



workshop results

EU REGULATION ON DEFORESTATION-FREE PRODUCTS

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Challenges and opportunities for agribusinesses and smallholder farmers



main issue

The [EU Regulation on Deforestation-Free Products](#) (EUDR) is a key measure that the European Union is taking to combat global deforestation as part of the [European Green Deal](#). It requires operators and traders to conduct due diligence to provide traceable information and proof that the products they place on the EU market do not originate from land deforested after 31 December 2020 and comply with laws in the countries of origin. Approved in December 2022, the EUDR came into force in June 2023 and will be applied to large and medium enterprises from December 2024 and to micro and small enterprises from June 2025.

Since 2022, SSNUP impact investors and agribusiness partners have been preparing to comply with this new regulation. **This workshop facilitated knowledge sharing among SSNUP stakeholders about EUDR compliance and discussed its challenges and opportunities.**

key takeaways



The impact of the EUDR will vary depending on the commodities and the structure of the value chains

This regulation targets specific commodities identified as significant drivers of deforestation, including wood, palm oil, cocoa, coffee, rubber, cattle and their derived products. The EU holds a 60% world market share for cocoa and 30% for coffee but only 10% or less for palm oil, soy, beef, rubber and wood. This high dependence on the EU market makes it more challenging for cocoa operators to adapt than those in other sectors.

Smallholder farmers produce 60–85% of coffee, cocoa and rubber and 40% of palm oil but less than 10% of soy and beef. Thus, the EUDR will primarily impact smallholder cocoa and coffee farmers. The organisation and capacity of these farmers vary widely, from well-organised cooperatives to individuals relying on many middlemen. Less-organised smallholders in loose value chains will likely struggle most with compliance.

SPEAKERS



Gert van der Bijl

EU Policy Advisor
[Solidaridad](#)



Renzo Verne

Sustainability Director
[Cocoasource](#)



Adolfo Córdoba

Capacity-Building Specialist
[Oikocredit](#)



Walter Godínez Garro

Coffee Trader
[Coopedota R.L.](#)

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ssnup

c/o ADA asbl • 39, rue Glesener • L-1631 Luxembourg • +352 45 68 68 1 • ssnup@ada-microfinance.lu • www.ssnup.org

2 } The exact practical implementation of the regulation remains unclear

Each EU member state will control EUDR compliance by appointing a competent authority. However, seven of the 27 EU countries have not yet designated EUDR authorities. While a control system will be established in each country, its method of operation remains uncertain. An EU-level information system for companies to upload compliance information is still under construction.

At the same time, knowledge about the EUDR is still limited on both the demand and supply sides. On the demand side, many European importing companies and wholesale customers are still unfamiliar with the regulation. Compliance readiness among suppliers varies by country; nations with better infrastructure and certification levels are better prepared, whereas many African and Latin American countries lag behind.

3 } Existing sustainability certification schemes help but are not sufficient

Sustainability certifications provide a helpful basis for EUDR compliance. For example, the coffee cooperative Coopedota in Costa Rica holds many internationally and nationally recognised sustainability certifications. When preparing for EUDR compliance, it already had over half of the required information.

However, value chain actors, not certification schemes, are responsible for compliance. They must also have a holistic due diligence process to show that they comply with national legal frameworks covering land use, labour, human rights, environmental protection and tax and anti-corruption regulations. A recent survey by Oikocredit of its partners in Latin America found that even certified organisations do not feel fully prepared for EUDR compliance.

4 } Having an EUDR management system is crucial but increases operational complexity and cost

The EUDR requires operators to know precisely where products are from. Verifying product origins will be difficult without a sound management system. For example, Cocosource, a cocoa, coffee, and rubber trading company, must ensure each delivery is linked to a complete list of farmer suppliers. It collaborates with cooperatives to create farm registers and gather GPS polygon data, which outline each farm on a precise and detailed map. It consolidates diverse farmer registries in different formats and uses multiple digital service providers for polygon mapping, location accuracy checks, deforestation monitoring and proving compliance with national laws.

EUDR compliance, therefore, entails additional costs, typically amounting to about 1% or 2% of a product's price. Ideally, these costs should lead to higher consumer prices rather than burden the producers.

5 } Choosing an open and interoperable management system is recommended

Despite the proliferation of digital solutions providing EUDR compliance services, no single provider handles the entire process comprehensively. The example above shows that companies like Cocosource must follow different steps and aggregate upstream and downstream data, so they opt for a solution with an open-access approach that allows the integration of various data sources and ensures compatibility. This flexibility contrasts with providers that operate in silos and limit data access by requiring uploads into proprietary portals. It's important to choose providers whose vision aligns with the company's and who are open to cooperation. This helps avoid issues when multiple buyers impose their systems on cooperatives, which have limited capacity to adapt to all.

6 } Collaboration with supporting organisations is key

Oikocredit's survey reveals that many of its partners lack external support and rely on their limited resources for compliance, highlighting the need for additional assistance. The impact investor has organised webinars to inform partner organisations about the EUDR and is planning a project to further support them in achieving compliance.

Thanks to sector associations like [ICAFF](#) (the Costa Rica Coffee Institute), countries like Costa Rica stand out with a high readiness level. ICAFF informs and actively helps cooperatives like Coopedota gather the required information for EUDR compliance and upload it to the ICAFF platform for verification. The system then issues QR codes that can be used to prove compliance. The centralised platform allows all operators in Costa Rica to share farmer information, avoiding duplicated efforts and ensuring the country's overall compliance.

Cocosource benefits from the European Cocoa Association's guidance and other industry initiatives, which work to align supplier practices with EUDR requirements.

7 } Smallholder farmers can significantly benefit from EUDR

Smallholder farmers in remote areas are at a high risk of exclusion because applying the EUDR compliance process to them is challenging, time-consuming and costly. However, companies should not seek the cheapest compliance solutions but rather integrate EUDR requirements into a broader sustainability approach, ensuring all supplier farmers can farm sustainably without deforestation.

Cocosource and Coopedota strive not to exclude smallholder farmers from their supplier bases. Coopedota addresses the challenge of farmers lacking digital skills by deploying a dedicated team to help them provide traceability information and uses WhatsApp and brochures to inform them better.

The EUDR could significantly change supply chain relationships, incentivising companies to collaborate on compliance and land use rights, thereby [empowering smallholder farmers](#).

SSNUP is a 10-year programme that aims to strengthen the safety nets of 10 million smallholder households in Africa, Latin America, and Asia through technical assistance projects supporting the development of and promoting investment in agricultural value chains. Regular workshops enable stakeholders to exchange project experiences, and lessons learnt.

Please contact [SSNUP Knowledge Management team](#) for more information:

Mathilde Bauwin and Thu Hien Dao: ssnup@ada-microfinance.lu