



# The Greek obstacle

LEGISLATION IN GREECE ON BAKE-OFF STATIONS IS NOT COMPLYING WITH EUROPEAN REQUIREMENTS. HILDEGARD KEIL, EDITOR-IN-CHIEF OF BAKING+BISCUIT INTERNATIONAL TALKED TO **GEORGES MAVROMARAS**, PRESIDENT OF THE GREEK ASSOCIATION OF PLANT BAKERIES, ABOUT THE DISCRIMINATION OF BAKE-OFF STATIONS

**+ bbi:** The European court asked the Greek legislator, not to constrict and hamper bread sales via bake-off stations in supermarkets any longer and to change national law. Today there is a new bill of law. Has the new law been interpreted in the way the European court asked?

**+ Mavromaras:** Absolutely not! The Greek bakery legislation, which was drafted some 30 years ago, obviously, did not have any provisions for bake-off. Until recently, the Greek authorities treated bake-off as a full baking operation and demanded that bake-off stations obtain a bakery license.

This practice led to the ruling of the European Court of Justice (EC) on 14/9/2006, which stated that it was illegal for the Greek authorities to “equalize” bake-off with full baking processes. Any new law should respect the rule of proportionality, should not go beyond necessary and reasonable measures to protect consumers and should not include trading restrictions in the name of public health & food safety.

As a result, the Greek government initiated and voted a new bill of law on 16/1/2007 which, for the first time legalized and set the rules for bake-off stations. However it imposed a number of restrictions, which in effect made the operation of bake-offs impossible. It was a cunning trick played by the Greek government in so much as it filled the gap of no (bake-off) legislation and set down a new law full of restrictions.

The new law is in direct contrast with the Court’s decision, not only because of the unnecessary restrictions it imposes, but also from the easily recognized fact that the approach to bake-off is derived from all requirements being from scratch (full) baking perspective. Needless to say, the law is in direct contrast to the established European commercial practice.

Surprisingly enough, the European Commission concluded that the new law satisfied the Court’s decision and the case was closed.

**+ bbi:** What direction of impact do the rules have? Do they benefit the Greek bakeries against import, or benefit the artisan bakeries against industrial producers?

**+ Mavromaras:** Overall, the law protects the craft bakeries in many ways and aims at setting trading patterns so that consumers find their way only to craft bakeries. In this sense, both imports and industrial producers are adversely affected.

**+ bbi:** Has there been any reaction by consumer organizations or retail associations?

**+ Mavromaras:** For a long period, until the law came into effect, the Greek government allowed, if not helped, a blurred concern that industrially produced bread (fresh and par-baked alike) was inferior and less healthy. In this manner, they paved the way for consumer organizations to demand exhaustive labeling to separate and de-value industrially produced breads. I think the result is evident in the law. Other important issues such as opening-up of the market, enhancing competition and offering more choice to the consumers were played down.

All retail associations opposed the law strongly and are fully in line with our association.

**+ bbi:** What are the main details that the Hellenic Association of Bread-making Units complains about?

**+ Mavromaras:** The law sets four basic restrictions. Products: Only breads in specific weights and from specific grains can be named “bread”. The rest are “baked goods”. Sales: In a mixed sales shop (that is a supermarket); all bakery products must be sold in a separate, clearly marked area of 12 m<sup>2</sup>. Bake-off: The operation is treated as a production process and as such must be licensed by the Department of Industry. The oven must be installed in a separate (closed) room of 32 m<sup>2</sup>. The baked-off products cannot be sold there, but must be “transferred” to the sales area. Labeling: The law requires that all industrially produced breads are labeled as “preserved bakery products”. In the case of par-baked products the previous label must include “produced from frozen dough”, regardless of the nature of the par-baked product. Bake-off bread is not allowed to be called “freshly baked”. These pejorative descriptions clearly diminish the commercial value of our products.

**+ bbi:** The law tries to define what bread is. A bread including whole grains, seeds etc. is not classified as bread in Greece, but a baked good. The law also tries to dictate bread weight. Many other European countries don’t have these kinds of restrictions or they try to loose them. What will be the concrete economical effects of this kind of discrimination?

## Bakehellas

In 2001, Bakehellas was incorporated for the production of par-baked breads. Up until now it has invested in excess of € 5.000.000 in its modern facilities in Schimatari Viotias (industrial area 50 km north of Athens – Greece) and represents the most specialized production facility in this category, in Greece. Bakehellas employs 50 people. Bakehellas supplies to a wide range of customers. The 2006 turnover was € 3.800.000, 50% of which was directed to supermarkets for bake-off and 30% to Ho.Re. Ca., all over Greece. The remaining 20% was exported to EU countries. Bakehellas sales have increased by about

20% annually and the company invests between € 500.000 – € 1.000.000 per year in the expansion and modernization of its facilities. In 2007, Bakehellas set up a subsidiary company in Cyprus with cold store and local distribution facilities. The sales figures of this company are expected to reach € 2.000.000 by 2009. Founder and Managing Director of the company is Mr. George Mavromaras, aged 45, a B.Sc. graduate in Economics & Government from the University of Essex (UK) and a M.A. graduate in European Studies from the London School of Economics (UK). +++



**+ Mavromaras:** The problem resulted from the legislator's attempt to re-define what artisan bread is versus bake-off and industrially produced bread, so that the former category could be gifted with scandalous protection, exemptions and advantages. This is going to cause tremendous confusion in the market, limit the available range of products and cancel all marketing initiatives, in order to maintain a "closed" and underdeveloped market to the measures of craft bakeries. In the end, it will be the consumers who loose out.

**+ bbi:** The government also tries to make a difference between bread which is baked from scratch or from par-baked or frozen dough, even when these are baked in a bake-off-station. How important is this sector – bake-off stations – to the Greek bakery market and what do you think the future holds?

**+ Mavromaras:** Certainly, there cannot be any future in bake-off, as long as the law continues with such restrictions. Today there are about 400 bake-off stations in supermarkets and at least 70% of them will have to shut down since they cannot meet the new requirements.

It is a pity that such a dynamic business is being killed off and the consumers cannot enjoy the benefits of increased competition and more choice. Those benefits would not come at the expense of craft bakeries, since they involve different consumers at different times with different purchasing habits and different products. I think that the craft bakeries, too, could profit from an enlarged bake-off market and an overall modernization of the sector.

**+ bbi:** The government is asking for a 50 x 30 cm sign at the point of sales which declares the bread from the bake-off station as "preserved". What does the Greek consumer understand from this term?

**+ Mavromaras:** The Greek consumer equates this term with an "expired" product, full of unhealthy additives, which represents a health risk. So, it definitely decreases the commercial value of the products concerned. The only more derogatory term I can think of is "industrially produced bread can seriously damage your health"!

It is interesting to note that the government didn't choose our commercially viable proposal to label the goods instead as "long life" bread, or as "freshly baked" bread, where bake-off is concerned. I believe this clearly shows the attitude and the intention of the legislator.

**+ bbi:** In Greece as in most other countries the bread markets as well as consumer behavior are changing. Can you give us your impression on what this situation is having on the Greek bread market and what kind of development you are expecting?

**+ Mavromaras:** Today, 6,000 craft bakeries have a 95% market share. Plant (industrial) bakeries cater for the remaining 5%, out of which only 1.7% is fresh and bake-off bread, the rest being sliced bread, buns, rolls etc. The plant bakeries' apply strict quality controls, invest in R & D and lead the way in new products despite their small market share. ▶

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## Next step

Greece is currently witnessing a battle concerning the bake-off station in the retail trade. In 2006, the European Court requested that the Greek government change the legislation which had so far impeded the operation of bake-off stations by setting absurd conditions. This has now happened but the operators of bake-off stations still have reasons to be unhappy. Bake-off stations are still strongly discriminated against when compared to artisan bakers. The restrictions are a result of various technical specifications that have been imposed and are separated into three categories.

**1) Product definition:** Bread must have a specific weight of 500, 1000, 1500 or 2000 grams and must be produced entirely with 70%-type flour, or a mix (50/50) of 70%-type flour and yellow flour, or with natural organic flour (as many types of natural organic flour exist, this point is particularly confusing). Anything else may not be referred to as bread. The same products in other weights, as well as products made with other types of flour (e.g. whole wheat, rye, multi-grain, etc.) may not be referred to as bread, but rather baked goods, and must be produced in weights of 250, 350, 500, 750 and 1000 grams. This means that the demi-baguette of 125 grams is not permitted. Bread, which includes ingredients such as olive oil, whole grains, seeds, cheese, etc. cannot be referred to as bread, but rather as a baked item.

**2) Distribution:** In order to set-up a bakery, there are certain space requirements such as a specific minimum floor space and minimum height. Modern technology has long since surpassed these perceptions. Basically, the establishment of new bakeries is restricted to the advantage of

existing bakeries. Bakeries are exempt from mandatory employment of quality assurance, packaging and product labeling systems. Operating a bread distribution outlet requires a certain shop surface, minimum space dividers that are two meters high and products displayed in mandatory packaging. An entirely separate space of 40 sqm is required to bake partly-baked / pre-baked breads. The sale of these products is not permitted in the same space. These types of bread, once baked, must be transferred to another space (bread distribution outlet) in order to be sold. In this way, the purpose of the bake-off technique, established world-wide is completely disregarded.

**3) Labeling:** Only those products sold by bakeries, regardless of how they were produced, may be referred to as “fresh”. Products expiring in over 24 hours must be labeled with the diminutive indication “preserved (long-life)”. Bake-off type products may not bear the indication “freshly baked” as is the case around the world. Instead, they must bear the diminutive and false indication “preserved (long-life) baked-goods made using frozen dough”. The Greek government insists that the use of frozen dough is always indicated as such on the bread, whether it is frozen or not! Partly-baked or otherwise partly-ready products that are sold to consumers must bear the same diminutive indication “preserved (long-life) baked-goods made using frozen dough”. The same is also advertised on a 50cm x 30cm sign at their point-of-sale. In effect, every retail location (super market, bakery, mini market, petrol/gas station, etc.) selling standard long-life bakery products is required to post this inaccurate notice whether it involves frozen products or not! +++



Specialty breads, large varieties of bake-off breads and functional breads are only a small example of the dynamic efforts of industrial bakeries. In this way we “lift” and lead the development of the bread market in general.

However, it is very disappointing that with such heavy restrictions, we cannot find our way to the market and our efforts are cancelled out.

+ **bbi:** Is it possible that this is only being done to appease the handcraft bakeries, or do you expect a real influence on the market and consumer behavior?

+ **Mavromaras:** The aim of the law was to protect the small craft bakery as confirmed in Parliament by the competent Greek Minister. This will determine the market operation and inevitably influence consumer behavior.

+ **bbi:** What will be the reaction of the Hellenic Association of Bread-making Units or the AIBI?

+ **Mavromaras:** Our effort has always been to liaise with the government and all interested bodies and correct the situation within our country. This effort has now reached a dead end and for this reason we decided to file a new complaint with the European Union. This complaint is supported and countersigned by the Greek supermarkets (retail) association. Having been a long term member, AIBI has always been on our side, helping and assisting in many ways. European associations, by definition, recognize the importance of free movement of goods and respect the economic and commercial practices which have prevailed all over Europe. +++

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