



Commissioner Frans Timmermans  
European Commission  
Rue de la Loi / Wetstraat 200  
B-1049 Brussels

Ref: 21MNG34

Brussels, 10 November 2020

Subject: Commission's upcoming proposal for a "*Regulation concerning certain commodities and products associated with deforestation and forest degradation*".

Dear Commissioner Timmermans,

As a major outcome of the COP26, world leaders have committed "*to working collectively to halt and reverse forest loss and land degradation by 2030*"<sup>1</sup>. Effectively tackling deforestation is indeed a global issue involving all trade partners, from governments to market operators. The EU has a unique role to play in that effort and we, **COCERAL, FEDIOL and FEFAC, together representing the EU grain and oilseed trade, crushing and animal feed industry, support the EU Commission's ambition in taking a leading role in the fight against deforestation.**

In light of this, following our understanding of the potential implications of the Commission's upcoming proposal for a "*Regulation concerning certain commodities and products associated with deforestation and forest degradation*", **we remain concerned that the text in its current form would not have the desired impact at origin, where deforestation remains a serious issue, and that the EU risks missing out on an opportunity for a global leadership role in ending deforestation.**

As it stands, it seeks to have a fully deforestation-free supply chain in Europe where no product linked to deforestation should enter the European markets. In order to achieve this objective, it implies that physical segregation of the product must be completed before entering the EU market.

Currently, segregation for deforestation-free products is technically and effectively not feasible at full market scale. Indeed, for palm oil this would exclude a large number of operators, because of the role and importance of smallholders in the supply chain, which cannot be singled out to mitigate the risks. For soy, it would be due to infrastructure constraints at origin but also at destination in EU ports. Significant future investments would need to focus on segregated logistics (silos, ships, trucks, etc...), which would bring an increase of costs along the EU supply chain. Furthermore, with the objective to establish a country benchmarking, operators might abandon entire areas of sourcing in order not to have to deal with the increased red-tape and bureaucracy of importing from a high-risk country. We can also expect downstream supply chain actors to refuse supplies from high-risk countries, for image and liability reasons, leading to a disengagement of EU supply chain operators in those areas. This has already been experienced in the case of palm oil, where sustainable producers in high-risk countries were discriminated because customers did not want to receive products sourced in high-risk countries. This was not conducive in a change in practices. In the example of soy, segregated supply chains are only used for premium consumer markets such as non-GMO and organic, for which the consumers are willing to pay a premium corresponding to a personal preference.

<sup>1</sup> <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

**As such, organising a fully segregated supply chain for the EU, with potentially relying on supplies from low-risk countries only, would impact the EU's leverage in higher risk areas and worsen the situation in these areas.** In the case of soy, for instance, the global demand is increasing, with China being one of the main importers. As a consequence, we can expect that farmers and operators at origin would lose interest in supplying the EU market, favouring other markets that would not demand the same level of sustainability requirements.

The draft under discussion is designed as if its sole objective were to clean up the EU supply chain. **In doing so, it will discriminate and hurt numerous actors in the different supply chains. It does not leave room for tailored approaches adjusted to smaller players, smallholders, good farmers in bad areas and countries in their attempt to change practices.** It is important to be able to help as many willing jurisdictions, priority landscapes and farmers as possible within those areas. Looking only at cleaning the EU supply chain is not helpful in that regard.

Other tools than full physical segregation exist and are already implemented in other sustainable-focused EU legislation<sup>2</sup>. **Contrary to segregation, mass balance, as a chain of custody model supports transition and effectively monitors sustainable volumes in and out of all stages along global supply chains, making use of cost-effective and existing logistics.** The sustainable certificate travels with the volumes exclusively. If applied, this would help farmers in high-risk countries willing to move towards deforestation-free agriculture. Mass balance sourcing was developed as a sourcing system for deforestation-free products, precisely because of the practical short-term unfeasibility of physically segregated supply chains. A proposal imposing physically segregated soy supply chains would cancel out a well-functioning industry solution to contribute to deforestation-free supply chains that would keep price increases within feasible boundaries, which is highly important for a European livestock sector that is already struggling with increasing feed costs. European livestock farmers are already being put to an unfair competitive disadvantage, due to the fact imported animal products (e.g. poultry and pig meat) are at this stage not obliged to demonstrate their embedded soy use meets deforestation-free requirements.<sup>3</sup>

**As we understand, the text also sets out high requirements for traceability, including geo-localisation of the farm or plot of production. This brings forward several confidentiality concerns.** First of all, it is unclear whether the farmer at origin would agree to share this data with partners and with competent authorities in the EU. National legislation in origin countries may also prevent this data from being shared publicly or with operators/traders that place the product in the EU market. Furthermore, while our members have been increasing the traceability of their sourcing for over a decade, some data requested by the proposal carry a commercial sensitivity. Considering that vessels leaving the origin country are very often filled with mixed product from different suppliers in shared cargoes, this would entail sharing documentation among traders, thus disclosing the source and volumes of their supply.

**In conclusion, the draft proposal could lead to change of origins and trade flows, resulting in major price increases and problems of availability due to less flexibility as well as increased dependency on a smaller number of countries. Focusing only on segregation would also have consequences that would go counter to existing EU policies by reducing the offer for affordable food, increasing costs for farmers and EU-based industries, and amplifying risks of supply shortages for high-protein material.**

For several years, EU grain and oilseed trade, crushing and animal feed industry have proven their commitment in taking action to end deforestation. We have been seeking to identify solutions that can drastically reduce deforestation, whilst continuing to supply the European market with the raw materials that are required by consumers at affordable prices. We support the set-up of an EU regulatory framework conducive to a change in practices on the ground. However, we fear that with the current proposal, the EU will not be able to tackle deforestation at global level.

Thank you very much in advance for your consideration on this matter and we remain available for further exchange and information.

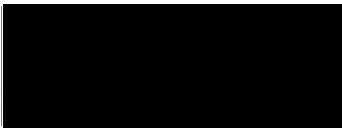
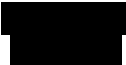
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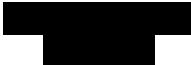
<sup>2</sup> For example, the [Revised Renewable Energy Directive \(2018/2001/EU\)](#)

<sup>3</sup> By the time the European Commission's proposal is published, the FEFAC Soy Sourcing Guidelines 2021 Soy Benchmarking Tool will indicate that already [13 soy certification schemes offer conversion-free soy](#) (i.e. going beyond the scope of 'deforestation' only) under at least mass balance sourcing.

Yours sincerely,

  
  
COCERAL

  
  
FEDIOL

  
  
FEFAC

**Copy:**

This letter has also been sent to all Commissioners.

**COCERAL is the European association of trade in cereals, oilseeds, pulses, olive oil, oils and fats, animal feed and agrosupply.** It represents the interest of the European collectors, traders, importers, exporters and port silo storekeepers of the above-mentioned agricultural products. COCERAL's direct members are located in 14 EU countries, with one European association, Unistock representing the professional portside storekeepers for agribulk commodities within the EU and one associated member in Switzerland. With about 3,000 companies as part of COCERAL national members, the sector trades agricultural raw materials destined to the supply of the food and feed chains, as well as for technical and energy uses. Gafta is an extraordinary member of COCERAL.

**FEDIOL, the EU vegetable oil and protein meal industry association,** represents the interests of the European oilseed crushers, vegetable oil refiners and bottlers. FEDIOL members are 10 national associations and associated company members in 7 other EU countries. With about 180 facilities in Europe, the sector provides 20,000 direct employments. Its members process approximately 55 million tonnes of basic products a year, both of EU origin and imported from third country markets. The sector processes notably rapeseed, sunflower seed, soybeans and linseed into oils and meals for food, feed, technical and energy uses essentially on the European market.

**FEFAC, the European Compound Feed Manufacturers' Federation,** represents 23 national Associations in 23 EU Member States as well as Associations in Switzerland, Turkey, Serbia, Russia and Norway with observer/associate member status. The European compound feed industry employs over 100,000 persons on app. 3,500 production sites often in rural areas, which offer few employment opportunities.