Challenges for the oil and proteinmeal industry: an EU perspective

Nathalie Lecocq
Director General FEDIOL

Outline

- Setting the scene
- Key EU regulatory challenges
  - Food and feed safety (contaminants and pesticides residues)
  - Climate action – ETS - sustainability
  - Supplies - (CAP beyond 2013) – GMOs
  - Health and nutrition
  - Trade
  - Market challenges & opportunities
  - Concluding remarks

New EU political context

- Implementation of the Lisbon Treaty
- European Parliament
  - Stronger conservatives (EPP) and green parties
  - With new powers (agriculture and trade)
- Barroso II European Commission (Executive)
  - Commissioner for Climate Action, focus on low carbon economy
  - Agriculture Commissioner (D. Ciolos)
  - Health & Consumer Commissioner (J. Dalli)

=> Europe seems complicated, but is steadily pursuing its route

FEDIOL – about us

- Member Associations in 14 countries (A, B, DK, D, F, FI, H, I, NL, POL, SE, SP, UK + UKR)
- Efficient working groups led by company experts:
  - Supply Chain
  - Product Safety & Consumer Affairs
  - Environment
- Outreach activity towards European Commission, Parliament, Council (=Member States) Representatives
- Networking with other stakehoders in various platforms
  - Primary Food Processors (CAP, sustainability)
  - Food and Feed Chain (GMOs, pesticides)

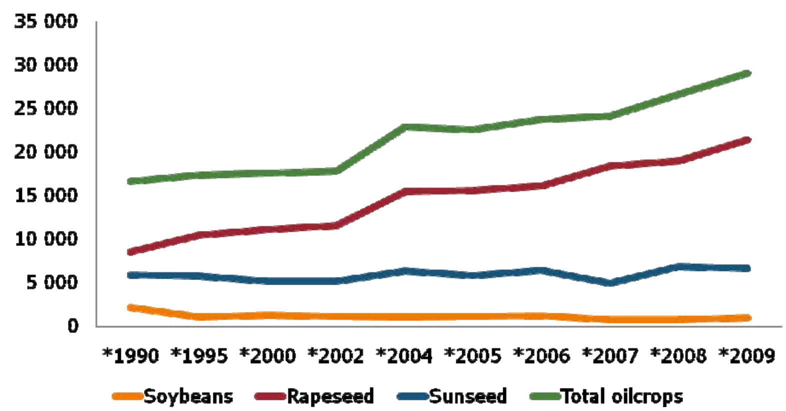
FEDIOL priority and working areas

- **Food and feed safety**
- **Environment and Sustainability**
- Agriculture and raw material supply
- GMOs, biotechnology
- Biodiesel
- Feed marketing
- Labelling, nutrition and health
- Fair competition, trade
- Contracts

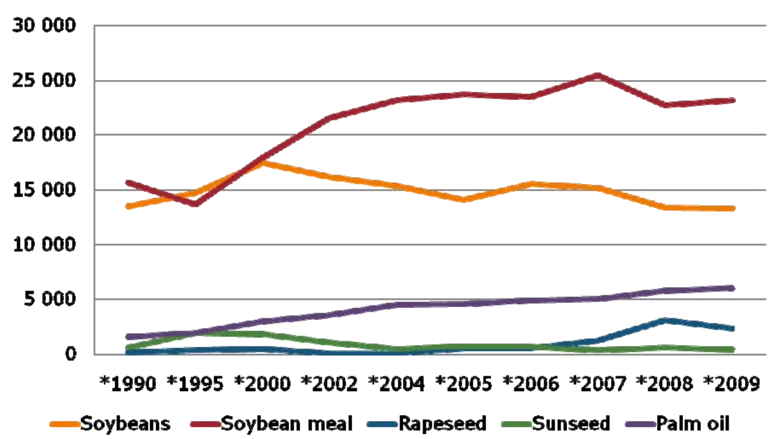
FEDIOL and the sector at a glance

- Representing 85% of the European Market
- More than 35 companies in 16 European countries
- 20,000 persons employed
- More than 150 facilities all over Europe
  - 35 million MT of crushing capacity
  - 16.5 million MT of refining capacity
- 16 million MT of vegetable oils marketed (for a total value of +/- € 15 billion)
- 20 million MT of meals marketed (for a total value of € 5 billion)

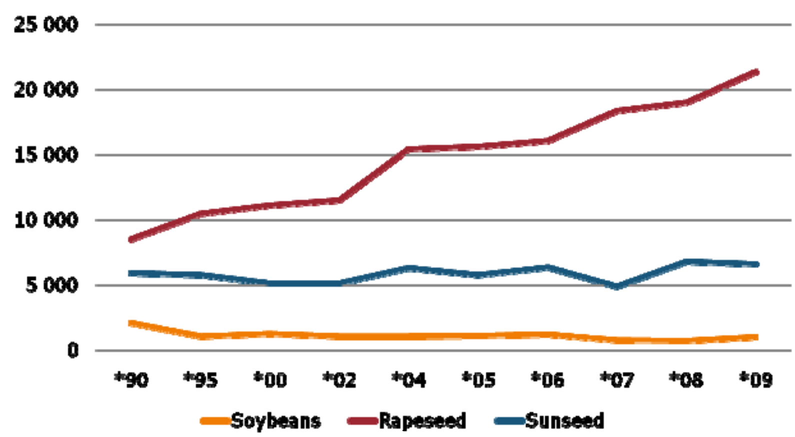
EU oil crops production 1990-2009 (1000t)



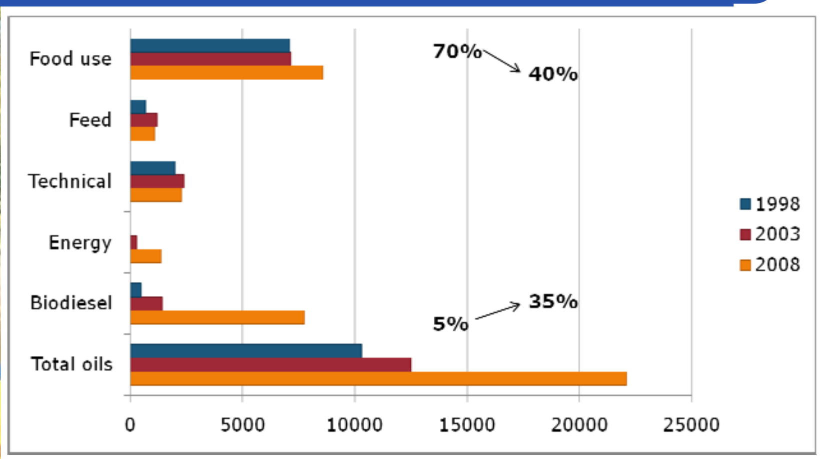
Imports of oil beans and seeds 1990-2009 (1000t)



Crushing
1990-2009 (1000t)



Market developments
1998-2008 (1000t)



⇒Use of oils in biodiesel market is overtaking use in the food market
⇒Trend continued, calling for appropriate supplies

Food and feed safety: contaminants and pesticides residues

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- PAH limits to be reviewed: sum of 4 PAH* as a marker instead of BaP
  - Importance of good drying practices in country of origin
- Cadmium limits to be set on oilseeds and lowered for soybeans:
  - To obtain exemption for oilseeds and soybeans for further crushing and oil refining
- Salmonella: promote industry self-regulation

*(Benzo(a)pyrene, Benz(a)anthracene, Chrysene, Benzo(b)fluoranthene)

Food and feed safety Contaminants and pesticides residues

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- Pesticide residues management: Achieve harmonised enforcement of MRL exceedences
  - Transfer/concentration factor to be legally recognised for oils even for pesticides with MRL set at LOD
  - Refining to redeem compliance
- Serious food crises (BSE, dioxin, mineral oil in sunflower oil,...) in the past, have led to stringent EU standards => no compromise on food safety
- Achieving high level of standard requires full chain approach, “from farm to fork” => shared responsibility from all partners in the chain

EU climate action priorities

- EC policy broad, including different pillars (adaptation, mitigation, capture, …) and taking into account responsibility sharing (EU/MS)
- Legal climate/energy package on mitigation:
  - Reduce EU CO2 emissions by 20% in 2020 compared to 1990:
    - Strengthened EU Emission Trading Scheme as of 2012
  - Achieve minimum 20% renewable energy, of which 10 % biofuels in transport sector:
    - Renewable Energy Directive as of 2010

ETS implications for EU crushing as of 2012

ETS = EU Cap-&-Trade system: 21% Cap; limited free-allowances; public auctioning of emissions allowances; exemptions

- ETS covers 47 crushing/refining installations
- Crushing recognised "carbon leakage" because of trade intensity => free allowances
- At the end of 2010, EU to establish benchmarks based on 10% most efficient installations.
- Crushing/refining falling under an industry-wide benchmark (CO_2/l fuel or CO_2/MW?)

=> Number of allowances each installation has to buy ?

=> What price for 1tonne of CO_2?

Renewable Energy

- Targets: Energy 20%; Bio-fuels 10% by 2020
  - Incentives for waste and renewable electricity
- Sustainability criteria for biofuels from raw mat.
  - GHG emission savings (min 35% in 2010; min 50% in 2017 for new installations; min 60% in 2018); =>default value for biodiesel from soya!
  - Exclude from production: high bio-diverse grasslands, carbon-stock land, peatland
  - Cross-compliance for EU production only
  - Indirect Land Use Change - considered
- Compliance with criteria: mass balance

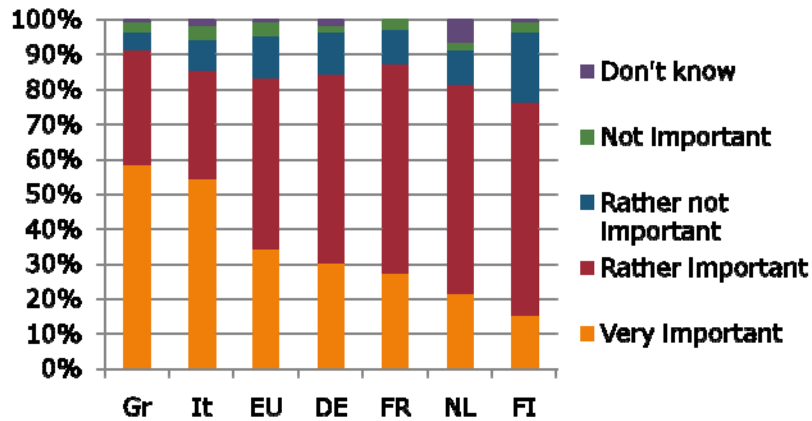
Sustainability

- Market demand (retail/food/feed)
- Sustainability of agricultural raw materials:
  - EU cross-compliance (regulatory)
  - Roundtables (RSPO, RTRS, …) voluntary
- Approach to environmental performance
  - National initiatives
  - EU voluntary stakeholder platform -SCP harmonised methodology; LCA; information

=>Strong EU commitment in all policy areas !

⇒ With the global sourcing of agricultural products, sustainability objectives cannot be pursued in isolation

Purchasing decision opinion poll: impact of a product on environment



CAP post 2013 debate

- Farmers' income support (direct payments)
  - Long-term food production/security
- Market management instruments
  - Farmers' « safety net »
  - Second pillar (rural development) to address climate change, water management, research,
  - Common market, vs more measures left to national decisions

=>Need to maintain EU farmers in business and to increase production in the medium and longer term

Biotech related issues

- REACH : Status of GM-derived oils
- Zero tolerance for GM events not authorised in EU
  - Technical solution
  - Other « solutions » (linseed protocol)
- Botanical impurities and GM labelling
- Review of cultivation of GMO in the EU
- Review of the marketing/import legislation

=>EU acceptance of biotech products remains problematic

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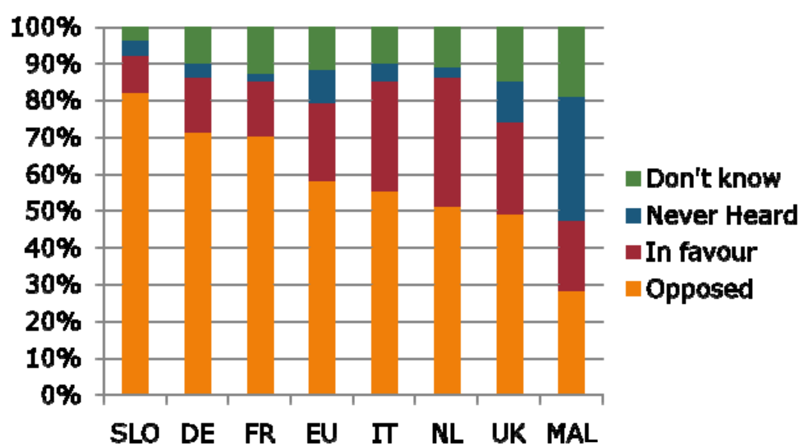
Eurobarometer 2007
Do you oppose or support GMOs ?



GMOs – LLP « technical solution »

- Short term objective:
  - Low level presence (LLP) « technical solution »;
  - 0.1% in food and feed
  - EFSA assessment underway
- EU Member States role critical – slowly changing
- European Parliament involved
- Longer term objective:
  - Workable threshold
  - GMOs safety assessed (Codex plant guidelines)

=>Urgent « technical solution » critical for EU supplies

Nutrition & health: Consumer information legislation

- Numerous challenges for bottled oils as the draft legislation goes through reading in the EP:
  - Origin labelling
  - Stigmatisation of processes (hydrogenation)
  - Discrimination of industrial trans fats against «natural»
  - Inappropriate mandatory labelling provisions
  - « Colour coding » of food

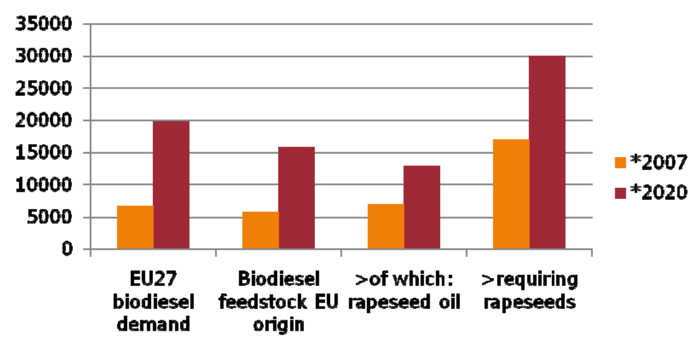
?

Trade Issues

- DDA remains EU priority: comprehensiveness and balance
  - US willingness to commit
  - India ability to compromise
- DETs in draft DDA Agricultural Agreement ?
  - insufficient support; focus on other priorities
- EU FTA objectives following conclusion with Korea: Andean Community, Caribean, Ukraine, Canada, India, ASEAN, Mercosur …

=> Sense of commitment?; need for fair and undistorted trade conditions

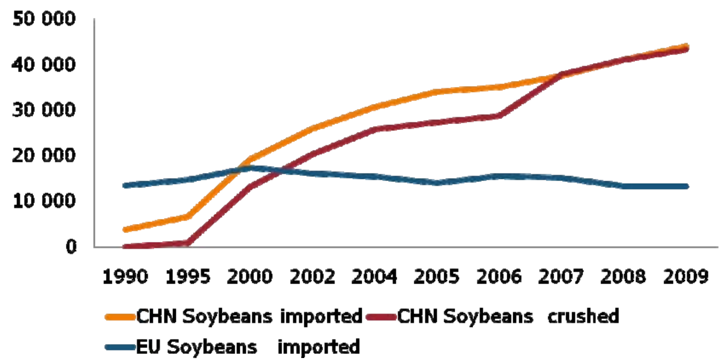
Market challenges & opportunities EU biofuels development – 2020



Projected EU development of Biodiesel demand requires:

- **EU oil crops production expansion (bio-technology?)**
- **Addressing implications on other markets (meals)**

Market challenges & opportunities
Long-term demand growth



⇒The outlook for further demand growth poses a global challenge for all players: production (area/productivity), trade, logistics, crushing (capacities).

Concluding remarks

- Need for global vision/solution and for integrated approach; issues are closely related to agricultural raw materials and to their production system:
  - Food and feed safety
  - Sustainability
- Address distortions in global trade in agricultural, food, feed and non-food products.
- Address the production challenge

=>Networking, cooperation and coordinated action can prove critical to successfully address these challenges