

# We face an unprecedented challenge



The Russian invasion of Ukraine, the post-pandemic impact on the global supply chain, roaring inflation and sky-rocketing energy prices are creating unprecedented challenges in almost every industry. In the savoury snacks sector, companies face immediate problems that demand timely solutions. Worse still, the war in Ukraine could sadly be with us for some time, leading to substantial upheaval across our industry, says **Sebastian Emig**

**W**AR is raging again on the European continent, literally at the European Union's doorstep. Apart from the dissolution of former Yugoslavia in the early 1990s, military conflict has not come this close to the centre of Europe since the end of World War II. Our hearts and thoughts are with the Ukrainian people, who face a horrifying war and a humanitarian disaster. It is also a huge shock to those who thought security and peace in Europe is a given.

Trade with Ukraine, Russia and Belarus has come nearly to a halt due to a wide range of sanctions, as well as strongly disrupted production and transport in Ukraine. Although the total share in world trade is limited for those countries, trade disruptions can have large effects for companies and industries as well as entire economies. The drop in imports of certain commodities and intermediate products is especially likely to have knock-on effects on multiple industrial processes in the EU.

The combination of sanctions with the logistical collapse due to the war will see an almost complete halt in EU trade with Russia, even if gas is still flowing. But a sudden stop in Russian gas imports - which is a rapidly growing threat as we go to press

- would clearly have significant ramifications for the entire industrial sector. Rising energy prices have already curtailed EU production of energy intensive products. Key Ukrainian and Russian export commodities such as wheat, corn or fertiliser will most probably stop entirely. Furthermore, sowing and harvesting of key agricultural exports will be further hit by fighting, the absence of fuel appropriated by the army and a lack of farm workers as people are drafted in as soldiers.

## WHICH SUPPLIES ARE MOST AFFECTED?

Ukraine is the largest exporter of sunflower oil in the world, responsible for up to 46% of sunflower oil production. Adding Russia to the equation brings the total to 58% of global production and 77% of global exports.

According to FEDIOL, the EU vegetable oil and protein meal industry association, the war in Ukraine will have important consequences on European supplies of sunflower seed oil, as the approximately 200,000 tonnes per month supply has stopped being shipped to European ports. Depending on the year, EU refineries of vegetable oils source between 35% and 45% of the sunflower oil consumed in the EU from Ukraine, and these volumes are

difficult, near impossible, to replace on short notice, as other players on the world market face a similar shortfall in their supply.

An initial assessment showed that the substantial reduction of sunflower oil availability will be felt rapidly. Available stocks in the EU are estimated to last between four to six weeks. Looking further ahead, it is likely that lack of availability of crude sunflower seed oil and limited alternatives will lead to a shortfall of refined/ bottled sunflower seed oil on the European market. This is already being felt at the consumer level, with sunflower oil being rationed in some supermarkets.

Suppliers anticipated and tried hard to mitigate adverse impacts for the food sector. The oil sector has been redirecting the limited volumes of sunflower seed oil destined for biodiesel back into the food market, for instance. However, there is no immediate solution to this disruption in sunflower oil and it is unclear if and how trade will be able to resume.

The problems caused by severely limited availability of sunflower oil hit European snacks producers almost immediately. Substituting sunflower oil for another ingredient such as rapeseed or palm oil would imply a change in labelling, but this ►

takes time. Apart from issues around the ingredients list, companies will also be racing to adjust the nutritional information provided on the label. Companies will need to remove marketing claims related to the use of sunflower oil on packaging, as well as on websites and other communication channels.

For these reasons, the European Snacks Association - with the help of FoodDrinkEurope - has been lobbying the European Commission since the start of the war to adopt a harmonised approach for the labelling of snack products containing ingredients that need to be replaced owing to supply chain disruptions.

For existing product labels, we're asking the European Commission to authorise snacks producers to provide information about the change in the ingredient list and/or nutritional composition through alternative channels, such as digital labelling, websites and information provided at point of sale. Due to the ongoing uncertainty concerning the availability of alternatives, the situation remains very volatile. We believe that extra flexibility is required until the supply situation stabilises. We fully support allowing these changes only when food safety is not compromised, the reformulation was prompted by the current unforeseen situation and substitutes are traceable. If a substitute ingredient introduces an allergenic risk, this information should be provided on-pack.

For labels generated during the current emergency, we're asking regulators to permit the use of the phrase 'vegetable oils/fats' when using any oil/fat of vegetable origin. Rapeseed, sunflower, soya, coconut, olive, palm oil could all be labelled in this way, helping producers to cope with the changing availability of different oils and

allowing for increased sourcing flexibility as uncertainty persists.

The European Commission has reacted promptly. It has informed national authorities in all EU Member States that any decision on possible flexibility caused by the current situation will have to be taken by the competent authorities on a case-by-case basis, ensuring that food safety is not compromised. In particular, the correct information on allergens must always be available. Beyond that, the competent authorities should be pragmatic and use common sense when accepting certain deviations from the usual legal requirements.

Even BEUC, the European Consumer Organisation, has asked the European Commission to develop guidance for national authorities with a view to ensuring a more consistent and harmonised approach to food labelling flexibility. From their perspective, any labelling derogations must not interfere with consumers' right to know the composition and nutritional value of the food they buy and must be strictly time limited.

For the time being we have been quite successful in our lobbying efforts. Several Member States are allowing different solutions to manage this sudden issue, such as over-stickering or applying leniency in control by national or regional enforcement authorities.

#### WHAT'S NEXT?

The challenges won't stop with sunflower oil shortages. The ESA Secretariat has identified further sector-relevant issues that might impact our industry in the short-, middle- and long-term.

In an internal assessment we reviewed most relevant topics with regards to potential conflict that might arise due to the current situation with existing or upcoming regulations. The 3-MCPD maximum levels for finished products where snack makers need to use palm oil during production is a good example. Also, other potential issues are on our tracker that might arise if the war continues, such as the unavailability of other raw ingredients, inputs such as fertilisers or materials for plastic and paper packaging.

We will use this intel to inform EU policy makers appropriately and in time to allow for sufficient pragmatic and flexible approaches that will enable our sector to continue producing snacks in as uninhibited a way as possible.

#### SNACKEX - IN PERSON, FINALLY!

After last year's COVID-related delay to our flagship trade show, we are all fired up to welcome everyone in Hamburg on 6-7 July. Our show floor has been booked out for months now and we even have a long queue of companies that have already confirmed their intention to exhibit at our next event in 2024. Both visitors' and delegates' registrations mirror the all-time high of the maximum number of participants that took part in previous events.

I and my entire team are so much looking forward to seeing you in Hamburg -in person! ●



**Director General Sebastian Emig\***

\*in his capacity as permanent representative of Prime Consulting BXLBCN SL



**DALSORB**  
Maximize the life of your frying oil.

Our experts will work with you to optimize your frying operations and oil quality. The addition of DALSORB® oil purifier will extend the life of your frying oil and improve overall product quality. DALSORB® keeps your food wholesome and removes undesirable compounds to keep frying oil clean from:

- ✓ Off-odors
- ✓ Off-flavors
- ✓ Off-colors
- ✓ Free fatty acids
- ✓ Polar compound formation

[www.dalsorb.com](http://www.dalsorb.com) | [info@dalsorb.com](mailto:info@dalsorb.com)  
+1.908.534.7800