

Origin Green Webinar

**Webinar Series:
Sustainable Soy & EU Deforestation
Regulation Webinar**

June 2023

BORD BIA
IRISH FOOD BOARD

Agenda

Context Setting and Action on Soy

Ailbhe McGowan, Origin Green Ambassador, Efeca
Jonathan Gorman, Technical Director, Efeca

EU Deforestation Regulation

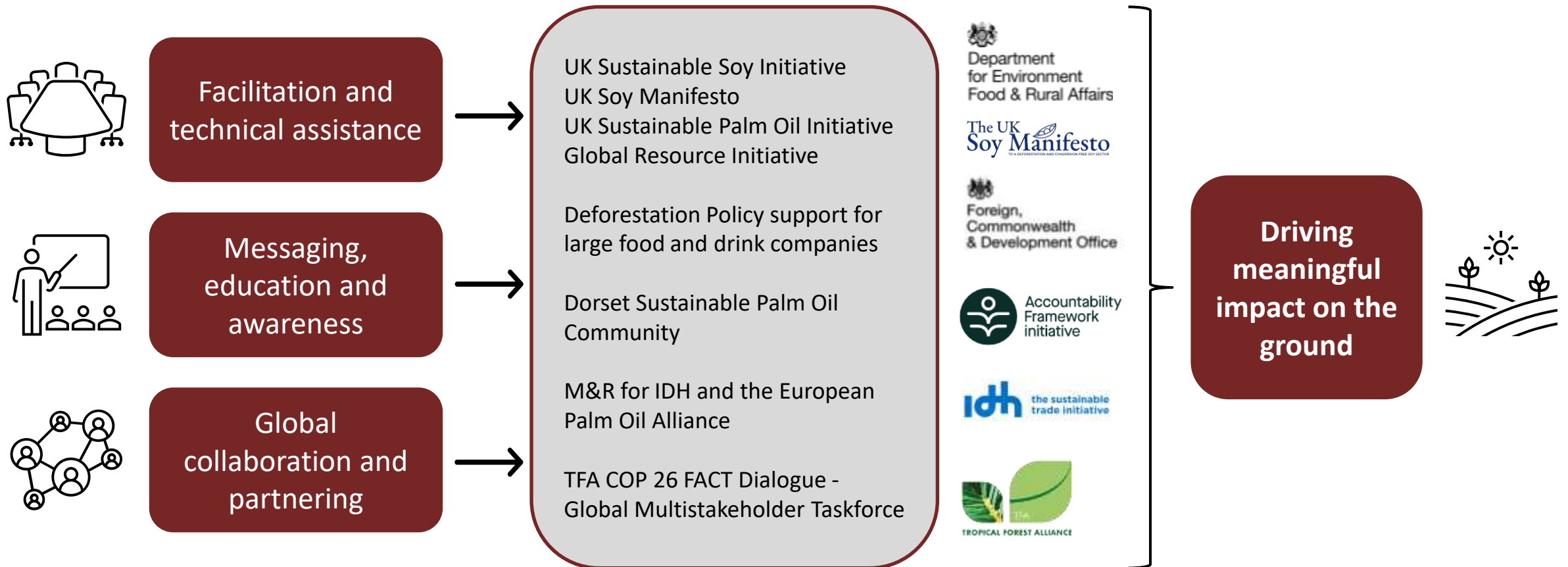
Patrick Nulty, Assistant Principal Officer,
Department of Agriculture, Food and the Marine

Joining for Panel Q&A

Audrey O'Shea, Head of ESG Strategy and Partnerships, Tirlán
Dave Fitzgerald, Sustainability Director, Ornua
Emer Fardy, Head of CSR, Hilton Foods
Dr Julie Finch, Agriculture Governance & Compliance Manager, Kepak
John Coleman, Chairman of the IGFA Feed Committee

Efecca - what do we do?

We provide advice and technical support to public and private sectors on policies, regulations and commitments, for responsible sourcing of forest risk commodities



Bord Bia and Efeca collaboration

- Bord Bia engaged Efeca to produce a report on soy use in Ireland which was based on 2019 data
- Ailbhe McGowan (Origin Green Ambassador) currently completing a five-month placement with Efeca
- Efeca and the Origin Green Team had several calls with Efeca, IGFA and DAFM on the issue of sustainable soy and the upcoming EU Deforestation Regulation which has culminated in this webinar

A low-angle, upward-looking photograph of a dense forest. The image captures the vertical trunks of numerous trees, which appear to converge towards the top of the frame. The canopy is thick with green leaves, and bright sunlight filters through the branches, creating a dappled light effect and a bright, glowing area near the top center. The overall atmosphere is serene and natural.

Setting the scene on Soy

Why are we talking about soy?

Research has shown that seven commodities represent the largest share of EU-driven deforestation globally.



What products are produced by crushing soybeans?

Soybean Oil (co-product)



Uses

- Highly versatile vegetable oil
- **In food:** used as a cooking oil for frying, baking as an ingredient, used
- **Non-food uses:** Biodiesel production and as an ingredient in non-toxic industrial supplies like paints, cleaners, coatings and adhesives.

Soybean Meal (co-product)



Uses

- High protein animal feed and food ingredient, the protein content and bioavailability of soy protein is unsurpassed by any other plant protein
- **In animal feed:** Soybean meal is a major protein source for farm animals
- **In food:** used to make soy flour and subsequently used to make other food products

Soybean Hulls (by-product)

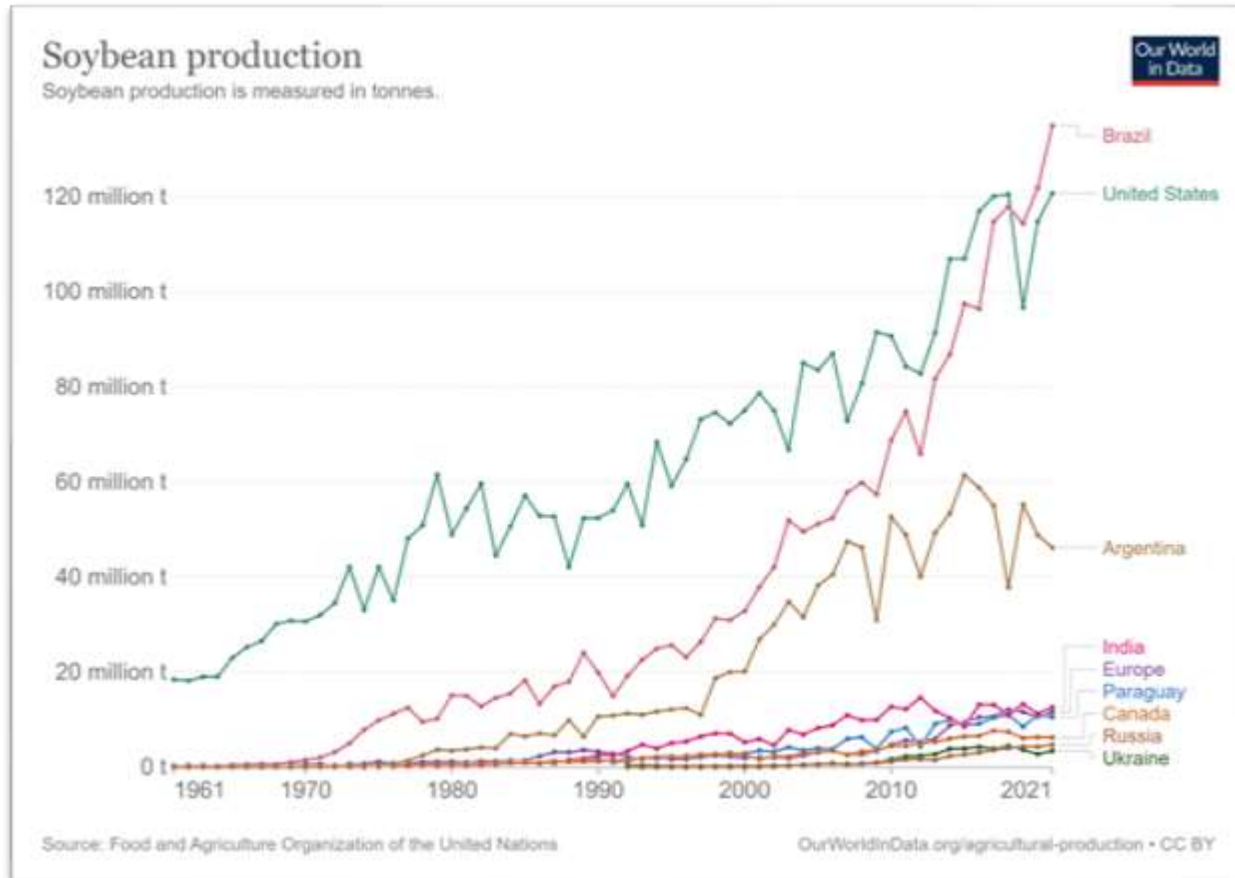


Uses

- High fibre animal feed ingredient that can't be consumed by humans
- Can be blended back into meal to reduce protein level
- **In animal feed:** in Ireland hulls usually come in a pelletized form and are used in animal rations as a good source of digestible fibre

Why are we talking about soy?

Top Soybean Producing Countries 1961-2021



- In 2021, close to 75% of the world's soybeans were grown in Brazil, the United States and Argentina.
- Production can increase by improving yields or increasing planted area.
- **Brazil** expansion has mainly been through increased planted area
- **In the US**, growth has predominantly been through improved yields.
- **In Argentina**, we can see production hasn't increased to the same extent, but it has still been significant

Why the concern?



Deforestation on the border between Amazonia and Cerrado, Brazil July 28, 2021.
Source: Reuters

- Every year the world continues to lose 10 million hectares of forest. FAO, 2020
- Deforestation alone accounts for 11% of GHG emissions. IPCC



Cerrado Biome
Photo: Victor Moriyama for Rainforest Foundation

At risk biomes include:

- Forests
- Savannahs
- Grasslands
- Wetlands

Not just a deforestation issue?

The impacts of deforestation extend beyond the loss of trees.

- **Nature:** Deforestation represents habitat loss, the loss of species of animals, plants and trees.
- **Climate:** The release of carbon and loss of carbon sinks which have a major impact on climate warming
- **Human Rights:** There are also significant human rights and social issues linked to deforestation and conversion which can significantly impact Indigenous and local communities.





Direct Soy Imports into the Republic of Ireland

2019 Report, Key Messages – Animal Feed

- Irish animal feed production relies on the sustainability and quality of the **native grains and protein crops grown in Ireland** to produce compound feed rations.
- However, due to a **deficiency in protein to meet the requirements of the livestock sector throughout the EU**, imports of high protein sources such as soybean meal have been commonplace to fill this gap.



Winter Oats, Tipperary, IFJ, 31/5/2023



Winter Oilseed Rape, Co. Cork, IFJ, 26/4/2023 12

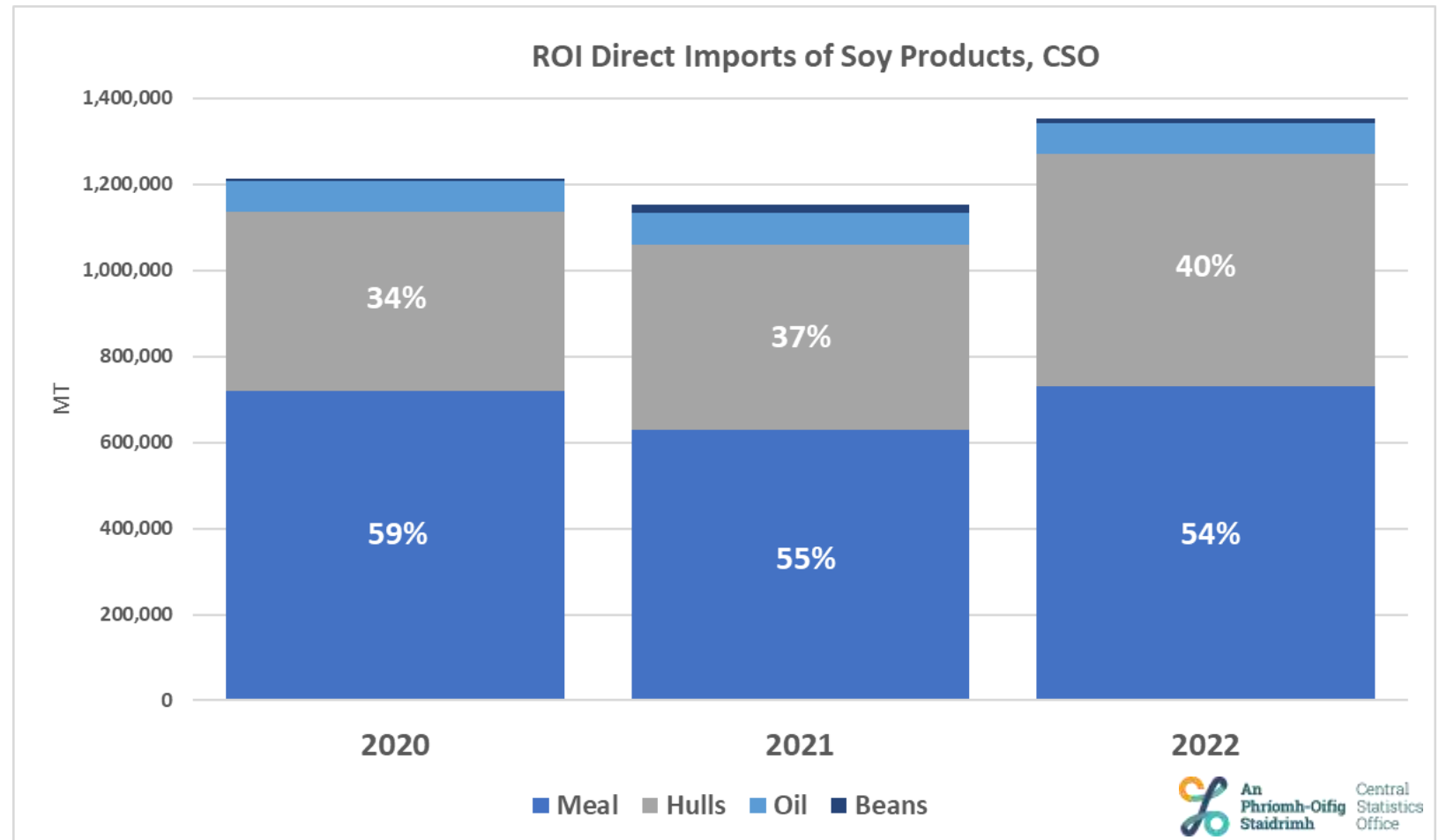
2019 Report, Key Messages – Sectors

- Ireland is renowned for its extensive grass-based system
- **For ruminants**, concentrates represent a small proportion of the overall nutritional requirements with 90 - 95% of their diet consisting of grass. Although ruminants are mainly fed on grass, hay and silage, the diets are supplemented by concentrates. These concentrates may include soybean meal.
- **The monogastric market**, the Irish pig and poultry sectors are more dependent on protein from products like soybean meal to provide the optimum balance of proteins to meet dietary requirements.



Ireland's Imports of Soy Products

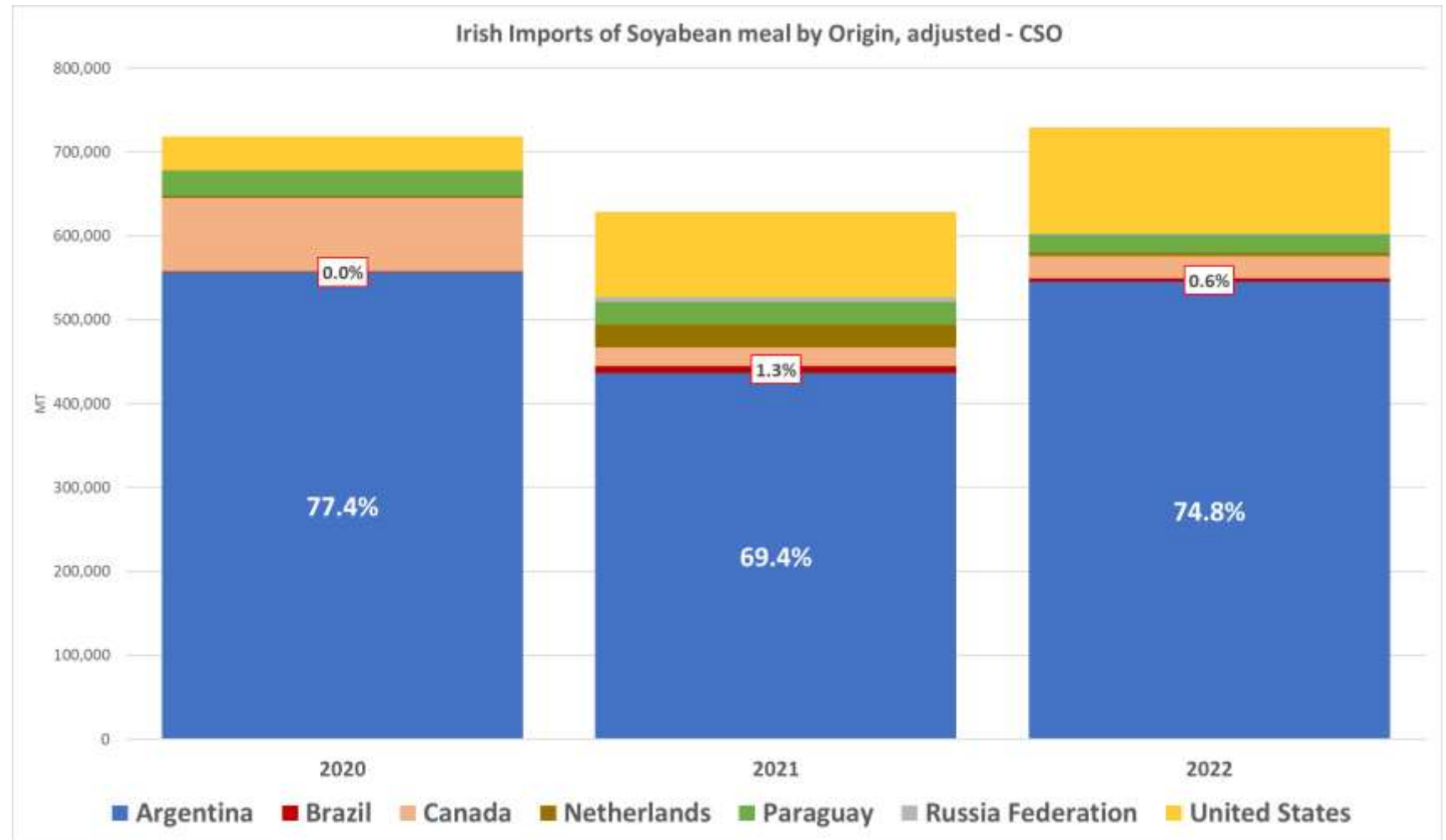
- Ireland represents 1-2% of EU Soy Consumption (Efeca, 2019)
- Soybean Meal represents the largest imports of a soy product directly into the Republic of Ireland
- Soybean Hulls are the second largest soy product imported into ROI with much smaller volumes of Soybean Oil and Beans being imported directly.



HS/CN Code used: Soybeans (1201), Soybean meal (2304), Soybean Oil (1507) and Soybean Hulls (23080090)

Soybean Meal Imports by Origin

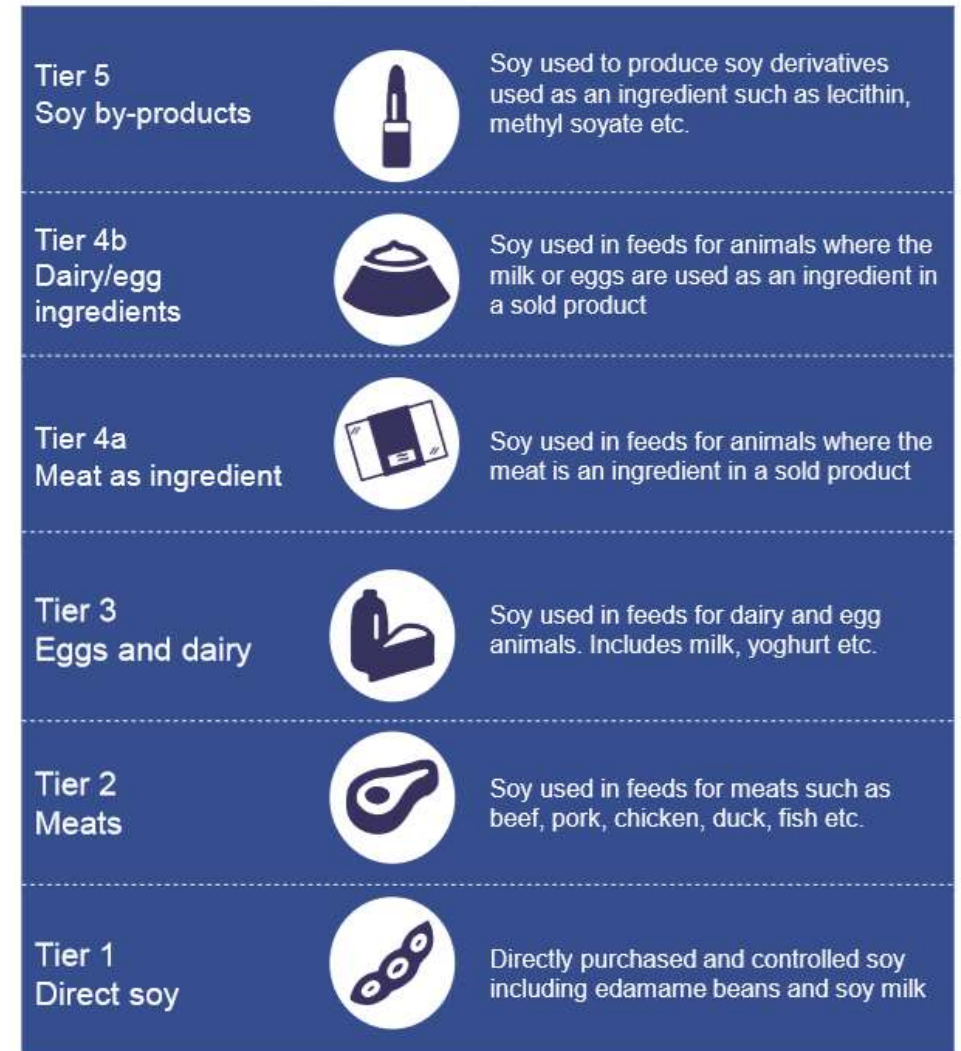
- Most soybean meal coming into Ireland is from **Argentina** where there is a lower risk of links to deforestation and conversion than in Brazil
- The remainder is mostly coming from the **United States and Canada**. The volume from North America has increased in recent years.
- The Republic of Ireland imports very little to no soy products from **Brazil**.



HS/CN Code used: Soybean meal (2304)

Direct v Indirect Soy?

- **Direct soy** is soy used directly to make products such as soybean meal contained in some pet-foods or soy as a food e.g. Edamame as well as soy derivatives that are used such as lecithin in chocolate.
- **Indirect soy** use relates to soy that is 'embedded' in the product through an indirect use – this includes soy used to feed animals bred for consumption or to produce dairy and eggs.



2019 Report, Key Messages – Deforestation

- Ireland’s ability to graze livestock for longer periods means the **use of soya in cattle and lamb diets is likely to be lower** compared to countries whose livestock production is predominantly from confinement systems.
- Also, the countries Ireland sources soybean meal from are generally **low or lower risk countries of origin in relation to** deforestation and conversion.
- US, Canada and Europe are currently considered to be low risk for deforestation while Argentina has a lower risk rating than Brazil for example (FEFAC).

Estimation of Risk-Exposure per Country

	Brazil	Argentina	Paraguay
Risk Weighting	50%	5-10%	15%

FEFAC, 2020/Trase, 2022

In Summary

1. Soybean production has been and can be linked to deforestation

2. Soy will be used in animal feed in the Irish meat, dairy and egg sectors but has other uses too

3. Ireland is a small soy consumer but will need to play its part/is at risk as it imports soy from countries at risk of deforestation, though mostly not from Brazil

A low-angle, upward-looking photograph of a dense forest. The image shows numerous tall, slender tree trunks reaching towards a thick canopy of green leaves. Sunlight filters through the leaves, creating a bright, hazy glow in the upper center of the frame. The overall atmosphere is natural and serene.

Current Initiatives working on Sustainable Soy

Industry Initiatives including deforestation



Commitment Frameworks

SBTi FLAG

WWF Sustainable Basket: UK Retailer
Commitment

Accountability Framework Initiative
(AFi)

Collaborative Platform/Coalition

Sustainable Agricultural Initiative (SAI)
Platform

Consumer Goods Forum, Forest Positive
Coalition

Disclosure Frameworks/ Benchmarking

CDP – Forests Questionnaire











SEDEX/SMETA 4-Pillar

Task Force on Nature Related
Financial Disclosures (TNFD)

Origin Green Charter



National Initiatives on Soy and Deforestation

	Initiative Name	
Multinational Initiatives	Amsterdam Declaration Partnership	
National Initiatives	French Platform of Sustainable Animal Feed (Duralim)	
	French Soy Manifesto	
	UK Roundtable on Sustainable Soy	
	UK Soy Manifesto	
	Danish Alliance for Responsible Soy	
	Donau Soy (Austria & beyond)	
	Dutch Soy Platform	
	FONEI/ INA (Germany)	
	Norwegian Dialogue on Responsible Soy	
	Swedish Soy Dialogue	



**Amsterdam
Declarations
Partnership**

Towards deforestation-free
sustainable commodities

Action in the UK

UK Sustainable Commodities Initiative – Soy Roundtable (also includes a Palm Roundtable)

- Since 2018
- Cross industry (trader to retailer)
- Government funded

Aims to

- Share learnings, work collaboratively towards shared ambitions
- Provide toolbox for companies to know where to start and to make progress
- Report on progress at a national and company level

UK Soy Manifesto



- Since 2021
- 41 Signatories
- Represents roughly 60% of UK soy consumption
- Signatory funded

Aims to

- Ensure all physical imports of soy to the UK are 100% vDCF* as soon as possible but no later than end of 2025.
- Create and implement practical solutions for supply chains to achieve this target by working with multiple stakeholders in food and animal feed supply chains.

*vDCF = verified deforestation and conversion free

Market Requirements vs. Upcoming Regulation

Key Elements

	Illegal Deforestation	Legal Deforestation	Conversion	Direct	Embedded*	Assurance Mechanism	Cut-off date	Geo-location data	Entry into Force/Target
EU Deforestation Regulation	X	X		X		X	X	X	2025
UK Due Diligence ¹	X		X	X	X	X			TBC
Market Requirements	X	X	X	X	X	X	X		2025

*EUDR does include requirements for embedded feed for cattle products in scope of regulation

Grey = Included/required
 White = Not included/required

¹UK Due Diligence is still awaiting secondary legislation to confirm scope, requirements and dates for entry into force. This table is based on the best information currently available

In Summary

1. Regulation and market requirements linked to Deforestation are increasing

2. Many companies are already taking action on Deforestation and Soy i.e., Policies in place, purchasing certified DCF Soy

3. The animal feed industry is also taking action in several ways.
Through FEFAC and at national levels through IGFA in Ireland and AIC in the UK

Thank you for your time.

Contact details:

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Jonathan Gorman, Jonathan.gorman@efeca.com



**An Roinn Talmhaíochta,
Bia agus Mara**
Department of Agriculture,
Food and the Marine

EU Regulation 2023/1115 on deforestation- and forest degradation free supply chains

Patrick Nulty
Assistant Principal Officer

Background

- DAFM is presently the designated Competent Authority enforcing the EU Timber Regulation 995 / 10.
- This regulation (EUTR) has been in force in all EU Member States since March 2013. It seeks to combat global trade in illegal timber/timber products. Its aim is to prohibit placing on the market illegally harvested timber.
- 420 million hectares of forest worldwide – an area larger than the EU – have been lost between 1990 and 2020 (FAO).
- A significant share of that forest loss is legal. (EUTR ‘Fitness Check’ & Forest Trends)
- Deforestation and Forest Degradation are important drivers of climate change (IPCC: 11% of GHG emissions) and biodiversity loss.
- 90% of deforestation is provoked by the **expansion of agricultural land** (FAO), which is linked in particular to a series of commodities.
- The **EU is a major consumer of commodities** associated with deforestation and forest degradation.
- Ireland once had 80% forest cover, deforestation over centuries has reduced forest cover to 11.6% today

What products will fall under the scope of the Regulation?



Timber



Cattle



Palm oil



Rubber



Soy



Coffee



Cocoa



The regulation defines deforestation as the *“conversion of forests to agricultural use, whether human induced or not”*.



Policy Context

- **Framework:** EU Green Deal; EU Biodiversity Strategy; EU Forest Strategy; Farm to Fork Strategy.
- **Public Consultation:** September to December (2020)- 2nd highest number of responses ever to a Commission consultation
- **Political Commitments:** Communication on Stepping up EU Action to Protect and Restore the World's Forests (2019); European Parliament Resolution (2020); Council Conclusions at Agri-Fish (5th November 2021); COP26 & UN SDGs.
- The proposed Regulation aims *“to minimise the EU’s contribution to global deforestation and forest degradation by minimising the risk that products coming from supply chains associated with deforestation and forest degradation are placed on the EU market”*.



Legislative and Implementation track

- ❑ **November 2021:** Commission proposal
- ❑ **January 2022:** Ad-hoc Working Party established French Presidency reporting to ENVI Council with input from Agri-Fish. DECC & DAFM nominated delegates.
- ❑ **June 2022:** Council general approach agreed.
- ❑ **September 2022:** European Parliament's resolution.
- ❑ **December 2022:** Preliminary political agreement between EP and Council.
- ❑ **May 16 2023:** Adopted by Council to be published in official journal imminently.
- ❑ **June 9 2023:** EU Regulation 2023/1115 published in official journal of the European Union. Enters into force 20 days later.
- ❑ **December 2024:** Entry into application of obligations for operators (June 2025 for SMEs).



Main elements [1]

- **Mandatory due diligence** rules for all operators that place the relevant products on the EU market or export them from the EU
 - Only products that are both **deforestation-free and legal** would be allowed on or exported from the EU market – need to be covered by a **due diligence statement**
 - Based on **internationally-backed definitions** (FAO)
 - Main obligations applicable to **operators and non-SME traders**
 - **Strict traceability** linking the commodity to the plot of land where it was produced
 - **Legality**: Products will need to be legal according to the laws of country of production, including applicable human and labour rights and free, prior and informed consent



Main elements [2]

- **Non-discrimination:** The Regulation applies both to domestically produced and imported commodities and derived products.
- **Benchmarking system** that will assign risk to countries or regions according to risk of deforestation – standard (by default), low and high.
- **Minimum level of inspections** for Member States authorities to perform (9%, 3% and 1%, depending on the level of risk)
- **Specific obligations for operators** – simplified due diligence for low-risk (still required to collect information, but not assess and mitigate risks)
- **Cut-off date' of 31 December 2020:** Aligned with UNSDG 15.2, aims to minimise disruption for smallholders and facilitate satellite monitoring
- **Review:** Other wooded land (one year); other ecosystems, commodities & products and financial institutions (two years); further reviews every five years.



Implications of Regulation

Article 2 Definitions:

(10) 'placing on the market' means the first making available of a relevant commodity or product on the Union market;

(12) 'operator' means any natural or legal person who, in the course of a commercial activity, places relevant products on the Union market or exports them from the Union market;

(13) 'trader' means any person in the supply chain other than the operator who, in the course of a commercial activity, makes available on the Union market relevant products;

(17) 'authorised representative' means any natural or legal person established in the Union who, in accordance with Article 5, has received a written mandate from an operator or from a trader to act on its behalf in relation to specified tasks with regard to the operator's or the trader's obligations under this Regulation;

Business (Operators and Traders)

- Exercise Due Diligence
- Retain records
- Penalties for non-compliance: fines, seizure of products etc.
- Costs? (deforestation free supply chains, staff training,
- Opportunities? e.g. Irish grassfed Beef

Annex II – Due Diligence Statement

ANNEX II

Due diligence statement Information to be contained in the due diligence statement in accordance with Article 4(2) of this Regulation:

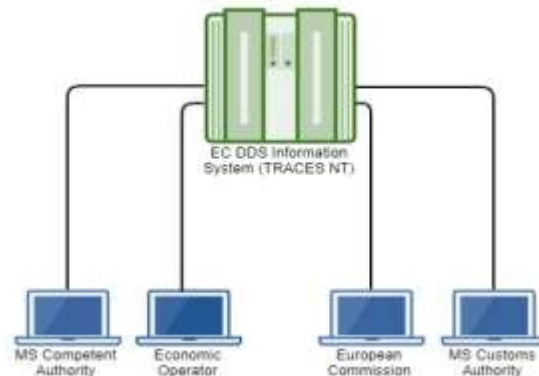
1. Operator's name, address and, in case of relevant commodities and products entering or leaving the Union market, the Economic Operators Registration and Identification (EORI) number in accordance with Article 9 of Regulation (EU) No 952/2013;
2. 2. Harmonised System code, free-text description, including the trade name as well as, where applicable, the full scientific name, and quantity⁴⁶ (expressed in net mass or, when applicable, volume, or number of units) of the relevant product that is intended to be placed on or exported from the Union market by the operator.
3. 3. Country of production and geolocation of all plots of land where the relevant commodities were produced. Where the relevant product contains or has been made using commodities produced in different plots of land, the geolocation of all different plots of land shall be included in accordance with Article 9(1)(d);
4. 4. The text: "By submitting this due diligence statement the operator confirms that due diligence according to the provisions of Regulation XXXX/XX was carried out and no or only negligible risk was found that the relevant products are not compliant with Article 3(a) or (b)."
5. 5. Signature in the following format:



Information (IT) System

➤ Phase 1 – Central system

- During 5 years after entry into force
- The Information System is used by all parties (Economic Operators, Competent Authorities, Customs Authorities). Only authenticated access.
- The DDS reference numbers are generated by the Information System
- DDS types supported: Import, Export and Domestic Production




➤ Phase 2 – Central System and CERTEX

- After 5 years after entry into force
- Electronic Interface with the EU Customs Single Window system (CERTEX)
- The Information System continues to be used by Economic Operators and Competent Authorities
- Customs Authorities connect via CERTEX to verify DDS reference numbers and retrieve DDS contents
- The DDS reference numbers are generated by the Information System or by the Customs System
- DDS types supported: Import / Export and Domestic Production




Potential Outcomes (1)

1) The Regulation is an **environmental measure**, developed in compliance with EU's international commitments, including its trade agreements, and WTO requirements.



2) This is the way how **the EU takes its responsibility** as one of the main consumer markets. As long as there is demand for products coming from supply chains related to deforestation and forest degradation, even the best developments in producing countries will not suffice, as there will always be too much pressure on the supply side to meet the demand.



3) Going beyond legality (the deforestation-free element) is necessary to **avoid perverse incentives** for some countries to lower their legal standards, which results in unfair competition as regards companies working with higher standards and countries, like Brazil, that have been making efforts in establishing good national systems.

Potential Outcomes(2)

4) The Regulation is an opportunity to **enhance trade in deforestation-free products** and boost opportunities for sustainable actors around the globe.



5) The identification of high-risk parts of countries, instead of classifying the whole country as high risk, will **help address potential challenges in a targeted manner** and can be interesting from the third country perspective:



Only the relevant parts of a country where deforestation takes place would be categorised as high risk, while the rest of the country can be classified as standard risk.



The EU and MS support will be targeted to the areas where challenges are greatest, helping the partner countries to focus their efforts, with the EU support. The Commission will engage in a dialogue with countries identified (or that could be identified) as high risk with the objective to reduce their level of risk.