

Eucolait Sustainability Manifesto



The contribution of dairy trade to food security,
improved environmental performance and
better functioning supply chains



BACKGROUND



Achieving sustainable food systems is arguably the most important challenge facing the agrifood sector now and in the coming decades. It implies ensuring sufficient and economically viable production of healthy and affordable food within planetary boundaries, while preserving biodiversity and limiting any adverse impacts on humans, animals or the environment.

The fight against climate change is at the heart of the Green Deal, the flagship strategy of the European Commission which took office in late 2019. The objectives to achieve climate neutrality by 2050 and to reduce greenhouse gas emissions by 55% by 2030 ('Fit for 55') have since been made legally binding under the European Climate Law. For good reasons, the unfolding climate crisis receives most of the attention in the public debate, but other aspects of environmental performance and the other two pillars of sustainability must also be duly considered. The economic, social and environmental features and impacts of food production, trade and consumption are all a crucial part of the equation and are being addressed in the food policy arm of the Green Deal, the Farm to Fork strategy.

Sustainability goes hand in hand with resilience and robustness of food supply chains, concepts which have become painfully relevant, first in the

wake of the Covid-19 pandemic and more recently following Russia's aggression of Ukraine. The launch of a dashboard for food supply and security by the European Commission demonstrates the elevated importance of ensuring plentiful and affordable food for all. The dairy sector must continue to be empowered to produce high quality products for the European and world markets, even as the production trend within the EU leans towards stagnation or decline. Facilitation of trade is also key – this was outlined in the WTO World Trade Report 2022, which while accepting that international trade is a significant contributor to CO2 emissions, also sees well-functioning trade as a powerful climate change mitigation tool.

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EU agriculture is responsible for some 10% of European GHG emissions, within which the main source is animal agriculture. At the same time, dairy farming allows production of highly nutritious food on land which often cannot be used for, or is highly unsuitable for, cultivating food crops, using roughage and non-edible by-products as feed. In addition, dairy production ensures economic viability and vitality of rural areas.

The dairy sustainability journey predates the Green deal, the European dairy sector having made major strides in limiting food waste, improving environmental performance and stepping up its climate commitments. On a global scale, the EU already has one of the lowest carbon footprints in this field. Achieving carbon neutrality will require resource efficiency and a vast combination of innovative solutions and practices, including carbon farming, growing use of renewable energy and of alternative water sources as well as cleaner transport solutions.

Within the dairy sector, it is possible to close nutrient, water, carbon, and waste cycles while promoting biodiversity and optimising land use. By-products from milk processing are used as feed, cow manure for fertilizing food and feed crops or for biogas production. The maintenance of pastures and meadows is beneficial for biodiversity, promotes the binding of carbon to the soil and allows for an

efficient use of land which would generally not be used for growing crops.

Further downstream, energy and water consumption need to be reduced further and water re-use rates need to increase. Progress in this area is constant, since optimizing resource efficiency is also the most sensible thing to do from a commercial perspective.

Increasingly, incorporating and demonstrating the efforts and actions taken at company level are becoming a necessity to survive in the market and to maintain reputation. Both customers and employees increasingly have expectations that operators will do business in an environmentally and socially responsible manner.

The purpose of this document is not to reiterate all the progress made and the substantial additional commitments at farm or processing level. Instead, we wish to focus on the role of trade in the process towards increasingly sustainable and resilient food systems.



THE ROLE OF INTERNATIONAL TRADE



The EU is the leading exporter of dairy products, accounting for around 30% of global dairy trade flows.

Trade is vital for ensuring accessibility, affordability, and availability of food. Due to multiple cultural, historical, culinary, environmental, geographical, and economic factors, production of a given food product tends to be more prevalent in some regions than others. The EU is the leading actor in international agri-food trade and the largest exporter of dairy products, accounting for around 30% of global dairy trade flows.

Dairy products are a recognised source of high-quality protein, calcium, potassium, vitamins and many other essential nutrients contributing to dietary health across all age categories. The levels of dairy consumption are inadequate in large parts of the world and the demand keeps growing. While dairy production takes place in virtually every country, contributing to livelihoods of an estimated 1 billion people, local food systems are seldomly able to fully meet the needs and preferences of consumers. As an efficient and dynamic milk producing region, the EU has a duty to contribute to global food security and currently exports around 20% of its milk solids. Dairy trade and the ready availability of European dairy products and ingredients on the global market contributes to bolstering nutrition worldwide.

Inside Europe, there are also huge differences when it comes to the conditions of milk production and the types of dairy products produced and consumed. Trade across the internal borders thanks to the dynamic EU single market ensures that the largest possible variety of dairy foods can be enjoyed all over the continent.

A sustainable food system uses scarce natural resources as efficiently and effectively as possible. In the face of the dual challenge of feeding a growing global population and mitigating climate change, we need to produce more, from less and with fewer adverse impacts and crucially in regions and climates best adapted for this. It is neither economically nor environmentally feasible or desirable to produce milk in all parts of the world, and certainly not in the exact quantities required by the population of each country or region. This means that dairy products must continue flowing from surplus to deficit regions – the key function of trade.

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From a climate perspective, it is necessary to minimise emissions from transport. However, these account for less than 5% of a dairy product's total carbon footprint, usually in the region of 1-2%. The lion's share of the emissions take place at farm level and the differences per kg of milk between efficient and inefficient regions and systems can be startling (approximately between 1kg and 7kg CO₂ equivalent per kg of milk, aside from the difference in protein and fat content of the milk). Trade, accompanied by responsible production in areas with lowest emissions, can help to significantly reduce the carbon footprint of the dairy sector globally. In other words, it makes sense to ship dairy products, for instance, from Europe to regions not well suited for milk production due to an excessively hot climate, lack of

water and/or poor infrastructure. As global demand for dairy continues to grow, mainly in deficient regions not adapted for milk production, the role of trade in climate mitigation is poised to become increasingly important.

It is widely accepted that trade creates employment and growth. In addition to jobs directly supported by EU dairy exports, trade contributes to job creation in the food import, wholesale, food service and food industry sectors.

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INCREASINGLY SUSTAINABLE TRADE



Dairy trading businesses are increasingly implementing more sustainable practices in their everyday work and in spearheading sustainability initiatives. The starting point is effective measuring of direct emissions (offices and other buildings, travel) and of indirect emissions (transport, warehousing) arising from trade activities.

As regards transport which is the most important source of emissions attributable to trade, operators have taken steps to **improve the fuel efficiency of ocean freight and road haulage. Routes can be optimized and shipments grouped.** Preference should be given to **carriers adhering to the relevant environmental credentials.** In addition to choosing **energy efficient warehouses, reducing (the time of) storage** altogether is an efficient way of decreasing the environmental impact.

Concerning direct emissions, **self-generation of energy**, such as the use of solar panels, has been pursued by companies. **In-facility adjustments** include switching to energy-efficient lighting and maintaining a lower office temperature. Businesses are also **reducing travel and commute** through video conferencing and teleworking, simultaneously improving the wellbeing of employees. Offices are becoming **increasingly paperless** and

solutions for **less polluting data storage** are being pursued.

Carbon credits are another part of the solution. The compensation of all emissions from trade, in particular road haulage, warehousing, shipping and port logistics, with certified CO2 certificates is already achieved by some businesses, resulting in a **carbon neutral delivery.** Ultimately, **compensation should take place only within the dairy supply chain**, e.g. by operators purchasing carbon credits that make transitioning to more sustainable practices profitable for farmers.

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The trading community has a special role in encouraging and stimulating the efforts of other actors along the entire dairy supply chain towards a more responsible and carbon neutral industry. As part of their mission of connecting supply and demand, traders must also **facilitate sourcing of sustainably produced dairy products**. The customer demands in this area go beyond CO2 footprint, covering biodiversity and animal welfare considerations, fertilizer and other input use as well as water and waste management.

Sustainability is increasingly part of company culture. It has become integral to the brand of trading businesses and is now intrinsically valued by employees. It is a growing trend that a company must continuously demonstrate its dedication to sustainability to attract and retain talent. This is achieved by an ambitious and credible corporate social responsibility programme and proven compliance with key international standards in this field.

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OUR COMMITMENT TO SUSTAINABILITY



Eucolait aims to promote sustainable business models amongst its members via the information we provide and the events we organise. In this regard, we have also participated in the discussions surrounding the creation of the EU Code of Conduct for Responsible Business and Marketing Practices and since October 2021 we are a signatory to the code. Across our membership, companies are working on improving and implementing the three core pillars of sustainable development in line with the aspirational objectives of the Code of Conduct.

Given the diverse nature of our membership, ranging from trading businesses with a handful of employees to

large multinational dairy processors, the nature and depth of the sustainability programmes and commitments made amongst our membership varies a lot. A company employing a handful of people and engaging solely in the trade of dairy products and providing services to other actors in the supply chain will not have the same footprint or impact as a food processor.

We have compiled a **non-exhaustive list** of resources detailing the relevant corporate social responsibility policies, business practices, projects and commitments undertaken by Eucolait members.



THE WAY FORWARD



Eucolait stands ready to contribute to the transformation of food systems of which the dairy sector, and dairy trade, are necessary constituents. Throughout our membership, sustainability is core to business models and day-to-day decision making and ambitious targets have been set for the years and decades ahead.

Our ask to policymakers is a clear, science-based, legal framework and a higher level of certainty and stability of European policies applicable to our sector. Initiatives to constantly enhance sustainability performance are multiple and should be incentivized with all the means at

the Commission's disposal, be they short-term or long-term incentives. Unnecessary red tape under the guise of sustainability and fragmentation of the single market must be avoided. In addition, the EU should use its weight in the global economy to support and encourage similar transformations of food systems of our trading partners, without imposing the "European model". The green transition will not be successful if it penalizes European producers and businesses and shifts production to countries with considerably lower environmental, social or animal welfare standards.

ABOUT US

Eucolait is the voice of the dairy trading community established in 1959. More than 400 dairy businesses of very different sizes are members through our national associations or directly. We provide policy analysis, market intelligence and tailored advice to our members, represent their interests towards European and other institutions and act as a platform for events and discussion.