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PRESS RELEASE

EU Legislation for Deforestation-free Supply Chains EU Grain and Oilseeds Sector warns against pitfalls of current draft

COCERAL, FEDIOL, and FEFAC, representing the EU grain and oilseed trade, crushing and animal feed industry, support the EU's ambition to halt deforestation and only allow imports of deforestation-free products in Europe. For the EU framework to also achieve sustainable transformation in the countries of origin, it requires putting in place tools and processes that are practicable for the whole food and feed supply chain, from the site of production to the market of destination. **There is no one-size-fits-all solution. Tools and processes will have to be adapted to the supply chain models of the different commodities concerned.**

The draft Regulation, instead of supporting the increase of deforestation-free supply chains, is expected to have important negative impacts, such as supply shortages in the EU leading to high prices and challenging the EU food and feed chain competitiveness; lack of real impact on deforestation due to lack of leverage and incentives to transform practices on the ground; exclusion of the majority of smallholders and certain mills supplied by smallholders from the supply chains; and disproportionate administrative and logistical burdens for both operators and competent authorities.

To address these negative impacts while both ensuring deforestation-free supply chains and tackling deforestation on the ground, COCERAL, FEDIOL, and FEFAC recommend:

- 1. Requirements for traceability and chain of custody should be adapted to the specificities of each commodity, its logistics and market specificities** instead of adopting a one-size-fits-all approach. Divergences between the soy and palm oil are a good example, as their supply chains can differ substantially depending on where they are sourced. Requirements for traceability, due diligence systems, information to be provided, and evidence to be supplied should therefore be carefully calibrated.
- 2. Traceability requirements should take smallholder farmers into account and be compatible with local laws.** Relying on the use of geolocation coordinates would be incompatible with data privacy right laws in third countries and therefore lead to an exclusion of smallholders from EU supply chains. Other issues like land tenure need to be addressed for traceability requirements to work for smallholders.
- 3. Operators should be held responsible for their risk assessment and mitigation practices, subject to audits and controls by competent authorities.** This would be much more reliable than an inaccurate and trade distorting country benchmarking, which would lead to shifting sourcing from high-risk areas to low-risk areas, thus penalising sustainable actors in high-risk areas, but also driving operators out of high-risk areas, which are the ones needing the most engagement and sustainable transformation. Operators know their suppliers and reality on the ground better than competent authorities and are able to provide evidence that their suppliers in high-risk areas are not causing deforestation.

COCERAL, FEDIOL, and FEFAC call for the Regulation to be workable and adapted to the specificities of the various commodity sectors while ensuring that the framework delivers global deforestation reduction beyond cleaning EU supply chains. Furthermore, they urge the co-legislators to ensure that the rules do not lead to a mass exclusion of smallholders. Consequently, the three associations look forward to dialogue with all involved stakeholders to reach a Regulation that delivers meaningful results.