

## **FoodNavigator Climate Smart Food Summit**

### **Decarbonising Supply Chains at the Source: Futureproofing cocoa, coffee and sugar against climate change**

*Tuesday 24th September*

#### **Session 1: Preparing for EUDR: Is Europe ready for incoming deforestation regulation?**

**Nicko Debenham**, Managing Director, Sustainability Solutions:

- level playing field so laggards do not get a competitive advantage, companies will only respond to a threat, so action was needed
- Longer transition between entry into force and application, and within the Commission to ensure all the deliverables were met
- Whether the product will be diverted away from the EU market depends how much ends up in unregulated destinations vs the EU (e.g. cocoa where 60% enters the EU and 30% in coffee). For those e.g. palm, where a lot ends up in non-EU markets, diversion is a possibility.
- Ghana and Côte d'Ivoire have put in place platforms with geolocation data which then tracks deforestation (but the system is not accessible to the trader).
- It would be helpful if those systems were opened up to allow traders, who are the liable parties, to verify if the data is correct
- Premiums on coffee and cocoa exceed the costs of EUDR implementation, in short terms farmers could be better off but to be seen in the long term.
- The EU Commission's FAQ is ready and available for release, but unclear why they have not released it. The Commission must release the guidelines and FAQ.
- Digital solutions on EUDR are many, great platforms are available which can look at simple issues of whether or not the land overlaps with protected areas etc, but this is much easier for deforestation rather than other issues such as labour rights.
- Member State national competent authorities (NCAs) are aligning and will do annual audits of the big companies, and then randomised controls of smaller ones, declaration in excess will be possible.
- If industry is not ready they only have themselves to blame, but for the producers more needs to be done working with origin countries.
- No delay as the process of doing this is not easily doable – the main EU Parliament party calling for delay, the EPP, don't have an absolute majority. More likely than not, there will be an informal soft start with no NCAs doing inspection but all as a gentleman's agreement i.e. nothing in writing.

**Dr. Christopher Stewart**, Global Head, Sustainability Impact, ofi:

- Level playing field means that the approach, of full traceability, presents challenges on geolocation especially for smaller producer
- Consumers and operators also do not want to be complicit in this, the technology was not there before, and it was hoped voluntary measures would achieve more.
- For the bigger businesses who have multinational clients, the regulation is driving the views of clients, so it is already feeding through.
- More stakeholder alliances in producer countries would be valuable, the lack of these is a bigger challenge than even regulatory compliance, and producer origins are not ready.
- Not all countries have farmer registries, unless there is a national system in place one relies on intermediaries to get the data, and the data has to be verified.
- Costs of EUDR compliance need to go somewhere and not to the smallholder. ofi is in a position to meet the needs of implementing the EUDR but question is ultimately how

the brands selling products want to price the goods, some farmers are already producing at a loss as it is (e.g. coffee in Honduras and Guatemala)

- Worrying trend is that some solutions don't meet EUDR criteria are being sold as compliant platforms, so definitely a buyer beware situation.
- In terms of risks, the European Commission would want to avoid a major disruption to supply chains and key commodities, EU citizens will be expecting to get their coffee and chocolate as easily from 1 January 2025 as before.
- Ofi will be making sure and focusing on bringing compliant product can reach Europe, the bigger problem is the indirect supply chain.

**Ruben Brunsveld**, Deputy Director EMEA, Roundtable on Sustainable Palm Oil

- the EU is taking responsibility for its impact on the environment, and now a discussion has been opened up in the supply chain about these issues,
- No delay, it will enter into force as this is all set in legislation and the regulation will not be changed, maybe EUDR would focus on granular level evaluation in origin countries
- Split supply chains will be a solution for the European markets and will happen to some degree, but won't address the overall issues facing the sector
- National competent authorities are not on a level playing field
- European Commission will not reopen this, and NCAs will not be able to enforce the EUDR anyways

## **Session 2: Sowing biodiversity into food supply chains: Challenges and opportunities**

**Dr. Marco Botta**, General Manager, Ferrero Hazelnut Company

Hazelnut production worldwide is around between 1 million tonnes per year, and can only be cultivated geographical areas with a climate similar to the Mediterranean one, namely in Türkiye, Italy, the Balkans and some other places like Oregon (USA), Chile, and the Caucasus. Normally, smallholders manage hazelnut cultivation – there are around 600,000 hazelnut farmers worldwide and 90% of them are smallholders.

Hazelnuts are harvested in two ways: mechanically so there is the opportunity to get it when they are already on the ground or there are some varieties of hazelnut that can be harvested taking the fruit from the trees and so in a manual way.

### **Carbon footprint of Hazelnuts:**

In terms CO<sub>2</sub> emissions from hazelnut cultivation, it should be recalled that the hazelnut is a shrub, a tree, with a very long lifespan of 50 years and it's a tree with a big biomass (branches, leafy matter, etc). The trees have a very good carbon footprint compared to annual crops or compared to other kind of crops with a shorter life.

Two years ago Ferrero launched an assessment of the carbon life cycle. The orchard was absorbing carbon, but Ferrero wanted like to look at the entire value chain from the orchard to the plant where the hazelnuts are processed, until the gate where the hazelnuts are used to produce the Ferrero product.

It was a very long study because the inputs changed country by country. Ferrero did it with an external specialized institute, then certified it with a third parties and was happy to discover that the contribution of the orchard overcompensates for the emissions that could come from transportation or from the processing of the fruits.

This study was also useful because it allowed Ferrero to understand the hot-spots where they can work and to further improve a carbon footprint. For example, they have understood that they can work on better managing the results from pruning activities.

### **Consumer perceptions of Hazelnut sustainability**

Unfortunately, hazelnuts have occasionally been in the press for social practices and human rights, above all in Türkiye, which is the most important producer worldwide. So in this respect, in 2013 Ferrero started with working with the International Labor Organization, local institutions like the Ministry of Health or the Ministry of Education in Türkiye, and local NGOs to put in place a programme to grant fair working conditions and also to prevent child labour.

Whilst Ferrero is just one of the players, it felt like the right thing to do and needed. As at today, in the past three years, Ferrero has prevented 17,000 children from child labour and provides them educational services. But to prevent and to work with the children is not enough – it is also necessary to work with the families and the labour brokers to increase awareness and show that there are different ways to manage this value chain in a fairer way. So in this Ferrero are committed, tries to do its part to involve institutions.

### **Climate impact on Hazelnuts**

Much like other crops have experienced climate related issues in 2024, hazelnuts are similarly vulnerable to weather, and climate change related threats. The impact of a changing climate in the Mediterranean are already visible. This year there was also the La Niña that had an impact on South America, so definitely the climate impact is there. Within the Hazelnut company, Ferrero has a department that is called the Agri Competence Centre that put together agronomists and different kinds of technical and scientific competencies is mainly working to find a solution to fight climate change. The Centre has collaborated with an Italian University, but also with a US University to develop a hazelnut variety that is climate change resistant. That means a variety that is able to manage high peak of summer temperatures or on the opposite side low temperatures during the winter.

Climate change has also had an impact on pests and diseases. For example, the Agri Competence Centre of Ferrero contributed to the creation of a global plan to fight one of the key pests of hazelnut orchards, the black marmorated stink bug. They are also working with many universities to find solutions and above all natural solutions that can be introduced.

### **Sustainability Hotspots**

The key sustainability hotspots for hazelnuts are for sure human rights and social practices and this is a matter that is specific mainly to one country. In 2021, Ferrero wrote its manifesto about sustainability in the hazelnut industry. This Hazelnut Charter has three pillars: First, human rights and social practice, Second environmental protection and the Third is traceability.

So what Ferrero did about environmental protection with the Agri Competence Centre in collaboration with more than 30 institutes was to apply what was learnt in terms of sustainability to Ferrero's own farms and then share this throughout the farmer community by

distributing a booklet on sustainable agricultural practices in hazelnuts. In 2023, Ferrero distributed this booklet to more than 20,000 farmers.

The final pillar is traceability, namely knowing the Ferrero supply chain, which is fundamental to improving the supply chain. There are 600,000 hazelnut farmers, 90% of whom are smallholders, mostly growing on between 1 and 2 hectares. So, in some countries, it's very fragmented. Ferrero started the exercise of traceability some years ago, which was very complex. Last year Ferrero achieved 90% traceability worldwide meaning that in some countries there 100% traceability where typically the supply chain is shorter, whereas in others this is closer to 85% or 88%.

### **Regenerative Agriculture**

Ferrero has ten big pilot farms in Chile, Argentina, Serbia and Georgia, and smaller pilot farms in Türkiye and Italy. Independent from the sizing, Ferrero is trying to work mainly on three streams of activities in these farms.

First, biodiversity protection, namely that between the row of hazelnuts they try to grow bands of other crops, such as grass, which could help with insect development. Sometimes insects are also an important natural line of defence against some pests.

Second, soil protection and improving soil health. Hazelnut cultivation requires a few activities at the beginning when the orchard is established but then the orchard can be left as is so no more soil disturbance which in turn translates to less carbon losses and also to improved organic life in the soil which is very good for regenerative agriculture.

The third practice that can be applied in hazelnut orchards in terms of regenerative agriculture is integrated pest management. This is based on continuous monitoring of pests and diseases so that treatment is applied only when it is strictly necessary. In Ferrero's farms, natural treatments and natural substances are also being trialled to see how effective or scalable they are for hazelnut farmers.

Biodiversity protection, improved soil management, namely disturbing the soil as little as possible, and integrated pest management. However, investment in farmer education and upskilling is important to overcome barriers to adoption of regenerative practices. However, it is also important to deploy the right tools, and for this it's important to invest in research because in order to promote solutions at a scale Ferrero needs to be sure that it's working in and for the community.

### **Wider impact and trends in hazelnut sustainability**

Ferrero is a big player as a buyer of hazelnuts and in the value chain, but not the only one. There have been several good initiatives also coming from other players. But Ferrero believes that it is not just a matter of promoting sustainability, it's a moral duty to do make the improvements.

Ferrero has been introducing traceability in the hazelnut value chain before it was mandatory or strictly necessary to so. This is beneficial for the entire value chain because now a lot of European regulations are asking for traceability and the industry has become familiar with this concept. Ferrero has also talked a lot within the farmer associations and exporters to introduce and establish these practices.

Another example was the establishment of the model farm. In around 2010 Ferrero started to establish 52 small model farms in Türkiye covering a broad territory and showing good agricultural practice to farmers on the ground starting with pruning. Many others in the hazelnut value chain have started doing similar model farms which generates a very positive impact on the sector and this needs to be developed and to be supported.

Many others are contributing because the sector requires the contribution of all the stakeholders and Ferrero's commitment is to continue to learn and continue to share.

#### Biodata

#### **Dr. Marco Botta**, General Manager, Ferrero Hazelnut Company

After 12 years of experience in business consulting (Accenture, Bain & Company), in 2011 Marco joined Ferrero as leader of the corporate structure transformational program. In 2015, he moved to media strategy and procurement, leading the media function in Europe and – since 2019 – establishing the Media Procurement & Governance department for Ferrero Group. After the successful set-up and management of the Group Operational Excellence Office, in 2022 he was appointed as General Manager of the Ferrero Hazelnut Company, a 3000-employee division of the Group, involved in all aspects of the hazelnut value chain. With key objectives of securing the proper supply and quality of key ingredients to many Ferrero iconic brands, Marco is constantly leading the company to develop a sustainable model for all stakeholders in the supply chain.

#### **Ruben Brunsveld**, Deputy Director EMEA, Roundtable on Sustainable Palm Oil

Ruben is an international sustainability professional with a passion for responsible business and leadership. He has a background in human rights and business, EU diplomacy and communication. As a Colombian-born-Indonesian-bred-Dutchman-with-a-Swedish-passport, he naturally integrates multicultural perspectives into any discussion.

#### **Nicko Debenham**, Managing Director, Sustainability Solutions

Nicko brings more than 38 years of experience working on cocoa and other raw material value chains. He started his career in cocoa in Nigeria in the 1980's, working directly with cocoa farmers. Nicko possesses unique expertise in developing and introducing pioneering traceable and sustainable systems in collaboration with governments in origin countries in Africa, Asia and LATAM. He established Sustainability Solutions in 2021 to support companies and institutions with developing and operationalising their sustainability strategy. Nicko has also worked for Barry Callebaut, as Head of Sustainability and Chairman of Cocoa Horizons Foundation, establishing the Forever Chocolate strategy, having previously worked for Armajaro as Head of Sustainability and Chairman of Source Trust, as well as being a founding Director of Geotraceability. Nicko was also the Chairman of the World Cocoa Foundation for 2013/2014

#### **Dr. Christopher Stewart**, Global Head, Sustainability Impact, ofi

Originally trained as a rainforest ecologist, Christopher has over 25 years' experience working with sustainable agriculture, forestry and conservation. In 2013, he joined Olam Group in Africa to lead the sustainable development of its Gabon palm business, resulting in the world's first independently verified climate-positive palm plantations. In 2016, he moved to lead the global

sustainability team where he guided the development of AtSource, the award-winning sustainability management system, and fostered a holistic vision of sustainable agriculture in living landscapes. As ofi sets out its new corporate sustainability strategy, to be the preferred partner for positive change, Christopher's team is working with ofi's cocoa, coffee, nuts, spices and dairy businesses to make it real, by improving farmer livelihoods, human rights, regenerative agriculture and climate action.