Agritask

Navigating the EU Deforestation Regulation

A Guide for Food & Beverage Companies

Introduction
Forests are our allies in the fight against climate change.

Forests sequester 15.6bn metric tonnes of carbon dioxide per year, and are home to around 80% of the world's terrestrial biodiversity. This haven, however, is increasingly threatened by consumer demands for beef, soy, and other goods, responsible for ~75% of commodity deforestation. This is the data that led the European union to approve the EU deforestation regulation (EUDR) that will come into force in 2025.

The law seeks to prevent EU companies from importing products that have been linked to illegal deforestation and forest degradation. The products covered by the law include coffee, cocoa, timber, soy, palm oil, beef, leather, and other agricultural products that have a significant impact on the world's forests. The EUDR requires companies registered in the EU to ensure the products they import or export have not been produced on land that was deforested after December 31, 2020, and that is not subject to forest degradation. In addition, companies must ensure the production of these commodities has been compliant with "relevant laws" on land use, labor, and human rights In their country of origin. After the regulation comes into force, large companies will have 18 months to comply before being penalized.
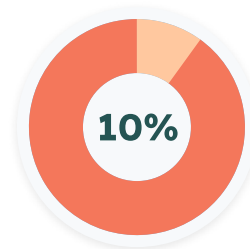If you would like to follow the progress of the EUDR implementation, checkout the EU website here.

This new measure is a part of a broader scheme of sustainability measures undertaken by the EU (among them, the CSRD, all of them sharing the common goal of shifting responsibility from the end consumer to companies and corporations.

The United Kingdom approved a similar regulation at the end of 2021;
The United States lawmakers introduced a similar bill in Congress during October 2021.
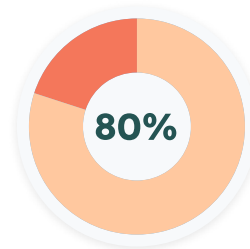
Deforestation and forest degradation are major contributors to climate change and are responsible for around 10% of global greenhouse gas emissions (second only to fossil fuels). By curbing the import of products that contribute to deforestation, the EU can help to reduce these emissions and slow the pace of climate change.

In addition, the new law could help to protect biodiversity by reducing the destruction of forests and the loss of habitat for endangered species. Forests are home to around 80% of the world's terrestrial biodiversity, and their destruction is one of the leading causes of species extinction. Despite the difficulty in estimating the impact, EU Commission estimates the law will directly protect a forest area the size of 100.000 football fields.

10%

of global greenhouse gas emissions due to deforestation

80%

of world's terrestrial biodiversity inhabit forests

Forest degradation

Deforestation refers to the removal of a forest by logging, fires, etc. leaving nothing but earth in its wake. Forest degradation, however, is a more subtle concept. Degraded forests are forests that can no longer perform ecosystem functions and support the animals and plants that inhabit it. It can occur due to selective logging, which dilutes the forest, or through creating homogenous forests such as orchards or logging forests that cannot sustain biodiversity and are highly susceptible to pests and diseases. It can be related to tree composition or forest floor composition, water availability and integrity, carbon sequestration, and more. It is therefore not simply a matter of black and white, but a grey scale.

How will the EUDR impact food and beverage companies?

EUDR compliance readiness:
STEP BY STEP

The EUDR is a part of a wave of regulations demanding companies to perform value chain due diligence, yet it is unique in its specificity. Food and beverage companies that sell in the EU, will need to geographically map their sourcing array, assess, and mitigate risks, and at times may even need to readjust their sourcing strategy in its entirety.

1. Identifying risk

Identifying risk-prone ingredients in the company's product portfolio and isolating problematic supply chains. These include product lines using any of the materials specified by the directive (cacao, coffee, soy, palm oil, etc.), and supply operations in emerging economies such as Brazil and Indonesia.

2. Plot-level supply chain mapping

Tracing ingredients in the supply array to their origin, while outlining the structure of the supply chain – all the way from the grower to the company. Companies need to geo-locate the plots in which their ingredients are produced and establish the identity of the player in their upstream supply chain.

3. Assess deforestation risk

Each plot in the supply array needs to be assessed for deforestation and forest degradation risk. Companies can accomplish that by utilizing trusted organizations and service providers who operate remote sensing databases and scouting services.

4. Assess regional production compliance

Outline regional regulations and assess production compliance through public records, surveys, and existing or required supplier certifications.

5. Re-strategize sourcing

According to the results of the due diligence process, companies may need to change suppliers, sourcing regions, or even the composition of final products to reduce non-compliance risk. This will require considering production costs, risk levels and product prioritization within the company's portfolio.

6. Ongoing supplier optimization

Companies may want to embed compliance and value chain due diligence into their ongoing operations. This may be done by firstly, amending their supplier code of conduct, and secondly, setting up systems to continuously optimize supplier screening and verify compliance on a periodical basis.

7. Broadcast results

Companies are required to make their due diligence data available to EU member state authorities through a digital system. In addition, companies should disclose an anonymized version of this data to the wider public to foster transparency.

STREAMLINING COMPLIANCE THROUGH TECHNOLOGY

Coffee, Cacao, soy, and palm oil are a part of a widely distributed global supply array, consisting of many thousands of plots and growers.
Manual due diligence is simply not an option, and neither is relying on mid-level suppliers' guarantees since regulators require specific geographic coordinates and information. Luckily, various technological solutions offer various capabilities to streamline value chain due diligence. However, selecting the right value chain due diligence solution is a complex task.

Here are some of the key points to consider:

Plot onboarding

Charting plots can be a lengthy process, often taking time and effort to manually triangulate. Furthermore, for crops like cacao and coffee, often grown on hills and mountains, plots are not easily identifiable from afar. Being able to remotely upload and verify thousands of plots based on coordinates, hand drawings or cellphone signals with support of AI technology can significantly expedite the process.

Remote monitoring

Having access to satellite monitoring and imaging tools is an absolute must – but it may not be sufficient. Forest degradation is not easily identified by remote imaging tools. Being able to verify lack of forest degradation risk requires a combination of remote sensing abilities and precision scouting and reporting tools.

Agricultural specialty

Many value chain due diligence solutions were created to verify standards in manufacturing, logistics, mining, etc., and do not have the necessary expertise in a challenging sector like agriculture. Selecting a solution with agronomic expertise improves the chances of grower engagement and data accuracy.

Integrating global expertise

Being able to integrate geo-based information on land rights, deforestation risk, and cross reference it with plot location data can save valuable time and effort for employees, suppliers, and auditors.
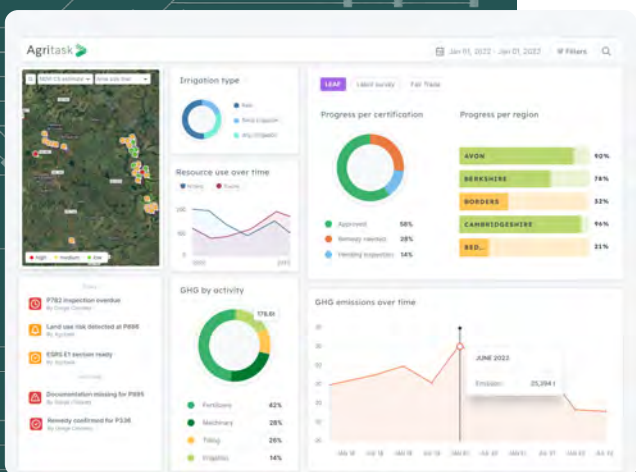
Audit-ready reporting

Value chain due diligence efforts are expected to be meticulously vetted by regulators and auditors, expecting specific data outputs and formats. With flexible report output tools, structuring the wealth of due diligence data into audit-ready reports can take minutes, instead of weeks.

Survey Management

Verifying compliance with local and EU regulation on human rights, worker rights and various ethical and environmental measures requires meticulous data collection, documentation, and follow through on remediation. Having a tool with inherent survey management capabilities streamlines the process, while also answering various other regulatory requirements such as the ones outlined in the corporate sustainability reporting directive (CSRD).

Sourcing decision support

Changing sourcing strategies requires information that extends beyond deforestation risk and involves financial and operational considerations. By combining data from supply planning, production monitoring and due diligence capabilities, decision makers can gauge production efficiency, yields, cost of production, and even environmental metrics and include them as considerations when reshaping sourcing strategies.

RESPONSIBLE SOURCING

step by step to de-risking the supply chain

Agritask's crop supply intelligence platform was designed to ensure the integrity of your suppliers' agronomic and land use practices, and promote efficient, sustainable ingredient production.

1. Mapping the supply chain

Agritask enables companies to digitally outline their supply structure, mapping the route and dependencies between growers, coopearations, processors and suppliers.

2. Onboarding plots

The platform traces and geo-locates every plot in the supply array, enabling rapid grower onboarding through different plot polygon mapping techniques. Users can remotely draw polygons on a map, upload coordinates in bulk to onboard thousands of growers at once or create plots on the field using GPS. The platform also enables using our unique plot mapping features, which requires a simple click on the mobile app by the farmer when he is located in the plot.

3. Deforestation & legal risk assessment

Utilizing Global Forest Watch or any other relevant database, Agritask cross-references deforestation risk data with plot geo-data to assign deforestation risk, flag high risk production locations, and prioritize scouting deployment. In addition, Agritask integrates with local and NGO databases to detect risks involving land rights, country risks and indigenous communities.

4. Managing forest degradation and compliance surveys

Agritask enables users to create, distribute and monitor various surveys and certifications, allowing scouts to assess and document forest degradation and various social conditions on the ground. The platform facilitates managing the entire due diligence process – from surveys, through remediation, to audit.

5. Maintaining documentation and reports

The platform enables users to maintain detailed documentation on a plot-by-plot basis, including images, ratings, ownership, production volume, and more.

6. CSRD-ready data collection

Agritask enables its enterprise users to monitor and optimize agricultural production, collecting valuable data on agronomic practices and input use along the way. As a result, Agritask can provide actual data on carbon emissions, chemical usage, and other useful CSRD related metrics (ESRS E1-5). In addition, the platform itself facilitates collaboration and serves as a communication channel for farmer communities, thus fulfilling the obligations for workers in the supply chain and affected communities (ESRS S2-3). For more information, please see our food and beverage primer to the CSRD.

7. Required audit reports

The EU deforestation Information System aims to facilitate the submission and processing of the Due Diligence Statements and will be launched towards the end of 2024. Agritask will comply and provide suitable documentation accordingly. Furthermore, an anonymized version of the data should be available to the general public for transparency's sake. Agritask enables users to flexibly configure reporting formats to fit regulator inspection, private audits, and general public viewing.

Revolutionizing EUDR Compliance with Unparalleled Advantages

As the EUDR landscape evolves and the regulation unfolds, Agritask offers distinctive advantages that streamline the approach to true end-to-end compliance.

Complete Process Management:

Agritask doesn't just provide a solution to detect which plots are at high risk from deforestration; it delivers a comprehensive and actionable solution. While it all starts with mapping the supply chain, ultimately it is needed to associate the growers and polygons with purchase orders in order to make the relevant declaration in the form of a due diligence statement. Agritask has the capability to accommodate such connections by working with ERP systems. In addition, the platform supports the management of risk mitigation processes. Because the process does not only end with flagging high-risk plots, it is required to request relevant certifications, manage field visits and document evidence from the fields. This allows to establish mutual understanding and trust with your suppliers. Rest assured, Agritask will comply with the EU Information System planned to launch in the summer of 2024.

Integration Capabilities:

The Agritask platform easily integrates with all deforestation and legality databases (with API connectivity) available in the market today. What's more, it is future-proof, adapting effortlessly to new databases that may emerge – a proactive step in anticipation of potential EU-sponsored databases.
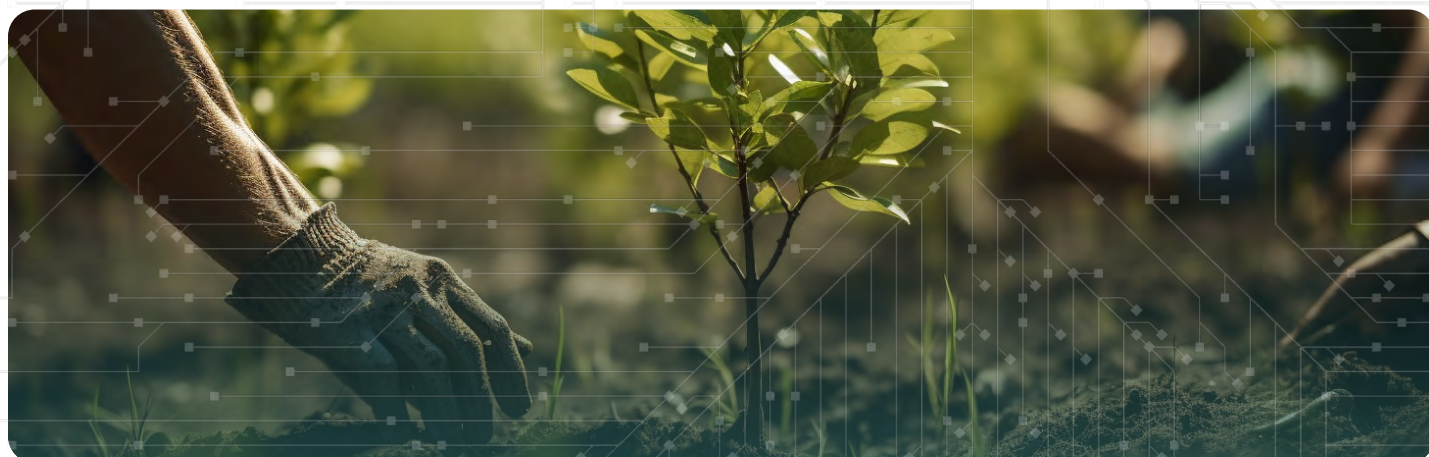
Enterprise Platform:

Designed for complexity, Agritask's platform effortlessly supports complex supply chain hierarchies and operational methods. We understand the multifaceted nature of supply chains and tailor our solution to align perfectly with your unique operational intricacies.

One-Stop Shop Efficiency:

Agritask goes beyond EUDR compliance. Our platform serves as a one-stop shop, consolidating various solutions – from season monitoring to certification and CSRD – into a singular, user-friendly system. This strategic consolidation eliminates data and operational redundancies, creating a cohesive and convenient interface for all relevant stakeholders.

Want to learn more about Agritask?

Request a demo

Agritask