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Press Statement

Joint COCERAL, FEDIOL, and FEFAC Reaction to the Council General Approach on the Deforestation Regulation

Brussels, 29 June 2022 - Following the adoption of the General Approach of the Council on the EC proposal for a regulation on deforestation-free products during the Environment Council meeting of 28 June, COCERAL, FEDIOL, and FEFAC welcome certain elements like the Council's move to avoid duplication of due diligence but are concerned that no significant changes have been put forward on traceability, cooperation with third countries, and chain of custody.

The Council has maintained the Commission's proposal to require **traceability** to plot information for all volumes sourced by operators. Even if some farmers in producing countries can comply with this requirement, collecting geolocation data of smallholders and co-operatives faces important technical, logistical, legal, and governance challenges, which cannot be addressed by companies alone. If such challenges are not solved under a multi-stakeholder approach involving local governments, local industry actors, EU operators, the European Commission, and NGOs, companies will not be able to collect reliable geolocation to plot information for the majority of smallholders currently part of their supply chains.

To support rapid implementation and provide equivalent assurances, we call for traceability to production area, to be checked by satellite monitoring and checks on the ground as part of an operator's due diligence. We also strongly urge the Commission to tackle the abovementioned challenges through Forest Partnerships, development assistance, and any other required means before implementing and enforcing the geolocation to plot requirement of the Regulation.

Given that compliance with certain requirements of the Regulation will prove challenging for some actors in producing countries, we are concerned that the chapter on **cooperation with third countries** was not strengthened by the Council in order to address those challenges. To avoid the exclusion of a large portion of producers from supply chains into the EU as well as any shortages in the provision of relevant commodities, targeted cooperation and development assistance, as well as financial incentives, will be required to enable the establishment of national traceability systems, proper land tenure regulation, deforestation-prevention through capacity and knowledge building for environmentally and economically sustainable and deforestation-free agriculture, and much more.

While the Commission's Proposal does not explicitly refer to the required **chain of custody** for delivering deforestation-free products, its inclusion of "*risk of mixing with products of unknown origin or produced in areas where deforestation or forest degradation has occurred or is occurring*" as part of an operator's risk assessment presupposes that deforestation-free products cannot be physically mixed with products which have not been verified as "deforestation-free".

Requesting a separation of flows of verified and non-verified products throughout all supply chain stages, will have a disruptive, trade distorting effect on global soy supply chains to the EU while undermining deforestation-free commitments and efforts already undertaken in high-risk areas. It would require building new infrastructure (country elevators, silos, crushing lines or plants, port loading) at such prohibitive costs that operators in most large ports are likely to abstain from the investment. As a result, supply flows into the EU are expected to be considerably reduced and to switch from high risk to low risk areas, abandoning all positive engagement and incentives to farmers to halt deforestation.

Mass balance to date has supported demand for deforestation-free production in high-risk areas and therefore incentivised the halting of deforestation.

COCERAL, FEDIOL, and FEFAC stand ready to provide any additional information and examples from practical experience to support the Council and European Parliament in their negotiations of the Deforestation Regulation with a view to ensure deforestation-free supplies in Europe and to continue effective action against deforestation in producer countries. Please click [here](#) for a more detailed reaction to the Council's General Approach.