Implementation of the EUDR & CS3D- Considerations

ASEAN EU COFFEE SUMMIT 2024

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Structure

1. Current dynamics – “What is happening?”
2. First Lessons learnt on implementation
3. Beginning of mainstreamed sustainable sourcing and improved income of farmers?

1. Current dynamics. “What is happening” ?

- WHAT IS ALL THIS FOR ?
- MAIN RISKS
- GLOBAL PERSPECTIVE: WHAT IS HAPPENING
- FINDING BALANCE IN TRANSITION

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What is all this for ?

Meant for stability of smallholders in the long term

Use leverage of trade to stop deforestation + “walk our talk”

Level playing field (for investors, for consumer)

General, global & certain trend towards transparency of value chains and responsible sourcing

Main risks – Coffee sector

- Challenging to proof agro-forestry / coffee plantation before and after cut-off point (different levels of geo-spatial layers needed, ground truthing needed).
  - Lack of joint detailed maps of deforestation/ coffee at cut-off point (end of 2020) and after
  - Approach is ‘free’, no validation of methods/ approaches
- Coffee mainly remains a commodity, not well traceable. Many unorganised farmers (on average 35% organised), long inefficient value chains
- Only short-term incentive of EUDR for farmers is market access… so far
- Large coffee stocks in EU – not custom cleared yet – ex-post compliance is impossible- need urgent release/ market

Main risks – Coffee sector

! Exclusion of smallholders due to high risk of deforestation or difficult/ costly traceability(direct impact)

! High price difference for “EUDR coffee” - other

! Restructering of global value chains (two tired market, concentration, integration, traders…)

Global perspective: What is happening ?

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COFFEE PRODUCING COUNTRIES.

- Well regulated sectors/countries make progress + sectors with large scale farms (but ready ?)
- Small scale coffee farmers only partly geolocated and traceable up till now in majority of countries
- Dispersed approaches and data of traders. Some countries: less preparedness by traders to invest in systems
- Countries with Declaration in Excess (DIE) at the *national* level
- Finding ways to valorize improved data and transparency of farmers: starting

Global perspective: What is happening ?

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EUROPEAN COMMISSION.

- Frequently Asked Questions update (end of May), Guidelines and Due Diligence Statement Template (end of June), further elaboration API for EU Information system.
- Several national, regional and global support programmes (TA, Investments,…)!

MEMBER STATES EU.

- Ministries of Agriculture (20) ask delay and exceptions small holders in EU
- Some Competent Authorities claim they lack capacity and tools + Countries don’t want to loose share of market.
- But *System check (+ quality data) can be done already*

Global perspective: “What is happening ?”

PRIVATE SECTOR .

- Very diverse, depending on how directly dealing with farmers – some completely invisible/ ignorant?
- Few joint initiatives
  - ❗ Trust in data (public, private), price of data ?
  - Traders’ challenge for sharing data widely and their role/ vs. fear to loose opportunities for deal making
  - Roasters’ interest in joint data solutions, more direct contact with farmers
  - Associations, Banks, Stock market’s growing interest in joint initiatives

Global perspective: “What is happening ?”

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MARKETS.

- Two tired markets, except where Declaration in Excess at the national level (UK, US : “Act/Bill” not voted yet)
- For coffee: traders sell EUDR checked coffee (with data) more expensive (extra value created at level of trader) – some farmers get higher price too
- Cooperatives and local traders are waiting for contracts in several countries …
- Traders and roasters extend their trade credits to the maximum to buy and clear coffee in EU in 2024 still

Global perspective: Finding balance in transition

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OPPORTUNITIES.

WAKE UP CALL COMPANIES

WAKE UP CALL COUNTRIES (E.G. IMPROVING LEGAL ASPECTS, REGISTRATION FARMS, DIGITAL TOOLS,…

LEVEL PLAYING FIELD

FIRST ADAPTORS - MARKET ACCESS AS SUSTAINABLY SOURCED !

IMPLEMENTATION .

Limited time can give space for fraude or for hollowed implementation

->Rather take a phased approach than install bad practice

INCLUSION .

Implementation is possible but not in all countries, with all farmers or with all SME's (consolidation …)

Fast implementation limits empowerment and awareness of farmers

MARKET .

Two tired market.

EUDR (coffee) sold more expensive (premium), (not necessarily on farmers' level)

Non EUDR coffee sold with negative price to normal

2. First Lessons Learnt on Implementation.

General Key Learnings

Sector-specific multi-stakeholder-platforms

Priority actions for these multi-stakeholder-platforms

Traceability systems, scaling, evolution

Some examples

2. First Lessons Learnt on Implementation.

General Key Learnings

- Get ready – no time to wait
- Adapt a phased approach. (ongoingimprovements by all stakeholders,…)
- Joint data initiatives - digital public infrastructure and “data gateways” (multiplying. different aspects are confused (shared infrastructure, standards, tools, maps, databases, governance). Opportunistic ? What is minimum needed/ wanted in each country? New or use existing data …. of private sector? …)
- Legality aspects (challenges in clarity- interpretation, coherence, enforcement, monitoring, mandate of private sector) + nuance ‘in accordance with’.
- Role governments producing countries (context and sector dependent : limiting deforestation & awareness, legal framework, stakeholder platforms and joint traceability systems, valorising transparency of farmers, minimize cheating).
- Sector-specific multistakeholder approach seems crucial at different levels

2. First Lessons Learnt on Implementation.

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Sector-specific multi stakeholder platforms national and regional linked to global

- 'Learning by doing - share', trust & connect, joint tools, joint information flow to and collection of evidence, joint communication).
- Not obvious, joint initiative is BEYOND Public Private and private –private 'dialogues'
- Find the right pre-competitive trust and actions
- Base on interest of different stakeholders in compliance (include for example banks)

2. First Lessons Learnt on Implementation.

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Priority actions for Multistakeholder Platforms

1. Get the sector informed (all)
2. Get legal framework and its implementation clear (+ monitoring, + legalisation of illegal aspects ?)
3. Deep understanding of the structure of the coffee value chain and the interest of the different stakeholders involved
4. Joint understanding and monitoring of ‘the existing/ available’
5. Smart partnerships for joint data initiatives, traceability systems & deforestation check
6. Monitor together evidence and / or unintended impact

2. First Lessons Learnt on Implementation.

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Traceability systems

- ‘Can be’ but ‘doesn’t need to be’ national registration system from the start
- Valorize existing data and interests of private sector where possible
- Which data ? Priorities !

Choices to be made and argumented (how much of : …)

1. Inclusion of all smallholders, “leave no one behind”
2. Empowerment of farmers, involvement, data ownership, valorize gained data and access to market
3. Selective targeting of smallholders in high-risk areas

Or combination

2. First Lessons Learnt on Implementation.

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Traceability systems: examples for quick scaling

“Leave no one behind”	Start for example with <u>Temporary</u> Systems of Declaration in Excess (different levels)
Empowerment of smallholders	Inform, train and digitalise cooperatives Include information and requirements in extension material Give farmers back/ access to analysed data / Get farmers paid for data Find ways to have higher farmgate prices for EUDR coffee Link data of farmers to extension systems, systems of financial institutions, eco services, carbon credits… Provide insight in availalble service providers for EUDR compliance
Selective targeting of smallholders in high risk areas	Identify farmers in high risk areas (deforestation risk, inefficient value chain,…) Co-fund or attract traders to invest in their traceability/ deforestation check Co-fund awareness campaigns …

2. First Lessons Learnt on Implementation.

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Traceability systems: Evolution will be needed, some options

Leave no one behind	
Empowerment of smallholders	Large information campaigns If using existing overall maps (AI) : start to link plots to farmers Give cooperatives/ groups role in governance of data Find alternative ways to boost clustering/ grouping of farmers at scale (other than cooperatives) Use DIE at the lowest level possible overtime Find joint national datasystem/base with joint private fund attached...
Selective targeting of smallholders in high risk areas	

Examples

- **National and local initiatives in ASEAN region. National Coffee Platform in Uganda**
- **Regional learning community in Central America**

    With Early Action Initiatives

- **Global Coffee Public Private Taskforce (ICO – CPPTF)**

    Mapping of global (upcoming) due diligence regulations/ Coffee

    Mapping of support programmes for coffee

    Mapping of service providers for deforestation check and traceability

- **Several initiatives on data gateways, data standardisation, sharing data (public and private)**

    DIASCA with CIAT/ Linux, ITC, GCP, IDH, ICO, ICE, Rabobank, German Coffee Association…

3. Beginning of mainstreamed, sustainable sourcing and improved income of smallholders

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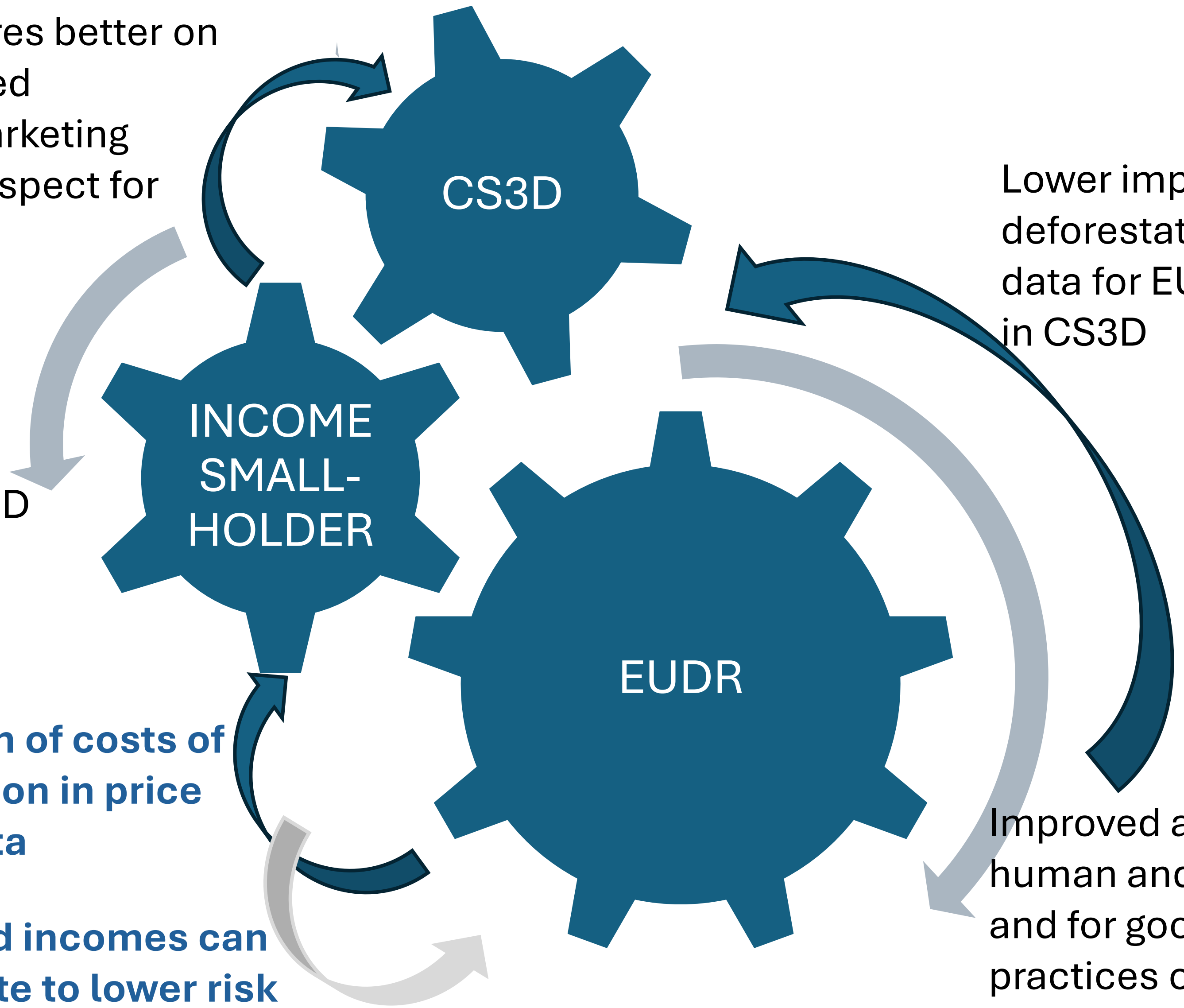
Improved readiness for EU Corporate Sustainability Due Diligence Directive - CS3D:

- Yearly due diligence report (assessment and contribution) on all environmental aspects and on human and social rights- at origine
- Big companies, 2 years for Member States of EU to develop national law
    - ✓ This demands knowledge of situation at origine
    - ✓ This includes assessment of purchasing practices and relations with smallholders at origine and their income and livelihood
    - ✓ This can build further on assessments and systems established for EUDR.

3. Beginning of mainstreamed, sustainable sourcing and improved income of smallholders

Company scores better on CS3D, improved reputation, marketing access with respect for living income

LI , human and social rights requirements are part of DD report of CS3D



Lower impact on deforestation and system/ data for EUDR can be used in CS3D

Internalisation of costs of no deforestation in price or valorize data

Improved incomes can contribute to lower risk deforestation

Improved attention for human and social risks and for good agricultural practices can reduce risk for deforestation

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THANK YOU !

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