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Web-meeting 22 April 2020

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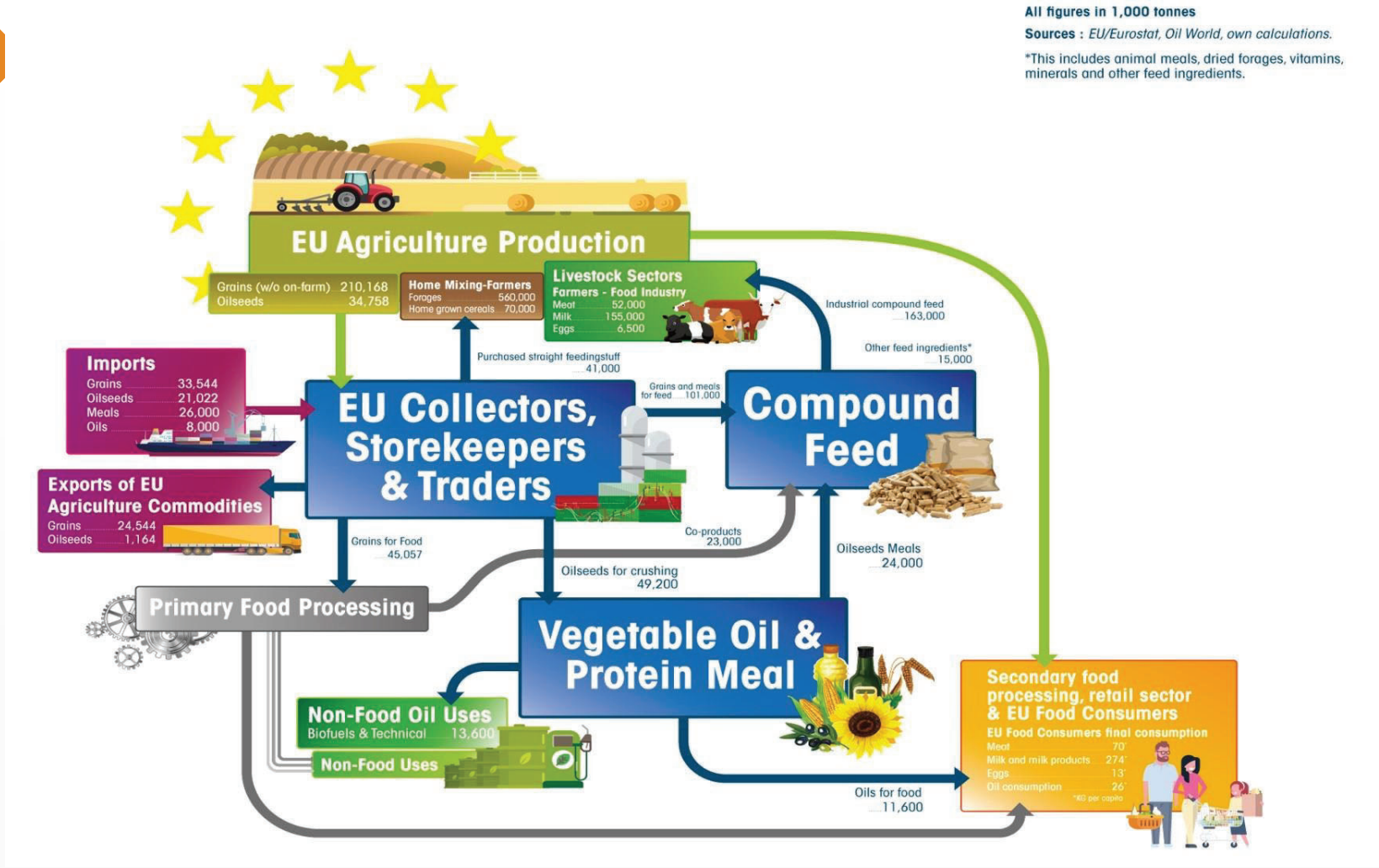
Agenda

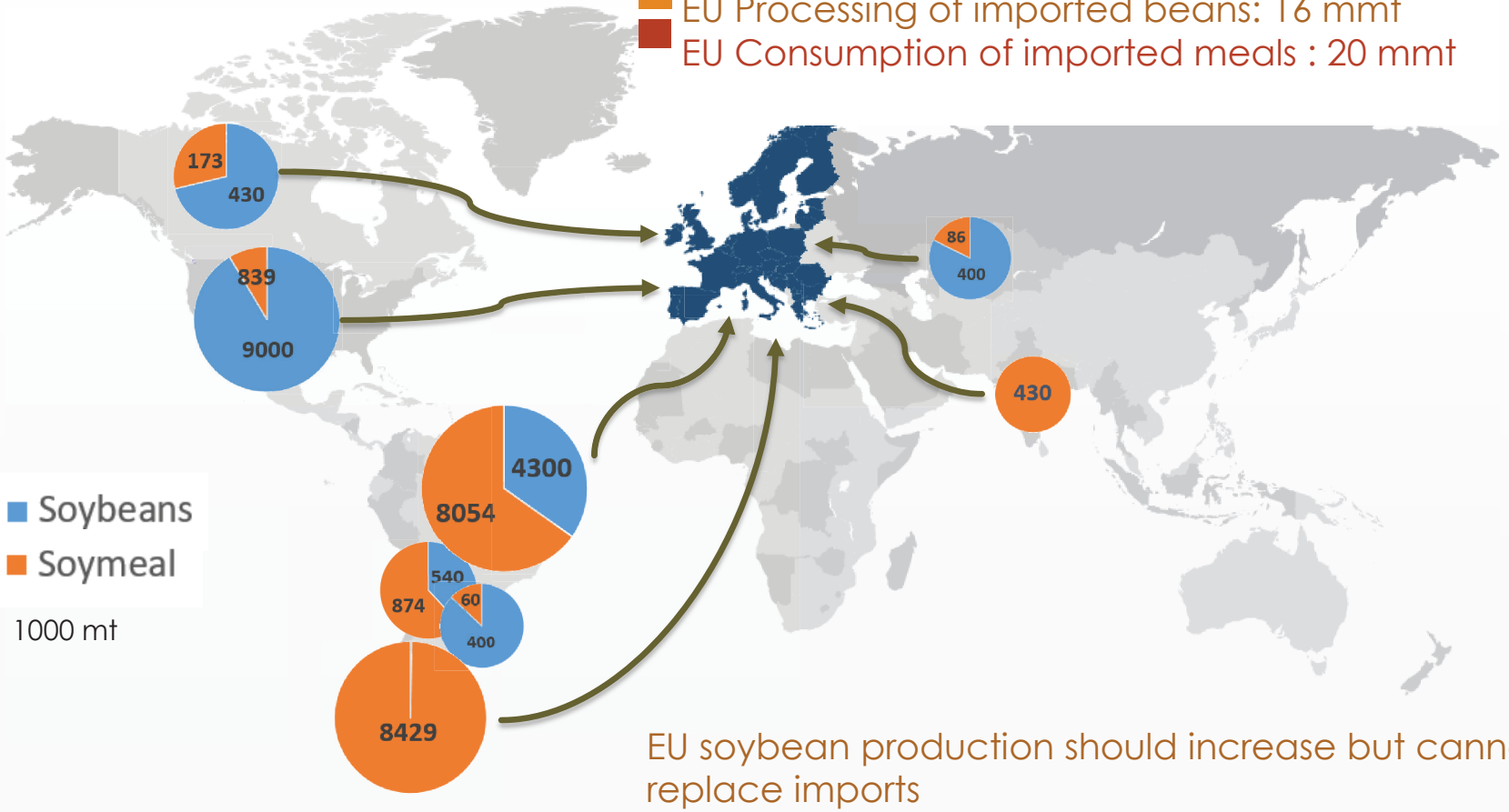
1. Introduction: who are we and why do we team up ?
2. Sustainable sourcing of agricultural raw materials : sharing some of our experience on soy
3. Preparing the ground for upcoming policy discussions on EU fight against embedded deforestation
4. *Suggested short addition: management of the COVID-19 crisis and beyond*

1. Introduction



2. Sustainable sourcing: the role of soy in Europe, 2018

EU Production : 2.6 mmt
EU Processing of imported beans: 16 mmt
EU Consumption of imported meals : 20 mmt



EU soybean production should increase but cannot replace imports

2. Sustainable sourcing of agricultural raw materials – Objectives

- Objective: create mainstream supplies of sustainable agricultural commodities
  - Focus on imported commodities, in particular soybeans, soybean meals and tropical oils
  - Develop strategies promoting production and up-take of more responsible supplies
  - Set up voluntary initiatives and tools that will support companies and sectors in achieving a continuous improvement and transformation of the supply chain

2. Examples of initiatives developed or supported in the soy supply chain

- Amazon Soy Moratorium (2006)
  - Satellite monitoring
- RTRS certification system
- Good agricultural practices (Soja plus, focus on legality)
- Company policies and commitments (-> verification systems)
- FEFAC Sustainable Sourcing Guidelines & ITC benchmarking (19 programmes so far and working on new desirable criteria)
- Cerrado Conservation Mechanism -CCM (2019)
- Soft Commodity Forum (2019)
  - Traceability, high risk municipality, improvement plans

⇒ **Aim for sustainability with specific focus on deforestation**

⇒ **Aim for mainstreaming supply streams and sufficient market signals**

Our experience leads to following insights

- There is no on-size fits all approach, each commodity and even each biome has its own challenges
- To be effective, action needs to be carried out at production level
- Avoid fragmentation of market signals which would not help giving sufficiently strong message back through the chain
- Payment for environmental services would help providing additional incentives when income is an important factor for economic development

2. Sustainable sourcing – Assessing the deforestation-risk in the soy supply chain

- Deforestation-risk analysis based on geographical approach
- No/low deforestation risk = Deforestation-free
- Deforestation risk areas: Paraguay, Gran Chaco in Argentina and Cerrado (and Amazon) in Brazil
- Important role for certification/verification systems
- Assessed associated deforestation-risk for the year 2018/2019
  - For soybeans : less than 10%
  - For soybean meal: slightly above 20%

3. Implications for up-coming policy decisions against deforestation

1. Support for public and private partnership with developing countries where possible (regulatory framework, capacity for implementation, reward of effort and improvement)
2. Need for international cooperatation and engagement of other important users of forest-risk commodities
3. For the EU to play a leadership role need to complement bilateral action with
   - Definitions and common understanding (forests, deforestation, land-conversion)
   - Sustainable finances
   - Trade framework with sustainability chapter and joint objectives
4. A smart set of tools available to operators on the EU market
   - Due diligence implementation
   - Certification, verification, labelling, Product Environmental Footprint methodologies, satellie imagery

3. Implications for up-coming policy decisions against deforestation – Principles

- We have no silver-bullet, but are committed to contribute to the general solution
- EU measures must be conducive to existing efforts of improving supply chains
- Simply cutting off markets because of non-compliance with EU criteria eliminates the leverage we have in continuing improvement
- Due diligence can contribute to push all operators to better understand their supply chain, to work on hotspots/problems areas and to enhance transparency, but it does not offer any solution on its own
- We need a smart set of options and drive change in partnership with producer countries
- EU taxanomy proposal promoting certified soy imports only, would limit impact and choice – verification option critical for "low deforestion risk " origin

4. Few Covid19-crisis related thoughts

- Quick Commission reaction to set up Green Lanes was critical to solve trade impediments which were close to triggering supply disruptions in certain countries
- Quick and strong Commission reaction upon Romanian measures applying to exports helped lifting what acted like an export ban
- COCERAL, FEDIOL and FEFAC continue monitoring trade and logistics as well as market developments and concerns
  - Transport related constraints for protect people (drivers, workers…)
  - Impact of reduced fuel use on biofuel consumption and in turn on protein production and availability
  - Caution on individual member states' initiatives for alleged concerns for food security
- EU protein plan objectives may need to be reviwed in light of COVID market impacts