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Food or Fuel? Biofuels mandatory targets jeopardize food production

CAOBISCO is the Association of Chocolate, Biscuits and Confectionery industries of the European Union that are major users of cereals, sugar, glucose and vegetable oils. IMACE is the International Margarine Association of the Countries of Europe and its industries are major users of vegetable oils. We would like to ask your urgent attention for our major concerns regarding the EU Policy on Biofuels and Renewable Energy.

First generation biofuels are produced with raw materials, such as vegetable oils, sugar, cereals, starches and derivatives essential to our industries. The food industry and the biofuels industry compete for the same arable land. In the last few years the development of biofuels has had a heavy impact on our sector by causing a consistent increase in prices of these raw materials. For rapeseed oil, for example, we have experienced that 2/3s of the European rapeseed oil crop was used for biodiesel, with a corresponding price increase of 60% over the past few years. Grains, glucose and starch prices have increased by more than 30%, just in the last year. The price of sugar has also been impacted by the biofuels development.

Achieving the current 5.75% biofuels indicative target would require using up to 17.5% of arable land (Goldman Sachs study, July 18, 2006, "Biofuels and Food processors - Food security vs. fuel security"). Reaching a higher target would have a very strong impact on the availability of raw materials for the food industry. Moreover, this policy may lead to intensive land and water use, incompatible with sustainable agricultural practices.

On the 10th of January, the European Commission issued the Renewable Energy Roadmap COM (848) 2007 that proposes 10% of the transport fuels as a minimum binding target for biofuels by 2020. This proposal will be discussed at the Spring Council on the 8th March and the conclusions of the Council will be crucial for future EU legislation on biofuels.

We welcome the EU initiatives improving the use of renewable energy but we believe these initiatives should leave the Member States the **flexibility** to choose the development of the renewable energy most appropriate to the availability of their natural resources.

CAOBISCO and IMACE believe that the mandatory target proposed by the EU Commission is **not based on clear impact assessment on feedstock availability** in

Europe and does not take into account the impact of the biofuels developments on the market in other places in the world. We are concerned about the impact of this policy on the food production and we envisage - over the next few years- possible **shortages of raw materials and distortions of the market**, caused by the support given to the biofuels industry.

Contrary to what is suggested by the EU Commission, we are concerned that **second generation biofuels will not be available on a large scale** in the period 2007-2020. Consequently the proposed 10% target would have to be met largely by 1st generation biofuels, which are in direct competition with the food industry.

Therefore, we call upon the National Authorities to oppose the EU Commission proposal for a mandatory target of 10% and to propose:

- **The EU biofuels target to be set as indicative and not binding**, in order to leave **flexibility** to MS in developing a renewable energy most suitable for their territory and prevent distortions of the market and shortages of raw materials irreplaceable in food recipes.
- To focus on **reaching the current 5.75% indicative target**, as the 10% target would not be consistent with feedstock availability. Any more ambitious targets would need to rely on high achievements in second-generation biofuels to maintain balance in the food supply chain. And, a full impact assessment on the impact on the food industry is required before setting targets.
- The EU to **review import policy and quotas** in order to ensure sufficient supply of agricultural raw materials and biofuels.

CAOBISCO is the Association of chocolate, biscuits and confectionery industries of the European Union. Through its 2200 companies, CAOBISCO represents 300,000 direct employees and generates more than 45 billion Euros annual turnover. CAOBISCO industries show a **production** of 11 million tons of products; €3.2 billion Euros of **exports**, i.e. 10% of the total value of food exports from the European Union; and an **import** value of €1 billion. In terms of raw materials usage CAOBISCO represents over 50% of world cocoa consumption and its industries are a major user of sugar, cereals and vegetable oils.

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IMACE is the International Margarine Association of the Countries of Europe.

The IMACE membership is composed of the National Margarine Associations in Europe, representing many small and medium size enterprises as well as multinational companies. In 2005, the total production volume of margarines and fat spreads amounted to some 2, 2 million tons

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