

# TFA EU DEEP DIVES

## GEOLOCATION & TRACEABILITY SESSION 2 SUMMARY

SEPTEMBER 2022

### KEY TAKEAWAYS:

The main conclusion from the session is that at the moment there is no direct and cost effective solution to provide geolocation at the level currently written in the draft regulation, especially for indirect supplies of soy and beef. While the direction of travel in terms of traceability requirements is clear, that is moving towards more transparency within the supply chain, a lot remains to be clarified by the Commission on how this can be implemented.

Below, are some of the key takeaways from the discussions held during this session.

#### Need for deeper levels of traceability to meet the regulation:

It must be recognized that the current level of traceability and visibility of production areas throughout the supply chain is not at the level that is going to be required to comply with the regulation.

Many companies are already developing or implementing more granular approaches to trace their product back to their points of origin, however challenges remain in cases where the supply chain becomes more complex and indirect. As it currently stands, the proposed regulation will require additional (financial) resources to design and implement effective approaches for traceability and guarantee that the products entering the European market are indeed deforestation-free.

In the context of beef in Brazil for example, slaughterhouses are already combining different tools to gather the geolocation coordinates of the cattle farms they are sourcing from via the Rural Environmental Register (CAR) and the Animal Transport Permit (GTA). However, these remain location specific and do not cover indirect suppliers as of yet.

Additionally, the current reliance on mass balance approaches may also become a key challenge that will need to be addressed. In the current proposed regulation, the mixing of products from different origins will be permitted as long as they are all traceable, and all deforestation-free. In cases where a company is importing volumes that are not deforestation-free, even if their origin is known, those products cannot be put on the EU market. Physical segregation may be one solution, whereby DCF and non-DCF products are separated from their point of origin and throughout the supply chain, in which case only the DCF shipment may be unloaded.

### The need for a clearer risk-based approach:

There is a clear linkage between the need for a risk-based approach, which currently remains unclear from the regulation side and how these approaches may link to the level of traceability required based on the level of risk identified.

At the moment It looks like geolocation will still be required, regardless of the risk level associated with the with the country of origin or subnational region.

In the context of soy, a risk-based approach in terms of level of granularity for geolocation and consequently level of due diligence required based on the risks identified may be a more feasible solution. For downstream players, this also highlights the importance of having suppliers that have good systems in place, as they are ultimately reliant on how well they implement their own system.

Note that a specific session focusing on the country benchmarking (i.e. identification of high, standard and low risk areas by the Commission) currently included in the proposed regulation will be held on the 31st of October 2022.

### The need for cost-effective solutions:

As described above, one of the key challenges will be to find a balance between the geolocation requirements, the available information and actual effort and resources needed to comply with the legislation.

Collaborative initiatives such as the Soy Moratorium and the CGF Soy Roadmap for Brazil have lessened some of the challenges and cost burdens of having access to geolocation information for direct soy at the farm level and throughout the supply chain. However, the challenge remains when sourcing from cooperatives where the exact source of the soy may be lost as it travels through the supply chain. Changes will be required to adapt to the legislation, which will present an additional cost burden to different stakeholders throughout the supply chain.