10 March 2022

Open Letter: Call to uphold stringent requirements for traceability and transparency in forthcoming EU Regulation

Dear Members of the Council of the EU,

Ahead of your meeting on 17 March we would like to bring to your attention key issues which have recently been raised by the soya industry in their response to the proposed EU Regulation on deforestation-free products. The current tragic situation in Ukraine has led to calls by some political groups to question the need to shift to a more sustainable food and farming system. In fact, quite the opposite is true. Now is the time to more urgently pursue proposals that increase the sovereignty, sustainability and democracy of our food and energy systems, starting with the Farm to Fork Strategy. The climate and bioenergy emergencies will not wait for this war to be over - but they could provoke further global instability and insecurity. We count on your continued support to accelerate action to address these urgent issues.

In the context of the proposed EU Regulation, we call on you to uphold the requirements for geolocation, avoid using mass balance schemes for compliance, and expand the scope to fully encompass critical ecosystems such as the Cerrado.

A new study on soy and deforestation will be released on 23 March which highlights the following issues:

Of all the commodities imported into the EU, soy caused the most deforestation between 2005 and 2017 - even more than palm oil. Most of this was concentrated in one critical biome, Brazil's Cerrado.[1] New satellite analysis to be published by Rainforest Foundation Norway and Harvest shows a worrying increase of deforestation in the top 25 high-risk municipalities in the Brazilian Cerrado.

1.https://wwfeu.awsassets.panda.org/downloads/stepping_up___the_continuing_impact_of_eu_consumption_on_nature_worldwide_execsummary.pdf

The proposed Regulation[2] fails to fully protect ecosystems like the Cerrado, where most of the deforestation and conversion of native vegetation and associated biodiversity loss is occurring. It remains unclear the extent to which these deforestation hotspots will be covered by the Food and Agricultural Organisation (FAO) forest definition suggested by the European Commission as a basis for the legislation.

A forthcoming report by Rainforest Foundation Norway and Harvest documents an increase in deforestation rate by 61 per cent on soy farms in the 25 top hotspots in Brazil's Cerrado. In 2019 the Soft Commodities Forum, a platform formed by six major soy traders (ADM, Bunge, Cargill, COFCO, LDC and Viterra (formerly known as Glencore Agriculture), selected 25 municipalities in the Cerrado with high deforestation-risk. It suggested these should be prioritised for coordinated action as they represent 44 per cent of the native vegetation area converted to soy.[3] In 2021, this list was expanded to 61 high-risk municipalities, which encompass 70 per cent of recent native vegetation conversion to soy in the Cerrado.

Satellite analysis of the municipalities with the highest deforestation-risk in the Cerrado associated with soy production shows that:

- Rates of deforestation and conversion of native vegetation increased by 34 per cent from 2018 to 2020 in the 25 municipalities prioritised for joint action by the Soft Commodity Forum.

- Farms where soy is grown in these 25 priority municipalities saw an increase of deforestation rates of 61 per cent during the same period.

- Despite failed efforts to reduce deforestation and conversion rates, soy traders have invested in an additional 279,000 tons capacity of soy silos in high-risk municipalities. Bunge expanded its silo capacity by the most of any of the traders in high-risk municipalities (by 115,000 tons), followed by ALZ Grãos (110,000 tons) and COFCO International (54,000 tons). The increase in silo capacity is a warning sign about the risk of future deforestation.

While the proposed Regulation is much needed, in its current form it insufficiently incorporates ecosystems like the Cerrado, where most of the deforestation and conversion of native vegetation and associated biodiversity loss is occurring. This means there could be a major loophole for soy produced on recently converted areas.

The fact that **deforestation for soy is highly concentrated in a small number of municipalities** should make it easier for traders to achieve zero-deforestation and zero-conversion targets. Given that deforestation is highly concentrated in a handful of areas, the upcoming **Regulation is not likely to lead to lower availability nor higher costs, because most soy volumes are considered deforestation-free when applying the suggested 2020-cut off date.**

Most soy traders including ADM, Amaggi, Bunge, Cargill, Bunge, LDC and Viterra have zero-deforestation commitments encompassing all their soy volumes, regardless of the market it is sold to. But in a recent article in the Guardian, ADM, which holds the Fediol vice-presidency, suggests that the current EU proposal is problematic for the industry. This statement is puzzling given ADM's own policies to not trade in soy that has caused deforestation in their entire operations,

2. https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_5919
3. https://docs.wbcsd.org/2020/06/WBCSD-Soft-Commodities-Forum-progress-report.pdf

including volumes sold to China and other markets. **To reach their own zero-deforestation commitments the soy traders have to develop systems for traceability and reporting, including geolocation.** Industry criticism, therefore, that geolocation and traceability will raise the cost of soy if the European Union adopts this Regulation is disingenuous.

Examples from other supply chains demonstrate that the Regulation is feasible. In the cocoa sector, which is far more complex than the soy supply chain, companies are already tracing their supply using polygon mapping that is even more advanced than geolocation, and indeed both companies and smallholders are calling for the EU Regulation to require full traceability including geolocation.

Given that most soy is grown in areas deforested before the 2020 cut-off date, attention needs to be given to the few selected high-risk areas. **Without full traceability, the Regulation could risk not having a comprehensive impact on deforestation and conversion. This is because companies could meet EU demand with volumes produced on areas deforested before the 2020 cut-off date. They could also continue to deforest high-risk areas without the need for traceability or control mechanisms.**

Yours sincerely,

The undersigned NGOS

- *Canopée (France), Klervi Le Guenic, Tropical Forests Campaigner*
- *Earthsight, Rubens Carvalho, Head of Deforestation Research*
- *Ecologistas en Acción (Spain), Luis Rico, General Coordinator*
- *Environmental Action Germany (Deutsche Umwelthilfe), Sascha Müller-Kraenner, Executive Director*
- *Fern, Nicole Polsterer, Sustainable consumption and production campaigner*
- *Focus Association for Sustainable Development (Slovenia), Nina Tome, expert*
- *Forests of the World (Denmark), Anne-Sofie Henningsen, EU-advisor*
- *Harvest, Anahita Yousefi, Director*
- *Mighty Earth, Alex Wijeratna, Acting Meat Campaign Director*
- *Polish Ecological Club, Maria Staniszewska, Chairwoman*
- *Rainforest Foundation Norway, Nils Hermann Ranum, Head of the Drivers of deforestation program*
- *SEO/BirdLife, Asunción Ruiz, CEO*
- *ZERO - Associação Sistema Terrestre Sustentável, Francisco Ferreira, President of the Board*