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EU Legislation for Deforestation-free Supply Chains Call for Strong EU Country Partnerships to Mitigate Exclusion of Smallholders

COCERAL, FEDIOL, and FEFAC, representing the EU grain and oilseed trade, crushing and animal feed industry, **urge the Council and European Parliament to ensure mandatory structural engagement between the European Commission and Member States and producing countries in the final text of the EU Regulation on deforestation-free supply chains to mitigate the exclusionary impact of the Regulation on smallholders.** As proposed by the European Parliament, the partnerships should *"pay particular attention to smallholders in order to enable these smallholders to...comply with the requirements of this Regulation"*, *"be supported by adequate resources"*, support good governance, address the root causes of deforestation, and include joint roadmaps.

As we have previously highlighted, the traceability requirements of the EU are expected to lead to the exclusion of many smallholder farmers from the EU market in various commodity sectors. To take the example of palm oil, only around 1% of smallholders may be able to comply from the date of application of the rules by large and medium companies, as these volumes are very difficult to trace back to plot level in a segregated manner. This will impact approximately 4 million smallholders (who represent 40% of total crude palm oil produced globally).

To reverse the negative impact of the EU Regulation on smallholders and to aim to have a larger number of smallholders compliant with the EU Regulation, the European Commission and Member States must commit to strong and structured partnerships with producing countries to create the necessary enabling environment for compliance with the EU Regulation. The barriers to smallholder compliance must be identified and joint solutions developed for the EU Regulation to have a positive impact on smallholders and forest protection worldwide. Roadmaps as proposed by the European Parliament should aim to develop and accelerate implementation of solutions such as:

- ✓ Support national sustainability certification schemes and initiatives in achieving full and accurate traceability.
- ✓ Find solutions on how to share the traceability data considering data privacy protections in certain producing countries.
- ✓ Support capacity building for modern and easy-to-use technological systems to enable full and updated farm traceability at national level.
- ✓ Support and encourage national traceability systems with updated and accurate farm registers which correspond to the land ownership boundaries.

While an oral political agreement took place during the trilogue discussion of 5 December 2022, we understand that the technical details have not been finalised and that the fate of Article 28 on Cooperation with third countries remains uncertain. Failure to guarantee strong wording on cooperation with third countries, as proposed by the European Parliament, will result in the exclusion of the majority of smallholders from EU supply chains and limit the EU Regulation's impact on reducing total deforestation in producing countries. **We therefore strongly urge the co-legislators to make sure Article 28 lives up to the challenge along the lines of the European Parliament's amendments and to ensure there are urgent and meaningful accompanying measures for government-to-government engagement.**

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.