

<https://www.hln.be/geld/als-kosten-zo-hoog-oplopen-maken-we-beter-geen-mayonaise-3-op-de-10-voedingsbedrijven-overwegen-productie-af-te-bouwen-of-stil-te-leggen~a35250ee/>

### **Translated article from Dutch (see original via link above) to English**

"If costs are that high, it's better not to make any mayonnaise at all": 3 out of 10 food companies consider reducing or even halting production

3 out of 10 food companies in our country are considering reducing or even halting their production. They see no other option, if they do not want to produce at a loss in these times of galloping expenses. "The situation is really dramatic."

Steven Swinnen 30-03-22, 05:00 Last Updated: 14:17

A whirlwind is blowing through the food industry, warns sector federation Fevia. "It is clear that the price spiral we have ended up in is not going to be just a story of 'a little more expensive'. Every day this looks more like the crisis of the 1970s," says Fevia spokeswoman Nicholas Courant. "The costs are swinging the boat for food companies. First, there is the high energy bill, which hits hard in a sector that uses a lot of energy. In order to cook, you have to heat and then cool again. Incidentally, energy costs in our country are considerably higher than in neighboring countries. Then there are the raw materials, the prices of which continue to rise. The FAO food price index has risen by 43 percent in one year. Because of the pandemic, the geopolitical situation, poor harvests, but also, for example, because of bird flu. The war in Ukraine and the sanctions against Russia play a direct role in the rise of vegetable oil prices. We see a side effect in corn and grains: our country does not import that much from the affected region, but if the supply shrinks significantly, then the scarcity drives the price up. Suddenly half the world is asking for the grain harvest in France, while our industrial bakeries have been loyal customers there for years."

Already happy with break-even

If the food companies could just pass on the higher bill, there would be no reason to panic, but in many cases that is not possible. "The hospitality industry has ears for that, but in retail it's very difficult," says Courant. "Supermarket chains don't want to raise prices on their shelves for fear of losing market share and revenue, and they're waving long contracts. Many companies try to make arrangements to pass on some of the costs, but they often don't get a hearing. As a result, 30 percent of our members have no choice but to reduce or even stop production. Food has an average profit margin of about 4.5 percent, but that average has already been cut in half. Many producers are happy if they break even. Producing at a loss is not possible, because then you plunge your company into the abyss. We expect production to decline in the coming weeks."

We will have to pass on the extra cost, there is no other solution. But I already know that it will be a tough fight, especially with the supermarkets.

Producer of mayonnaise, sauces and dressings

Chinese buy up oil

"The situation is really dramatic," says the owner of a medium-sized producer of mayonnaise, sauces and dressings. Reacting on the record would further weaken his position in arm wrestling with supermarkets. "But everyone in the industry is in the same boat on a choppy sea. There has been a scarcity of vegetable oil for years due to a combination of weaker harvests and geopolitical

conditions. It was always searching everywhere to just get to it, but during the lockdowns in Europe, the Chinese started buying up everything. We didn't dare buy much, otherwise you risk fines from the suppliers if you can't take delivery. As a result, there is now a major shortage of rapeseed oil and variants with soy and sunflower seeds. This has an impact on the price, of course. Last year we bought 750 euros per ton of rapeseed oil. Today we can be happy if we find it at 2,200 euros per ton. Our supplier of eggs - a basic product for mayonnaise - has announced that he is going to stop. Never experienced that, but that company is now spending more money on raising and feeding chickens than it gets paid for the eggs."

Nothing is normal anymore

Passing on the higher prices is very difficult. "We are going to have to do it, there is no other solution. But I already know that it will be a tough battle, especially with the supermarkets. We also supply large players such as residential care centers and hospitals. They work with contracts for a year and you can't just adjust the prices without incurring penalties. In normal times, price fluctuations are a story of taking the bluff with the bump, but nothing is normal anymore today."

If you adjust the recipe, you have to have new labels printed and there is scarcity there too, due to a strike at a major player. Cardboard is also hard to find. It's like being in a traffic jam on the highway and every exit is blocked.

Producer of mayonnaise, sauces and dressings

There are several ways to make sauces, but even the alternative paths are littered with obstacles. "We can use less oil and more stabilizers and starches, but these are also less available. **If you adjust the recipe, you have to have new labels printed, by the way, and there is a great scarcity there too, due to a strike at a major Finnish player.** Cardboard is also hard to find. It's like being in a traffic jam on the freeway and every exit is blocked as well."

Should vegetable oil temporarily be used only for food, that would already alleviate the sauces producer's problem. "When a famine beckons, you can no longer make it to use that oil to make biodiesel."

Task force against empty shelves

With a broad task force on "agri-food," the government wants to avoid empty shelves. "We are close to the field and monitor the situation daily," assures Minister of Economy Pierre-Yves Dermagne (PS). It concerns very concrete issues, such as the labels on our food. Producers of frozen French fries or mayonnaise can use peanut oil as an alternative to sunflower oil from Ukraine, but that is not in line with the ingredients on the jar of mayonnaise. That's why State Secretary Eva De Bleeker (Open Vld) is instructing the economic inspectorate to be flexible when it comes to labels.

Unizo wants a model to charge the prices anyway. "Now in the food industry it's the producer who pays, but the big chains pertinently refuse to reimburse that extra cost," says Danny Van Assche. "The Belgian competition authority should ask itself whether the big players in the agro and food industry are not abusing their position of economic dependence."

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