

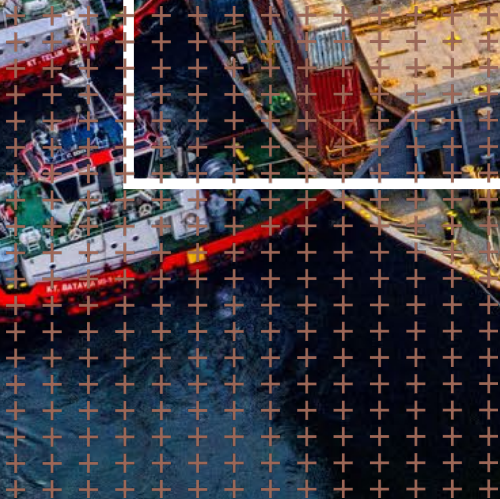
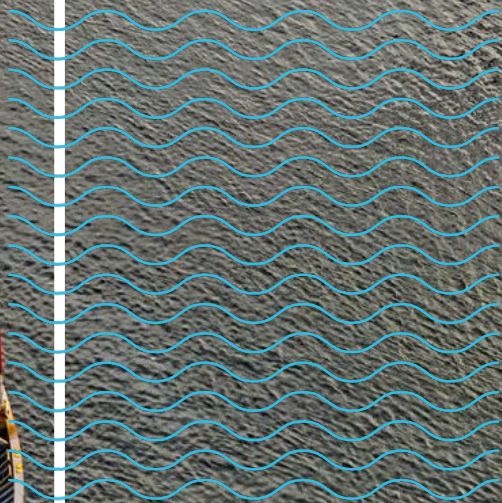


Policy Paper

# Deforestation-free production and keeping smallholders in supply chains

## Findings from organisations that already trace their supply chains

Authors: Katharina Brandt, Matilda Franz and Pia Enders (Germanwatch e.V.)





## Summary

From 30 December 2024, the *European Union Deforestation-free Products Regulation* (EUDR) must be applied. The aim is to prevent products and raw materials from being imported into the European Union (EU) or exported from the EU that are highly likely to have led to deforestation or forest degradation. In future, affected companies will have to prove that they have taken measures to ensure that the production of certain raw materials such as wood, cocoa, or palm oil does not violate the legislation of the country of production and that forests have not been destroyed or damaged after 31 December 2020.

Smallholders are also indirectly affected by the EUDR if they do not want to lose access to the EU market: they must pass on the geographical coordinates of their production areas and the date of production to operators, who in turn must provide this data in their due diligence declaration before placing their goods on the EU market. If smallholders are unable to record or pass on the geographical coordinates of their production areas, their traders cannot place the products on the EU market - their market access to the EU is thus jeopardised.

The EU must support smallholders in adapting their production to the requirements of the EUDR. At the same time, the more producers in line with the EUDR, the more deforestation can be prevented. In this policy paper, we first provide a brief overview of the challenges faced by smallholders regarding the higher requirements and also evaluate a series of targeted interviews with representatives of various industries and organisations that have already gained experience with the introduction of higher sustainability standards for smallholders and the traceability of supply chains. From this, we derive recommendations for the European Commission, Member States, companies, and production countries:

- The European Commission and its Member States can significantly support smallholders in switching to EUDR-compliant production by promoting the establishment and strengthening of cooperatives.
- Cooperatives are important multipliers for informing smallholders about the new EUDR requirements.
- Smallholders and their cooperatives must be empowered through training to geolocate their plots of land.
- The costs for geolocalisation and ensuring deforestation-free production must be determined and provided by EU operators in the downstream supply chain.
- Companies in the downstream supply chain can support smallholders by providing them with the technology for geolocation and traceability.

- Companies in downstream supply chains should guarantee a living income for smallholders as a risk mitigation measure as part of their due diligence.
- The interests of smallholders and the local context must be better taken into account when designing support measures.
- Data protection and sovereignty for smallholders must be guaranteed.
- Cooperatives should be involved in the collection and management of their members' geodata to be able to represent their interests and prevent misuse.

## Imprint

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### Publisher:

Germanwatch e.V.

Funded by:

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### Layout:

Designbüro honey-studio

### August 2024

This publication can be downloaded at:

[www.germanwatch.org/en/node/91325](http://www.germanwatch.org/en/node/91325)

### Acknowledgements

We would like to thank our interviewees for sharing their perspectives and insights. We would also like to thank Lena Wagner for conducting the interviews in French.

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# 1 Introduction

The European Union Deforestation-free Products Regulation (EUDR) (EP 2023), which is to be implemented from 30 December 2024, aims to prevent the import of products and raw materials associated with deforestation. In future, traders wishing to place timber, cocoa, soya, coffee, rubber, cattle, and oil palm, as well as certain products made from these, on the EU market will have to submit a due diligence declaration before importing the products. In this declaration, they must prove that they have taken measures to ensure that production does not violate the laws of the country of production and that no deforestation or forest degradation has occurred after 31 December 2020. The regulation is intended to protect ecosystems that are important for climate protection and biodiversity, in particular tropical rainforests. The EUDR is therefore a milestone in the legislation for forest protection and greater corporate responsibility in global supply chains.

## Challenges for smallholders in particular

The Regulation imposes obligations on companies as "operators" that wish to place raw materials or products covered by the Regulation on the EU market, as well as traders that are not micro, small, and medium-sized enterprises (SMEs). Smallholders (see box) are not directly subject to EUDR legal obligations, but are indirectly affected. Market participants must provide the geographical coordinates of the production areas and the date of production in their due diligence declaration. Smallholders must report this data to them. In addition, the EUDR requires all operators to respect land use rights and labour rights in the country of production (EP 2023).

### Smallholders

In this policy paper, we use the term smallholders to refer to farmers who manage small farms with limited resources compared to other farmers in the sector. The FAO (2013) defines such smallholders as farmers and foresters who cultivate land between 1 and 10 hectares and are usually supported in production by family members or whose produce is intended for family consumption.

Although the regulation pursues positive objectives, it can have a negative impact on smallholders in particular. For example, there is a risk that smallholders will not be adequately informed or will not have the necessary equipment and financial reserves to adapt to meet the EUDR requirements and will therefore drop out of EU supply chains. One consequence could be that smallholders sell their goods to other, less regulated markets or no longer sell them at all and, in the worst case, lose their livelihood. It cannot be ruled out that traders will decide to buy exclusively from large agricultural companies due to the obligations imposed by the regulation, as they are more likely to have the necessary resources, expertise, and infrastructure to meet higher requirements in the short term. Companies in the downstream supply chain may also withdraw completely from areas or countries with a high risk of deforestation. Such a development could lead to smallholders being excluded from supply chains and facing financial

hardship. In the course of the EUDR development process, various stakeholders have already pointed out the risk of smallholders being forced out of supply chains (FERN 2022).

### **The regulation provides for support for smallholders**

The regulation repeatedly points out that it is necessary to support smallholders in meeting the EUDR requirements. Accordingly, the European Commission intends to work in partnership with the producing countries to tackle the causes of deforestation and forest degradation, taking into account the needs of smallholders. Market participants whose products pose a risk of deforestation or violate national legislation must take measures to support their suppliers, especially smallholders, in complying with the regulation. The regulation also requires the European Commission to carry out a review of the impact on smallholders from 30 June 2028 and every five years thereafter, and to identify the possible need for additional support to meet the regulation's requirements. In the event of new findings, the Commission must submit a legislative amendment proposal (EP 2023).

This policy paper draws on best practices from companies that already know and track their supply chains well, segregate from other commodity flows, and work with smallholders. First, the challenges for smallholders in the transition to EUDR-compliant supply chains are examined in detail. The methodology chapter then describes how interviews were conducted to collect data. The results chapter presents the key measures that help smallholders to meet the new requirements. In the conclusion, we make policy recommendations.

## 2 Background, problem definition, and objectives of the analysis

In many developing countries, agricultural production by smallholders is an important driver of the national economy and a source of income for the rural population. They also contribute to the preservation of typical regional cultural landscapes and their biodiversity through their more diversified, small-scale, agricultural systems. They play an important role in the preservation of rural regions and typical regional production methods and offer jobs, particularly in regions with otherwise few employment opportunities (EP 2023).

The above-mentioned regulations and requirements of the EUDR are a major challenge, especially for smallholders (Nelson et al. 2020). Research shows that smallholders make up a large proportion of producers of forest-risk commodities affected by the EUDR. 70 per cent of the world's cocoa is produced by smallholder farmers (Wessel and Quist-Wessel 2015), almost 95 per cent of coffee is grown on farms under 5 hectares (Panhuysen and Pierrot 2020), and an estimated half of the world's oil palm plantations are managed by smallholders (Quaim et al. 2020).

If smallholders do not have sufficient financial reserves and capacity to apply new technologies, carry out additional work steps, or cope with the bureaucratic reporting requirements necessary for the EUDR, they risk losing access to the EU market (Fair Trade Advocacy Office et al. 2021). Exclusion from EU supply chains can result in producers selling non-traceable EUDR-compliant commodities to less regulated markets (Jelsma et al. 2020). Such developments would weaken the impact of the EUDR, as deforestation and forest degradation would only be shifted to supply chains in other markets and thus neither greenhouse gas emissions nor biodiversity loss would be avoided. An EU policy against deforestation that does not ensure that smallholders also make the transition to deforestation-free production is also at odds with the principles of the 2030 Agenda to "leave no one behind" and to take the needs of those most left behind into account first in its implementation.

Article 30 of the EUDR stipulates that the EU and interested Member States shall work together with third countries affected by the EUDR to address the causes of deforestation and forest degradation and cooperate to facilitate the transition to EUDR-compliant production. The needs of smallholders, among others, should be taken into account through the full participation of all stakeholders.

Even before the EUDR, the EU was already planning and funding projects to promote deforestation-free production. The global Team Europe initiative for deforestation-free value chains, for example, supports producing countries and other markets for raw materials with a high risk of deforestation in taking action against deforestation and forest degradation. The EU Sustainable Cocoa Initiative supports the cocoa sector in the transition to sustainability in Côte d'Ivoire and Ghana (EU COM 2023). Through the two platforms "Ghana Civil Society Cocoa Platform" (GCCP) and the "Plateforme Ivoirienne pour le Cacao Durable", the EU supports the influence of civil society in Ghana and Côte d'Ivoire on decision-makers. The German Federal Ministry for Economic Cooperation and Development (BMZ) financed the strengthening of Ivorian civil society and South-South exchange in Africa and other producing countries for the production of sustainable cocoa (Forum Nachhaltiger Kakao 2018).



In addition, non-governmental organisations (NGOs), cooperatives, or certification organisations have been supporting smallholder farms - organisationally, methodically, and financially - in the transition to higher production standards by imparting knowledge and providing the necessary technology, in some cases for decades. The higher production standards, for which supply chains are already tracked through to production and in some cases also segregated from other supply chains, include GMO-free, organic production, Fairtrade, or even deforestation-free production.

Market participants affected by the EUDR, the European Commission, and its Member States should draw on the experience gained over the years in various sectors and regions to support actors in supply chains in the transition and to make use of existing support measures for smallholder farming.

### 3 Methodology

To compile empirically based recommendations for the implementation of the EUDR, interviews were conducted with representatives of various industries and organisations that already have experience in introducing higher sustainability standards, the traceability of supply chains, and cooperation with smallholders in their supply chains. Their expertise and the practical experience they have gained can show what challenges smallholders could face and what measures can be taken to address them.

The selection of interview partners was based on the criteria that a) their supply chains (also) include smallholders of raw materials, b) these producers have had to meet higher production standards over time, and c) their supply chains are traceable. In addition, experience with raw materials affected by the EUDR should be available. We conducted the interviews with representatives of European interest groups, certification organisations, and NGOs. We requested 15 interviews and were ultimately able to conduct 10. The interpretation of the statements also takes into account the proximity of the organisation to smallholders, as this influences the assessment of the consequences of the EUDR for smallholder agriculture. For example, Donau Soja and the Rainforest Alliance work directly with cooperatives of small farmers. Donau Soja, for example, offers training and advice to smallholders in Moldova and Ukraine, among others, as part of protein partnerships to support them in converting to soybean-certified production.

A structured questionnaire was developed in advance of the interviews. The interviews were conducted via video call and lasted 45 minutes on average. The questionnaire was largely used uniformly for all interviews, although adjustments were made depending on the industry and field of activity. The questions were open-ended and allowed the interviewees to share their individual contexts, experiences, and assessments.

The interviews were analysed qualitatively. Findings of the following three interviews are presented anonymously in this publication: pan-african NGO for sustainable development, Brazilian environmental research centre, and the Mexican oil company.

**Table 1: Overview of interview partners**

Organisation	Description	Cooperation with smallholders	EUDR raw materials with higher requirements	Country
Pan-African NGO for sustainable development	African NGO that is a pan-African network supporting the most disadvantaged communities in professionalising, marketing, and adopting good agricultural practices and advocating for equitable and sustainable development in Africa	Direct (consulting) and indirect (representation of interests)	<b>Cocoa</b> (various certifications: including ARS-1000 standard, UTZ/Rainforest Alliance, organic, and Fairtrade)	Côte d'Ivoire, Burkina Faso, Tanzania, and Togo, among others
<u>Donau Soja</u>	European non-profit membership organisation and interest group committed to sustainable soy production in Europe, including two sustainability standards for feed and food	Direct and indirect	GMO-free, deforestation-free, and conversion-free <b>soy</b> (as of 2008) from Europe and the Danube region	Head office: Austria
<u>EcoCare Ghana</u>	NGO that supports smallholders in Ghana through political lobbying and capacity development	Direct (consulting)	<b>Cocoa</b> (various certifications: UTZ/Rainforest Alliance, Fair Trade, Ghana's Climate Smart Cocoa Standard)	Ghana
<u>Fairtrade Deutschland e.V.</u>	Initiative for the promotion of fair trade, awards the Fairtrade seal according to international Fairtrade standards	Direct (certification) and indirect (representation of interests)	Fairtrade <b>coffee</b> and <b>cocoa</b>	International
Brazilian environmental research centre	Non-profit scientific institution	Indirect (research) and direct (training)	In Brazil, individual companies have voluntarily committed to producing <b>soya or beef</b> in certain regions without deforestation	Brazil

<u>Initiatives for Community Development and Forest Conservation (IDEF)</u>	NGO that, among other things, supports and politically represents smallholders in the transition to sustainable cocoa production	Direct (counselling) and indirect (representation of interests)	<b>Cocoa</b> (various certifications: UTZ/Rainforest Alliance, Fair Trade, Ghana's Climate Smart Cocoa Standard)	Côte d'Ivoire
<u>ProTerra Foundation</u>	Sustainability standard for feed and food	Direct and indirect	GMO-free and deforestation-free <b>soya</b> , produced in accordance with social criteria	International
<u>Rainforest Alliance</u>	NGO with certification programme for agricultural products and supply chains	Certify producer organisations directly and indirectly through the certification of producer organisations and actors such as traders and processors	Rainforest Alliance certified <b>cocoa</b> and <b>coffee</b>	International
Mexican palm oil company	Mexican company that produces RSPO-certified palm oil from its own plantations and from independent (small-scale) producers, member of the <u>Roundtable on Sustainable Palm Oil (RSPO) Standing Committee for Smallholders</u>	Direct	RSPO-certified <b>palm oil</b>	Mexico
<u>Serikat Petani Kelapa Sawit (SPKS)</u>	Small farmers' association for sustainable palm oil production	Direct	RSPO-certified <b>palm oil</b>	Indonesia

## 4 Results

### 4.1 Cooperatives are important multipliers

Several of our interview partners (Fairtrade Germany, Rainforest Alliance, IDEF) pointed out that EUDR implementation would be much easier for producers who are organised in cooperatives than for non-organised producers. Smallholders who are organised in cooperatives are usually better informed or can be reached more easily for further training. Producer organisations are often the first point of contact for NGOs such as the Rainforest Alliance and companies along the supply chain that want to inform smallholders about higher requirements or train them, and would therefore fulfil a role as multipliers. EcoCare Ghana even sees effective self-organisation of smallholders as a prerequisite for being able to reach and support smallholders in the first place.

### 4.2 Training for smallholders, especially for the geolocalisation of their land

For operators to fulfil their due diligence obligations under the EUDR, they need the geographical coordinates of the land on which smallholders in their supply chain have produced the raw materials or products and the period of production. The European Commission's FAQs on the EUDR (BLE 2024) point out that smallholders can generate the geolocation data of their land free of charge via mobile phones and digital applications such as geographic information systems (GIS).

In many places, as SPKS reported from Indonesia, the process of mapping the areas under cultivation in accordance with the EUDR is already under way and is usually already well advanced in certified cooperatives. The Brazilian environmental research centre reported that the development of traceability systems for cattle in Brazil is sufficiently advanced and the data is available to fully implement the EUDR by the end of 2024. Cooperatives that are part of the Rainforest Alliance certification programme are already required to provide geolocation data. Donau Soja also confirmed that it knows its acreage and is "one step away from [converting it into] geodata". In addition, there are already private, public, and civil society support structures such as training and knowledge-sharing platforms that can help with implementation. According to Donau Soja, when geolocalisation training takes place, the benefits of geolocating land and tracing supply chains should also be highlighted and best practices should be shared.

According to IDEF, local NGOs and producer organisations in Côte d'Ivoire are the appropriate support structures for reaching out to smallholders and informing them of the new regulations. Donau Soja pointed out that it makes sense to offer training and information material for smallholders and their producer organisations in the local language. Donau Soja and the ProTerra Foundation believe it is important to have local contacts who "have an eye on local realities" and know the producers and local growing conditions.



### 4.3 Fair producer income

If smallholders are not compensated for the effort and costs of converting to EUDR-compliant production through higher prices or premiums for higher requirements, there is a risk that they will become even poorer because they will earn even less from their product or even lose access to the EU market if they cannot meet the requirements (Pan-African NGO for sustainable development). Cocoa farming is therefore neither productive nor profitable, which plunges producers deeper into poverty. This could also lead to smallholders ceasing agricultural production and selling their land to illegal mining, or losing their land to illegal mining through violence (EcoCare Ghana). The pan-African NGO for sustainable development, Fairtrade Germany, and IDEF warned that the EUDR would only achieve its goal if poverty, the cause of deforestation by smallholders, was also combated at the same time. For example, cocoa producers in Côte d'Ivoire are already migrating to Liberia to clear forests for new cultivation areas because they lack the resources to invest in the regeneration of already deforested and degraded areas in Côte d'Ivoire (IDEF 2024). A living income is essential, so that producers can financially afford to cultivate existing areas sustainably instead of deforesting new areas (IDEF). Pan-African sustainable development NGO is pinning hopes on the new European Supply Chain Directive (CSDDD), which calls on companies to ensure living incomes for smallholders in return for their work and production. Fairtrade Germany pointed out that the CSDDD, however, does not specify the amount of the living income and the timeframe by which it must be paid. In addition, there is no standardised method for determining the amount of living income.

According to SPKS, the requirement that supply chains must be traceable could have the positive side effect that processing companies, such as palm oil mills, buy directly from smallholders without losing added value to middlemen. In Indonesia, middlemen would take up to 30 per cent of the price that companies are obliged to pay by the state.

### 4.4 Financing mechanisms to support smallholders

The EUDR does not provide for the EU to cover the costs of implementation at producer level. The interviewees confirmed the fears often expressed in political discussions that smallholders and their cooperatives would not be able to cover the additional costs caused by the EUDR (Fairtrade Germany, IDEF). In many cases, smallholder cooperatives would not be able to finance training, wages for contact persons, and the necessary technology for geolocalisation themselves (EcoCare Ghana). In addition, it is important to cover the cooperatives' running costs for managing the traceability systems (IDEF). At the same time, some interviewees pointed to successful initiatives that were already providing financial support for smallholders to adapt to higher production requirements. The Brazilian environmental research centre reported on public-private partnerships that have made it possible, for example, to implement the requirement for proof of cattle vaccination and milk quality controls. Public-private partnerships could be a way of involving all stakeholders and thus using the funds in a more targeted manner (Schäferhoff et al. 2009). As a non-economically active player, Donau Soja cannot pay smallholders any premiums for their additional efforts; however, they help to create framework conditions that support their members in marketing the certified Donau Soja. They create plat-

forms so that buyers can meet producers in person and learn to understand each other's situation and build sustainable supply chains together. They also advise producers on seed variety selection and offer training, for example, on proven agricultural techniques for adapting to climate change. Fairtrade Germany assumes implementation costs in Latin America of USD 50 for the recording of a polygon over 4 hectares and USD 15 for the recording of a data point for areas smaller than 4 hectares. In addition, they anticipate system costs for supporting the producer networks in the form of advice, data transfer, data preparation, data evaluation, etc. Our interviewees agreed that both the EU and large corporations in the downstream supply chain should provide funds to prepare smallholder farmers for the EUDR (e.g. IDEF, Rainforest Alliance, Fairtrade Germany). Otherwise, there is a risk that the costs of implementing the EUDR will be borne by producers (Fairtrade Germany, IDEF).

## 4.5 National traceability systems

Various countries are already setting up national traceability systems. Côte d'Ivoire, for example, has "on paper [...] a very good traceability system that is currently being introduced" and for which producers are currently being registered (IDEF). Ghana's state authority for supporting cocoa production and marketing, the Ghana Cocoa Board (COCOBOD), is currently developing a traceability system that can centrally collect, share, and protect the data required for EUDR. ProTerra Foundation, the Brazilian environmental research centre, IDEF, the pan-african NGO for sustainable development, SPKS, and the Rainforest Alliance advocate the creation of uniform, state-run platforms for the traceability of supply chains, as many different, incompatible data formats and traceability systems are currently used by the private sector and certification organisations. Some smallholders and their cooperatives therefore have to work with several systems at the same time, which is complex, expensive, and difficult to implement. A national system must be compatible with the numerous private data systems and be able to integrate existing traceability systems (EcoCare Ghana, Rainforest Alliance). Governments should be supported in the introduction of such a national traceability system (IDEF). Fairtrade Germany made it clear that cocoa beans from different origins are usually mixed and ground further down in the supply chain. Therefore, all plots of lands for cocoa butter and powder batch for the EU market must be traceable and deforestation-free. This means that even with existing traceability systems, the effort required to collect data and segregate EUDR-compliant batches from cocoa beans that are not verifiably deforestation-free is considerable.

IDEF pointed out the risk of dependency structures being consolidated in traceability systems provided by corporations. National traceability systems, such as those already developed in the cocoa sector, should always prioritise the interests of producers, for example to incorporate the need for data protection (see 4.9) (IDEF and the pan-african NGO for sustainable development). IDEF emphasised that cooperatives and NGOs must be able to continuously influence the development of these national systems so that problems that only arise during application can be eliminated (see 4.7). IDEF also called for the establishment of external monitoring bodies for national traceability systems, e.g. in the form of a national committee in which interest groups or independent actors are represented. With a uniform government platform, companies could assume that country-specific data protection regulations would be adhered to. IDEF also referred to its ten criteria for suitable, credible, and transformative traceability systems compiled in a report (Fern 2024).

## 4.6 Smallholders in risk areas particularly need support

The pan-African NGO for sustainable development pointed out the risk that producers in areas with high deforestation rates in particular could be excluded from supply chains. Fairtrade Germany also pointed out the cut-and-run risk, whereby companies could migrate to countries with a low risk of violating the regulation. Companies in the downstream supply chain would have to take measures as part of their due diligence to minimise the risk that cultivation by smallholders would violate the regulation. In countries classified as having a high risk of deforestation and forest degradation, the European Commission intends to work with the relevant stakeholders in these countries to reduce the risk of exclusion from EU supply chains (EP 2023). When designing support programmes, the European Commission should pay particular attention to the risk areas and smallholders identified as part of the EU's own benchmarking system. To this end, smallholders in risk areas, especially those who are neither organised nor certified, should be identified and supported.

## 4.7 Involving those affected and strengthening civil society

For a just transition to sustainable supply chains, smallholders and their cooperatives would also need a political voice, for example, to point out the necessary tools to meet the requirements (pan-African NGO for sustainable development, IDEF). EcoCare Ghana criticised that although smallholders and their cooperatives are essential for the successful implementation of the EUDR, they were not involved in the participatory processes for the development of the Ghanaian traceability system, which is why their suggestions and feedback were not taken into account. For example, key elements such as compatibility with data from systems already in use or the possibility of recording information on the legality of the product were missing. IDEF also called for greater involvement of cooperatives in the process of setting up a national traceability system.

Institutionalised participation mechanisms such as advisory boards involving various interest groups would be needed to take the interests and needs of the affected stakeholders adequately into account. Civil society organisations such as cooperatives and NGOs need to be strengthened in a targeted manner (IDEF). It is important to identify and use existing exchange platforms (EcoCare Ghana). The organisation of smallholders into cooperatives would make it easier for them to engage more effectively and have a strong voice in national decision-making processes.

## 4.8 The transition is often easier for producers who are already certified

The Fairtrade, Donau Soja, Rainforest Alliance and ProTerra Foundation organisations interviewed consider themselves and their smallholder producers to be relatively well prepared for the EUDR. In many cases, their production standards already meet EUDR requirements; they are familiar with traceability systems and their fields are often already geolocalised (ProTerra Foundation). The Rainforest Alliance pointed out that countries and sectors are prepared to

varying degrees. For example, the cocoa sector is better prepared than the coffee sector. Cooperation with certifying organisations could also strengthen cooperatives and certifying organisations could serve as a political mouthpiece for them.

However, even if a product is certified, this does not necessarily mean that it complies with all EUDR regulations. The specific requirements of the EUDR still have to be transferred to the Fairtrade standards, which means considerable effort and disruption to work processes. Certification also does not guarantee that the certified smallholders have the resources to implement all EUDR requirements. Only smallholders in Fairtrade or comparable Fairtrade-certified cooperatives receive minimum prices and premium payments that improve their income and which they can freely dispose of, for example to cover the costs of converting their production (Fairtrade Germany, pan-African NGO for sustainable development). Smallholders from organic-certified cooperatives also receive surcharges for their products, but these are renegotiated between producers and buyers each time and can be very low depending on the market situation. Other certifications, on the other hand, would not result in any higher income at all, which could be used to finance the adjustment to the EUDR (Pan-African NGO for sustainable development). EcoCare Ghana and the Rainforest Alliance pointed out that organisation into cooperatives is often a prerequisite for being able to cope with the costs and administrative burden of certification.

Certification organisations will continue to bear no legal responsibility for EUDR compliance. However, companies in conventional supply chains could draw on the experience of companies in certified supply chains and learn from them. For example, Fairtrade Germany has created a wide range of advisory services that companies with license agreements can now also use to implement the EUDR.

## 4.9 Data sovereignty must be guaranteed

The importance of data sovereignty and data protection for smallholders was repeatedly emphasised in the interviews. The Rainforest Alliance criticised the fact that farmers often do not know what happens to their data after it has been collected. It is not uncommon for this data to be collected by traders and sold on to third parties without the knowledge and involvement of smallholders, which in turn strengthens the influence of traders on the supply chain and further weakens that of smallholders (Fairtrade Germany). The Mexican palm oil company pointed to mistrust on the part of smallholders due to previous experiences of data misuse. This also requires the promotion of cooperatives (see 4.1), which impart knowledge to smallholders to protect their data and represent their interests with regard to data sovereignty vis-à-vis traders. The pan-african NGO for sustainable development emphasised that cooperatives should be involved in the precise location and mapping of their members' farmland and have access to this geodata. This would allow cooperatives to better verify membership and more reliably assess the yields of their members. This information would enable cooperatives to professionalise their structures and processes. At the same time, it would give them a stronger position to negotiate more advantageous contracts with the buyers and purchasers of the products. IDEF emphasised that traceability systems should be transparent and have clear rules. The systems should also be structured in such a way that they protect personal data. Only authorised persons should be granted access to certain data, and only where necessary.

## **4.10 Completely reorganise production instead of segregating supply chains**

The ProTerra Foundation and the Rainforest Alliance pointed out that conventional companies would incur additional costs if they had to store EUDR-compliant products separately from products that are not verifiably compliant in future. This would require investments in infrastructure, such as separate silos for storage and logistics, which could reduce the profits of smallholders (ProTerra Foundation). The companies that already produce sustainably would already have had to bear the costs of separating the flow of goods (Rainforest Alliance). Fairtrade Germany and the Brazilian environmental research centre recommend that companies apply higher standards to all their supply chains to avoid setting up separate infrastructures and additional administrative costs.

## **4.11 Compatibility with other regulations**

The costs for companies that have to comply with EUDR requirements could be reduced if these requirements were better coordinated with other legal regulations, such as the new EU directive on corporate due diligence with regard to sustainability (Pan-African NGO for sustainable development). Coherence between different supply chain laws must also be promoted on the international stage to avoid redundant bureaucracy. The Mexican palm oil company also emphasised the need to coordinate requirements with those of other sales markets such as the UK, China, India, and Canada.



## 5 Conclusion and recommendations

Our interviewees were **largely positive about the EUDR**. They recognise the potential of the EUDR to reduce deforestation and forest degradation and to contribute to improved compliance with national laws (SPSK, Brazilian environmental research centre). They value the regulation for the obligation of operators and large retailers to exercise due diligence in supply chains worldwide. With the regulation, the EU is sending a clear political signal that deforestation should no longer be caused by consumption (Donau Soja).

For the EUDR to be effective in reducing global forest loss and degradation, the EU and its Member States must ensure **a just transition for smallholders** to EUDR-compliant practices.

The interviews made it clear that there are problems and solution strategies that transcend national and regional boundaries. However, when developing support concepts for smallholders, the specific **characteristics of each supply chain** as well as the **local conditions and socio-economic contexts** in each country should be taken into account.

**Recommendations for the European Commission, its Member States and operators, governments of producing countries, and organisations working with smallholders** can be derived from the experiences of industries and organisations with already traceable supply chains and established higher production standards for smallholders. The recommendations are listed in Table 2 in order of priority.

**Table 2: Recommended measures to support smallholders in meeting EUDR requirements**

Measures	Responsibilities	Time period
<b>1. Identification and analysis of smallholders and their cooperatives</b> potentially affected by the EUDR and continuous determination of the necessary support requirements.	Funding: European Commission (EU COM) and EU Member States  Implementation: Local NGOs and advisory organisations	From now on, continuously
<b>2. Creation of incentives to finance support measures for smallholders and obligations for EU operators</b> to ensure the <b>payment of living incomes for smallholders</b> . The payment of living incomes should be implemented by a fixed date.	Funding: EU COM, EU operators  Implementation: EU Member States	From now on
<b>3. Information about the requirements of the EUDR and support of smallholders and cooperatives in the geolocalisation</b> of relevant plots of land: provide training and advice to cooperatives and non-organised smallholders on geolocation of cultivated areas in the local language; finance the necessary technology for geolocation; identify mapping already carried out and	Funding: EU COM, companies downstream in the supply chain  Implementation: cooperatives, local NGOs and advisory organisations	From now on

transfer it to EUDR-compliant traceability systems; inform smallholders about the rights to use their data; promote support measures for smallholders as a priority in areas with a high risk of deforestation.		
<b>4. Promotion of the organisation of smallholders into cooperatives:</b> promote the establishment and organisational development of cooperatives so that they can act as advisors for EUDR implementation for smallholders; promote support measures for cooperatives as a priority in areas with a high risk of deforestation.	Funding: EU COM and EU Member States  Implementation: Local NGOs or advisory organisations	Immediately, long-term
<b>5. Development of national traceability systems:</b> publicise available and accessible government traceability systems; where needed, support producing countries to make government traceability systems EUDR-compatible; where needed, support producing countries to build reliable national traceability systems; promote institutionalised participation mechanisms so that user and civil society needs are continuously included in the design of tools and government systems; establish external monitoring bodies.	Funding: EU COM, interested producing countries  Implementation: NGOs, interested producing countries	As of now, during the start-up phase of the EUDR
<b>6. Promotion of the transfer of knowledge from already experienced sectors</b> to stakeholders affected by the EUDR: networking at information events; using advisory networks of certification organisations as multipliers; identifying and using existing exchange platforms.	Funding: EU COM, companies downstream in the supply chain  Implementation: Experienced sectors, companies downstream in the supply chain, NGOs, and cooperatives	As of now, during the start-up phase of the EUDR
<b>7. Training for cooperatives and advisory organisations</b> as multipliers to ensure <b>data sovereignty</b> for smallholders.	Funding: EU COM  Implementation: NGOs	Immediately, long-term

To produce agricultural products without deforestation in the future, **smallholders must be enabled** to meet the strict sustainability and traceability requirements of the EUDR, while their **needs are taken into account in the design of support measures and they are given political and economic participation**. To secure smallholders' place in EU supply chains, technical, legal, and financial support for smallholders is needed not only **in the coming months**, but also in the **long term**.

**Local NGOs** play an **important mediating role between the EU, national governments, and producers**, especially in the run-up to the EUDR. They can inform smallholders about the new regulations and pass on their challenges to policymakers and actors in the supply chain so that

appropriate measures are offered to adequately support them in implementation. The requirements of the European market can strengthen the work of NGOs that are already committed to forest protection on the ground.

The responsibility for **financing the measures required** for EUDR compliance should not only lie with the European Commission, but **also with the companies that benefit financially from products with a high deforestation risk**. The Commission should create incentives and obligations for companies to effectively finance such measures.

The **review of the regulation's impact on smallholders, Indigenous Peoples, and local communities after five years**, as provided for in the regulation, **is far too late**. To minimise the risk of excluding smallholders from EU supply chains, probable **impacts must be counteracted in advance**.

Only if the recommended measures for implementation are funded and implemented in an ambitious, coherent, and swift manner can the EUDR achieve the goal of ensuring not only deforestation-free, but also inclusive and equitable supply chains.

The information from these interviews supplements the contributions already made by stakeholders on the political stage. Due to the limited number of interviewees, we cannot claim that our recommendations are exhaustive.

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