

STATUS REPORT FOR THE YEAR 2023



Danish Alliance for Responsible Soy

PREPARED FOR THE ALLIANCE BY EFECA LTD AND
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Introduction

Global context – deforestation linked to soy production

Soybean production has more than doubled worldwide over the past 20 years, largely driven by growing global demand for soy used in animal feed for livestock production. Soybeans can also be used for direct human consumption, including as cooking oil and as protein source in meat and dairy alternatives, but these uses only cover approximately 6% of global soy production. [1]

According to FAOSTAT data, in 2021, Brazil was the largest soybean producer globally (135 million tons), followed by the United States (121 MT), Argentina (46 MT), China (16 MT), India (13 MT) and Paraguay (11 MT). [2] All these major soy producing countries globally are part of the top 10 of countries Denmark imported soy from in 2021 (see Table 1 in the section ‘Danish soy imports and consumption’ below for further details), so they are all important sources of soy consumed in Denmark, particularly Brazil and Argentina.

Deforestation and the conversion of native vegetation is one of the most pressing issues linked to soy production, leading to greenhouse gas emissions as well as biodiversity loss. Deforestation and conversion often also have negative impacts on local communities and indigenous peoples that rely on forests and other natural ecosystems for their livelihoods. [3]

The Amazon Basin, the Atlantic Forests and the Brazilian Cerrado have all suffered from deforestation and conversion of native vegetation caused by ever expanding soybean production, especially across Brazil, Argentina and Paraguay.

Under the Amazon Soy Moratorium (ASM) of 2006, deforestation dramatically slowed in Brazil. [4] Whilst in recent years these rates have increased, there are encouraging signs, under the new Brazilian President Luiz Inácio da Silva, that deforestation rates are falling again. [5] The loss of native vegetation in areas like the Cerrado, that are not covered by the Moratorium, remain, however, a significant risk.

Increasing instability in global supply chains, partly caused by climate change related impacts, but also due to the effects of the Coronavirus pandemic, geopolitical pressures such as the war in Ukraine and other factors, underlines the importance of minimising risks and maximising resilience of commodities’ supply chains globally.

Global collective action towards sustainable soy

Internationally, the importance of forest protection and regeneration/restoration is growing, in part because of an increasing focus on scope 3 (supply chain) emissions, including those from land use change and degradation, that can account for a large proportion of a food business’s carbon footprint. In order to address and reduce those emissions, many businesses have signed up to the Science Based Targets initiative (SBTi). [6] Within this, the recently launched Forest, Land and Agriculture (FLAG) [7] Guidance requires companies to set zero deforestation targets for no later than 2025, in line with the Accountability Framework initiative (AFi). [8] This stance taken by the SBTi FLAG confirms that decarbonisation pathways to achieve Science Based Targets (SBTs) can only be achieved by taking action to eliminate deforestation and conversion within supply chains. [9]

From a demand side perspective, recent years have seen voluntary commitments on soy take shape, including those made by the Consumer Goods Forum Forest Positive Coalition (CGF FPC) in their Soy Roadmap, [10] as well as the commitments made by global traders as part of their Agriculture Sector Roadmap to 1.5°C. [11][12] These global, collective efforts have also been strengthened and reinforced by individual commitments, including by traders such as ADM, who in 2022 announced their decision to bring forward their commitment to achieve 100% deforestation free supply chains by 2025 (instead of 2030), thus five years earlier than previously targeted. [13]

Internationally, governments are also increasingly stepping up. For example, in November 2021, the United Nations Climate Change Conference, more commonly referred to as COP26, brought nature, biodiversity and forests to the fore, with the first ever Nature Day, and through the official launch of the Forest, Agriculture and Commodity Trade (FACT) Dialogue and its Roadmap. [14] Similarly, the Glasgow Leaders' Declaration on Forests and Land Use (GDFLU) was signed at COP26 by over 140 countries, who committed to "working collectively to halt and reverse forest loss and land degradation by 2030." [15] This commitment was confirmed and strengthened one year later at COP27 in Sharm El-Sheikh, as world leaders from 26 countries and the European Union (collectively accounting for over 33% of the world's forests and nearly 60% of the world's GDP) launched the Forests and Climate Leaders' Partnership (FCLP), also "committing to halt and reverse forest loss and land degradation by 2030." [16]

European context

At the European level, the EU Deforestation Regulation (EUDR)[17] entered into force on 29th June 2023, and will become "active" from 30th December 2024. The EUDR prohibits placing or exporting products in/from the EU market that do not comply with its legality and sustainability requirements and will require companies to conduct due diligence to ensure that the products they source are legal and are not linked to land that has been deforested or degraded after 31st December 2020. Ultimately, the EUDR's main goal is to reduce the EU's impact on global deforestation by promoting the consumption of deforestation free products. [18]

The EUDR is part of a broader plan of actions to tackle deforestation and forest degradation, which was first outlined in the 2019 Commission Communication on Stepping up EU Action to Protect and Restore the World's Forests. [19] This commitment was later confirmed by the European Green Deal, [20] the EU Biodiversity Strategy for 2030 [21] and the Farm to Fork Strategy. [22] It also links up with the EU Directive on Corporate Sustainability Due Diligence, [23] which aims to "foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance," thus ensuring that "businesses address adverse impacts of their actions, including in their value chains inside and outside Europe." [24]

Alongside these emerging mandatory due diligence requirements, there has been an increase in voluntary commitments driven by industry itself, and often organised at a national level. These include the French Soy Manifesto, [25] the UK Soy Manifesto, [26] the Dutch Soy Manifesto, [27] the recently re-launched Swedish soy commitment, [28] and the recently re-launched Danish soy commitment (see below) of this Alliance. [29]

Consistency in the market message from these initiatives and the markets they represent are key to successful delivery of those shared goals, aiming to send strong market signals and share strategic insights to strengthen action across all markets.

Danish context

The Danish Alliance for Responsible Soy is thus part of a broader network of European National Soy Initiatives (ENSI)[30] – soy initiatives acting at global and national levels, in most cases going beyond the requirements of emerging regulations, such as the EUDR in Europe, and all aligned to the Accountability Framework initiative (AFi). [31]

All these national soy initiatives, including the Danish Alliance, have a common goal to work to eliminate deforestation and land conversion by 2025. This is clearly set out in the Alliance's new joint statement, issued in June 2023, which states that the Alliance wants Denmark to be a green pioneer and continue to lead the way for a sustainable and just transition of soy value chains. This means that Denmark must take global responsibility and also contribute to the preservation of ecosystems and develop more responsible production methods that invest in the value chain and local communities in soy producing countries. [32]

To achieve this aim, the Alliance will continue its close collaboration across the Danish value chain and seek to develop new models for supporting the elimination of deforestation in specific geographical hotspot areas related to the Danish footprint. This includes a soy partnership project in the MATOPIBA region in Brazil with WWF and Ethical Trade Denmark, which the Alliance is actively participating in, with funding from the Danish Ministry of Foreign Affairs. Experiences from the project will also be shared with other countries within and outside Europe. [33] In Brazil, this project works to strengthen traceability in production and support financing that enables production that does not involve deforestation. The project involves the local population and the indigenous peoples of the Cerrado, while combating the human rights violations associated with the production of soy. In Denmark, this project is complemented with activities that promote the amount of sustainable soy imported to Denmark.

From a Danish perspective, the commitments and progress made to date by members of the Danish Alliance for Responsible Soy are also in line with the goals previously set in 2019 of the Danish Food & Agriculture Council and Dakofo, [34] to ensure that 100% of the soy purchased for animal feed will be responsibly produced by 2025 (and assured through third party verification and in accordance with FEFAC Responsible Soy Sourcing Guidelines [35]).

Within this policy, which several Alliance members adhere to, subsidiary goals have been set for the years leading up to 2025, showing continuous improvement and a step-by-step approach, aiming to increase responsible volumes overtime, and starting with 20% in 2021, 40% in 2022, to 100% by 2025. As following sections of this report illustrate, progress achieved by Alliance members in 2022 was broadly in line with the above commitments, thus showing alignment and consistency across both targets and actions towards 100% deforestation and conversion free soy supply chains by 2025 within the Danish context.

Danish soy imports and consumption

This section provides a brief overview of Danish soy imports. Figures are provided by the Department of Food and Resource Economics at the University of Copenhagen for the year 2021 (IFRO, 2023). [36]

As Table 1 shows, Denmark imported 1,557,518 tons of soy in 2021, less than in 2020, when Denmark had imported 1,797,139 tons of soy.

Both figures also included imports from European countries that do not produce soy, or only have a very limited soy production, such as Germany, the Netherlands, Belgium, Italy and Norway, so it was necessary to apply a re-exporter methodology to identify and take into account the origin of these soy imports. This analysis was conducted by the Department of Food and Resource Economics at the University of Copenhagen, using data from Danmarks Statistik (2022) and UN Comtrade (2022).

Table 1 shows that Denmark primarily imported soy from Brazil (641,207 tons – 41%) and Argentina (345,298 tons – 22%) in 2021, which is a decrease in volumes of soy imported from Argentina compared with 2020 imports (581,230 tons), and an increase in soy imported from Brazil (539,082 tons in 2020). Certain areas in these countries are considered deforestation/conversion hotspots and, therefore, it cannot be ruled out that Denmark may be importing soy which has been grown on recently deforested/converted land.

Table 1: Danish imports by producer country, soybeans and soybean meal (IFRO, 2023)[37]

Producer Country	2021 Danish Soy Imports (tons)	2021 Danish Soy Imports (%)
Brazil	641,207	41%
Argentina	345,298	22%
USA	250,684	16%
Russia	130,876	8%
Paraguay	70,532	5%
India	31,627	2%
Canada	18,924	1%
China	3,583	0%
Uruguay	697	0%
Rest of the world	64,090	4%
Total	1,557,518	100%

Note: Imports from Germany, the Netherlands, Belgium, Italy and Norway are broken down by country of origin based on their combined imports of soybeans and soybean meal.

Danish Alliance for Responsible Soy

The Danish Alliance for Responsible Soy aims to bring together relevant Danish actors in a binding collaboration to ensure progress towards sourcing responsibly produced soy. By participating in the Alliance, the stakeholders commit to the Alliance vision and obligations.

Since its establishment, the Alliance has worked to promote responsibly produced soy, which is both deforestation and conversion free (DCF). Now, following the publication of its new joint statement, the Danish Soy Alliance aims to raise its ambitions and sets a clear time bound goal of working to ensure that, by 2025, the soy used in Danish value chains (agriculture, food production and retail) is verified deforestation and conversion free (DCF), in accordance with the criteria in the FEFAC Soy Sourcing Guidelines (including on working conditions, cultivation methods and respect for local communities). [38]

From this perspective, the Alliance vision continues to be for all soy imported to Denmark to be produced responsibly, including legally produced, and to not contribute to deforestation or conversion of other native vegetation. Towards the achievement of this vision, members had previously already committed to:

- 1) Publish an action plan for responsible soy, including a time bound schedule, which describes actions to ensure progress towards the vision within six months of joining the Alliance.
- 2) Report progress annually to the Alliance Secretariat. The Alliance vision includes both soy as a product (in the form of, for example, soybeans, soy meal, or oil) as well as soy embedded in products on the Danish market (e.g., soy embedded in beef, chicken, pork, etc.).

In addition, the Alliance will continue to explore and assess different procurement models that could be used in the transition towards 100% responsibly produced soy in the run up to 2025, as well as setting future goals and targets beyond 2025.



Summary of Progress Achieved in 2022

According to progress reported by Alliance members against their own company action plans and the vision of the Alliance, total volumes of certified soy have increased considerably since the initial baseline Alliance report in 2020 and compared to last year's first annual progress report. Results presented within the section 'Quantitative progress achieved in 2022'

below show the overall amount of certified soy volumes sourced by Alliance members to have increased significantly (by approximately 50%) in 2022, if compared to 2021, and to have more than doubled if compared to 2020 data.

Whilst collective reporting of certified volumes across Alliance members carries the risk of double counting inaccuracies (where different members may be reporting the same certification evidence), there has been a significant shift from credits towards more physical models of certified soy over the last three years, with mass balance now being the predominant option of certified soy, rising from 3% in 2020, to 22% in 2021, and to 52% of total certified soy volumes reported by Alliance members in 2022. Conversely, Alliance members' reliance on credits has considerably dropped overtime, and particularly in the last year, from 82% in 2020, to 78% in 2021, and to 45% of total certified soy volumes reported by Alliance members in 2022.

This report estimates that the collective tonnage of Alliance members' reported certified soy volumes accounted for at least 49% of total Danish soy imports in 2022. This proportion was 46% in 2021, thus demonstrating at least a 3% increase (please see the section 'Quantitative progress achieved in 2022' below for further information and details on the methodology used to calculate these percentages)

However, it should be acknowledged that this methodology followed a precautionary approach to limit and/or avoid the risk of double counting, and therefore it is very likely that the overall proportion of certified soy could be greater than 49% and could perhaps show a greater improvement.

To show an example of the take up of certified soy, if looking at only one tier of the supply chain, namely product manufacturers members, and trying to estimate the proportion of certified soy reported by this one tier of the Danish supply chain against their own overall, collectively reported footprint (i.e., total consumption by product manufacturers members only), this can provide a possible "maximum" estimate of 91% certified soy in 2022.

In addition, alongside purchases of certified soy, in 2022, Alliance members continued to collaborate with suppliers towards the vision of the Alliance, raising awareness, improving data collection and traceability.

Recognising the importance of achieving impact on the ground, Alliance members are also continuing to collectively explore the most effective models for supporting farmers in key sourcing countries to transition to responsible soy production.



Criteria for responsibly produced soy

Towards 2025, the Alliance will work towards the clear time bound goal that, by 2025, the soy included in Danish value chains (agriculture, food production and retail) is verified deforestation and conversion free and responsibly produced. After updating in Spring 2023, this means that the soy is produced in accordance with the criteria in FEFAC Soy Sourcing Guidelines, including requirements for the protection of natural areas other than forests, and that the Alliance refers to the definitions under the Accountability Framework.

Areas in FEFAC criteria:

- 1. Legal Compliance**
- 2. Responsible Working Conditions**
- 3. Environmental Responsibility**
- 4. Good Agricultural Practices**
- 5. Respect for Legal Use of Land**
- 6. Protection of Community Relations**

By using FEFAC criteria as a framework for responsible soy, sustainability requirements are also set that go beyond nature conservation and combating deforestation. These include requirements for responsible working conditions, cultivation methods and respect for local communities – all areas that help to promote more responsible soy production.

The global soy value chain is complex, with many producers, suppliers and trading houses operating across countries. The Alliance agrees that the short-term goal of 2025 must be achieved through a variety of sourcing models and not only in separate trade flows, the so called certified segregated soy. The Alliance will assess different procurement models that could be utilised in the time leading up to 2025 and set the direction for the time after 2025.

Membership

Participants in the Danish Alliance for Responsible Soy are divided into one of the following two groups:

- Company members include representatives from retail, food service, animal feed producers, industrial companies, and food producers. Alliance members must comply with the Alliance obligations – i.e., publish an action plan and report annually on progress.
- Supporting members include NGOs, governmental institutions, business and industry organisations, and trade unions. Supporting members are not obliged to publish an action plan and report on progress, but to actively support the initiative – e.g., through contributions with professional knowledge and communication about the initiative.

Ethical Trade Denmark acts as a Secretariat for the Alliance. Companies who join the Alliance are obliged to publish an action plan within six months. All Danish actors who have the opportunity to promote responsible soy production are encouraged to participate in the Alliance. This applies to companies that use or trade soy – e.g., retail, food service, feed producers, industrial companies, and food producers – and to organisations that possess relevant knowledge about the problem and the solutions for the responsible production of soy.

As of September 2023, the Alliance counts the following members:



Members' reporting obligations

Members of the Danish Alliance for Responsible Soy are obliged to report once a year to the Alliance Secretariat, Ethical Trade Denmark, on the progress they have made towards the common vision on responsible soy.

Companies report by filling out a confidential Matrix of Progress questionnaire. The reporting must contain specific information on the tools used (e.g., certification schemes, other verification methods, etc.). Members' data is collected and presented in this report in an aggregated, anonymised format to protect commercially sensitive data. The data is self-reported, without an obligation to verify the data by a third party.

In the last year, Aldi has withdrawn from the Danish market, so is no longer a member of the Alliance. Therefore, the Alliance currently has eleven member companies reporting on progress achieved in the last three years (since the publication of the 2020 baseline report in 2021).

Supporting members:





Alliance members' reporting and progress

This section provides an update from members' self-reporting, focussing on company action plans (including on scope, data collection, verification, certification, and time bound objectives – section 'Company action plans'); progress achieved in 2022, both from a quantitative and a qualitative perspective (section 'Progress achieved in 2022'); and section 'Reported challenges, opportunities and next steps.'

Company action plans

According to companies' reporting, currently all the eleven members have a policy on responsible soy (including on deforestation free soy), as well as having a publicly available action plan outlining actions that promote responsible soy production in line with the Alliance vision and their own policy. This is in line with last year's reporting.

In addition, three members also updated their action plan in 2022, now including an end goal of sourcing 100% responsible soy by 2025 (e.g., soy covered by a relevant sustainability certification scheme or no-deforestation/conversion verified), which is aligned with the new joint statement by the Danish Soy Alliance on responsible DCF soy by 2025, [39] as well as with other initiatives globally, including the UK Soy Manifesto for instance.

Scope

The scope describes the part of the companies' business activities being covered by the action plans and their targets. Each company defined the scope of its own policy and action plan when setting (or updating) their targets.

Scope has been defined in a number of ways: either geographically by markets (e.g., covering production for or imports to the Danish market); or via product specifications (e.g., those products containing a specified percentage of soy, meat or dairy content); or by product lines (e.g., retailers' private label products); but it can also cover the entire business – e.g., all soy used indirectly (in feed) and directly (as ingredients). As most companies defined their own scope, members' reported volumes do not necessarily represent 100% of their soy footprint. In practice, manufacturers and producers tend to include all their soy footprint within their scope, whereas retailers tend to limit the scope of their policies and action plans as illustrated below.

In line with last year's report, retailers continue to focus on own brand (private label) products, and mainly in Denmark (i.e., not products containing soy sold in other markets), although one retailer currently aims to expand the scope of their Danish soy policy to include both their German and Polish stores over 2023 and 2024, thus aiming to align processes and requirements within their business across Denmark, Germany and Poland by 2024.

On *direct* soy (i.e., soy used directly as an ingredient in a product), retailers commonly include products with more than 5% (in one case over 3%) soy content (as a direct ingredient). This threshold is in line with reporting in previous years and is a pragmatic solution to challenges in calculating soy content.

On *indirect or embedded* soy (where soy is used as an ingredient in animal feed) retailer members commonly include within their scope products with a meat/fish/dairy/egg content above 40% or 50% of the total product weight. Depending on members' product ranges, this commitment can apply to dairy (e.g., milk, cheese and other dairy products), eggs, meat (e.g., pork, beef, chicken, etc.) and seafood (including shellfish and farmed fish).

This 40-50% threshold is also in line with previous years' reporting, and thus there is likely to remain a level of under-reporting still in terms of total soy usage by each individual member. Similarly, as retailers also sell branded products, and these are not generally within scope, this represents another potential underestimate within those members' individual total soy footprint.

Several Alliance members reported no difficulties in estimating soy volumes within their products, while other members highlighted composite products and feedstuffs in other EU countries as being more complex to map. One member also added that they find it challenging when they need to map and estimate the amount of soy embedded within products in cases where the animal content/proportion within that product is not clearly stated in its product declaration/specification. For example, this may be the case, particularly for branded products, if a product contains reconstituted milk, but its proportion/percentage is not defined/declared, or if a product contains meat, but again the actual proportion/percentage of meat is not declared, and therefore there is no clear volume that can be used to calculate embedded soy.

Similarly, another member explained that, whilst the use of conversion factors allows them to map and estimate the amount of soy embedded within products reasonably well, challenges remain due to limited understanding of the application of these conversion factors within their supply base, for example, a cheese manufacturer estimating soy usage in dairy feed.

Data collection, verification, certification, and time bound objectives

For most companies, third party certification remains the key mechanism for meeting their commitments. For some members this includes buying both credits and other more physically linked certified soy options, such as mass balance, but also segregated or identity preserved CoC models, whilst others have made the decision to gradually move from credits towards only sourcing physically certified or verified deforestation and conversion free soy by 2025. This reflects the different approaches taken by members, many of whom have also set their own individual shorter-term goals.

Some companies rely on a combination of their own internal systems and/or data collection tools on farms to calculate indirect soy volumes within animal feed, and on procurement data to calculate direct soy volumes within ingredients. In other cases, especially for downstream actors, information on soy and/or animal protein content is collected from suppliers through questionnaires, to which conversion factors from IFRO and RTRS (i.e., RTRS new 2020 conversion factors) are applied in conjunction with sales data, to estimate total embedded soy volumes. The Danish Alliance has also developed a calculator for soy conversion factors.

In practice, this is still often done manually, using a spreadsheet to record data received from suppliers, enabling members to calculate soy consumption per product based on its animal content (and thus its soy content, using conversion factors) multiplied by product sales volumes. Especially for downstream actors like retailers, this process is generally undertaken for all goods and products within scope, using the model suggested by the Alliance. For manufacturers and producers, these calculations can be slightly more straightforward, for instance, by directly applying conversion factors to the volume (in kg) of chicken slaughtered and sold in the past year to estimate their total soy footprint.

All members confirmed their continued focus on the use of certification options to implement their policies and provide assurance. Certification provides a practical way of taking action in complex supply chains where companies may have many suppliers. Certification standards benchmarked against the FEFAC Soy Sourcing Guidelines (FEFAC SSG) were referenced as standards of choice by several members, most commonly RTRS, Proterra and EU-organic, but also Donau Soy, Europe Soya Standards and ISCC Plus, which were all reported to be used by a couple of members each. IFOAM, USSEC, CISA, BUNGE and m.v. were also mentioned by individual members. The use and robustness of standards is a focus of the Alliance in 2023.

One member mentioned the annual report from the feed manufacturers on compliance with the Danish Agriculture and Food Council's implementation plan as providing additional assurance. Similarly, additional sources of verification reported by Alliance members included, amongst other examples, external audits and Global Forest Watch (GFW).

Public reporting to communicate progress made to date

Five out of eleven reporting members have confirmed they report and communicate publicly about progress in relation to their action plan within their annual reports, including within their sustainability reports, while five out of eleven reporting members use their own website to communicate about progress made to date, with one additional company currently planning to publish a progress update on their website in the coming months, as well as publishing more formal reporting within their next annual report. Overall, three companies do not seem to be currently reporting publicly on progress. This is broadly in line with last year's reporting.

Progress achieved in 2022

As per last year's reporting, for this year's report, Alliance members collected data on:

- Volumes of certified soy calculated as a proportion of total soy consumption/footprint, thus as a percentage, to provide a quantitative measure of increased uptake by members.
- Qualitative actions taken by members to support the uptake of certified soy.

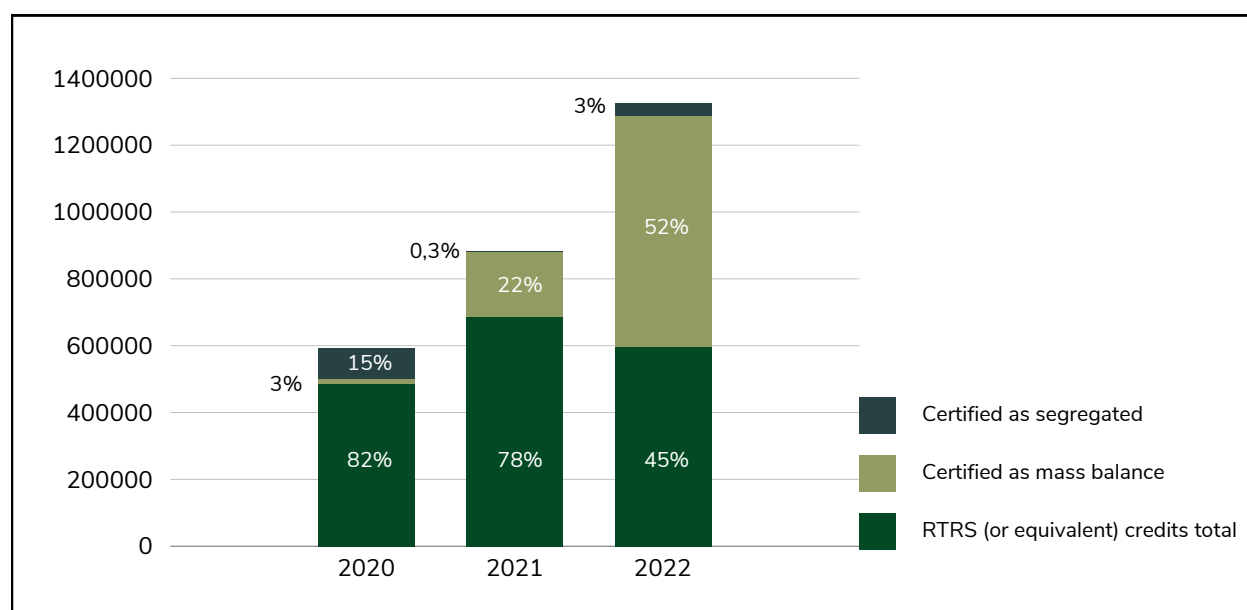
Quantitative progress achieved in 2022

Table 2 and Figure 1 below show reported volumes of certified soy purchases by Alliance members in 2022, against figures from last year's first annual progress report looking at 2021 data, and against volumes from the 2020 baseline report published the previous year.

Table 2: Volumes of certified soy sourced by Alliance members in 2020, 2021 and 2022

Volumes (tons)			
	2020	2021	2022
RTRS (or equivalent) credits total	487,333	688,744	597,650
Certified as mass balance	15,000	192,582	691,264
Certified as segregated	90,539	2,360	37,097
Certified soy total (including credits)	592,872	883,686	1,326,011

Figure 1: Volumes of certified soy sourced by Alliance members in 2020, 2021 and 2022



The results show the overall amount of certified soy volumes sourced by Alliance members has increased significantly (by approximately 50%) in 2022, if compared to 2021, and has more than doubled if compared to 2020.

Overall, whilst there is still a reliance on credits (597,650 tons – 45%), this has dropped compared to previous years (78% in 2021 and 82% in 2020) and is now a lower proportion compared to mass balance options. In 2022, there was a very large increase in the proportion of mass balance (to 691,264 tons – 52%), which, from a volume perspective, more than tripled compared to 2021 (192,582 tons – 22%). This data trend reflects the direction of travel by an increasing proportion of the Alliance membership to transition from credits to more physically linked certification options, with mass balance certification increasingly growing over the last three reporting years from 3% in 2020 to 52% in 2022. Finally, regarding the proportion of segregated soy, it also increased from 0.3% in 2021 to 3% in 2022 (37,097 tons).

Overall, there was also a significant increase in total soy consumption by Alliance members (from around 1.5 million tons in 2021 to approximately 2 million tons in 2022), which, again, as mentioned above, highlights some double counting related issues (please see further information on this later within this section).

According to individual companies' submissions, in 2022, six members reported having reached 100% with respect to the total amount and share of their soy consumption within scope that was certified according to the Alliance definition (including credits), while the remaining five members claimed to have reached approximately 30% of certified soy (on average). This illustrates that some Alliance members that had not yet reached 100% in previous years managed to increase the proportion of certified soy in 2022, reaching around 40% in three cases.

Double counting issues

It should be borne in mind that these results are based on the same methodology used in previous years (for comparison) and are likely to include a certain level of double counting throughout the supply chain. For example, credits may be counted twice (as companies might count credits bought by suppliers), or even purchased several times throughout the supply chain. Notwithstanding the potential limitations of the methodology used here, it does provide a useful way to collectively estimate progress made to date.

Directly comparing the 2022 data self-reported by Alliance members (as illustrated in Table 2 above) with 2021 total Danish soy imports (as presented within section 'Danish soy imports and consumption' of this report) shows a considerable increase in certified material purchases, with 85% of total Danish soy imports estimated to have been certified in 2022. This proportion was 33% in 2020 and 57% in 2021, using updated 2021 import figures (see below for further explanation).

However, there is an anomaly in the figures as, according to 2022 data self-reported by Alliance members, the total/collective soy consumption by Danish Alliance members was approximately 2 million tons in 2022, exceeding the total Danish soy import figure presented above within section 'Soy imports and consumption' of around 1.5 million tons in 2021.

Therefore, as per last year's report, this year we have also looked to estimate the proportion of total Danish soy imports that can be described as certified from members' reporting (Table 2 above) and applied a methodology that aims to avoid double counting throughout the supply chain.



In practice, only one tier of the Danish supply chain (i.e., product manufacturers members) was included, and this showed at least 49% of Danish soy imports to be certified in 2022. This proportion was at least 46% in 2021, using updated 2021 import data (see below for further explanation), thus demonstrating at least a 3% increase. [40] This figure is very likely to represent an underestimate of total certified Danish soy imports in 2022 but do reduce and/or avoid the risk of double counting. It has therefore been presented within the summary of findings of this report and demonstrates that Alliance members are continuing to make progress.

Looking at the same proportion of certified soy reported by this one tier of the Danish supply chain, namely product manufacturers members, against their own overall, collectively reported footprint (i.e., total consumption by product manufacturers members only) provides a possible “maximum” estimate of 91% certified soy in 2022, of which 69% would be credits, 27% mass balance and 4% segregated soy. If looking at 2021 reported data, the same calculation led to 94% certified soy, of which 87% would have been credits and 13% mass balance. Thus, once again, this shows and demonstrates Alliance members’ progressive transition from credit purchases to physically certified soy options such as mass balance.

In conclusion, it is useful to apply different methodologies, but, overall, we can see aligned and consistent trends in the take up of certified soy overall, and a progression in the transition from credits to mass balance options.

Use of updated 2021 import data

Danish national import data tends to be one year behind data reported by Alliance members. For this reason, last year’s report compared 2020 national import figures against 2021 data reported by Alliance members. In this year’s report we have taken the opportunity to update last year’s figures using 2021 national import figures which are now available. This has given us the opportunity to update and make more accurate last year’s figures and provides the basis for more consistent year-on-year comparison using updated import data as more recent national import data becomes available.

This means that, for next year, we propose that data presented in this report will be updated using 2022 import data as it becomes available. This will mean key percentages, such as the percentage of certified soy versus national imports, may need to be revised, but we believe this is the most accurate and consistent methodological approach to follow.

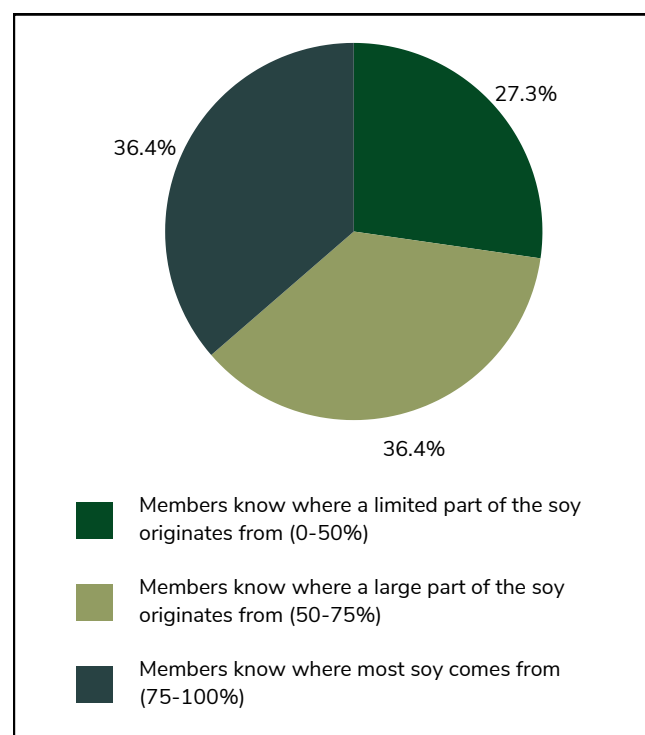
Soy origin

As per last year’s report, further data around soy origin has been gathered, which shows that, for 2022:

- Eight members (73% of membership) know where the majority of their soy (i.e., more than 50%) came from, with one of those members knowing where over 95% of their soy (within scope) came from.
- Three members (27% of membership) know where less than 50% of their soy consumption (within scope) came from.
- In addition, six members know they source mainly from Argentina, while five members know they source mainly from Brazil, and one from Paraguay.

This information has also been summarised in Figure 2 below.

Figure 2: Members’ own estimates of soy origin awareness as the share of their soy consumption within scope.



Qualitative progress achieved in 2022

In terms of qualitative progress achieved in 2022 towards the vision of the Alliance, six out of eleven members said they felt satisfied with the progress they made in 2022 towards the targets set within their action plans, and reported on the following activities, topics, and themes.

Supplier engagement

- Seven members said they have worked on supplier requirements (including data collection, action plans from those suppliers who have not yet looked into the soy content of their products, and any new requirements), as well as on dialogue and cooperation with suppliers, especially with feed companies in Denmark, but also with specific suppliers in countries they import soy from.

Policies, strategies, action plans, and reporting

- Five members also said they have worked on improving their due diligence processes, creating a new internal reporting system, or on strengthening/updating their commitments, policies, strategies or action plans (including across different countries – see following point below), while, at least in some cases, also collaborating with civil society, such as WWF, on these further developments and updates.
- As previously mentioned, in the last year, a couple of members have decided to extend the scope of their policies and activities, aiming to develop strategies and action plans for their commercial activities in neighbouring European countries.
- Preparations regarding reporting on their deforestation free status within their annual report were also mentioned by one member. Similarly, members also reported directly to RTRS and/or to the UK Soy Manifesto.
- One member said that, in the last year, they decided to change their supplier requirements from a requirement to purchase credits to cover their non-certified soy footprint into a new requirement for their suppliers to create and develop realistic action plans, aiming towards more physical certification by 2025.

Traceability

- Regarding traceability (and transparency) related improvements and advancements, many members have continued to work on this, and one member reported having co-operated with and requested further information from feed companies, even if, to date, this has not yet led to a transparent overview of countries of origin. Other members commented that they have continued (and increased in some cases) their collaboration and dialogue with suppliers on this, aiming to map their suppliers' soy consumption (direct and indirect) within their scope, and ultimately to increase the amount of responsible soy within their supply chains.

Supporting projects on the ground

- Four members focussed on efforts on the ground in the last year, including by directly involving farmer owners by adding deforestation free soy into their incentive model, [41] or by working together with other Alliance members on a credit pooling project in Brazil (see bullet point below).
- A couple of members highlighted that, through the Danish Alliance for Responsible Soy, they are actively working and collaborating on joint credit pooling purchases to support producers' developments towards more responsibly produced soy in particularly vulnerable areas, including mentioning a project in Brazil. This agreement facilitates to buy joint credits from producers in one of the most vulnerable regions in South America, the Cerrado, an area that needs immediate and continued support for responsible production, to avoid deforestation, loss of biodiversity and lack of respect for people's rights.

Soy consumption reduction and alternative protein sources

- Overall, five out of eleven Alliance members said that they are currently exploring alternative protein sources, or otherwise reducing their soy consumption.
- For instance, one member mentioned exploring alternatives to organic soy through grass and insect protein, while two members said they have actively worked on reducing their consumption of soy – for example, one member reported phasing out the use of soy as feed within part of their operations.

- Another member said they have been working to develop alternative, more sustainable protein sources that can be produced in Denmark, alongside a continued commitment to supporting certification and other projects to encourage the entire market to shift towards certified or verified responsible soy. This shows that a number of members are working on a combination of measures that do not necessarily need to be mutually exclusive.
- From this perspective, another member mentioned their launch of the Sustainability Incentive Model, [42] one of the elements of which is to incentivise farmers to use no soy, less soy or soy without deforestation.
- Furthermore, one member is looking more into European soy.



Reported challenges, opportunities and next steps

Members were asked to identify challenges, opportunities and next steps in working towards the goal of achieving 100% responsible soy in Denmark. The following key areas were identified.

Ongoing challenges

Key challenges highlighted by Alliance members include the following.

Transparency, traceability and data gathering

- Traceability remains a major challenge, with many suppliers with indirect soy consumption still lacking complete knowledge of this part of their supply chain, and several members reporting difficulties in data gathering from suppliers and related traceability issues.
 - As soy is primarily an indirect ingredient in a product, for several Alliance members it is complicated to map their current consumption of soy, which depends, among other things, on the proportion of animal content within products, and that data often needs to be extracted manually.
- Overall, members raised concerns around the lack of supply chain transparency and limited traceability especially regarding feed supply chains, while also highlighting that Alliance members (particularly retailers) might not have a direct link to feed companies (since they are not purchasing the feed directly), which means that they might struggle to gather further information on embedded soy within animal feed.
- One member reported that challenges in transparency of soy volumes can, in turn, present the risk of over or under purchasing of certification credits.

Going beyond credits

- Overall, the journey towards more physical responsibly produced soy is still new for some members, so, at least for them, it is challenging to go beyond credits at present.
- One member flagged that one of their challenges is demand creation for segregated soy.
- Additionally, questions remain around the way in which the cost of certification (e.g., of purchasing credits) is shared across the supply chain.

EUDR related challenges

As of the reporting date (May 2023), approximately half (six out of eleven) of the Alliance's members did not yet feel prepared for the new EU Deforestation Regulation (EUDR), and they see several challenges regarding its implementation, including the following:

- Lack of clarity on how the due diligence process will be implemented, what information will need to be provided (and how), and what responsibilities each actor within the supply chain will have.
 - In addition, a couple of members flagged the lack of current advice on what meets the requirements, with one member wondering whether RTRS certification could accommodate (and provide evidence of compliance with) EUDR requirements, noting that certification standards will likely need to evolve and adapt to comply with new legislative requirements in order to ensure they can still be used as evidence of responsible soy production. One member said it would be helpful if there was more guidance on customs codes to clarify which products are within scope and which ones are not.
- A strong concern that traceability (including geolocation requirement) back to plot of land is not feasible for embedded commodities such as soy within animal feed.
 - From a practical perspective, several members highlighted challenges due to a lack of traceability systems back to plot, and difficulties in obtaining documentation. One member also flagged that, from their perspective, "reorganising the supply chain on such a large scale will be very challenging, and it will require a level of traceability that producing countries can't deliver yet. It will then require a very high level of cooperation with suppliers, cooperatives, farmers, and buyers to get the infrastructure up and running."
- Concerns that conversion of other natural ecosystems is not currently included within the scope of the EUDR.
- Likely effects on commodity prices, and especially on cost of feed.

- Risk of leakage and spillover of sourcing to other soy production regions, potentially creating new deforestation/conversion pressures. Alternatively, if sourcing of the affected raw materials, including soy, shifts from deforestation-prone areas to areas where there is no deforestation, then there is still a risk of having no impact at all.
- Pragmatic concerns about storing large amounts of data about products and supply chains.

EUDR related opportunities

Members highlighted several opportunities linked to the development and implementation of the EU Deforestation Regulation (EUDR), including:

- Increased and improved traceability and transparency across value chains, as well as shared responsibility.
- Increasing availability of deforestation free commodities, as well as their related data and documentation. Since the same requirements will apply across Europe, this should lead to alignment of information sharing from suppliers across the EU, and the creation of a level playing field.

Overall, Alliance members said they felt the EUDR to be a comprehensive piece of legislation that they believed could create real change across the entire soy supply chain to eliminate deforestation. Whilst it may potentially be demanding for them to implement, and noting the remaining uncertainties referred to above, members felt it represented a positive step forward. It was considered, particularly by downstream members, that the bulk of the responsibility for compliance would fall on upstream actors within the supply chain, but that there would need to be collaboration and collective action across the entire soy value chain to make the EUDR work in practice, and to maximise positive impacts.

Members' reported next steps in the coming year

Regarding next steps and future priorities for Alliance members, the following activities were mentioned by members:

- Increasing and improving traceability of soy supply chains, as well as data validity.
- Implementing monitoring and reporting practices on deforestation free status across forest-risk commodities, but also focussing on better capturing imports from lower risk sources of soy production.

- Working towards including conversion (in addition to deforestation), as well as towards achieving their zero deforestation goals and, at least for a couple of members, reassessing their current action plan and scope – e.g., increasing their policy's geographical scope across their business in neighbouring European markets that they trade in.
- Continuing to liaise with suppliers, encouraging and supporting them to implement policies that will lead to more responsibly produced soy within the value chain – e.g., working with producers/suppliers who have a high soy footprint for a business, and who have not yet started working on a soy policy.
- Furthering dialogue around certification and verification and supporting schemes and projects with a potential to move the entire market towards certified or verified responsible soy.
- Working on reducing credit purchases and increasing purchases of certified responsible soy, preferentially choosing certification standards that have been benchmarked against the FEFAC Soy Sourcing Guidelines (FEFAC SSG).
- Working to develop alternative, more sustainable protein sources that can be produced in Denmark.

Overall, Alliance members expressed a strong commitment to continue to make progress against their action plans, progressively shifting from credits purchases to more physically linked options, such as mass balance, using both certification and verification as tools for greater assurance. In order to achieve this, continued focus will need to be placed on supplier engagement and collaboration, aiming to improve data collection processes, as well as transparency and traceability of soy volumes (including critically soy embedded within animal feed) across Danish supply chains.





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Danish Alliance for Responsible Soy

Ethical Trade Denmark (2008) is the unifying platform for companies and organizations working for responsible trade and sustainable development. We strengthen knowledge and cooperation on social responsibility and sustainability in global value chains because trade must respect human rights and take into account the environment and climate. Ethical Trade Denmark is behind the Knowledge Center for Sustainable Value Chains, the Academy for Ethical Trade, member networks and several multi-stakeholder partnerships and alliances.

The organization was established in 2008 as a membership organization of business, trade unions and civil society organizations to strengthen knowledge, action, and cooperation on responsible and sustainable global trade. Today, its membership includes more than 100 companies, trade unions, business and industry organizations, civil society organizations, public institutions, municipalities, and foundations.

