assess the quality of products*<sup>7</sup>, **this need will not be met** by introducing such a mandatory country of origin labelling for the vegetable oil and fat sector, as this would mean in practice knowing the country where refining or the blending took place. This is so because the quality of refined vegetable oil for food application, its taste and characteristics depend on the refinery, regardless of the place of harvest of the oilseed.

<sup>7</sup> See BEUC study January 2014.

Should **mandatory labelling be required on the place of provenance of the seeds/fruits** (option 3 of the Commission terms of reference), this would **prove impossible to implement in practice** as this would require:

- a continuous change in the labelling
- either/and lay-off of the refinery
- either/and an entire reshaping of the vegetable oil and fat sector, which would have irreparable costs (employment losses, reshaping each refinery and bottling company, huge costs to purchase new equipment needed to segregate seeds etc.) and would reduce the production capacity of the sector.

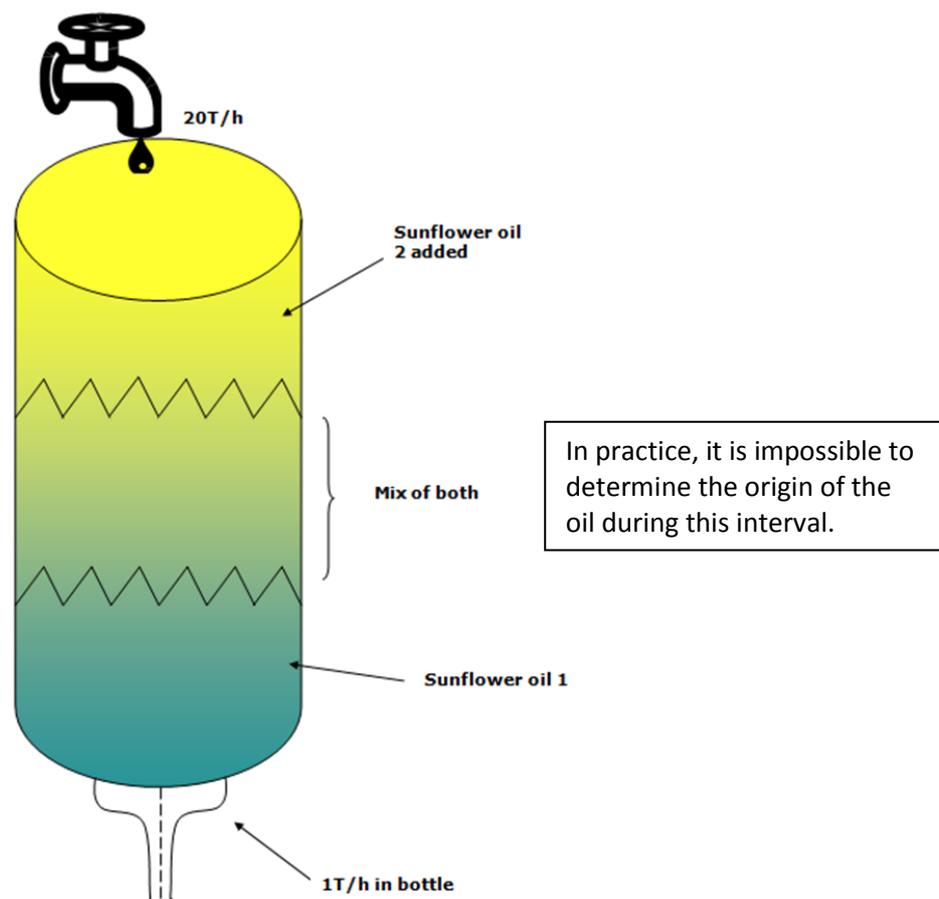
Such costs would be ultimately passed on to the consumer. This would consequently deter consumers from buying such foods, as price appears to be one of the top criteria consumers look at, when buying foods<sup>8</sup>.

#### **4. The Problem of change-over for bottlers; undetermined origin**

In a continuous production process, supplies have to be regularly complemented and cannot be stored separately. **Mixing** of the same oils from different countries in storage tanks of bottlers is unavoidable.

Typically, filling in the bottler's tank is semi-continuous (e.g. several trucks each day), while bottling will also be semi continuous (during a few hours per day for a particular oil).

As a consequence, at certain points in time, it will be impossible to determine the origin of the oil that is bottled (see figure below).

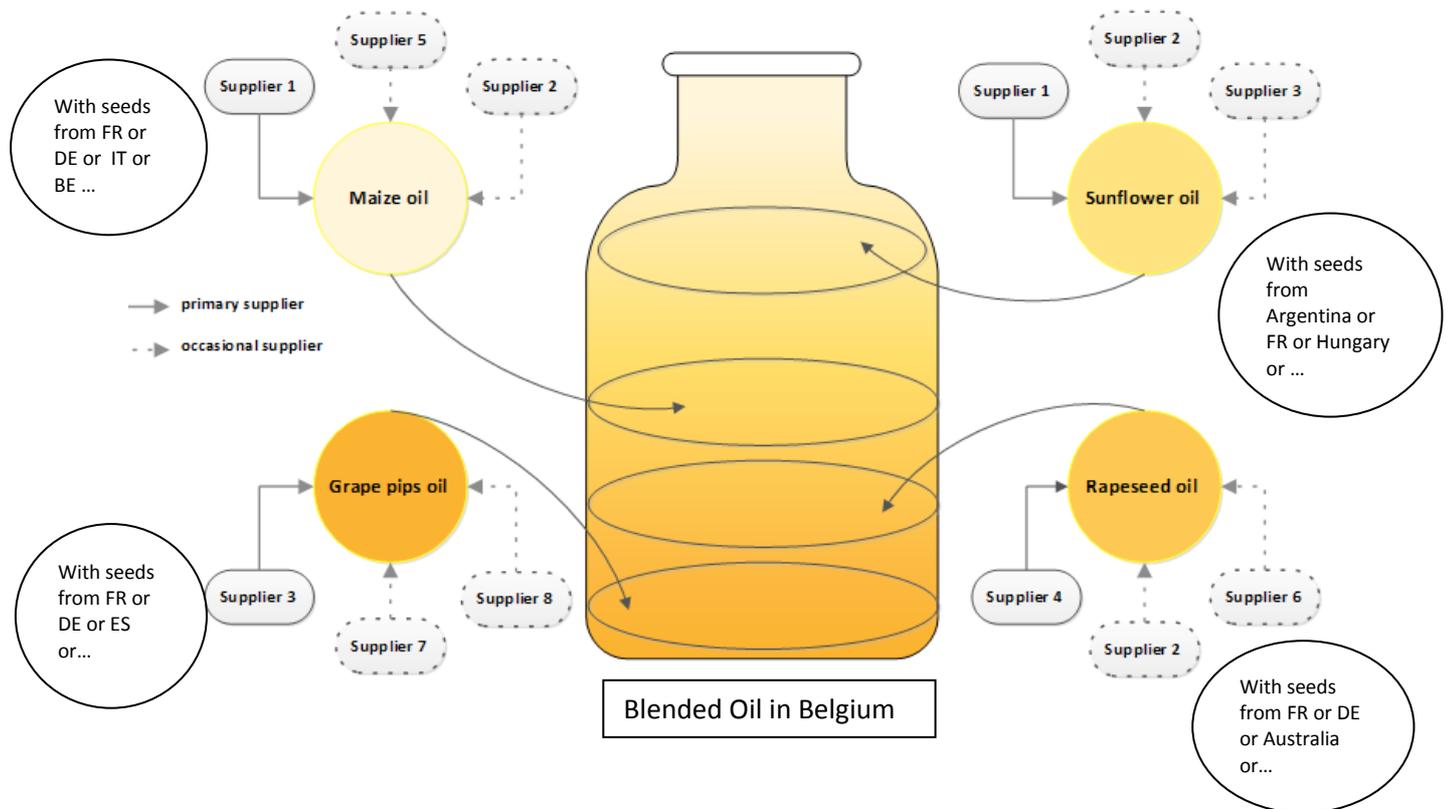


<sup>8</sup> Ibidem.

### 5. The case of mixed vegetable oils

Vegetable oils and fats are not always sold to the final consumers or to mass caterers as single seed/single fruit oils. Blends with particular features (either a nutritional profile, or an intended use, such as frying) are often blends in which one botanical origin weights more than 50%.

The figure below further exemplifies why mandatory labelling of COO/Provenance does not make sense in the case where different seed oils are blended and where one oil represents more than 50% of the content – e.g. a blended bottled oil composed of more than 50% of sunflower oil.



In this case, the origin will be the place of refining of the sunflower oil, which is neither the place of provenance of any of the seeds, nor the place of refining of the other oils, nor the country of blending and bottling of the final product.

**Conclusions:**

- 1. Mandatory labeling is not possible to implement in practice for the vegetable oil and fat sector.**
- 2. Such implementation would lead in practice to breaks and shortages in the supply chain or would need a complete drastic change of the existing practices of the entire sector. This would undoubtedly imply severe costs for the sector and for the consumer.**
- 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 in a given country.**
- 4. Mandatory labelling gives meaningless information to the consumer as regards vegetable oil and fat. Knowing the place where the refining or blending occurred will not help him to assess the quality of a product.**