

10 September 2024

## **EUDR Implementation: FEFAC Initial Economic Impact & Feed Supply Chain Disruption Risk Assessment for Soybean Meal**

FEFAC is providing a first initial **overview of the potential EUDR economic impact on the EU feed chain and livestock sector in the context of the current market situation and outlook regarding soybean meal supplies (Q1 – Q4 2025)**, including a first qualitative soy supply chain disruption risk assessment, based on its member experts' evaluation and membership surveys (situation Sep 2024).

### **1. Economic Impact Assessment**

- Minimal market offers for Q1 2025 deliveries have been submitted to feed compounders by suppliers which is atypical for this period. Currently, the total EU feed market demand for 2025 of app. 30 Mio tons of soybean meal cannot be met with EUDR-compliant products, due to the absence of clear operational guidance to soy value chain partners for imports and EU origin.
- Market information received by suppliers indicates extra costs for providing EUDR-compliant soybean meal of 5-10% on top of normal market price quotations.
- The market supply for EU soy demand will be adversely impacted by current EUDR legal uncertainties, leading to a potential supply chain disruption due to the low availability of EUDR-compliant soybean meal that is currently offered and with higher costs linked to transport logistics and warehousing/storage.
- The direct extra cost for EUDR-compatible soy products for feed use in Q1/Q4 2025 is estimated at app 750 Mio – 1,5 Bio € for soybean meal supplies to the EU (both imported and EU origins). This will also lead to higher costs for alternative proteins which are “pegged” to soybean meal quotations.

The combined **impact of direct extra cost** for soy supplies for the EU feed market in Q1/Q4 2025 and the expected higher additional costs for other alternative protein sources, including rapeseed meal, sunflower meal, and amino acids, **may reach up to 2,25 Bio €**. This will cause significant adverse economic impacts to the EU livestock sector, seriously undermining its competitiveness in the EU and global markets.

- FEFAC's initial qualitative EU feed supply chain disruption risk assessment for soy deliveries (Q1/Q2 2025) indicates the following **EUDR disruption risk classification** by origin:
  - low – medium risk: North America (US & Canada)
  - medium risk: Argentina & Brazil & Paraguay
  - medium – high risk: Ukraine, Serbia and EU origins
  - high risk: West-Africa (Nigeria), India, China (for specialities like non-GMO and organic soy products)

**Note:** As reported in public soy monitoring reports, there is sufficient market availability of certified/verified deforestation-free soy products to cover the needs of the EU feed market. However, the delay of practical guidance in support of EUDR implementation by the European Commission significantly reduces the availability of 'EUDR-compliant' products. In addition, the global EU market share for soy usage is less than 15% and falling, meaning soy exporters have sufficient market alternatives.