



European
Flour
Millers



Ms Ditte Juul JØRGENSEN

Director-General
DG for Energy

Mr Ben SMULDERS

Deputy Director-General for State Aid
DG for Competition

Ms Kristin SCHREIBER

Director of Ecosystems I: Chemicals, Food, Retail
DG for Internal Market, Industry, Entrepreneurship and SMEs

Brussels, 3 February 2023

Dear Ms Jørgensen, Mr Smulders, Ms Schreiber,

On behalf of the EU Bread Initiative, we would like to thank the European Commission for acknowledging the concerns of the Bread sector regarding the increased costs for our sector and shortages in energy and raw materials. We also want to thank the European Commission for its reply to the letter sent by CEBP regarding access to energy and raw materials for the bread and confectionary sectors.

The Bread Initiative acknowledges and welcomes the measures taken at the European and national levels to support the bread and confectionary sectors. We would however like to raise to the Commission's attention that the sector still faces challenges, both for the large operators and the micro, small-and-medium sized bakeries. Indeed, while some of the measures taken by the European Commission have positively impacted larger companies and industries, the practical developments and measures at National level are very heterogeneously supporting the different types of operators. Some countries adopted a tailored approach to the different operators while in others, positive measures were restricted to some categories; for instance, there is no concrete support to large bakers in the Netherlands, while in other cases measures have not adequately addressed the problems of Small and Medium Enterprises (SMEs), that are equally affected by the energy crisis, despite not being currently considered as energy intensive. While in some countries measures are being taken in the right direction, it is not the case in ALL member states.

While acknowledging that the European Commission is already working to address the difficulties faced by the European bread sector in the context of the ongoing energy crisis, we would like to express our ongoing concerns and call upon the support of the European Commission – for example in the current review of the State aid Temporary Crisis Framework – to address the struggles of the European bread sector, in order to ensure the continued supply of bread to European consumers, as part of the objective of maintaining food security and affordability in the EU.

Stressing the urgency to take measures, the Bread Initiative specifically recommends that the European Commission takes the following actions:

1. **Prioritisation of the bread value chain in case of emergency intervention.** In order to avoid shortages in food supply in Europe and given the essential nature of bread, it is vital for the bread value chain to be among the top sectors that have priority access to energy supply, in case of rationing.
2. **Acknowledge the bread value chain as energy-intensive as a whole.** Several Member States have adopted measures to subsidise energy-intensive companies, as well as measures to compensate electricity costs for energy-intensive sectors. However, the bread sector is not covered by these measures since most companies in the sector are not considered energy-intensive. Yet, while micro, small and medium-sized bakeries may not be electro-intensive on their own, **the bread value chain as a whole is energy-intensive and should be acknowledged as such.** Therefore, additional criteria in the assessment of energy-intensity should be included to ensure that the energy-intensity of essential value chains such as the bread one are adequately assessed and considered.
3. **Recognise the Bread sector as an energy-intensive sector included in Annex I of the Temporary Crisis Framework for State Aid measures.** To this end, we recommend amending the criteria for energy-intensive businesses (1) to include the flour milling and bread sectors in Annex I, which lists the sectors and subsectors deemed to be particularly exposed to loss of competitiveness by reason of the energy crisis.
4. **Soften the eligibility criteria for state aid of the Temporary Crisis Framework (TCF) for State Aid measures.** Current TCF formulation and conditions effectively require beneficiaries to be in a difficult and irremediable position in order to benefit from state aid under the TCF. This is especially true for micro, small and medium sized bakeries and flour mills. We call on the Commission to soften TCF criteria in order to allow businesses in the bread value chain to benefit from the much-needed state aid before it is too late.
5. **Exclude the bread value chain sectors from the obligation to cut electricity during peak hours,** since this would have serious consequences for bread availability.
6. **Adopt a harmonized definition of essentiality.** Several Member States are currently applying different interpretations to the concept of “essentiality”, which hampers the proper functioning of supply chains such as the bread one. In this context, the European Commission should adopt a harmonised definition of the concept of “essentiality”, or alternatively, set out recommendations to Members States on how to interpret this concept.
7. **Review the vulnerability assessment to include the bread sector.** Given that the entire bread supply chain is a major energy user, it is extremely relevant to assess its vulnerability in the current energy crisis context.
8. **Short-term flexibility to enable companies to temporarily switch to alternative energy sources.** Given the current unprecedented volatility and price levels on the gas market, some processing industries using gas are securing alternatives to gas, for example by installing temporary gas oil burners. While this falls under national competency, the European Institutions should give a strong signal to the Member States that they should apply maximum flexibility to industry to switch temporarily to alternative energy sources where possible, with a positive impact on the overall supply and price levels of gas to households and SMEs.

9. **Support the transition to alternative energy sources.** The entire bread supply chain is a major energy user. As investments are being made by companies and efforts are ongoing towards resource efficiency and implementation of de-carbonised technologies, the transition to alternative energy sources should be further incentivised and supported, including through positive fiscal stimulus and appropriate allocation of research funds. Public investment in access to distribution networks of alternative energy sources should also be reinforced.

We strongly hope that you will consider our recommendations with due care and diligence, and we would be grateful to be provided with the possibility to further exchange on these matters during a meeting.

Respectfully,

The Bread Initiative

***AIBI** is the International Association of Plant Bakers. It represents more than 2200 large bakers in Europe and beyond with 470,000 employees. Its mission is to advocate the common interests of plant bakeries at the level of the European and international institutions and providing information services for its members.*

***CEBP** is the craft association of the national Bakery and Confectionery Associations in the EU member states. CEBP represents more than 190,000 small and medium-sized enterprises with more than 2 million employees in Europe.*

***COFALEC** is the confederation of yeast producers that represents the EU yeast industry in Europe. With 33 factories scattered through the European Union, one million tons of yeast produce each year and more than 30% of the production exported outside Europe, the yeast industry is an important player of the European food industry.*

***European Flour Millers** is the association representing the European wheat, rye and oat milling industry both at EU & international levels. Members are the representative national associations from 28 European countries. In representing over 90% of the milling capacity in Europe, it is able to reflect credibly and authoritatively the interests of the industry.*

***Fedima** is the European trade association representing the bakery, patisserie and confectionery ingredients' manufacturers. Our mission is to shape a favourable environment to ensure a sustainable and an innovative bakery industry. Our vision is to be the European bakery ingredient platform to support and grow the bread and pastry market.*