

EUDR Implementation: 4th Update - FEFAC

Feed Supply Chain Disruption Risk Assessment & Economic Impact for Soybean Meal (Outlook 2027, Situation September 2026)

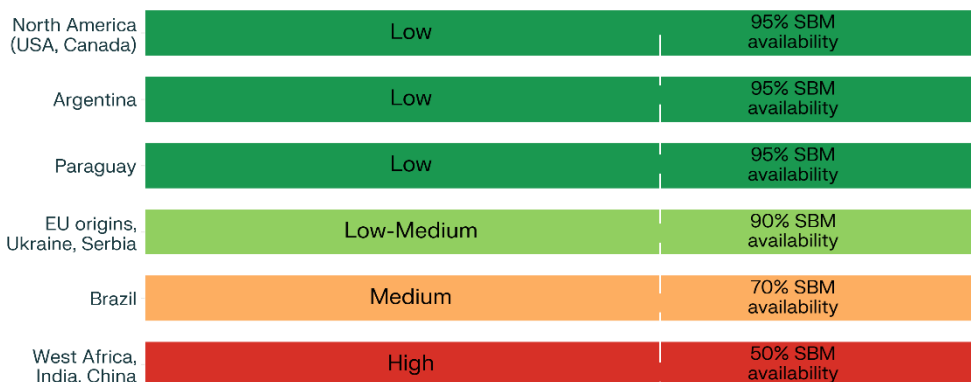
Introduction

- **Update on drought impacts:** the EU agri-food system is facing **multiple converging shocks** that reinforce one another and **amplify both cost and complexity across the feed chain**. Persistent heat and exceptional water deficits across western and central Europe have cut summer crop yields by as much as 14% below the five-year average, according to the European Commission's JRC MARS bulletin released in August. FEFAC's own assessment indicates the drought will increase EU maize import needs by more than 7 million tonnes in the new marketing year, pushing total imports above 26 million tonnes (mainly from the US and Brazil), while also raising demand for imported fibre and co-products such as palm kernel expeller (PKE), sugar beet pulp and distillers' grains to replace lost forage for ruminants. However, PKE, of which the EU imports around 2 million tonnes annually, falls within the scope of Annex I of the EUDR under CN code 2306 60, constraining its availability precisely when it is most needed; FEFAC has already requested its exclusion on two separate occasions and considers this now as an **urgent safeguard measure to provide alternatives fibre sources to the EU ruminant sector**.

- **Black Sea trade disruption:** at the same time, the Black Sea has become the site of the most severe trade disruption since the Russian aggression began, undermining the alternative sourcing flexibility the EU would otherwise rely on. Ukraine exported only about 500,000 to 822,000 tonnes of grain in the first weeks of August 2026, roughly

20% of normal volumes, and while the EU is in active discussions with Ukraine and neighbouring states on so-called "solidarity lanes," these efforts have been complicated by historically low water levels on the Danube limiting vessel capacity. These additional shocks compound directly on the EU's pre-existing structural protein deficit. The **Drought situation in the EU will lead to a substantial increase of demand for both fiber crops and soy products. This will require urgent measures to facilitate market access at global level, taken into account the acute constraints on "Black Sea" grain and oilseed transport logistics.**

The EUDR-driven pressure on market premiums for segregated supplies of soy products will further increase sourcing costs while undermining food security with no market guarantees of full availability of/ access to 35 MT of soy or more for the next marketing year 2026/2027. As highlighted in the EC's Protein Action Plan, the EU's structural import protein dependency remains at high levels and SBM imports are set grow in the near term. Due to shortfall of home-grown feed protein supplies It is against this backdrop that FEFAC is providing its 4th update on the potential EUDR economic impact and Feed Supply Chain Disruption Risk Assessment for Soybean Meal, based on its members' expert evaluation and membership surveys (situation September 2026).



Disruption risk level
■ Low ■ Low-Medium ■ Medium ■ High

Brazil	51.1%	17.0M t
Argentina	20.9%	7.0M t
USA	17.2%	5.7M t
Ukraine	8.1%	2.7M t
Canada	2.7%	0.9M t

Figure 1 - EU Soy/SBM Footprint in MT in 2025

Table 1 –FEFAC’s initial qualitative EU feed supply chain disruption risk assessment for soy deliveries (Q1/Q2 2027) indicates the following EUDR disruption risk classification by origin:

Origin	Disruption risk level	Evaluation
North America (USA, Canada)	Low	Low-deforestation risk; USA well-positioned via USSEC-SSAP sourcing and mapping tools; Canada expected to follow with similar compliance tools; 90% to 100% expected SBM availability.
Argentina	Low	Almost full EUDR readiness expected across total soy production; VISEC certification programme operational for all exporters; 90% to 100% expected SBM availability.
Paraguay	Low	Same traceability/compliance tools as Argentina under VISEC framework; 90% to 100% expected SBM availability.
EU origins, Ukraine, Serbia	Low–medium	Non-GM soy; Concerns on supply logistics from Ukraine. 90% to 100% expected SBM availability.
Brazil	Medium	Slightly Improved from medium-to-high; AB+S platform rollout; but regional variation expected (Southern Brazil vs. Cerrado or “Northern export corridor”) 70% expected SBM availability.
West Africa, India, China	High	Uncertain EUDR readiness; particular concern for non-GM and organic soy niche markets; 50% expected SBM availability.

North America – low risk

North American origins are considered low-deforestation risk. The USA is well-positioned on EUDR readiness for soy products, underpinned by dedicated soy value chain partner production and sourcing programmes together with supporting deforestation mapping tools (the USSEC-SSAP programme). Canadian soy producers are expected to provide similar EUDR readiness and compliance tools for exports to Europe. However, both US and Canada only deliver currently a minor share of SBM exports to EU, with limited expansion potential in the near future

South America — Argentina and Paraguay – low risk

FEFAC notes significant progress on EUDR readiness in Argentina and Paraguay, underpinned by sectoral and cross-sectoral best-practice guidance and certification programmes (VISEC) already in place. Argentina is expected to reach almost full EUDR readiness across its total soy production in 2027, with Paraguay applying the same traceability and compliance tools.

According to the Argentine Edible Oil Association (CIARA), the VISEC system is now fully operational for all exporters, with high levels of farmer and operator registration. At least 50% of

Argentina's annual production is already within the system and considered fully EUDR-compliant, with a larger share expected to be incorporated before year-end. On this basis, CIARA estimates Argentina could provide additional volume of EUDR-compliant soybean meal which may double the current annual volume it has exported to the EU over the past three years.

Brazil — improved to medium risk, but regionally uneven

Brazil's soy risk rating is now assessed at overall medium risk, an improvement from the previous medium-to-high classification, reflecting the rollout of the Agro Brasil + Sustentável platform (AB+S) and associated progress on traceability, monitoring, and EUDR implementation support. We still note concerns on the legality issues. Regions such as Paraná and other parts of Southern Brazil benefit from lower historical deforestation pressure and more robust, shorter value-chain traceability systems. Cerrado regions such as Matopiba and Mato Grosso, however, continue to face structural and logistical hurdles which may limit the expansion of fully EUDR-compliant supply chains.

Applying this regional split, FEFAC estimates that around two-thirds of Brazilian soy products destined to the EU may be considered EUDR-compliant and assured/certified. Estimating market availability of app 6 million tonnes from the Southern corridor and 2 million tonnes from the Northern corridor, this indicates a potential gap of 4 million tonnes of EUDR-compliant soybean meal from Brazil relative to 2025 2026 imports.

FEFAC experts remain highly concerned about the risk of supply chain disruption for key niche markets — particularly "non-GM" and organic soy for feed — originating from West Africa (notably Nigeria), India and China. EUDR readiness status in these regions remains uncertain, and disruption risk is assessed as high.

Conclusion

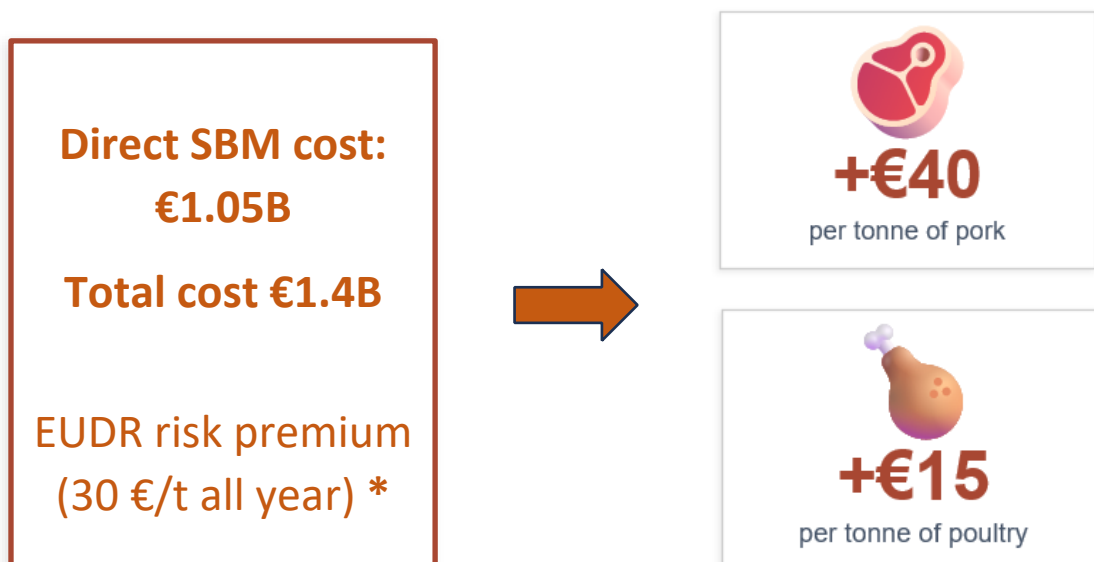
Combining the regional assessments against the total EU soybean meal footprint reveals potential of a supply chain disruption risk for My 2026/2027. On a total EU SBM footprint of approximately 20 million tonnes (direct imports), FEFAC's updated risk assessment points to a potential supply chain gap of around 4 million tonnes — roughly 20% of total soybean meal supplies — for which there are currently very limited substitution options.

A key open question is whether Brazil can shift part of its EU-bound SBM supply from the Northern to the Southern corridor to close this gap; however, FEFAC notes persistent bottlenecks related to storage capacity which may constrain this flexibility.

Given this lack of visibility on total compliant material availability, the market risk is that EUDR premiums could rise further, with a seasonal pattern in which premiums are higher at the start of the 2027 (Q1) and may ease from mid-year onward (Q2/Q3). Market experts have confirmed that buyers are already sourcing as much volume as possible before year-end to build a temporary buffer ahead of anticipated tightening of supplies.

EUDR Economic Impact for Soybean Meal (Outlook 2027, Situation September 2026)

- Current market information indicates that EUDR-compatible soybean and soybean meal (SBM) supplies carry a risk premium of around **30 €/t** over normal market quotations for the full calendar year 2027.
- **The direct extra cost for EUDR-compatible soy products for feed use in 2027 is estimated up to 1.05 Bio € for 35 million tons of soybean/SBM total usage (33 Mio tons imports MY 2024/2025, 2 Mio tons EU production), based on a 30 €/t market premium.**
- This will also lead to higher costs for alternative Hi-pro feed proteins which are “pegged” to soybean meal quotations (Rapeseed meal / sunflower meal traded at 65% ratio of SBM quotations). If SBM prices rise by 30 €/t, crushers are likely to increase SFM/RSM prices by roughly 19.5 €/t. Applied to the EU feed industry's annual usage of these alternative meals, this adds a further **449 million € in costs.**
- Applied to an estimated EU market demand of 33 million tons of SBM for the new calendar year period 2027, this would translate into an additional cost of about **1.40 Bio € for SBM, RSM, and SFM supplies to the EU feed and livestock sector**, which could severely undermine competitiveness / profitability of the EU's monogastric livestock sector (Pigs and poultry).
- Food price inflation linked to EUDR requirements for soy could increase with an estimated direct cost **impact of + 40 € per pig meat (per ton) and + 15 € for poultry meat (per ton).**



*EUDR Risk premiums will depend on the availability of EUDR compliant Soy - in case of shortages, EUDR risk premiums may go much higher

Additional economic impacts on other Protein Sources and the EU livestock sector

Current market information indicates that EUDR-compatible soybean and soybean meal (SBM) supplies carry a risk premium of around 30 €/t over normal market quotations for the full calendar year 2027. This SBM cost increase is expected to spill over into other protein feed sources, mainly oilseed meals such as rapeseed and sunflower meals, for which the EU feed industry annual use is about 23 million tons.

The price of Rapeseed Meal (RSM) and Sunflower Meal (SFM) is usually linked to SBM prices at an average of around 65%, depending on the market area. If SBM prices rise by 30 €/t, crushers are likely to increase SFM/RSM prices by roughly 19.5 €/t. Applied to the EU feed industry's annual usage of these alternative meals, this adds a further 449 million € in costs. For retailers, these unit cost increases may appear limited at first sight, but they are significant at slaughterhouse and farm level, in the context of significantly reduced market prices for many livestock sectors compared to MY 2025/2026 (Dairy and pork sector)

In parallel, a sustained increase in SBM prices will trigger a stronger demand for alternative and cheaper protein sources, but this higher demand is in turn expected to push up the prices of these other protein sources (RSM, sunflower meal) and of key Amino Acids (AA) as well. Considering the EU feed industry's annual usage as reported in the EU feed protein balance sheet, and aggregating the cost impacts on SBM, other oilseed meals and AA, the adverse economic impact for the EU feed and livestock sector for 2027 may reach **1.40 Bio € for SBM, RSM, and SFM supplies to the EU feed and livestock sector.**