

Response ID ANON-X5E1-ARJP-G

Submitted to Due diligence on forest risk commodities
Submitted on 2020-10-05 13:46:34

About you

1 What is your name?

Name:

[REDACTED]

2 What is your email address?

Email:

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3 What country are you based in?

Country:

United Kingdom

4 Would you like your response to be treated as confidential?

No

If you selected 'Yes' please provide your reason::

5 Are you responding:

On behalf of an organisation

About your organisation

1 What type of organisation are you responding on behalf of?

Industry association

2 Please provide your organisation's name.

Insert organisation name:

British Meat Processors Association

About the proposal

1 Should the Government introduce legislation designed to make forest risk commodities more sustainable?

Yes

2 Should it be illegal for businesses to use forest risk commodities in the UK that have not been produced in accordance with relevant laws?

Yes

3 Should businesses in the UK be obliged to have a system of due diligence in place to ensure that the forest risk commodities they use have been produced in accordance with relevant laws?

Yes

4 Should businesses be required to report publicly on their system of due diligence?

Don't know

5 Should the Government be able to levy fines against businesses that use forest risk commodities that have not been produced in accordance with relevant laws?

Yes

6 Should the legislation apply to larger businesses, over an employee number and turnover threshold, that use forest risk commodities in production or trade?

Other

7 If you responded 'Other' to Question 6, please expand.

Other:

We disagree that employee number and turnover are appropriate criteria to select the businesses the legislation should apply to. This selection should follow a risk-based approach: companies first placing commodities/products on the UK market should assess the risk of having commodities/products in their supply chain that are linked to deforestation/ecosystem conversion and human rights abuse and take measures to ensure that their risk is reduced to a minimum/negligent level.

In alignment with this risk-based approach, the volume and value of forest risk commodities/products companies place in the UK market (more than employee number and total turnover) is of higher importance when considering which companies the legislation should apply to. A company with a high turnover and number of staff for example could import only a small amount of milk powder as an ingredient (with embedded soy), with a smaller company, producing animal feed for example, importing a much higher volume.

Application of the law to larger companies only risks shifting the importation of illegal products to smaller companies. It would also not 'level the playing field', applying a mandatory requirement only to larger businesses, who are most likely to already be acting due to the reputational risk of being associated with products causing deforestation, whilst driving limited change in the practices of smaller business.

8 Large businesses have existing obligations to report on climate and environment issues including in relation to net zero. To what extent are there opportunities to align the proposal set out in this consultation with businesses' reporting under existing international frameworks [e.g. the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD)]?

Extent to which there are opportunities to align the proposal set out in this consultation with businesses' reporting under existing frameworks:

The opportunities certainly exist for this initiative to contribute to net zero obligations. In the case of soy in particular, it is important government is guided by roundtable organisations such as the UK Roundtable on Sustainable Soya (RTRS) and the Retail Soy Group, who have taken the lead in creating and supporting the delivery of sustainable soy targets.

Any legislation regarding climate and environmental issues must be aligned with existing initiatives that the majority of an industry have committed to (this has not been the case with initiatives such as the proposed Plastic Packaging Tax, whereby target dates do not align with WRAP's Plastics Pact).

9 Do you have any further information or comments you would like us to be aware of?

Please provide any further information or comments in relation to this consultation:

In principle, we believe that moving towards the enforcement of sustainable production of forest risk commodities is a good thing. We cannot make much further judgement on the proposal without having confirmation of the due diligence and the burden of proof required of businesses who handle these products. However, it must be understood by Government that the biggest challenge in the implementation of any such legislation is the complexity and transparency of the supply chains concerned. In the meat industry, the most affected commodity would be soy for use as animal feed.

In the pig industry much of the sector is integrated (but by no means all), and in the beef sector supply chains are fragmented and not integrated. In turn, all of these farmers supplying processors will source from multiple animal feed suppliers, or soy suppliers (to mix themselves). In the case of animal feed suppliers, they may be purchasing soy from multiple sources themselves.

To understand the scale of this, one must see the size of the ships that arrive in the UK, mainly from South America, carrying tens of thousands of tonnes of soy. At the UK border, the challenge of tracing the soy back via traders to the country, region, municipality, mill and producers of origin cannot be underestimated.

Where a trader in South America for example, carries the burden of proof to ensure that the soy they purchase has been produced in compliance with local laws (Brazilian Forest Code / Amazon Soy Moratorium etc.), it is very difficult to keep this proof with the soy as it is delivered to the UK, broken down and sold (and re-sold) so the end user of the soy itself (i.e. the farmer) would hold the appropriate evidence. There are limited situations where identity preservation (certified material from a single source is kept separate from all other material throughout the supply chain, allowing maximum traceability from production to end use. Separate documentation for each batch of single-source certified product from other certified and non-certified product) would be applicable, as certified volumes of soya meal are combined as part of processing. How would this burden of proof translate into a transparent supply chain document that the farmer could own and pass onto the processor?

As demonstrated above, this is a significant logistical challenge that requires the operation and transparency of all in the soy supply chain, as one example. This is not something that currently exists, and whilst a law such as the one proposed may help, it must be remembered that the most challenging element of this supply chain is outside of the UK.

On top of the basic logistical challenge of moving evidence and proof of compliance through the supply chain, one must not forget the original challenge at present to guarantee that all the soy used in animal feed from South America to the UK has been produced in compliance with local laws.

Currently, many processors and retailers in the UK purchase sustainable soy credits to the sum equivalent of the soy used in their supply chain, to combat the above two issues.

Additional cost burden

One of the biggest challenges associated with the introduction of legislation such as this is the cost implications for businesses. The additional costs

expected would be due to:

- Anticipated likely increase in purchase price of imported commodities to ensure full compliance (imposed by traders)
- The cost to UK businesses to ensure compliance and due diligence record keeping and in their supply chain. There would be a large resource/admin cost to this, and as well to bear the costs of audits (either directly or indirectly).
- The move of some UK businesses from purchasing South American soy to North American soy, where there is no risk of deforestation. This could push the price of North American soy up (and increase fragility in the supply chain from reducing the number of approved soy suppliers available to UK businesses).
- The competition of UK businesses to purchase certified-legal soy would create a very simple supply and demand-driven increase in soy prices

The meat industry works on incredibly small margins and a very lean supply chain. Any major disruption to this supply chain will likely increase production costs, for which meat processors cannot absorb. These costs will ultimately be passed down to the consumer.

Weaker links in the supply chain

It must be understood that the supply chain for commodities such as soy for animal feed are complex, and within that chain not all stakeholders may be considered 'large businesses' for the purposes of the legislation. This may mean they are not in scope to comply with this law, despite the fact that businesses either side of them in the supply chain may be. For example, a large animal feed supplier (in scope) supplies a small pig farmer (not in scope), who then sells their pigs to a large processor (in scope). There is no guarantee that the smaller farmer will have the resources or knowhow to pass on the necessary information required for larger businesses' compliance. What action, in this case, should a large business further down the supply chain take to ensure compliance?

Reliance of the UK Government on other countries' legislation

The proposal specifies that the commodities must be produced to within the laws local to its country of origin. This leaves the UK vulnerable to future changes of (predominantly South American) Governments, which, may choose to weaken (or scrap altogether) environmental protection laws. Although this is unlikely, it cannot be discounted. What measures would be put in place to ensure that commodity-producing countries would not simply lower their legislative standards to ensure a continuity of trade with the UK?

As an example, the president of Brazil, has a track record in not safeguarding the country's environment. Since taking office, he has worked to roll back enforcement of Brazil's once-strict environmental protections. Is the UK Government comfortable with this direction of travel with environmental protection?

In order to improve standards, the UK government could consider choosing approved certification schemes as a standard by which UK companies must be using forest risk commodities. These are usually above and beyond local laws, but more importantly are not vulnerable to changes due to various political priorities that may not align with environmental goals.

Another risk that must be considered is the policing of legal standards in other countries. What would the UK government be proposing to do in order to manage the risk of illegal behaviour to make product 'passable' for export to the UK, such as falsifying records and bribery?

Global conventions and pacts

Is the UK engaging with other global agreements on reducing deforestation or sustainable commodity production, with this law? Is there any scope to align with other countries' legislation or demands? Given the relatively small size of the UK and its small buying power in the global commodities trade, how does the UK Government propose to combat this and assert its authority in producer countries?

Competitive Edge

If the UK is the only country with comparable commodity-sourcing laws, its food manufacturing sector may lose its competitive edge. The additional cost of complying with such a law may make production costs too high both for the domestic market, but also for the export market. Many countries are price-sensitive and may not agree to paying a premium for compliance with this legislation, which risks the UK losing business to more price-competitive exporters.

Supply chain infrastructure – a starting point

As described, the biggest challenge to forest risk commodities is the complex and sometimes opaque supply chains they travel through. Establishing a robust reporting system would be an important first step for the UK Government, in order to have truly sustainable supply chains. It would, in the first instance, improve supply chain transparency, improve consistency with reporting requirements and methods, and create a basis for which sustainable legislation could be built.

Summary

Many businesses already attempt to source forest-risk commodities which have been produced in accordance with local laws, or buy credits instead, where it is extremely difficult to track the source. Until the supply chain traceability and transparency problems have been resolved, it would seem unfair to penalise UK businesses who do not have full visibility of the origin of commodities used as ingredients in their suppliers' supply chains, where they cannot guarantee such commodities have not been produced in breach of local laws.

The cost implications cannot be underestimated and include both those additional costs from a buying perspective and UK business costs of administering the compliance. These costs cannot be accurately quantified without seeing further detail of the proposed legislation. We would urge Defra to consider in detail the extra burden and how they propose to support businesses to deliver this. The meat industry operates on incredibly small

margins and cannot absorb large cost increases; cost may be pushed further down the supply chain and potentially onto the consumer.

We would urge Defra to consider the aforementioned points in the design of the legislation, such as the issue of smaller businesses' exemption, other countries' legislation, aligning with global conventions and UK's potential loss of competitive edge with food production. We would also urge them to consider in the first instance implementing robust supply chain reporting infrastructure to improve standardised reporting and transparency in the supply chain.