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Wissenschaftlicher Beirat  
für Agrarpolitik, Ernährung und  
gesundheitlichen Verbraucherschutz  
beim Bundesministerium für  
Ernährung und Landwirtschaft

# **Shaping global supply chains using the example of the new due diligence obligations for companies in the agricultural and food sector**

Plenary lecture „34th Annual Conference of the Austrian Society of Agricultural Economics”  
University of Natural Resources and Life Sciences, Vienna  
19.-20.09.2024

**Prof. Dr. Christine Wieck**

Head of Chair group on Agricultural and Food Policy  
Institute for Agricultural Policy and Markets

# Overview

1.

Introduction

2.

Background to due diligence

3.

EU agri-food trade and relation to due diligence regulation

4.

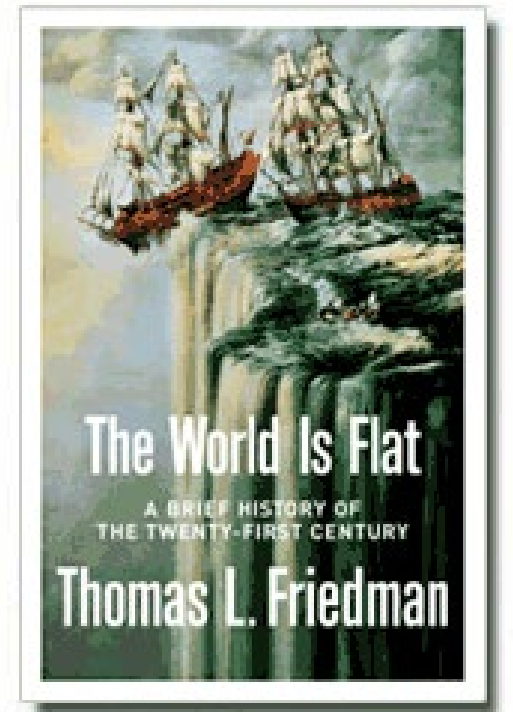
WBAE recommendations

5.

Implementation and outlook

## 1. The world is flat? Not anymore!

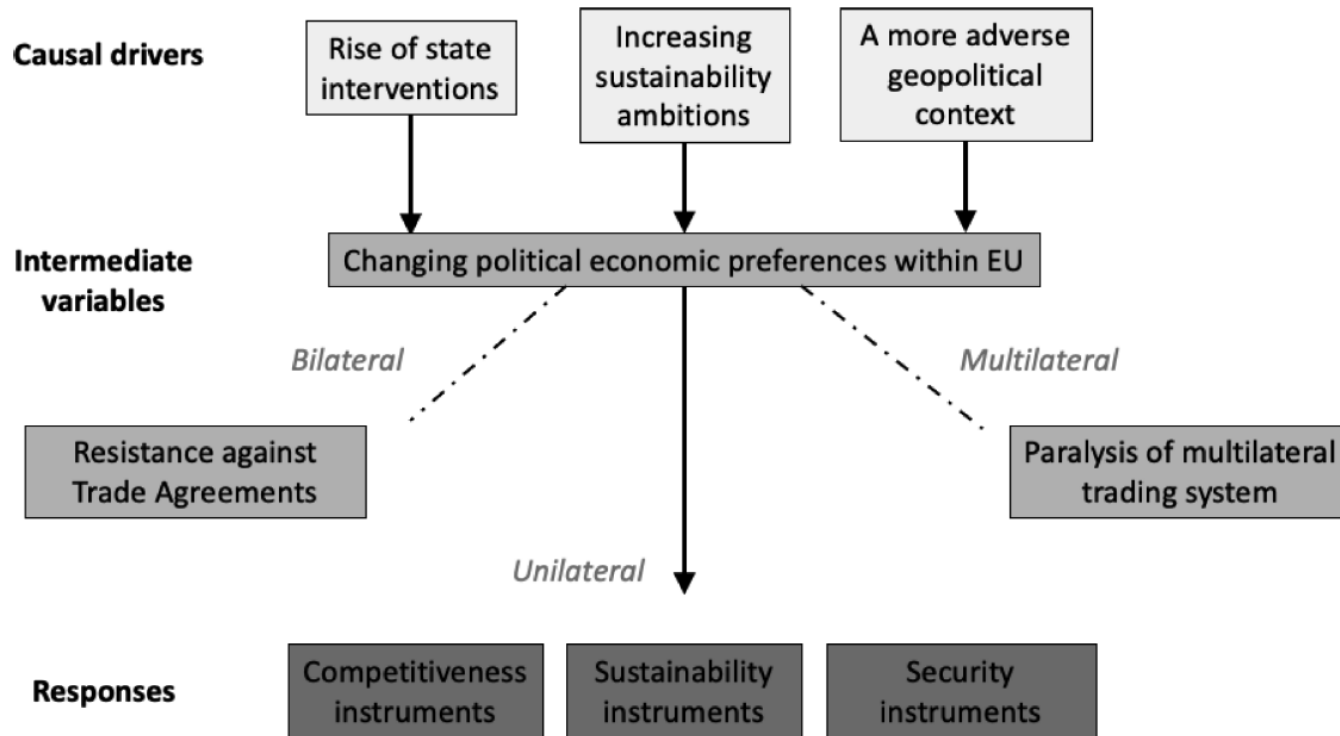
- Looking back on years of globalisation
  - „The World is Flat“: „...*remain competitive in a global market in which **historical and geographic divisions** are, according to the author, **becoming increasingly irrelevant***“
- Strong internationalisation of the A&F sectors
  - Strong international linkages: Inputs, ingredients, in- and export of products, global value chains
  - Capital (technologies, innovations) and labor migration
  - Globalised consumer preferences



Book cover von 2005  
Source: Wikipedia

# 1. The world is flat? Not anymore!

Figure 1 The EU's Unilateral Turn: Causal Drivers, Intermediate Variables, and Responses



## Selected EU regulations of last years

Legal act	Year
Anti-dumping Regulation	2019
Investment screening	2019
Enforcement of disputes	2021
Instrument for international tenders	2022
Anti-Coercion instrument	2023
Products from forced labour	2023
Carbon border adjustment system	2023
Stricter residue levels for neonicotinoids	2023
<b>Deforestation-free supply chains EUDR</b>	2023
<b>Due diligence directive EUCSDDD</b>	2024
<b>German supply chain act LKSG</b>	2021

See also WBAE, Table 3.2

De Ville, Ferdi; Happersberger, Simon & Kalimo, Harri. 'The Unilateral Turn in EU Trade Policy? The Origins and Characteristics of the EU's New Trade Instruments'. *European Foreign Affairs Review* 28, Special Issue (2023): 15–34.

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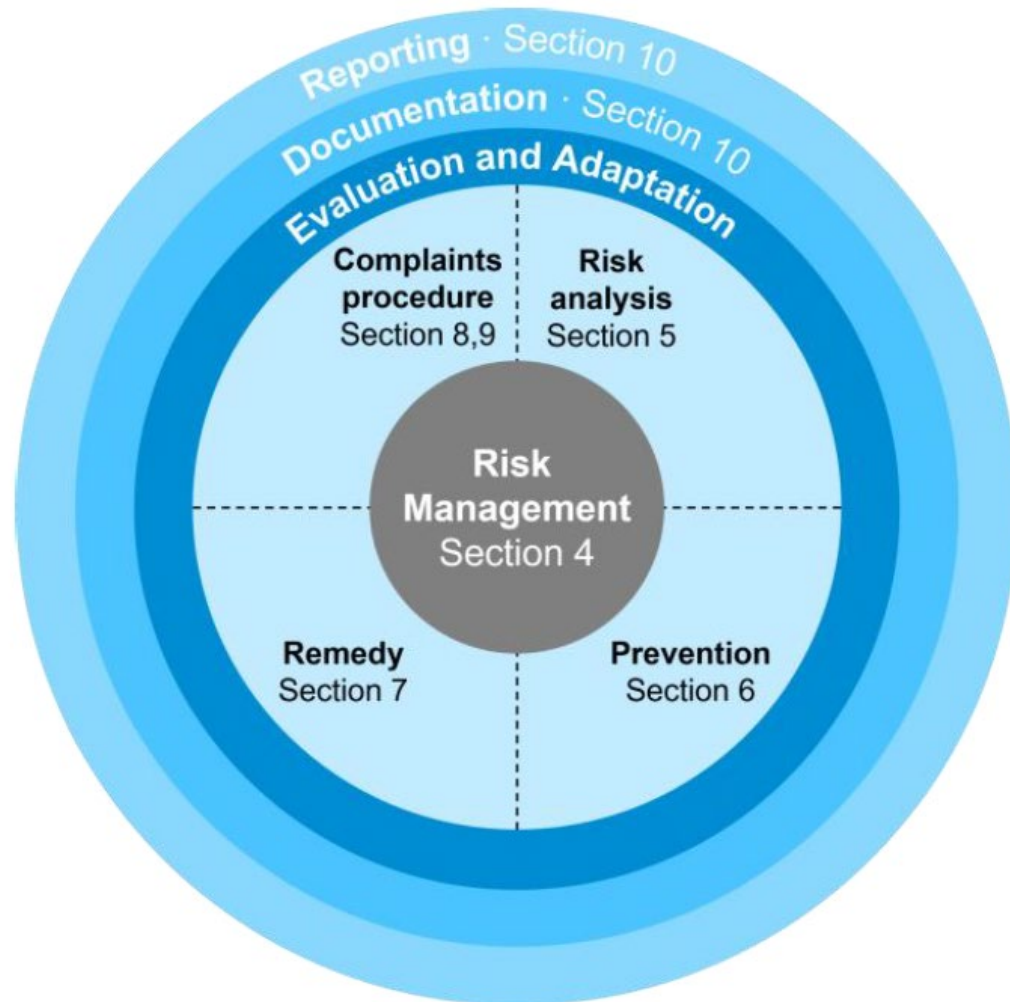
## 2. Which regulations on due diligence exist?

<p>2023 in Germany:</p> <p>Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (LkSG)</p>	<p>2023 in the EU:</p> <p><b>Deforestation Regulation (deforestation free value chains) (EUDR)</b></p>	<p>2024 in the EU:</p> <p><b>Corporate Sustainable Due Diligence Directive (CSDDD)</b></p>
<p>Coverage: all products</p>	<p>Coverage: palmoil, soy, wood &amp; derived products, beef, cacao, coffee, rubber</p>	<p>Coverage: all products</p>
<p><b>2023:</b> companies with more than 3000 employees</p> <p><b>2024:</b> companies with more than 1000 employees</p>	<p><b>30.12.2024:</b> start of implementation (large and medium scale companies)</p> <p><b>30.06.2025:</b> all companies</p>	<p>05.07.2024 published in OJ</p> <p><b>3 years later:</b> companies with more than 5000 employees and 1500 million worldwide net turnover</p> <p><b>4 years later:</b> &gt; 3000 empl. and 900 Mill Euro net turnover</p> <p><b>5 years later:</b> &gt; 1000 empl. and 440 Mill Euro net turnover</p>

See also Table 3.1 in WBAE study



## 2. Due diligence obligations (as defined in the LkSG)



See also WBAE study

Definition of risk in accordance with international labor and human rights and environmental law

### **ILO fundamental labor rights:**

- Elimination of forced labor
- Freedom of association and the right to collective bargaining
- Elimination of discrimination in respect of employment and occupation
- Abolition of child labor
- Occupational health and safety

### **Pollutant related environmental conventions:**

- Minamata-Convention (handling of mercury)
- Stockholm Convention (handling of persistent organic pollutants)
- Baseler Convention (importation and exportation of hazardous waste)

### **In addition:**

- Illegal evictions or illegal seizure of land, forests etc
- Withholding of decent wage
- Deployment of security forces that use violence
- etc.

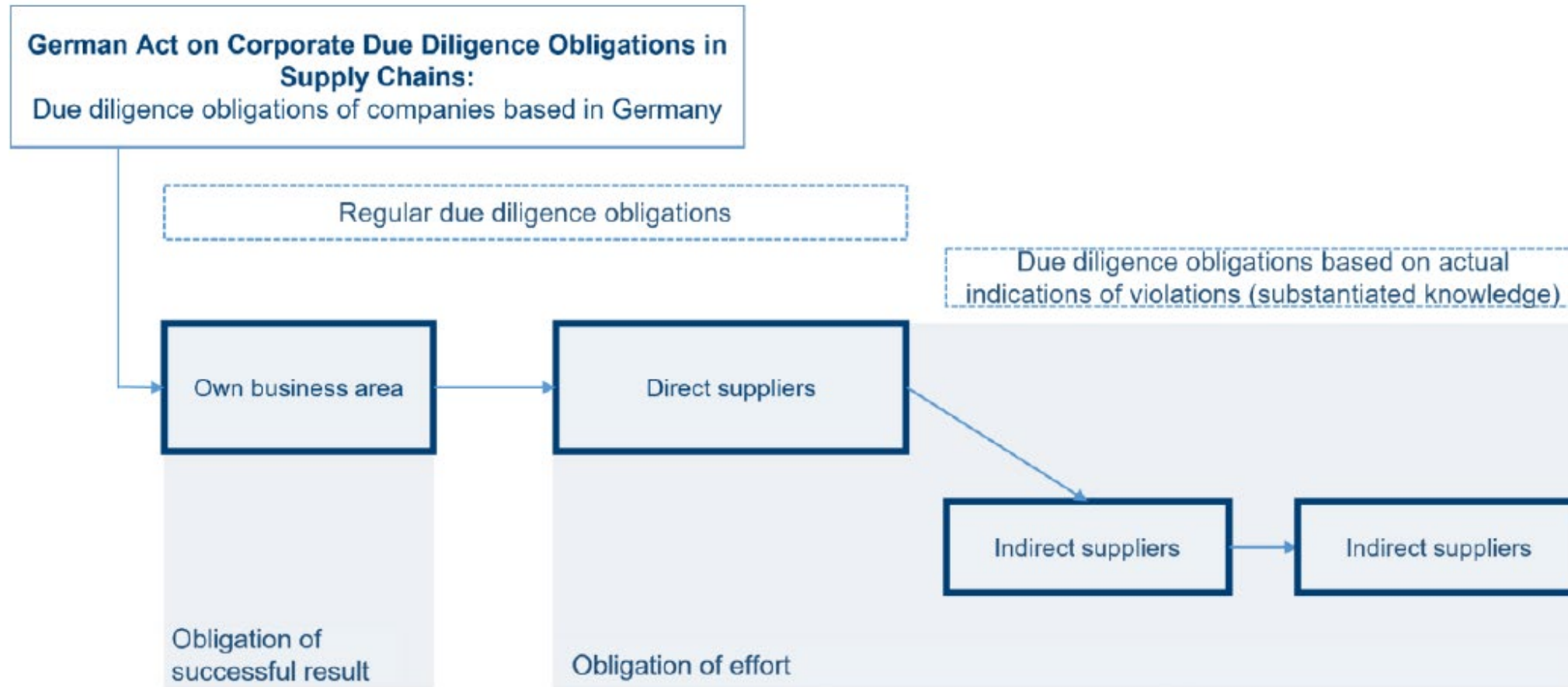


## 2. Due diligence obligations in EUDR

1. Collection of information on origin of product (country, compliance with national regulations, ...)
  - Including **geo-referenced data** on information on origin
  - Relevant due date for deforestation: **31.12.2020**
2. Own risk assessment
3. Initiate measures to reduce risk, if necessary



## 2. For which part of the value chain?

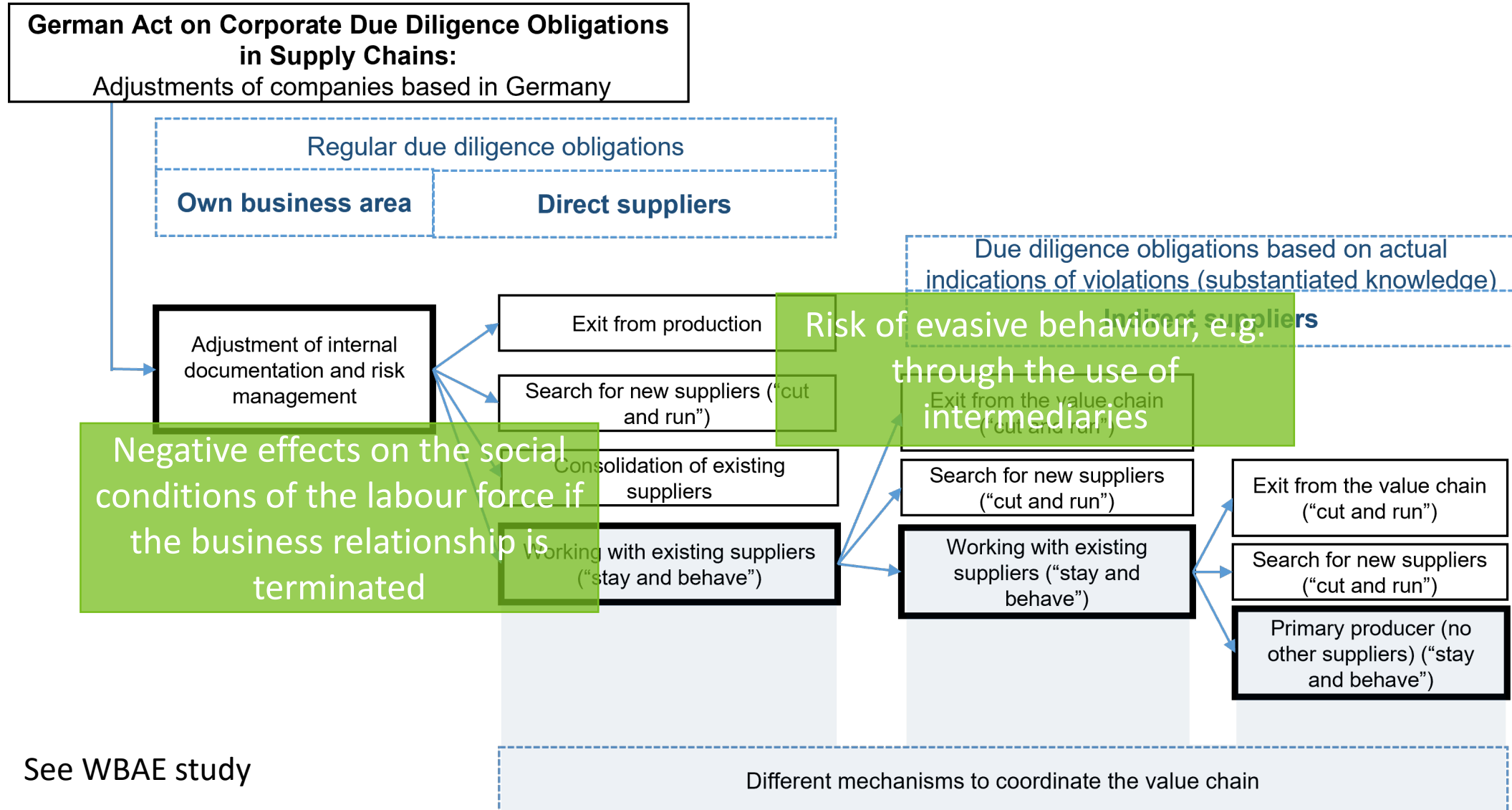


See WBAE study





## 2. Options for companies to react

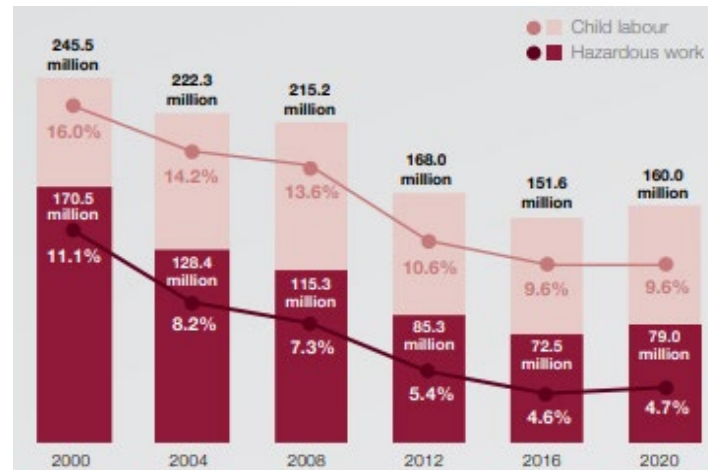


See WBAE study

## 2. Binding due diligence regulations are necessary, because...

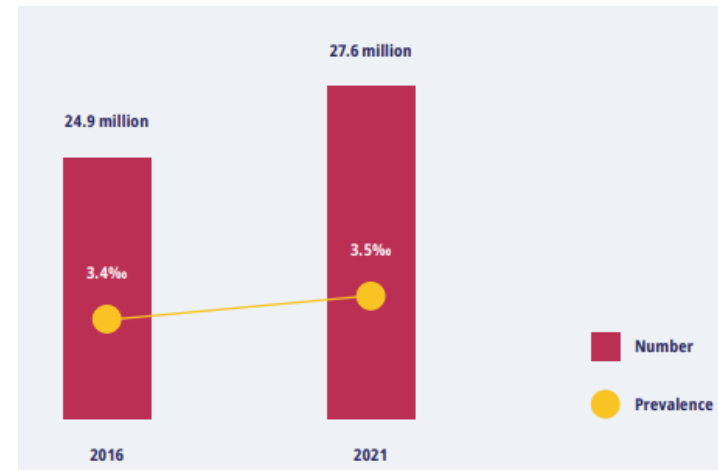


- High risks of human rights violations and problematic labour conditions in agri-food value chains remain despite voluntary approaches



70 % in agriculture

Child labour ILO and UNICEF 2021



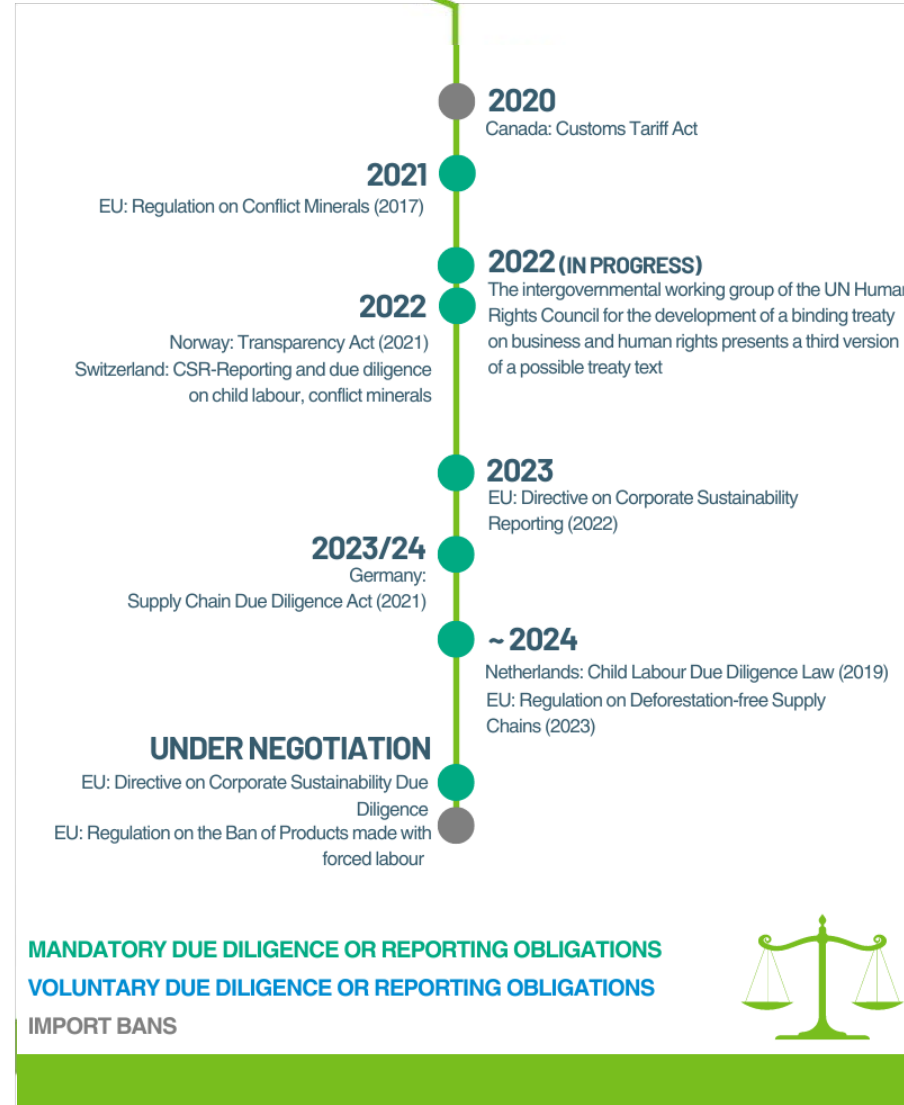
12.3 % in agriculture

Forced labour ILO et al 2022

- Risks are not limited to production in Low and Lower Middle Income Countries (see e.g. fruit and vegetable production in Southern Europe)
- Deforestation risk strongly related to agricultural commodities

See WBAE study

# DEVELOPMENT OF CORPORATE DUE DILIGENCE

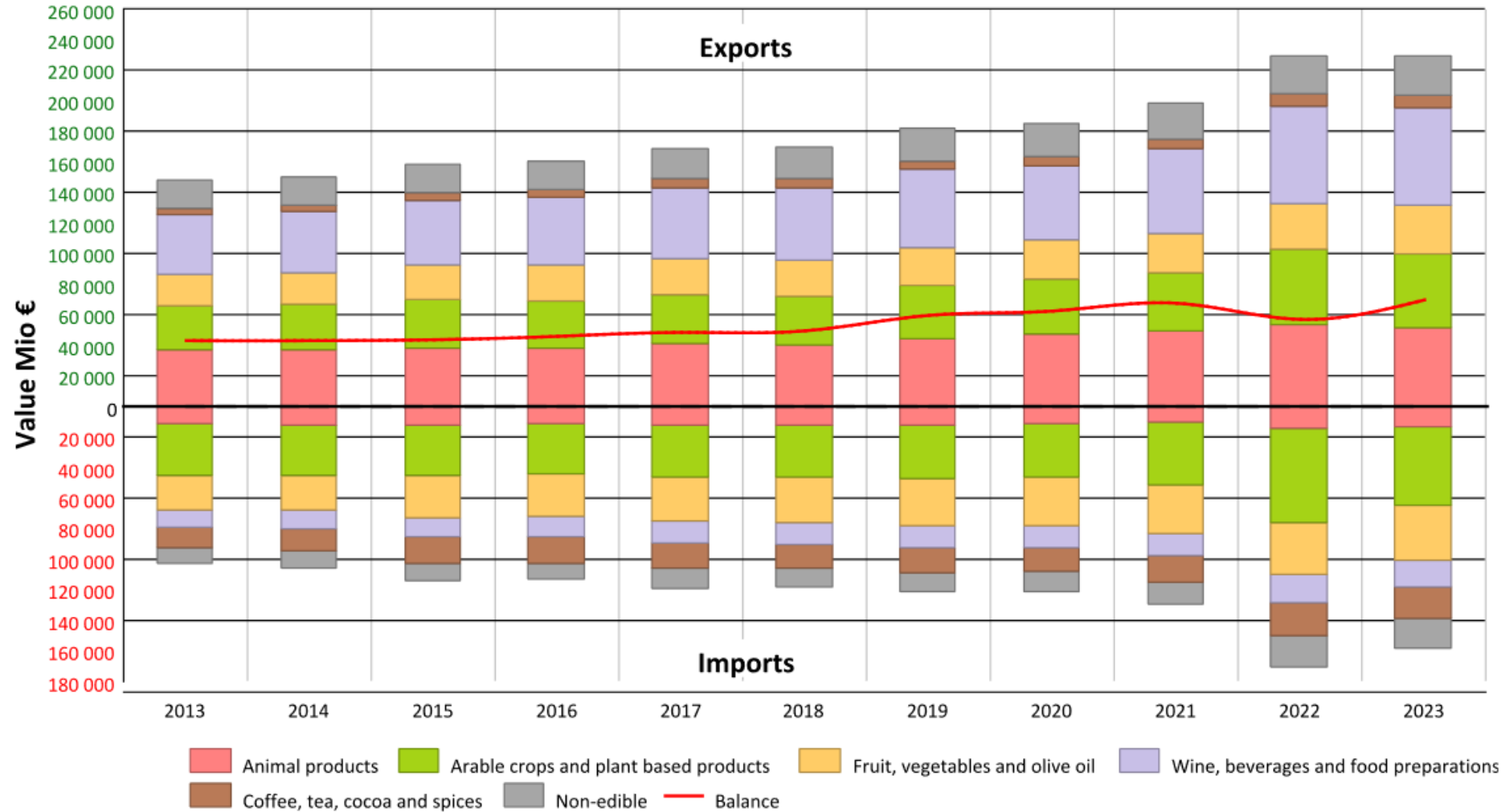


See WBAE study



OECD published a **“Review of G7 Government-led Voluntary and Mandatory Due Diligence Measures for Sustainable Agri-Food Supply Chains”**, February 2024

# 3. EU agri-food trade



Source: EC agri-food trade statistical factsheet (2024)

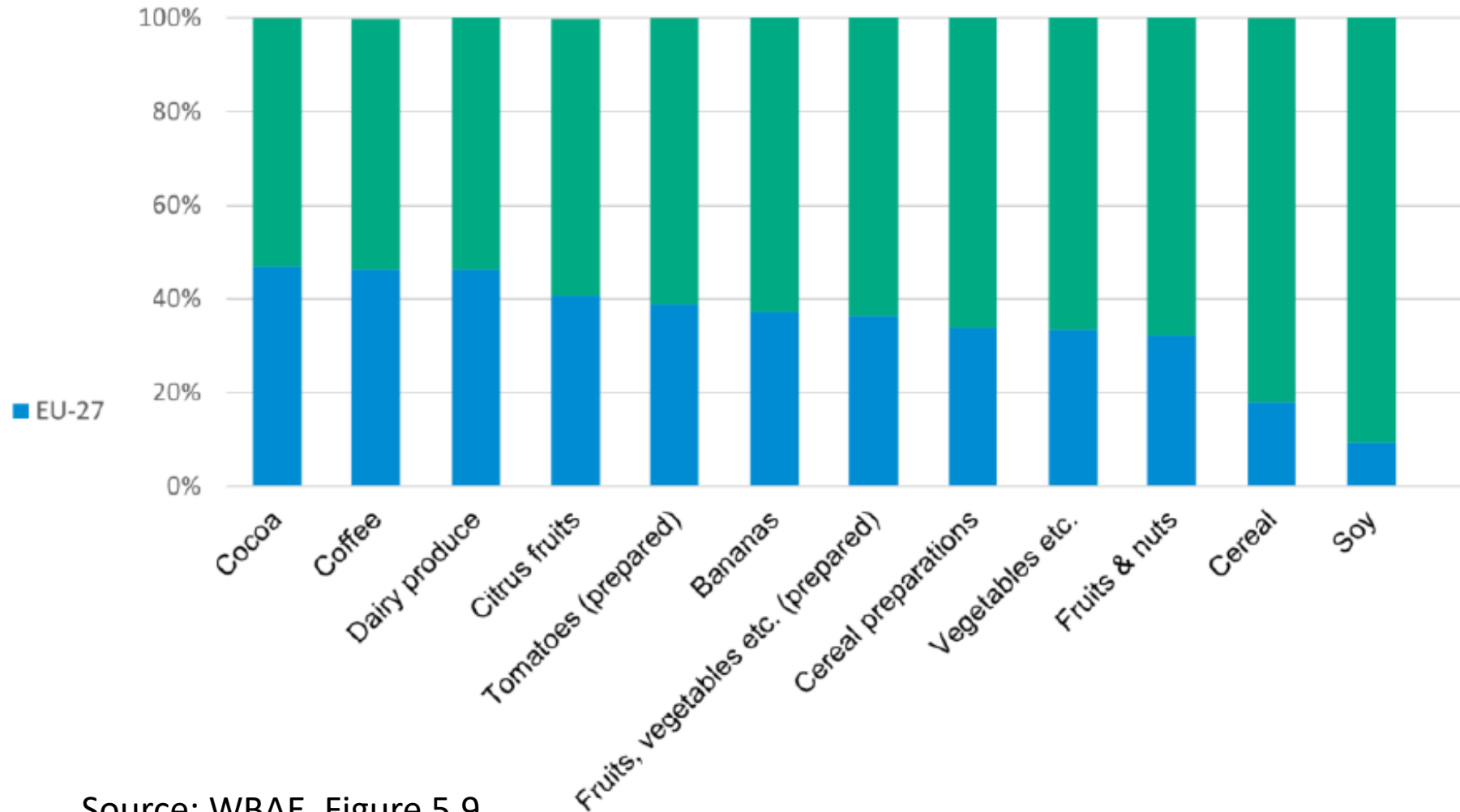


### 3. EU is 3rd largest food importer worldwide – link to due diligence

Rank	Product	Potential due diligence risk	EUDR commodity (high risk)
1	Fruit and nuts	x	
2	Oilseeds and protein crops		x
3	Coffee, tea, cocoa and spices	x	x
4	Cereals		
5	Non edible for technical use		
6	Vegetable oils (Oilseeds and Palm)	x	x
7	(Mixed) Preparations of fruit, nuts and vegetables, food, and ingredients	x	
8	Vegetables	x	
9	Other animal products		
10	Tobacco, cigars, cigarettes	x	



### 3. EU share in world imports of selected commodities: Norm diffusion potentially possible?



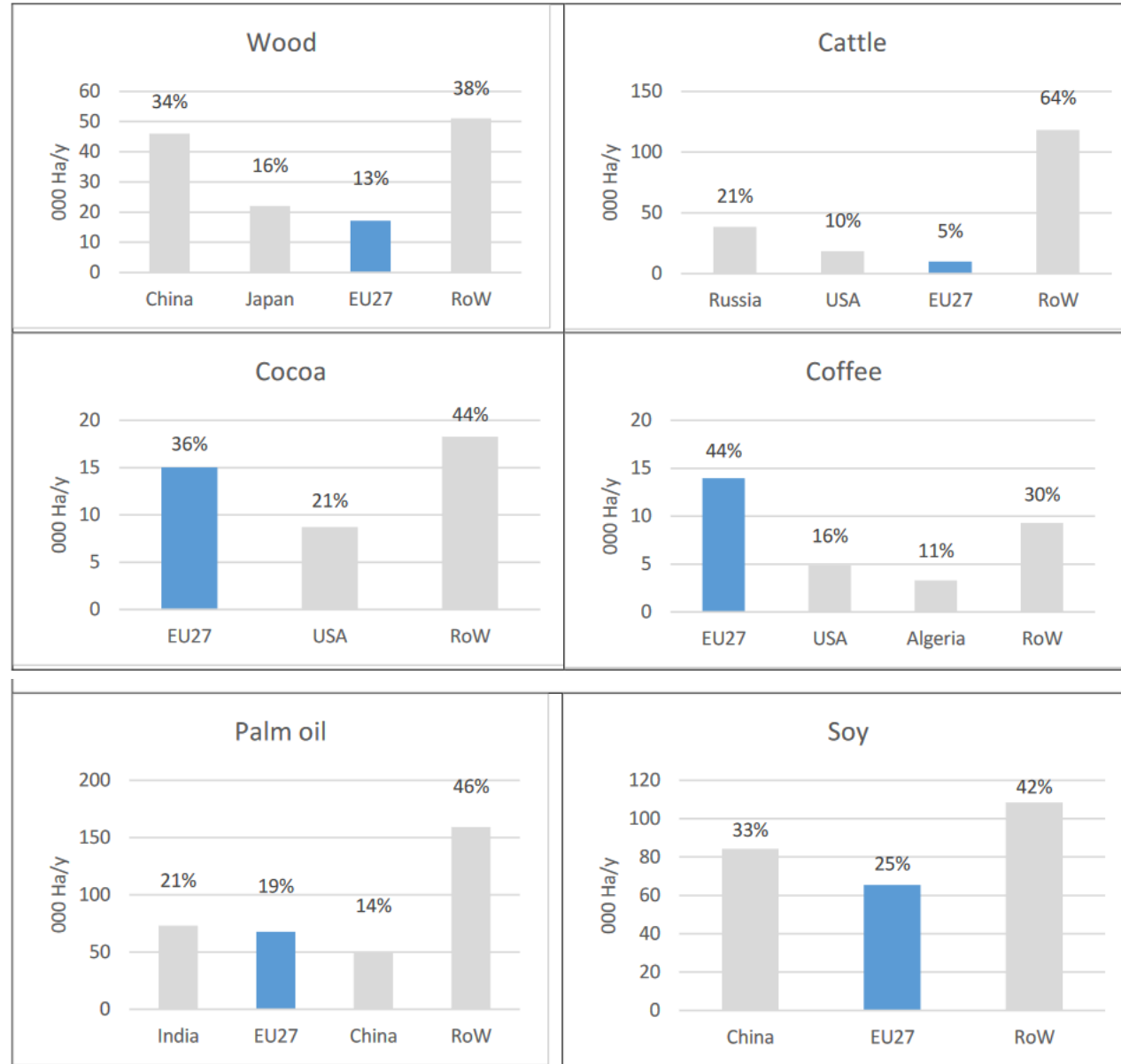
Source: WBAE, Figure 5.9



### 3. EU share in world imports of selected commodities:

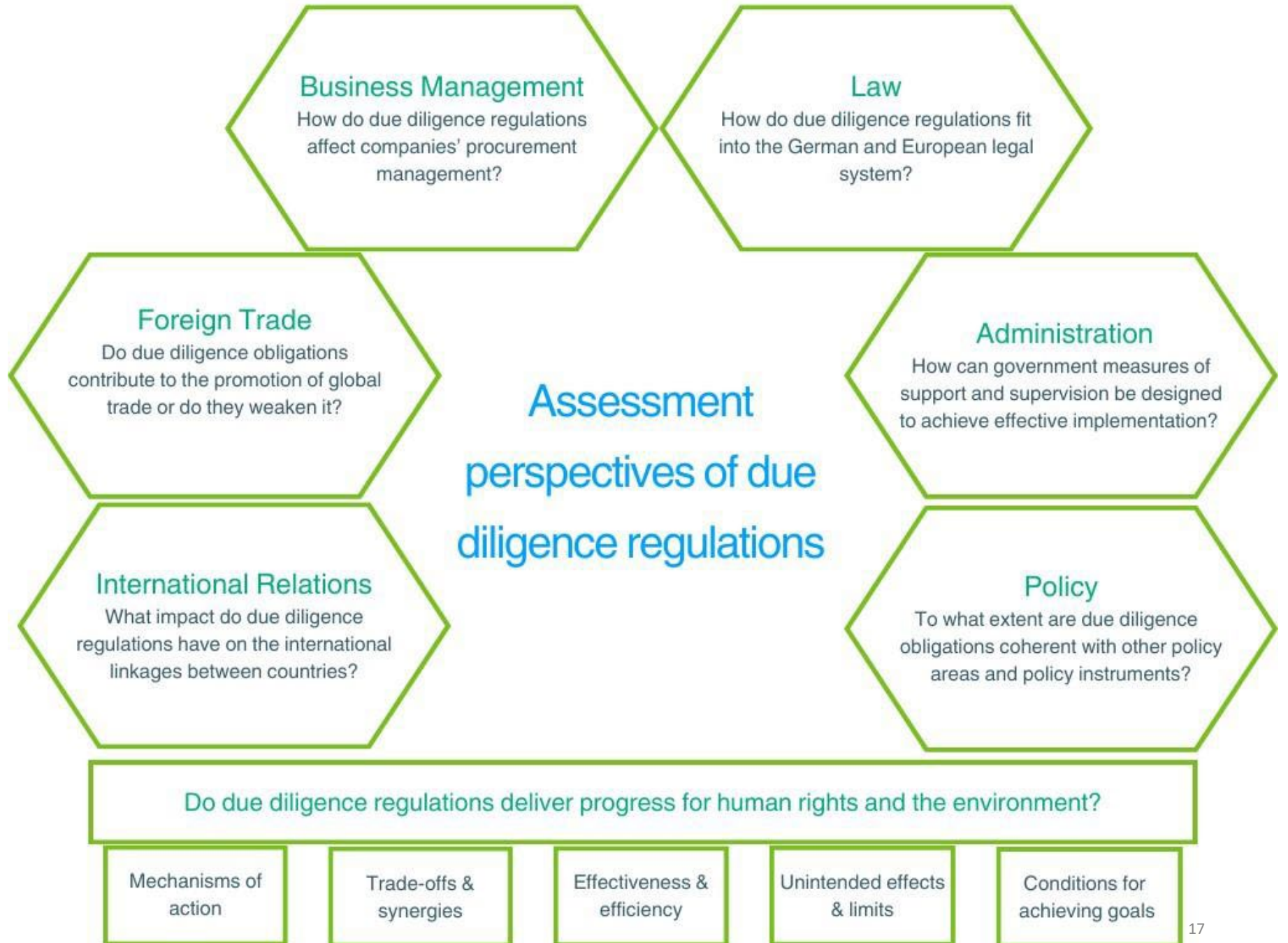
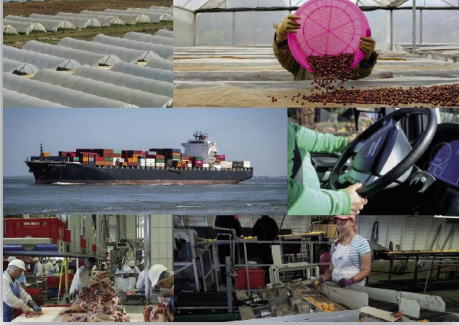
Focus on deforestation risk

and comparison with competitors





New due diligence obligations for  
companies in the agri-food sector:  
recommendations on current  
legislative developments



## 4. Future developments: Possible scenarios



- Development of hypothetical extreme scenarios to understand the impact of due diligence regulations
- Along three dimensions: process-related / market-related and implementation-related dimension

Process-related Dimension (P)

Scenario P1:  
Unilateral  
action

Scenario P2:  
Cooperation  
and dialogue

Market-related Dimension (M)

Scenario M1:  
Market  
segmentation

Scenario M2:  
Norm  
diffusion

Implementation-related Dimension (U)

Scenario U2:  
Cut and run

Scenario U4:  
Stay and  
behave

Scenario U1:  
Bureaucratic  
nightmare

Scenario U3:  
Paper tiger

Preferred scenarios

## 4. General recommendations



...for an effective  
implementation

... for shaping  
the policy  
environment

... for a systematic  
continued  
development

How?

supporting companies | impact assessment | dialogue

## 4. Recommendations contributing to a successful implementation



- Implement due diligence as a **learning system**
- Support supplier development
  - Provide support service, e.g. in the form of financial support as part of public programmes
- Integrate certification schemes in the implementation and guarantee their reliability
  - Define minimum requirements for certification schemes and officially monitor certification schemes
- Focus on grievance mechanisms
  - Strengthen civil society actors and trade unions on the part of trading partners

## 4. Recommendations contributing to a successful implementation



... for shaping  
the policy  
environment

- On the external dimension: Support scenarios "Cooperation and dialogue" and "Stay and behave"
  - Ensure coherence across different policies
  - Advance the dialogue with tradings partners
  - Intensify and enhance development cooperation
- **Ensure coherence**
  - Better align different approaches
  - Consider the joint "geo-political" effect of the whole package:
    - Due dilligence and FTAs as complements and as tools to relieve and support FTAs (e.g. by taking over enforcement and waive them in FTAs)
- Advance the **dialogue with tradings partners**
  - Consider incentives instead of sanctions only
  - Recognize local knowledge and approaches
- Intensify and enhance development cooperation

## 4. Recommendations contributing to a successful implementation



... for a systematic  
continued  
development

- Schedule **impact assessment** of regulations from the outset
  - **Trading partners need to be involved** at all stages
- Consider carefully the challenges **before extending the scope** of due diligence obligations (e.g. regarding gender equality, living income and living wage, right to food or biodiversity)
  - Consult trading partners prior to any extension of scope
- Cover gender equality along the whole value chain

# 5. Its adoption was controversial ...



FORBES > MONEY

## EU Releases Final Draft Of Corporate Sustainability Due Diligence Law

Jon McGowan Contributor

*I am an attorney who writes about ESG policy, laws, and regulations.*

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Jan 31, 2024, 06:42pm EST

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### German support for EU corporate due diligence law in doubt

Euractiv.com with Reuters Est. 3min 26. Jan. 2024 Advertisement



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5. Its adoption was controversial ... and its implementation and final entry into force are still disputed



## Commission hints at delays to country benchmarking in anti-deforestation law

The European Commission has underscored that it will 'take the time necessary' to set country risks under the Deforestation Regulation, despite a looming legislative deadline, as campaigners warn of potentially postponed compliance measures abroad.

08.03.2024

by Christian Ernhe

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# Österreich: Von der Leyen soll EU-Entwaldungsgesetz verzögern

Von: [Sofia Sanchez Manzanaro](#) | [Euractiv.com](#) | übersetzt von [Carmen Diaz Rodriguez](#)

Werbung

📅 30. Apr. 2024 (aktualisiert: 📅 23. Mai 2024)





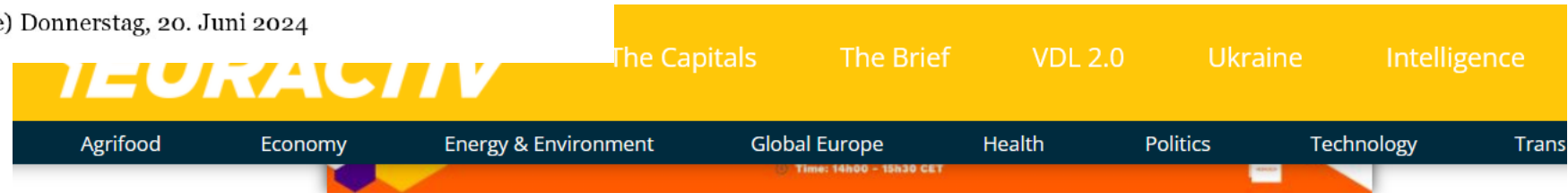
# 5. Its adoption was controversial ... and its implementation and final entry into force are still disputed



Entwaldungsfreie Lieferketten

## USA fordern Aufschub der Waldschutz-Verordnung

Von Ruth Herberg (mailto:ruth.herberg@dfv.de) Donnerstag, 20. Juni 2024



[Home](#) / [News](#) / [Agrifood](#) / Brazil asks EU to hold off on implementing deforestation law

## Brazil asks EU to hold off on implementing deforestation law

Euractiv.com with Reuters ⌚ Est. 3min

📅 12. Sept. 2024

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**top+** Union reicht das nicht

## Özdemir: EU-Kommission muss Entwaldungsverordnung um sechs Monate verschieben

Durch die EU-Entwaldungsverordnung fürchten viele Unternehmen und Landwirte ein Bürokratiemonster. Landwirtschaftsminister Cem Özdemir fordert nun, den Start zu verschieben.

Fr., 13. September 2024, 11:16 Uhr

Lesezeit: 2 Minuten



## 5. But there is also another viewpoint...

Studie

### Mehrheit der Unternehmen hält EU-Lieferkettengesetz für umsetzbar

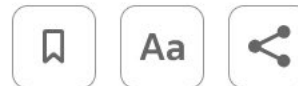
Von Redaktion LZ Dienstag, 19. März 2024

Climate & Energy | Deforestation | Climate Change | Climate Solutions

## Ghana begins pilot program to trace cocoa as EU deforestation law looms, official says

By Maytaal Angel

September 5, 2024 9:30 PM GMT+2 · Updated 13 days ago



# 5. There is also another viewpoint ... and tools are being developed



Google Play Spiele Apps Filme & Serien Bücher Kinder

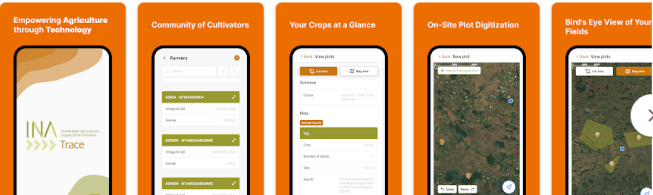
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Our ESG solution supports you through the CSRD reporting journey - from double materiality assessment to target setting to ESG disclosure.
- CSDDD**  
Fully meet the requirements of the EU Supply Chain Due Diligence Act (CSDDD): digital, automatic and legally compliant.

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## 5. Implementation: one year LkSG in Germany

- 486 controls, of which 78 were event-related
  - Topical focus mostly risk management and grievance mechanism
- 38 complaints
  - Of which 20 had no relation to the due diligence obligations of the LkSG or were not sufficiently substantiated
  - In six cases, the responsible authority got in touch with the companies; company feedback indicated that they are dealing intensively with these complaints
- No sanctions imposed up to now

## 5. Final remarks and outlook



- Success of due diligence regulations is achieved, if the situation of human rights and labor standards along global supply chains improve and new deforestation is no longer taking place
  - Support companies to achieve "stay and behave" instead of "cut and run" in order to contribute to positive developments on the ground
- **Focus on implementation** and impact to achieve success (avoid due diligence regulations turning into bureaucratic nightmares)
- A **partnership approach towards third countries** must be strengthened, in particular in this changing geopolitical environment
- **More research needed!**



## Study of Scientific Advisory Board to the BMEL

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