

Forest Risk Commodities regulations: Steps food businesses should take

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In recent years there has been awareness of environmental conservation and sustainability, spurring governments to enact regulations aimed at curbing the negative impacts of forest-risk commodities (FRCs) on ecosystems.

In December 2023, the UK Government published details about its Forest Risk Commodities (FRC) regime which is to be introduced through the Environment Act 2021. The commodities in scope are non-dairy cattle products (beef and leather), palm, cocoa and soy (and any products derived from them). Unlike the EU regime, the list does not include coffee and rubber.

The FRC regime aims to tackle deforestation by making it illegal for larger businesses to use key forest risk commodities produced on land illegally occupied. Those businesses which are in scope (with a global turnover of more than £50 million) would be required to conduct due diligence on the commodities they source, focusing particularly on high risk products such as palm oil, soy, beef and cocoa. The due diligence requirements would necessitate companies to assess and mitigate the risks of deforestation and environmental harm associated with their supply chains. Another requirement for businesses is transparency and reporting annually on their due diligence exercise. To ensure such transparency, parts of the reports may be published.

The proposed regulations are poised to significantly impact food business supply chains in several ways:

- Compliance costs: Businesses may face increased compliance costs associated with implementing traceability systems, conducting due diligence assessments and obtaining certifications
- Reputation and Brand image: Failure to comply with FRC regulations could tarnish a company's reputation and brand image, especially with consumer consciousness in relation to environmental and social responsibility, increasing.
- Supply chain disruptions: Non-compliance or insufficient preparation of FRC regulations may lead to disruptions in the supply chain as businesses adjust to different practices or alternative suppliers.

In anticipation of the legislation, food businesses should take steps to ensure compliance and minimise potential disruptions:

- Conduct risk assessments: This should be done to identify FRCs within supply chains and to assess the associated environmental and social risks.
- Enhance traceability systems: Investing in robust traceability systems and technologies can facilitate the tracking of FRCs from origin to end-product, enabling transparency and accountability.
- Engage with stakeholders and stay informed: Collaboration with suppliers and monitoring regulatory developments can provide valuable insight and support into navigating these up-and-coming changes.

By understanding the proposed regulations, assessing their potential impact, and taking proactive measures to prepare, businesses can not only ensure compliance but also demonstrate leadership in promoting environmental sustainability and social responsibility within their supply chains.

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