Partnerships for Forests

Case study

2019

Moving towards deforestation free soya in the UK: the role of public-private supply chain dialogue

In June 2019, with support from P4F, eight of the largest UK supermarkets – totalling a combined retail market share of 83% – had published their action plans to deliver sustainable soya to the UK market. This case study documents the significant progress made by the UK Sustainable Soya Initiative in driving corporate and public policy changes relating to the soya market both in the UK and in other consumer countries. It explores how these changes have been enabled by the UK Soya Roundtable, a pre-competitive space for discussions and knowledge exchange. It also explores the remaining challenges that Roundtable members face and identifies mitigations as well as strategic opportunities that the Initiative could harness to accelerate progress. Finally, the case study showcases how the UK Initiative's impact is being extended and deepened via leadership and outreach activities aimed at sharing lessons and models with other key consumer markets outside of the UK.

Photo: Kate Evans/CIFOR

The impact of soya as a driver of deforestation

Deforestation associated with the production of key agricultural commodities such as soya is becoming an increasingly scrutinised issue. In September 2014, the New York Declaration on Forests (NYDF) launched ten ambitious goals to protect and restore forests, halve deforestation rates by 2020 and end it completely by 2030. The second NYDF goal focuses on supporting the private sector to eliminate deforestation from their supply chains associated with agricultural commodities such as palm oil, paper, beef and soya. The international declaration has been endorsed by governments, the private sector, civil society and indigenous peoples who have committed to reduce the rate of forest loss and end tropical deforestation. This case study will explore the role demand side initiatives have played in creating the right incentives for producers on the supply side, where P4F's Latin America soya strategy and interventions on the ground are focused.

The case for sustainable soya expansion in Brazil

As one of the world's largest producers of soya, Brazil can harness the opportunity to align with global pledges around zero-deforestation soya and drive further economic growth for the sector. Soya is the most important agro-commodity in the country, with a production value of £20 billion in 2016 alone and a projected annual production expansion of 2.5% until 2026. Despite the significant scale of this expansion, with appropriate land-use planning and the right incentives, degraded pastureland could absorb it all.

While the 2006 Soya Moratorium protects the Amazon biome from further soya related deforestation, the expansion of soya production is still a significant driver of deforestation and native vegetation loss in the Cerrado[1]. The Cerrado is one of the world's most important savannah ecosystems, where soya expansion is generating negative impacts on biodiversity, carbon emissions, water systems and local communities. Between 2006 and 2014, expansion over native Cerrado accounted for about 22% of the total soya production increase in Brazil. To date, this savannah has lost 50% of its original area to agricultural expansion, primarily driven by beef and soya. This impact was highlighted in the Cerrado Manifesto of 2017, a call for action released by a coalition of 60 civil society organisations requesting the adoption of effective policies and commitments to eliminate deforestation and conversion of native vegetation in the region.

In response to the Manifesto, over 70 global brands signed a Statement of Support (SoS) for its objectives, including a significant number of companies in the UK. These corporations had already committed to eliminating deforestation but had been unable to convert these goals into practical implementation plans within their supply chains for several reasons, including:

- a lack of common language and concepts around sustainable soya production (e.g. multiple unaligned certification standards) compounding confusion and frustrating collective market action;
- a lack of tools to monitor commitments and weak traceability within soya supply chains to link consumers to geographies of concern;
- a lack of incentives for producers to stick to a deforestation-free agenda, and
- cost implications of introducing new sourcing requirements.

1 https://science.sciencemag.org/content/347/6220/377.full

Collective UK market action to accelerate demand side change

A response to industry calls for support

Two years prior to the Cerrado Manifesto the European animal feed industry, through the European Feed Manufacturers' Federation (FEFAC), had responded to the same pressures with the publication of a set of Responsible Soya Guidelines, which were positively received. However, these Guidelines allowed the legal conversion of forests and native vegetation, and thus did not meet the expectations of many environmental groups or retailers.

In this context of nearing commitment deadlines, increasing NGO activity and public awareness around soya production, leading industry members wrote to the UK Government asking for support to establish the UK Sustainable Soya Initiative (UKSSI) to drive forward progress on translating their sustainability commitments into action. A core component of the Initiative is the UK Roundtable on Sustainable Soya, a 'pre-competitive' forum for companies and industry associations to work together, with the support of Government, towards a sustainable soya supply chain for the UK. The UKSSI represents an important national sustainable sourcing initiative for the UK, which contributes towards the Government's commitment to the Amsterdam Declarations goal of deforestation free commodities by 2020.

What is the UK Roundtable on Sustainable Soya and how does it differ from the UK Sustainable Soya Initiative?

The UK RT on Sustainable Soya brings together significant players in the UK soya market, providing a pre-competitive space for companies and industry associations to work together to achieve a shared goal of a secure, resilient, sustainable supply of soya to the UK, with joint progress monitoring and reporting.

The UK RT forms the core of a wider UK Sustainable Soya Initiative, which focuses on broadening the impact of the RT by linking to existing platforms and programmes in consumer and producer countries to identify further opportunities to share lessons and collaborate.

How does the UK Sustainable Soya Initiative work?

An initial meeting of interested companies and associations was held in March 2018 at which there was agreement to establish the Roundtable and convene a Working Group of prospective members to develop a proposal for a joint Goal, ways of working and membership terms. Four meetings of the Working Group were held, and a proposal document was developed and agreed by the wider attendees from the March meeting at the official launch of the UK Roundtable on the 12th July 2018.

At the launch the following Goal was agreed:

The UK Government supports Roundtable signatories' commitment to soya that is legal and cultivated in a way that protects against conversion of forests and valuable native vegetation. This will be achieved by signatories committing to:

- *publish timebound plans, by April 2019, to achieve this;*
- *meaningful and demonstrable progress towards this Goal by 2020.*

According to the 2019 Annual Progress report, the total volume of soya consumed in the UK is estimated to be 3.2 million tonnes of soybean equivalents, which is mostly sourced from South America (68%) or through the Netherlands and the USA. Furthermore, at least 600,000 tonnes of soya are embedded in other imports such as meat products. Most UK soya is used in the form of soya meal, most commonly used in animal feed (approx. 90% of all soya is used in animal feed across Europe).

Headline policy change: A key commitment from the UK retail market

As of June 2019, 83% of the UK retail market share is covered under conversion and deforestation free soya policies

One year on, the UKSSI had already resulted in significant policy commitments at the multi-corporate level. As of June 2019, eight of the largest UK supermarkets – covering a combined retail market share of 83% – have published or updated their action plans to deliver sustainable soya to the UK market. This commitment represents over 1.2 million imported tonnes of soya, equivalent to a production area of 400,000 hectares, which is roughly 2.5 times the size of London.

According to Dr Emma Keller, Head of Food Commodities at WWF-UK:

> “This is a significant step towards tackling the deforestation and habitat conversion associated with soya production. [...] the UK consumes 3.3 million tonnes of soya every year so it's incredibly positive to see the UK's leading supermarkets – who equate for 83% of the market share – taking responsibility for their overseas footprint. We look forward to seeing how each retailer implements these promises and hope it will inspire others, especially those in the food service sector, to follow suit.[1]”
>
> **– Dr Emma Keller, Head of Food Commodities, WWF-UK.**

A phased approach to transitioning to sustainable soya has been a key component which has enabled many retailers to rapidly implement policies. These policies vary according to company context and requirements, but broadly follow a consistent approach across three key phases:

- **Phase 1:** transition to zero deforestation soya credit schemes (100% certified credits)
- **Phase 2:** transition to 100% certified physical supply (Area Mass Balance or Mass Balance) certified soya
- **Phase 3:** transition to sourcing from verified zero deforestation areas (100% physically certified)

2 https://www.efeca.com/uk-roundtable-supports-eight-uk-retailers-commit-to-sustainable-soya

Photo: Kate Evans/CIFOR

Stepping up to the challenge

To assess how retailers are stepping up to this challenge, WWF has assessed the quality of their soya policies in a **report** published in October 2019 (see table). According to WWF, "Tesco and Waitrose have leading policies which have achieved full marks against our scoring criteria. Both of these retailers have set out a clear pathway to source deforestation and conversion free soya ... To reach the ultimate goal of deforestation and conversion-free soya in the UK by end 2020 and to support the entire supply chain to achieve this at pace, WWF urges retailers to converge towards best-practice by aspiring towards the most credible zero-deforestation standards." Four out of the eight retailer supported by the UKSSI scored five or six out of a scale of one - six (where six is the highest), pointing to an ambitious standard being set by UK retailers.

Points	Retailer	Time-bound commitment?	Action plan?	Credible standard?	Physical supply?	Landscape approaches?	SOS Cerrado Manifesto?	Total
5-6	Tesco	1	1	1	1	1	1	6
	Waitrose	1	1	1	1	1	1	6
	M&S	1	0	1	1	1	1	5
	The Co-op	1	1	1	1	0	1	5
	ASDA	1	1	1	1	0	1	5
	Sainsbury's	1	1	0	1	0	1	4
	Aldi	1	1	0	1	0	1	4
	Lidl	0	1	1	1	0	1	4
0-2	Morrisons	0	0	0	0	0	1	1
	Iceland	0	0	0	0	0	1	1
		7	7	6	8	3	10	

Fig. 1: WWF scoring of UK retailers' performance against six sustainable soya criteria

How has the Roundtable delivered these policy changes?

P4F's support to the UKSSI has focused on creating the right conditions to empower industry to take effective and prompt steps to secure sustainable and resilient soya supply chains. Some of the key design characteristics of the Roundtable that have enabled change across the UK soya sector include:

A neutral facilitator: To ensure the Roundtable can remain a pre-competitive forum where all voices matter and are supported

An agreed goal and definition: The first step in the UKSSI was for members to converge and agree on the scope and goal of the initiative

A tight membership: Membership of the Roundtable includes only buyers of soya as this is intended as a working meeting

Presence of second tier partners and supply chain players: The UKSSI also includes broader engagement with producers, investor representatives and industry associations to ensure wider supply chain perspectives are captured, however membership remains action-focused

Flexibility to establish individual action pathways for members: This helps to get industry buy-in by ensuring flexibility in establishing pathways to achieving the shared goals, but within an agreed framework

Government involvement: To strengthen the case for wider action, reflecting the increasing interest from the general public on the need to address deforestation across all commodity value chains.

Pragmatic set-up: The Roundtable design allows for clear, open and simple discussions between stakeholders, with the facilitator able to anonymously put forward issues for discussion across different sectors without having to disclose the stakeholder concerned

Targeted technical assistance: Members are provided the key information and tools they need to make informed decisions, in a format that is digestible and concise

A baseline study and joint approach to monitoring: To ensure members are held to account the UKSSI supports a consistent approach to monitoring and reporting, and has established a baseline study against which to measure progress

Built upon previous learnings and successes from the UK Roundtable on Sustainable Palm, which provided several key takeaways (structured as safe space, having dedicated TA budget, getting the right people in the room, etc.)

> **"As a model to be replicated it can have a broader impact beyond the UK on sourcing. Collectively, if it can shift UK demand significantly and send a clear market signal, it can provide leverage in discussions with producer states and organisations about commodity standards."**
>
> **– Retailer.**

Mapping progress

Progress since 2018 baseline study is demonstrated under the preliminary 2019 Annual Report results, which indicate that:

- The overall proportion of soya covered by deforestation/conversion free standards entering the UK has risen from 15% in 2018, to 27% in 2019
- 59% of members now have soya policies in place, up from 50% in 2018
- 50% of members have a time-bound plan in place, up from 23% in 2018
- There has been significant buyer/specifier progress towards company credits targets compliance

How has the RT influenced sustainable soya policies?

While some RT members were already working on their sustainable soya policies, the majority feels the Initiative accelerated their progress and raised the profile of soya across their leadership teams. Indeed, the parent company of one UK retailer is now considering rolling its UK retailer soya policy outwards through its global retail outlets, including operations in China.

According to the feedback survey conducted by P4F:

- 50% of survey respondents found it completely beneficial to be involved in the RT, while 30% found it moderately beneficial.
- According to one RT member: ***"It's a crucial time for the sector, so these discussions are absolutely key. They give us the opportunity to ensure we're all talking the same language, and any goals that are set are both realistic and achievable."***
- 30% of survey respondents found the RT completely useful in assisting them in promoting the sustainable soya agenda amongst their stakeholders, while 40% have found it moderately useful.
- ***"Soya sourcing is a complex space. Being able to pool resources to evaluate it makes it easier to get the information needed to develop strategies and policies."*** Soya RT survey respondent.
- 10% of survey respondents have found the RT has completely influenced the way their organisation interacts with suppliers, while 30% have found it to moderately influence it. Interestingly, none of the retailers and traders interviewed have stated it has completely influenced it.

Positioning the UK as a leader on sustainable sourcing

The UKSSI design has inspired other initiatives both at home and abroad

A core aim of the UKSSI is to share lessons and learnings with other sectors and consumer countries to support further change in commodity-linked deforestation. At home, the UKSSI design and focus on sustainable commodities has influenced broader UK policy. During the parliamentary discussion of Dr Thérèse Coffey cited how the UK Sustainable Soya and Palm Oil Roundtables were instrumental in the set-up of the Global Resources Initiative, a new joint Government Department programme aimed at tackling the UK's impact on the global environment by targeting key commodities[3].

In November 2018, the UK Sustainable Soya Initiative was represented at a meeting of national European soya initiatives hosted by the Amsterdam Declaration secretariat in Brussels. At the meeting, the Dutch and Danish representatives referenced the UK national group specifically as a driver for them exploring soya. Additionally, in a June 2019 briefing for the Amsterdam Declarations, the UK Roundtable was referenced as an effective approach to engaging companies without deforestation commitments.

Influencing change within the broader European market for Soya

Following the initial November 2018 talks, national representatives met again in Utrecht in June 2019 and discussed how to support members in agreeing a collective goal and taking action. They set out seven key activities that could be undertaken across the initiatives to support Europe's mass movement to sustainable soya. By seeking convergence on definitions and approaches, the facilitators are aiming to produce a joint signal for a mass market shift.

As a result of this dialogue, in September 2019 the Danish Alliance for Responsible Soya launched. The Alliance is the first of its kind in Denmark and has been influenced and informed by the UKRSS and the Swedish Soya Dialogue approaches. In a clear case of replication of a P4F model, the Danish Initiative requires members to:

1. Publish a timebound action plan for responsible soya, no later than March 31, 2020
2. Report progress annually to the Alliance Secretariat

In addition, the Netherlands and Norway (early leaders of national soya initiatives) are revisiting their commitments following the surge of interest in soya.

Given the UK's limited tonnage in relation to the global soya market, seeking greater alignment with similar initiatives on each end of the market (both supply side and demand side) remains a key priority for the UKSSI going forward. By leveraging the experience acquired to date, UK government and industry has potential to ***inspire and influence greater change*** across the global soya value chain.

3 e-petition 219758 the Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Dr Thérèse Coffey)

Challenges and opportunities going forward

Deepening demand for sustainable soya

The UKSSI is now starting to focus on individual sub-sectors within the market (e.g. food services) with the aim of improving sector-wide coordination and planning. As there are different routes to sourcing soya sustainably and since the soya supply chain remains very complex to monitor, continued and further alignment on definitions and approaches is crucial.

A working group comprised of feed, meat suppliers and the producer industry has been established to support industry in meeting retailer commitments to move from sustainable soya credits to a more physical supply chain of sustainable soya ('physical supply chains' meaning certified areas mass balance, mass balance, segregated, etc.).The group has focused on considering this goal, what it meant in practice, the different definitions and practical discussions around availability of physical supplies of certified soya and timescales to build such volumes to satisfy UK volume requirements.

The group is also looking to further increase demand for sustainable soya by agreeing a specification for sustainable soya (in line with the UKSSI goal) that becomes the basis for animal feed and food assurance standards in the UK. While sustainable production certifications are supporting farmers who are growing soya responsibly, certification on its own has not succeeded in halting forest loss. As such, the specification aims to be flexible so it can include other sourcing models beyond certification.

Strengthening ties with supply-side initiatives

A key strength of UKSSI is its recognition that for change on the ground to take place, producers need the right incentives and to be brought along with the demand side. Several UK Roundtable members have already signed the Cerrado Manifesto, but stronger collaboration and support is needed in order to protect this critically endangered landscape. The participatory nature of the UK Roundtable enables industry, government and civil society to work together in offering clear incentives and effective policies that redirect soya expansion to existing agricultural land, which in turn can ensure zero-deforestation soya production. Efforts to support collaboration with promising on-the-ground initiatives, such as the P4F-funded Responsible Commodities Facility (RCF) and Producing Right Platform (PRP) initiatives in Brazil, will accelerate the uptake of sustainable soya across the entire value chain (see call out box).

The UKSSI can deepen its impact by collaborating with P4F funded producer initiatives

- **The RCF** is a new entity that aims to raise resources from green bonds and similar financial mechanisms to provide cheaper rural credit for soya farmers, in exchange of a number of environmental commitments – including no conversion of natural habitats. Each financial instrument coming from RCF is expected to be developed in partnership with specific soya aggregators (traders or other supply chain actors), hence allowing the financed production to take place according to their specific environmental standards. The RCF is designed to provide bondholders with risk-adjusted returns, thus creating a sustainable financial model that can be replicated and scaled. In its initial phase, the Facility plans to allocate over 1 billion US dollars to trigger market transformation on a landscape level.
- **PRP** is a platform that connects producers with buyers according the former environmental practices and the latter buying policies. PRP has already a data base of over five million hectares of properties in Brazil to whom they also provide a roadmap and technical assistance for gradual increases in of their environmental performance.

Remaining challenges as we approach 2020

For most Roundtable members, the Initiative's biggest challenge relates to further increasing alignment, coherence and impact by bringing together the entire soya supply chain.

According to survey and interview responses from UKSSI member, the specific challenges facing them in fully transitioning to sustainable soya varies depending on their position within the supply chain:

- **For traders** the challenge is fourfold: meeting the demands of their customers (zero-deforestation) at an affordable price; maintaining relationships with their suppliers (the farmers) to ensure continuity of supply whilst encouraging more sustainable soya cultivation; retaining credible working relationships with NGOs; and providing reassurance to their businesses and investors on a sustainable growth plan.
- **For retailers** the challenges are broadly the same four, with their customers being the final consumer and their suppliers being the major own-label producers of meat, eggs and dairy products. In addition, retailers, who are well-known household names, have a greater reputational risk to protect than most traders, and arguably less expertise and resources to devote to soya, given the range of other sustainability challenges they face. The number one sustainability challenge at the moment is plastics, which many members report is taking priority over soya in the current climate.

- **For the other actors in between**, the greatest challenges lie in the uncertainties of being able to meet their customer requirements either in terms of availability or in terms of the ability to pass on price increases. Most will require a clear signal from retailers before acting – their soya policies will be the soya policies of their major customers.

Whilst the UKSSI is not necessarily positioned to address all of these challenges, it is essential that it operates within an understanding of the broader considerations and constraints which its members are faced with. Within this context continued cross-industry collaboration and action is crucial to secure the mass market shift that is necessary to address the deforestation problem associated with soya production today. In the year to come, the UKSSI will work to expand coverage to include the entire retail market and other intermediary buyers such as the animal feed industry, to move forward efforts to transform the entire soya supply chain for the UK market.

How P4F has supported the UKSSI

The UKSSI forms a critical part of P4F's broader strategy to drive change across the entire soya value chain

P4F funding has supported the UKSSI through funding Efeca in its role as the Initiative's facilitator. The UKSSI also plays a key role as part of P4F's broader body of work to support and drive change within the soya sector.

Through the interventions it funds, P4F aims to encourage the soya supply chain to move towards zero-deforestation, by supporting the increased demand for sustainable soya while at the same time providing financial incentives for farmers to choose already converted areas for expanding production. Currently, the cost to expand soya into natural vegetation is basically the same as that to expand over already opened areas.

P4F supports both the sourcing commitments facilitated by the UKSSI and by the Amsterdam Declarations Partnership, another initiative that aims to eliminate deforestation from agricultural commodity chains across European countries, with which the UKSSI has been collaborating.

As detailed earlier, in Brazil, P4F is supporting the RCF and the PRP, two private sector-led partnerships on the ground that promote increased sustainability within the soya supply chain. Working at all ends of the supply chain is key component on P4F's holistic and coherent approach to strategy development.

The increasing demand for sustainable soya created through initiatives such as the UKSSI represents a market for the responsible soya produced under the PRP, and via producers that can utilize RCF's financing mechanism. Through harnessing synergies between the three initiatives operating at different levels of the supply chain, P4F aims to demonstrate a scalable model for transformation of the soya value chain.