Deforestation-free products

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IN BRIEF

Forests are disappearing at an alarming rate. As major purchasers of agricultural produce, Europe's food manufacturing industry relies on healthy ecosystems, and has a big role to play in achieving deforestation-free supply chains. In this paper, FoodDrinkEurope provides its key recommendations the EU proposal for a Regulation on deforestation-free products must consider.

KEY MESSAGES

- **On the industry's journey towards deforestation-free supply chains, FoodDrinkEurope is keen to share perspectives from the European food and drink manufacturing industry as regards an EU proposal for a Regulation on deforestation-free products;**

- **Definitions such as on 'operator', 'trader' and 'negligible risk' need to be clarified and substantiated with examples;**

- **An appropriate transition period should be granted;**

- **Future reporting requirements for operators need to be aligned with existing and upcoming policies (i.e. Corporate Sustainability Reporting Directive);**

- **Any update to the list of commodities in Annex I of the proposal should be preceded by an Impact Assessment;**

- **The development of sector specific guidelines will help define the role and responsibilities of all stakeholders in the supply chain;**

- **A future benchmarking system for identifying areas of risks in partner countries will need to consider the complexity and diversity of food supply chains;**

- **Long-term partnership agreements between the EU and producing countries should be developed through an inclusive multi-stakeholder process;**

- **The EU Multi-stakeholder Platform on Deforestation should play a key role in fostering discussions between stakeholders and the European Commission on tools, instruments and measures that could complement the regulation;**

- **A concise implementation timeline for this proposal should be communicated in due course by the European Commission.**

Introduction

Covering about one-third of the planet's land area, forests provide habitats for around 80% of all biodiversity on land. They also play an essential role in mitigating climate change and responding to global warming, alongside providing people with livelihoods, water, food, and fuel security.

Forests unfortunately are disappearing at an alarming rate. Since 1990, it is estimated that 420 million hectares of forest have been lost through conversion to other land uses while the rate of deforestation has decreased over the past three decades[1]. In 2020, the tropics lost more than 12 million hectares of tree cover, the equivalent to roughly 30 football fields' worth of trees every minute[2].

Agricultural expansion is the main driver of deforestation, forest degradation, and the associated loss of forest biodiversity. As major purchasers of agricultural produce, Europe's food and drink manufacturing industry relies on healthy ecosystems and has a role to play in achieving deforestation-free supply chains.

This is further acknowledged in the recently adopted EU Code of Conduct on Responsible Food Business and Marketing Practices[3], with the aspirational action to identify and implement appropriate solutions and strategies towards deforestation free food supply chains.

The EU food and drink industry supports international agreements such as the New York Declaration on Forests[4], the Amsterdam Declaration[5], and the United Nations (UN) Strategic plan for forests 2017-2030[6]. These agreements provide a framework for forest-related contributions, alongside the implementation of the UN Sustainable Development Goals and the Paris Climate Agreement.

Despite significant action undertaken in recent years by the EU food and drink industry, resulting in good progress, the challenge of deforestation, forest degradation, and forest conversion remains.

As part of its broader ambition for a swift transition towards sustainable food systems, food and drink manufacturers will continue to take important steps towards deforestation-free supply chains. However, this cannot be achieved alone and will require a mix of measures and involvement from all actors of the supply chain, including policymakers and stakeholders in the EU and sourcing countries.

Hereunder, are some preliminary views on the EU proposal for a regulation on deforestation-free products.

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[1] FAO (2020) – 'State of forests'
[2] WWF (2020) – 'Forest habitat'
[3] EU Code of Conduct on Responsible Food Business and Marketing Practices
[4] New York Declaration on Forests
[5] Amsterdam Declaration
[6] United Nations (UN) Strategic plan for forests 2017-2030

Definitions

Clarifying certain definitions in any such regulation is essential for successful implementation. FoodDrinkEurope supports the European Commission's attempt to align with internationally recognised definitions, such as those set by FAO.

It is important that other definitions such as 'operator' and 'trader' are clarified and substantiated with examples, in order to avoid confusion and duplication of administrative and due diligence obligations. Additionally, the definition of 'negligible risk' for non-compliance, in the context of risk assessment, should also be clarified.

Due diligence

The EU food and drink industry supports due diligence requirements as a tool to assess, address, and report on deforestation risks in support of the objective of deforestation-free supply chains.

Ensuring the right balance between information gathering requirements and those actions that mitigate deforestation risks will be key. Commodity-specific information gathering requirements needed to prove a negligible risk of deforestation - not necessarily based on full segregation to the exact plot(s) of land – should be explored.

Such requirements should be adapted to commodity supply chain, farm size and market structures, as well as current and forecasted traceability levels. This would facilitate continuous improvement towards full traceability and would reduce the risk of moving resources and investments away from impactful actions to mitigate deforestation risks and would also help avoid the exclusion of smallholders.

FoodDrinkEurope welcomes a tiered due diligence approach, based on risk, for operators and traders placing on or exporting from the EU market. The concepts of 'simplified due diligence' and 'enhanced due diligence', depending on the level of risk in the sourcing area, are a positive attempt to operationalise this risk-based approach, and should be maintained. This nonetheless will need to be supported with a tailored approach to smallholders, alongside a well-defined benchmarking system.

The European Commission should propose an appropriate transition period (allowing commodities and products to enter and exit the EU market) to minimise supply chain disruption and reduce negative impacts on partner countries.

The recognition of certification and verified third party schemes will complement the requirements currently highlighted within the proposal's due diligence procedure. For example, many food and drink manufacturers use independent third-party certification

schemes to demonstrate adherence with sustainable sourcing standards, such as Fairtrade[7], Rainforest Alliance[8], UTZ[9], RSPO[10] and Forest Stewardship Council (FSC)[11].

Future reporting requirements

The European food and drink industry is leading by example and adopting the highest standards of environmental and social sustainability, including human and labour rights in all business activities. The industry promotes this approach throughout the entire food and drink value chain.

For example, FoodDrinkEurope supports the existing reporting framework under the current Disclosure of Non-Financial Reporting (NFR) Directive[12]. This is an essential tool through which listed companies can disclose information on environmental, social and human rights matters in a transparent and reliable way, including on impacts on forests.

Any future reporting requirements for operators will need to be aligned with existing and upcoming policies to avoid duplication of action.

Future review of the proposal

Careful consideration should be given when aiming at updating/extending the list of commodities in Annex I of this proposal. FoodDrinkEurope believes that more time (beyond two years) will be necessary to potentially update the Annex. Any such update should be based and accompanied by Impact Assessments.

Alignment with the work that will be dedicated to the development of a general review of this proposal, foreseen within five years after entry into force of this regulation, will be essential.

The role of EU and national authorities

EU authorities need to ensure a coordinated and gradual approach for the implementation of this proposal in close alignment with national authorities. In this context, EU Member States (MS) have a key role to play in applying a smart mix of measures to complement any such EU regulation.

The development of practical and sector-specific guidelines for the implementation of this regulation, is a priority to further define the role and responsibilities of stakeholders across supply chains, including smallholders and SMEs. These guidelines should be drawn up before the entry into force of the regulation and should also identify and highlight key support measures.

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[7] Fairtrade
[8] Rainforest Alliance
[9] UTZ
[10] RSPO
[11] Forest Stewardship Council (FSC)
[12] Non-Financial Reporting (NFR) Directive

FoodDrinkEurope welcomes the recognition in the proposal on the possibility of assigning different levels of risks in a country, however, sub national areas of risk should also be further explored.

In this context, the European Commission should consider the complexity and diversity of food and drink supply chains when developing a benchmarking system for the identification of areas of risks in partner countries.

The assessment criteria for any such benchmarking systems should be designed with due care, considering other potential adopted agreements and instruments with concerned producer countries. Furthermore, a benchmarking system should be developed in close collaboration with producer country governments with clear and specific indications on a time frame of when it is considered appropriate to renew or review the country benchmarking list.

Cooperation with producer countries

The success of the regulation will rely on robust partnerships and cooperation between the EU and producing countries.

Long-term partnership agreements should be developed through an inclusive multi-stakeholder process.

Such partnerships should include a time-bound framework for action, incentives to improve standards of governance and law enforcement, the development of national traceability systems, financial (and other) incentives for farmers, as well as the recognition and respect for customary tenure rights of indigenous peoples and local communities.

Public-private sector collaboration is essential in tackling the issues of forest preservation, conservation, and sustainable land use including exchanging information and best practices. It is also important to make available funding opportunities for authorities and economic operators including smallholders in producing countries to scale up such action.

Any future policy instruments at EU-level, which aim to protect forests and biodiversity, need to ensure minimal disruption to trade flows and maintain security of supply. Dialogue with other consumer countries should aim to achieve these goals and converge requirements across global markets towards the same high standards.

Multi-stakeholder approach and policy coherence

The EU Multi-Stakeholder Platform on Deforestation will have a key role to play in fostering discussions between stakeholders (i.e. industry, civil society, NGO's etc.) and the European Commission.

Such discussions will be essential on matters related to any future measures that would complement the regulation. In this context, the establishment of key thematic sub-groups within this platform could be of added value to address commodity-specific issues in more

detail with relevant experts. These subgroups can also be beneficial for the development of sectoral guidelines as highlighted above.

The European Commission should communicate a concise implementation timeline for this proposal in line with the future Sustainable Corporate Governance (SCG) Directive.

The European Commission should also ensure that this proposal is coherent and aligned with other policies such as the 'Farm to Fork' Strategy, Circular Economy Action plan as well as with the Corporate Sustainability Reporting (CSR) Directive expected to be adopted this year.

About us

The EU food and drink manufacturing industry is made up of 290,000 businesses employing 4.5 million people. It generates €222 billion in value added every year and is the largest manufacturing industry in terms of jobs created. As an industry comprised of 99% SMEs, our enterprises are intimately linked with their local communities. FoodDrinkEurope is the organisation of the European food and drink industry, committed to achieving more sustainable food systems.