

Eliminating deforestation from supply chains by 2020: a review of the Amsterdam Declaration countries

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Introduction

Consumers in Europe have a significant and hidden impact on tropical forests. Europe is an important consumer market for agricultural commodities associated with deforestation — such as beef, soy, palm oil and timber. The European Union's (EU) own study into the impact of its consumption estimated that its overseas deforestation footprint from importing and consuming crops and livestock products was 9 million hectares (ha) from 1990-2008.

In the decade since this study, deforestation risk has risen rapidly up the political agenda. A significant number of companies have made voluntary commitments to remove deforestation from their supply chains by 2020. In 2014 the New York Declaration on Forests (NYDF) pledged to halve deforestation by 2020 with a goal to support the private sector to eliminate deforestation from agricultural supply chains. The Declaration was endorsed by more than 50 companies and 41 governments, including the EU.

Against this backdrop, in December 2015 five European countries (Denmark, France, Germany, the Netherlands, and the United Kingdom), later joined by Italy and Norway, signed the Amsterdam Declaration on Deforestation with the goal of supporting private and public sector action on removing deforestation from supply chains. The Declaration encourages action by the private sector to adopt and implement deforestation commitments, policy action by the EU, and public-private partnerships to deliver on 2020 goals and remove deforestation from supply chains.

The Amsterdam Declarations Partnership (which includes the Declaration on Deforestation and the Declaration on Sustainable Palm Oil) is led by the signatory governments and aims to support existing processes, such as the European Sustainable Palm Oil and Cocoa and Forests initiatives, as well as convening national commodity roundtables. To date the implementation strategy has focused on cocoa, palm oil and soy.

As 2020 approaches, this briefing assesses the progress of signatory countries against the goals of the Amsterdam Declaration on Deforestation, focusing on the adoption and delivery of company commitments and the exposure to deforestation risks in imports, and identifies priorities for future action.

What has been the impact?

Each year, Global Canopy’s Forest 500 ranking assesses the deforestation policies of the most influential companies sourcing forest-risk agricultural commodities, providing a picture of the breadth and depth of company commitments on cattle, palm oil, soy, timber and paper. The assessment covers 180 companies operating in the seven Amsterdam Declarations Group countries.

Slow progress on deforestation commitments

Of these 180 companies, only 13 have a zero (or zero net) deforestation commitment (ZDC) across all of their supply chains and operations. Commitments vary by commodity – 32% of companies sourcing palm oil have a ZDC for palm oil supply chains, but this falls to 24% and 21% for soy and cattle respectively. These trends are similar across the seven countries, although coverage for timber and paper (also assessed by Forest 500) varies more widely.

More companies have weaker deforestation commitments that include sourcing certified sustainably commodities or protecting forests that are classed as High Conservation Value areas. Again, this varies by commodity, with 86% of companies exposed to palm oil having some form of deforestation commitment, compared to only 34% and 27% coverage for companies exposed to soy and cattle respectively (Table 1).

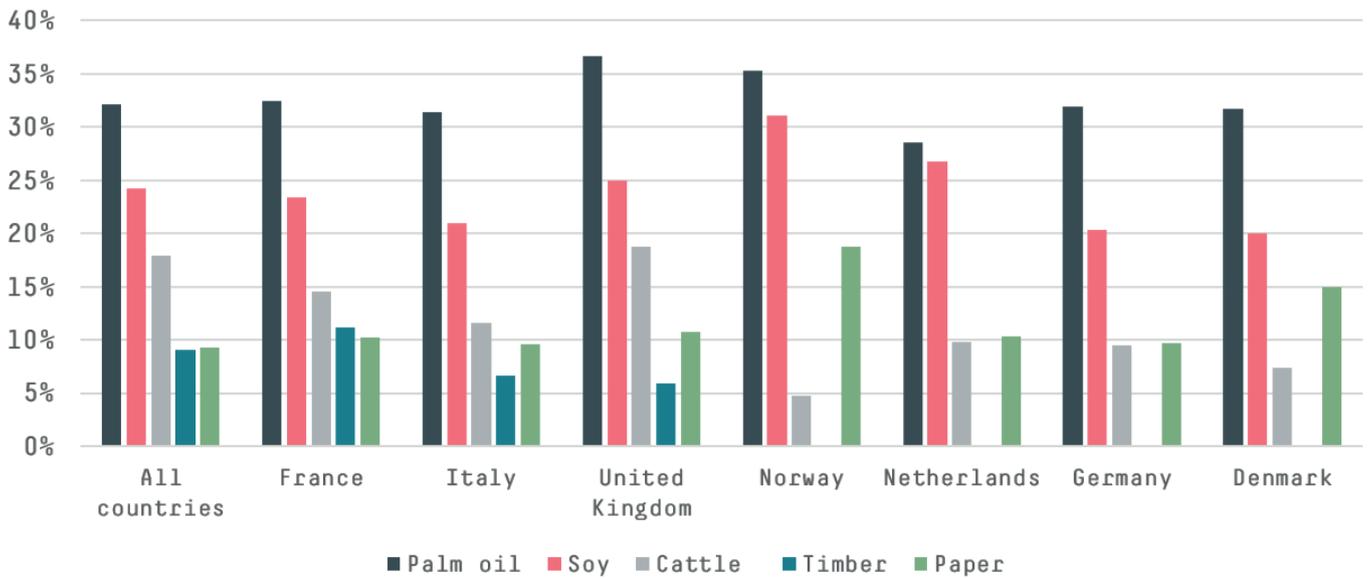


Figure 1: % of companies with zero (and net zero) deforestation commitments for relevant forest risk commodities, according to the Forest 500 2018 assessment.

	PALM OIL	SOY	CATTLE	TIMBER	PAPER
NUMBER OF COMPANIES	109	99	67	33	172
NUMBER OF COMPANIES WITH A ZDC COMMITMENT	35	24	14	3	16
NUMBER OF COMPANIES WITH A COMMITMENT TO SOURCING CERTIFIED PRODUCTS OR TO AVOID HCV	59	10	4	19	68
NUMBER OF COMPANIES WITH NO DEFORESTATION COMMITMENT	15	65	49	11	88

However, a number of companies with ZDCs don't apply them across all of their sourcing regions and suppliers. This is particularly an issue for soy where many commitments do not explicitly cover deforestation and conversion of native vegetation in the biodiverse-rich Brazilian savannah, the Cerrado, or in the Chaco, South-America's second largest forest, found in Argentina, Bolivia and Paraguay. In Brazil, for instance, the Forest Code allows up to 80% of properties in the Cerrado to be legally cleared.

There have been some signs of growing awareness on this issue, with some companies supporting the Cerrado Manifesto, that calls for commitments on eliminating deforestation and the clearance of native vegetation in the Cerrado, and some companies, including Louis Dreyfus and COFCO, adopting new conversion-free sourcing commitments that extend their ZDCs to the Cerrado.

Some signs of progress

A comparison of the 118 companies that were assessed by the Forest 500 in both 2015 and 2018 shows a marked improvement since the Amsterdam Declarations were signed. In 2018, 38% of these companies had a ZDC for palm oil, compared to only 7% in 2015. Companies have also increased the number of zero deforestation commitments for soy, timber and paper, although zero deforestation commitments for cattle (beef and leather) remain largely the same.

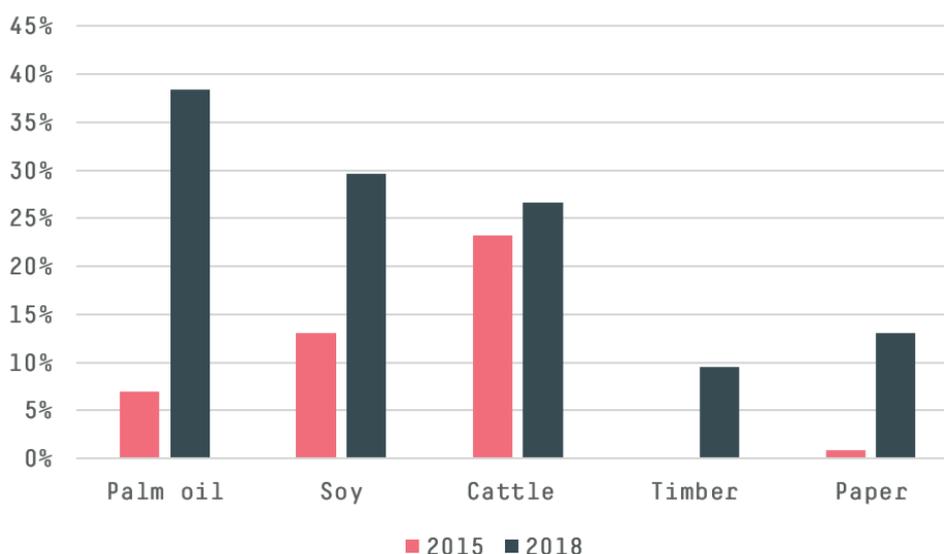


Figure 2: % of companies assessed in both 2018 and 2015 that have ZDC commitments in place, according to the Forest 500 2018 assessment.

However, nine companies have dropped ZDCs during this same period (six on palm oil and three on cattle) replacing them with weaker deforestation commitments. In the case of palm oil, all six companies (Arla Foods, Ahold Delhaize, Henkel AG & Co. KgaA, IKEA Group, Mitsubishi Corp) now focus on sourcing certified sustainable palm oil. The Roundtable on Sustainable Palm Oil (RSPO)'s certification scheme does now require zero deforestation, but the majority of the palm oil market is not certified. Smallholders are also more likely to be excluded from certification schemes due to the costs of compliance, so relying on certification is only a partial solution in terms of sustainability.

An incomplete picture

There are also significant gaps in company reporting on how they implement their commitments, and this means it is difficult to assess their effectiveness. Of the 143 companies with some form of deforestation policy, only 108 reported on progress and only half (73) reported on the percentage of their sourcing was compliant with their policy for at least one commodity. Similarly, disclosure of sourcing regions and suppliers is incredibly low, limiting the ability of downstream companies or third parties to assess exposure to risks. Again, this varies by commodity (see Table 2) with reporting on palm oil more advanced than for the other commodities.

This lack of information on the volume of commodities that are deforestation free makes it impossible to assess progress against commitments. As such the Amsterdam Declarations Group has used the percentage of volume of soy imports that are certified as a proxy criterion for progress. This is inadequate as the Roundtable on Responsible Soy (RTRS) is the only certification scheme to include deforestation criteria. It only covers around 2% of soy production in South America and it is based almost exclusively on certification credits – giving no assurance to buyers that the soy they are buying is from land that was not recently deforested.

Less than half of companies assessed are monitoring and engaging with their suppliers – a critical implementation step for removing deforestation from supply chains.

The Amsterdam Declarations also urge governments to support collaborative action by companies. Yet less than half of the companies operating in Amsterdam Declarations Group countries report participating in collaborative actions on palm oil and soy, indicating that there is plenty of room for the signatory governments to improve participation and collaboration.

	PALM OIL (109)	SOY (99)	CATTLE (67)	TIMBER (33)	PAPER (172)
REPORTING AGAINST COMMITMENT	83%	48%	32%	63%	60%
REPORT ON VOLUMES	73%	26%	19%	30%	37%
REPORTING INDEPENDENTLY VERIFIED	77%	28%	13%	56%	48%
MONITOR SUPPLIERS	60%	43%	45%	44%	45%
ENGAGE SUPPLIERS	56%	37%	42%	37%	47%
DISCLOSE SUPPLIERS/SOURCING REGIONS	28%	0%	19%	7%	4%
GRIEVANCE MECHANISM	28%	20%	19%	11%	19%
COLLABORATIVE ACTIONS	39%	46%	61%	37%	27%

How has exposure to deforestation risk in imports changed?

Companies seeking to implement their zero deforestation commitments can find it difficult to identify where the risks lie in their supply chains. These agricultural commodities are bulked before being traded and so it can be very difficult to trace commodities back to source. Retailers and manufacturers in Europe are several steps removed from the point of production where deforestation occurs. Often they are exposed through processed foods rather than the raw commodities themselves, for example through soy-fed chicken and pork which may themselves be ingredients in processed foods such as ready meals.

However new tools are being developed to track commodity supply chains. Trase is unique in making it possible to better understand links between import markets and trading companies to subnational production regions and therefore to see where commodity production is linked to deforestation risks. This means that consumer governments can assess and track deforestation risk in their imports, and buyers can identify their sourcing regions and prioritise high risk areas.

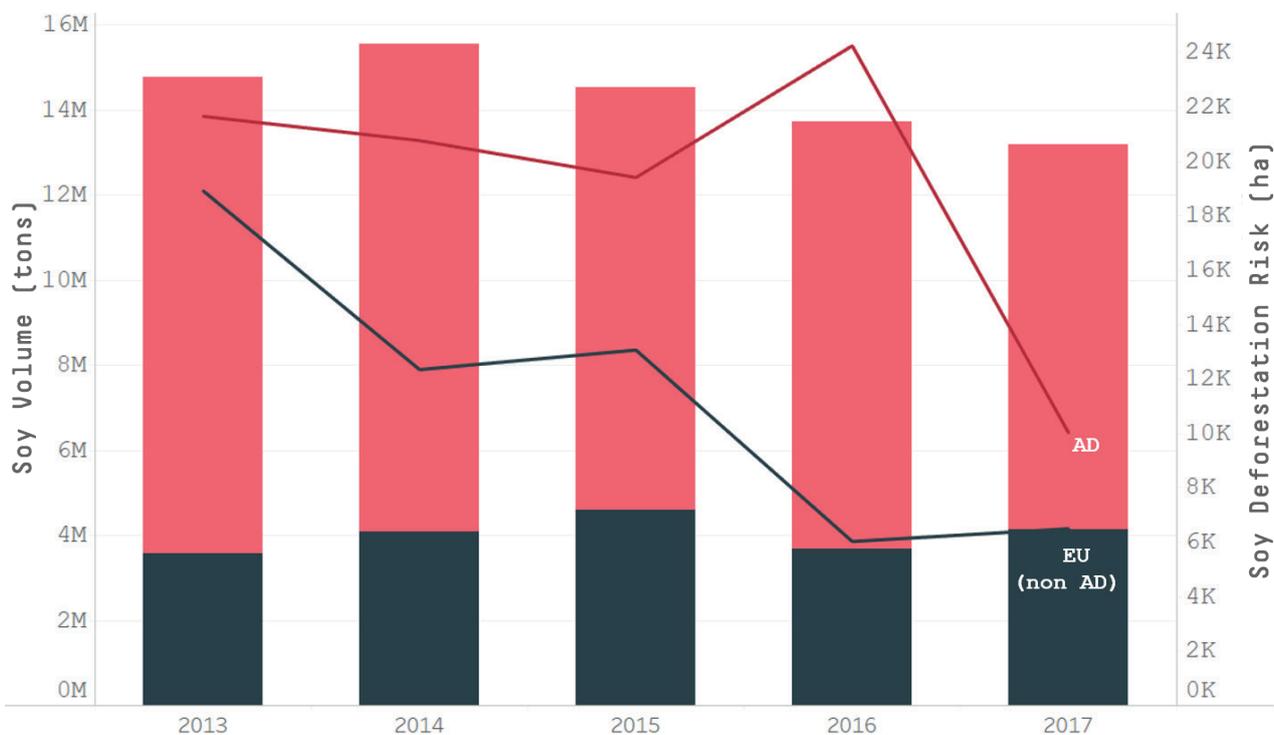


Figure 3: Volume of imported soy from Brazil (bar chart) and associated soy deforestation risk (line) for Amsterdam Declarations Group and non-Amsterdam Declarations Group EU countries, data from Trase.

Deforestation risk in Brazilian soy imports

Europe is a major consumer of soy from Brazil, where forests are still being cleared to make way for soy expansion in parts of the Amazon and the Cerrado. Looking at the EU countries' soy imports, Trase analysis makes it possible to identify the level of exposure to soy deforestation risk.

Soy deforestation risk is calculated by multiplying the total soy-related deforestation in producing municipalities by the share of that soy exported to Europe. Between 2013 and 2017, Europe was exposed to 151,707 ha of soy deforestation risk.

This translates into a soy deforestation risk of 2.16 ha per 1000 tons, which is greater than the soy deforestation risk associated with export to China (1.12 ha/1000 tons). This is because EU countries primarily source from the Cerrado, where vegetation is being cleared for soy, while China predominantly sources from the Southern region, where deforestation rates are much lower.

Within Europe, the Amsterdam Declarations Group countries have a higher exposure to deforestation risk than non-signatory countries in Europe due to their higher market share of soy imports (see Figure 3). It is not yet possible to see any trend in deforestation risk since the Amsterdam Declarations were signed at the end of 2015.

The Amsterdam Declarations signatory countries' exposure is concentrated in a relatively small area in the Matopiba region, in the Cerrado, which accounts for 15% of volume of soy imports but 82% of their deforestation risk. The Matopiba region, the intersection of Maranhão, Tocantins, Piauí and Bahia states, is the current frontier for soy expansion in Brazil and has seen significant clearance of biodiverse native vegetation for soy, the displacement of local communities, land speculation. Much of this is legal. As noted above, there has been growing pressure to recognise the importance of maintaining the region's unique social and biological diversity, with a number of companies extending their ZDCs to include the Cerrado.

Digging in further, Trase shows that just 15 municipalities in the Matopiba region represent more than 50% of the total deforestation risk. This creates a strategic opportunity for these countries (and the companies operating within them) to reduce their exposure to soy deforestation risk by focusing on efforts to improve the sustainability of soy production in these specific municipalities.

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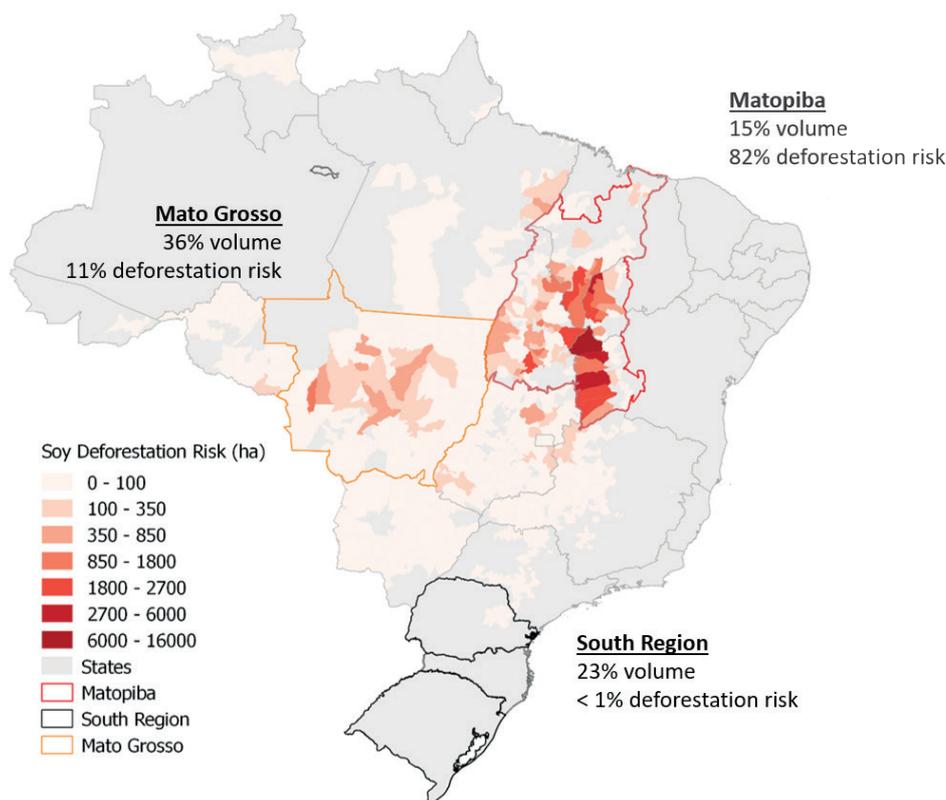
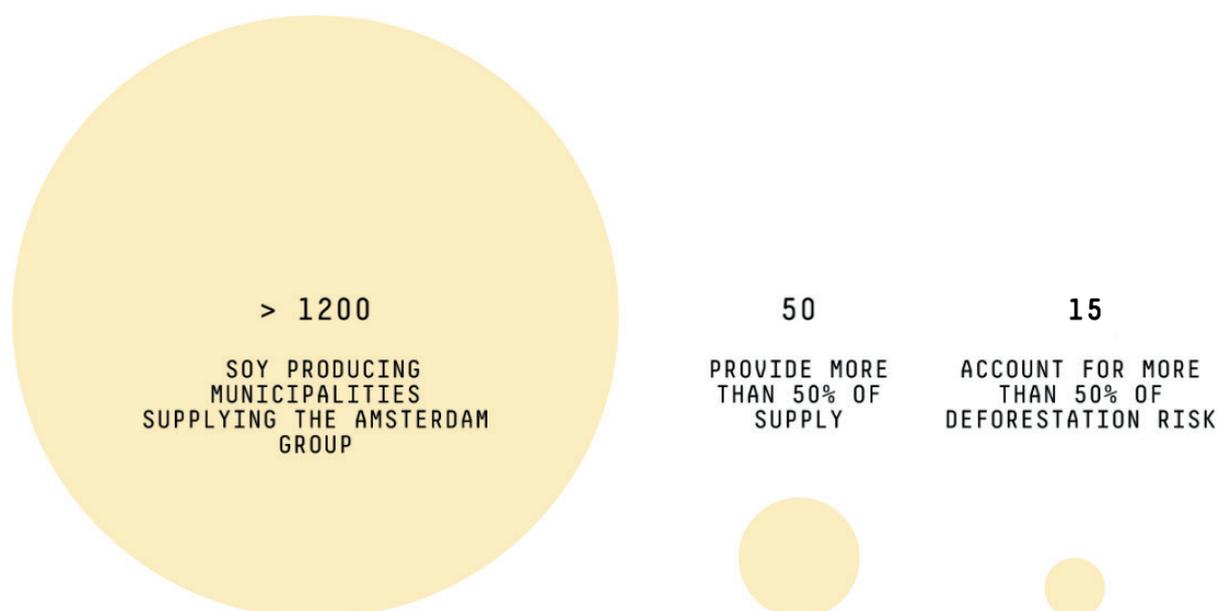


Figure 4: Soy deforestation risk, production levels and regional boundaries in key soy-producing areas of Brazil.

The 15 municipalities with the greatest exposure to deforestation risk: Formosa do Rio Preto, Sao Desiderio, Riachao das Neves, Ribeiro Goncalves, Mateiros, Santa Filomena, Balsas, Jaborandi, Gilbues, Peixe, Correntina, Currais, Barreiras, Luis Eduardo Magalhaes, Alto Parnaiba.



How can the Partnership do more on deforestation?

Influential companies operating in Amsterdam Declarations signatory country markets have made some progress in adopting ZDCs since 2015 – particularly for palm oil and soy which have been a key focus of the Amsterdam Declarations Partnership to date.

However, in many cases these commitments need to be strengthened – specifically to ensure they apply to all suppliers and all sourcing regions, and include deforestation and conversion in the Cerrado and Chaco biomes. They also need to include clear time-bound implementation plans and reporting on progress, specifically the volume of commodities that are compliant with deforestation commitments.

The Forest 500 2018 assessment also shows that far too many influential companies are still not doing enough to address deforestation risks. Some companies have taken no action, while others are selectively acting on one or two commodities. Focused efforts to engage companies without commitments can help drive progress. For example, the UK Sustainable Soy Roundtable, one of a number across Europe, has encouraged the publication of time-bound plans to improve the sustainability of soy supply chains by a number of companies. Initiatives like this should be a priority for the Amsterdam Group.

However, governments also need to set clear expectations for cross-commodity action by companies. Action to address deforestation risks in soy supply chains, or palm oil supply chains alone is not enough as deforestation can “leak” from one commodity to another (e.g. forest is cleared first for cattle to then make way for soy, a pattern that is quite commonly seen across Latin America).

Similarly, greater transparency through the disclosure of suppliers and sourcing regions is essential for downstream companies, investors and consumers to understand their exposure to risks.

The Amsterdam Declarations Partnership countries can also strengthen their own commitments and actions to achieve deforestation-free imports. France has shown leadership here, introducing a

strategy to remove deforestation from imports by 2030. This is an important step up in ambition that the other countries should follow. The strategy includes a planned national information platform to facilitate greater supply chain transparency, public procurement, and investments in producer countries to support sustainable production and conservation. Such measures provide a roadmap for other members of the Partnership.

Companies looking to take action at source can also benefit from the mapping provide by Trase, strategically targeting their efforts in areas most at risk of deforestation. Action could involve prioritising engagement and investment in the 15 municipalities identified by Trase as contributing to more than 50% of the Amsterdam Declarations Group's deforestation risk.

To meet its goals, the Amsterdam Declarations countries must engage other consumer markets, including other EU member states and China (currently by far the largest market for 'forest-risk' commodities) to follow their lead.

In particular, the Amsterdam Declarations Partnership countries must push for ambitious action by the EU on their Action against Deforestation and Forest Degradation. The signatories can also influence actions in other consumer markets by encouraging companies to adopt ZDCs that apply to all of their operations and subsidiaries.

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