



Is TFA reduction feasible to the industry? - II. The SMEs

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Introduction – an SME from Hungary

Chocco Garden Ltd. was founded in 2015 with the aim of developing competitive and exportable, quality confectionery products in Hungary.

Managing Director *Sándor Sánta* has been in the industry for more than 20 years (as the former CEO of *Bonbonetti Ltd.* and also as the *president of the Association of Hungarian Confectionery Manufacturers*) and has a strong vision of an own, modern, state-of-the-art production facility to be implemented in the near future.

The trading and distribution of *Chocco Garden* products is managed by *Hell Energy Hungary Ltd.* which is one of the most successful and fastest growing Hungarian FMCG companies. *Hell Energy Hungary Ltd.* is market leader in the energy drink segment in many countries, no. 2 among ice teas (with only 2,5 years history) and the common goal is to rapidly conquer the sweets markets, as well. Due to *Hell Energy's* uniquely strong distribution and experienced sales professionals, *Chocco Garden Ltd.* had a very strong start and foreseeing a prosperous future.

Why we are here today

Today, I believe we are here to have a workshop, a sort of a brain-storming **on how to implement TFA regulation in the whole European Union.**

Hungary was one of the first EU countries, (with Denmark and Austria) to introduce a TFA ban. This means that **we are already through the process**, and I personally had followed the whole transition from a **double view** – as a company CEO, and as the president of the association of Hungarian Confectionery Manufacturers.

First, I will start with **introducing the facts** – the regulation itself, and then, based on our experiences, **I will suggest some considerable proposals** in order to make the implementation easier applicable and less painful.

A success story, but next time we would do it better

BUT

We have made the transition in a **relatively short time**, and the result was something, that both the industry and the authorities considered equally **desirable and important...**

...it meant **a lot of financial and human resources**, which of course had a harmful effect on the industry. With not much effort, and **better communication** the transition could be done on a more considerate and gentle way.

The regulation itself /1

It is forbidden to place on the market food products in which **the amount of trans fats exceeds 2 g for every 100 g of the total fat content** of food products provided or sold to end consumers. This does not include the storage of said products in their finished state in order to place them on the market outside Hungary.

For processed food products consisting of multiple ingredients, (1) shall not apply if

(a) the **total fat content of the food product is lower than 20%**; in this case, the amount of trans fats **may not exceed 4 g for every 100 g** of the total fat content of said food product;

(b) the **total fat content of the food product is lower than 3%**; in this case, the amount of trans fats **may not exceed 10 g for every 100 g** of the total fat content of said food product.

The regulation itself / 2

*Records kept by food producers or – for imported food products – primary Hungarian distributors, shall **include the trans fat content of raw materials containing trans fats**, in particular, oils, fats and fat emulsions which the producer uses as ingredients when producing food to be provided or sold to end consumers or used during the manufacturing process.*

*Food products – which are on the market at the time this Decree enters into force and which do not comply with the provisions of this Decree – **may be distributed until their expiry, but for no longer than 12 months after** this Decree enters into force.*

Implementation of Hungarian TFA regulations: Timeline

2012 spring – Ministry of Agriculture and Ministry of Health declares that there will be a TFA regulation – negative and unfortunate communication on TFA against food industry – we experienced double shock

2013

The preparation of the Decree, coordination with the Ministry of Agriculture, with the Food Industries, and the Administrative Secretariat

2013 July 6th-2013 October 7th

Requesting a report from EU – notification process

2014 18th February

The announcement of the Decree

2015 18th February

Sell off period of food products, that are already on the market when the regulation entered into force

Main cost components of the transition

New types of fats

Costs 58% plus compared to previously used „Akopol” type fat

Changing long term contracts

Discontinued products in order to save on new machinery

New machinery

A new, longer cooling tunnel is necessary, because the new fat does not freeze out in the previous one

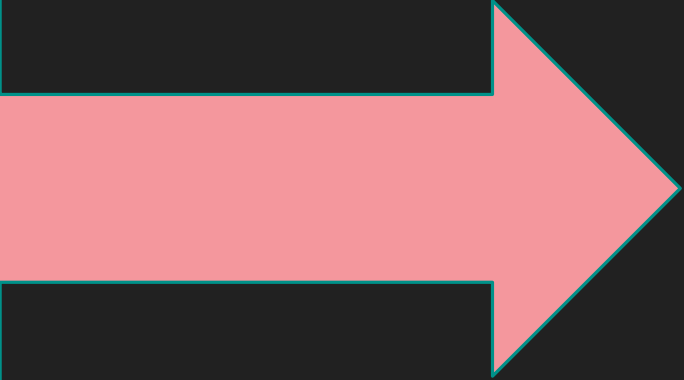
Laboratory tests

(on TFA content of products)
80 EUR/ sample / examination

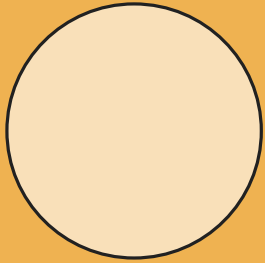
Change of wrapping and packaging materials

Total costs of transition

Total costs of transition in the case
of a 10 billion Ft (35 Mio €) turnover
company
Approx. 100 m forints (300.000 €)

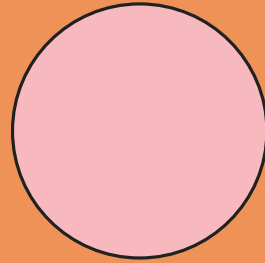


Industry needs *minimum* 1,5 years for the transition



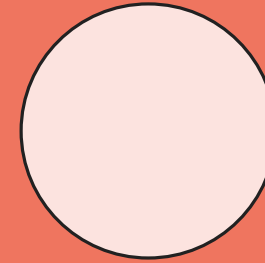
**Concluded contracts of
fats and packaging
material**

9-12 months



Technological testings

Minimum 6 months

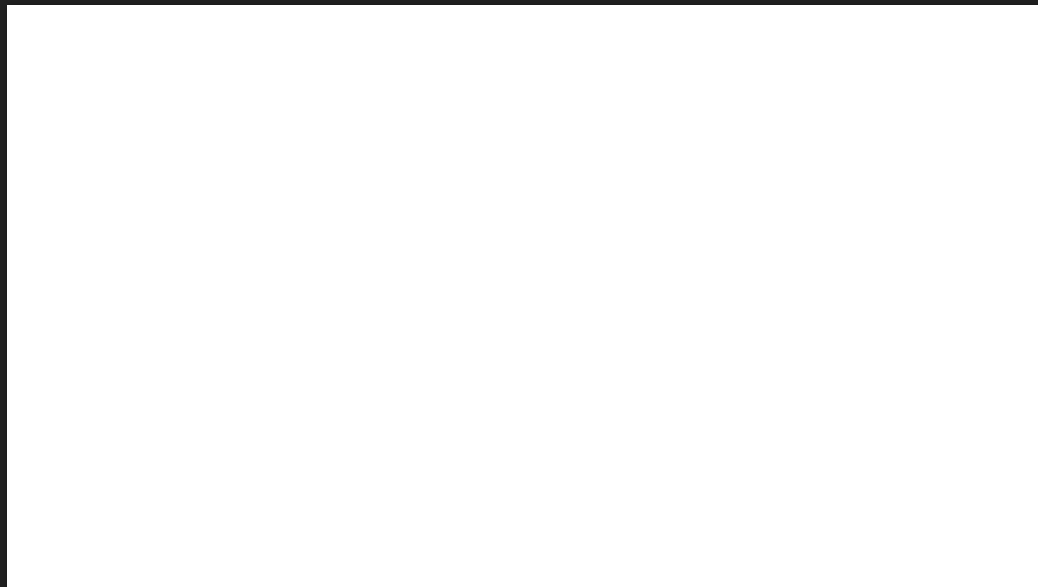
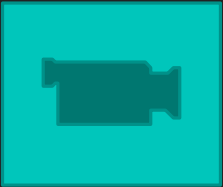


Storaging tests

12 months



An example of mistaken communication



The video suggests
that food industry
takes 6000 lives/
year

How could Government Organizations help the transition: 3 ideas

- This means to emphasize that this is a **common goal and initiative** of the governments and the industry, which is challenging, requires a lot of effort, but nevertheless, **together can be accomplished.**

Positive communication



- **Financial support** from the government, in the form of **subsidies for the acquisition of fixed assets (machinery)**, or the introduction of some **tax relieves for the involved products** would be preferable.

Financial Support



- Those companies, which execute the transition **before the deadline**, should get **other forms of support**, and financial help. (e.g. the reimbursement of extra analytical costs, common marketing campaigns, etc.)

Incentives



Summary: What can be learned from our experience?

Although we always emphasize that the introduction of the TFA regulation was a success story, we must add, **that lots of additional costs and pointless vilification of our industry could have been avoided** with **better and more positive communication**, where industry and Government Organizations are on the same side, and with allowing **more time – at least 2 years - for the transition**. (The 1,5 years is the minimum, longer time means less financial input.)

The **three most important morals** of the previous presentation:

- Elimination of TFA from food products is a **good cause**, but it **requires sacrifices** from the part of the industry.
- It is a common goal with the government and the authorities, so **constant and open communication** is needed.
- It is also important **how it is introduced to the people** – it must be done on a way that does not imply that food industry previously tried to harm or mislead consumers.

Thank You for your attention

We are willing to help: With any questions that might arise, contact us:

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