

# The future of food in today's sustainable supply chains

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## Let us bring Sustainability on the table!

Sustainability in the food industry has become an imperative which has evolved beyond casual discourse, now commanding attention as a global mandate. Consequently, an increased consumer awareness of environmental and social impacts intensifies scrutiny on the sector, and a major contemporary challenge is managing complex supply chain networks for sustainability. But the news is that the challenge in question is more surmountable than what we may believe, thanks to some vital practices that companies already started adopting and embracing in their corporate cultures whilst navigating complexities. This new model of practices is represented by prioritizing transparency, supplier engagement projects, and adherence to sustainability standards.

This set of planned actions may be still perceived as the typical passing fashionable trend by a few, while for many, it already represents the pivotal necessity for shaping a tangibly sustainable future characterized by a fresh industrial vision about contemporary supply chains.

This imperative call of duty for supporting sustainable food supply chains is influenced by several key factors. Firstly, globalization has led to the existence of continental food supply chains and an increased demand for a more diverse range of products, resulting in products travelling extensive distances, with challenging arising from tracking the origins of ingredients and assessing their

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environmental and social impacts. Secondly, strict regulatory compliance requirements related to the quality, safety, and labelling of food contribute further difficulties, making it challenging for food companies to simultaneously adhere to these regulations and uphold sustainability standards. These factors collectively underscore the pressing need for the development of sustainable practices within the food supply chain.

Managing and coordinating the complexity of modern supply chains and ensuring sustainability, in a context characterized by the presence of numerous stakeholders and intricate networks, becomes a formidable task. Achieving transparency and traceability across this type of system is crucial, yet challenging, especially when it comes to tracking the origins of raw materials and ingredients.

Moreover, financial considerations and the potential investment in further technology add another layer of complexity, as the implementation of sustainable practices may initially incur higher costs for companies, which would require a careful balance

between financial viability and sustainability objectives.

On the consumer side, elements such as education and perception of the issue present additional challenges. Effectively communicating the importance of sustainable practices and managing consumer expectations require concerted efforts. Companies need to bridge the gap between consumer understanding and sustainable initiatives to foster a supportive consumer base.

So, what is the solution to transform all these challenging factors into opportunities?

Companies can adopt a holistic and strategic approach - this is where technology comes into play. Investing in advanced technologies can enhance visibility and traceability across the supply chain, while a well-defined collaborative planning supports streamline processes as well as the mitigation of complexities.

Furthermore, achieving regulatory compliance without compromising sustainability involves

implementing integrated systems and continuous monitoring, within the company and at supplier level. Engaging and educating suppliers on sustainable practices through dedicated programs and resources strengthens any collaborative efforts. At the end of this process, the same approach should be valid for facilitating transparent communication with consumers about sustainability efforts, coupled with educational campaigns, as they can indeed shape positive perceptions relying on tangible changes.

### **Talking about the Regulatory Environment... What is the EU deforestation Regulation (EUDR)?**

The EU Deforestation Regulation (EUDR), in effect since June 29, 2023, aims to mitigate the impact of the EU market on global deforestation and forest degradation, driven by the increasing global demand for agricultural goods, and ultimately reduce greenhouse gas emissions and biodiversity loss.

The main driver of these phenomena has been the increase of agricultural land spaces related to the production of commodities such as beef, soy, palm oil, wood, cocoa, coffee, rubber, and the products derived from them such as leather, chocolate, etc.

The EU shares responsibility for this problem and wants to play a leading role in its solution, being a large economy and an important consumer of these commodities associated with deforestation and forest degradation.

The obligations under the EUDR will be applicable starting from December 30, 2024.

According to this new Regulation, any company, operator, or trader, importing or exporting the above-mentioned portfolio of commodities from and to the EU, will need to provide evidence that products are deforestation-free. This principle is applicable to any company, regardless of whether they are based in the EU or not, both for legal and illicit sources of deforestation in or out of Europe.

It is crucial to take note of the word "deforestation-free," which indicates that relevant items must come from a territory that has not experienced forest degradation or deforestation since December 31, 2020, regardless of whether it was caused by natural reasons or by human activity.

Therefore, as of December 30, 2024, it will not be allowed to introduce relevant products to the EU market or export them unless they meet specific criteria, such as a certified deforestation-free status, a production performed in accordance with the relevant legislation of the country of production, and a due diligence report indicating negligible risk of non-compliance.

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The application of this Regulation is valid for goods produced on or after June 29, 2023, and will only exclude timber and timber products if they were produced before this date and launched on the EU market from December 31, 2027.

Additionally, with specific regard to companies in the food and beverage sector, the correct application of the Regulation will mean that they will require suppliers—especially major traders—to provide more information and confirm the provenance of their products. Subsequently, traders must identify the farms from which they source directly or indirectly, while buyers will need to establish specific guidelines in their procurement strategies to exclude non-compliant products.

Being compliant with the Regulation will mean to have the ability to trace commodities and products back to the specific land plots of production, as last important layer of interest.

In fact, the EUDR mandates compliance with relevant legislation covering land use rights, environmental protection, forest-related rules, and human and labour rights. The EU member state authorities perform an inspection on incoming goods, with inspection levels based on a risk classification, and non-compliance penalties may include, among others, fines proportionate to environmental damage and goods value.

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As a conclusion, the main challenges that food industry must face to make its supply chain system sustainable already have available solutions. The Regulation promoted by the EU to encourage a transition towards "deforestation-free" impact offers a detailed program heading to this direction. Two takeaways are immediately available in this scenario. Firstly, every single step belonging to the supply and value chain, every single protagonist, every single stakeholder is fundamental to making this change happen. The sustainability objective requires teamwork more than ever, because it concerns everyone and depends on everyone. The action of each driver will be crucial to achieve the ambitious result that states, companies and consumers wish to see in the world. Secondly, this time it will not be important that "the best wins", but that "everyone wins". Therefore, good job to all change-makers!

#### ***About the Author***

*Lucia Palomba has a background in economic studies at the University of Zurich. Moreover, she has also been able to deepen and develop her interest about the study of issues related to sustainability and sustainable investing.*