

*coffee
dinner &
summit*



Deforestation Free Coffee in the EU

SPIRIT OF THE LEGISLATION

WHY I AM HERE

CHALLENGES

EU DR AND IT'S IMPLEMENTATION



SPIRIT OF THE LEGISLATION

LEVEL PLAYING FIELD

PREVENTION

BIODIVERSITY AND CLIMATE CHANGE

IMPORT/ EU/ EXPORT

LEGISLATION ALONE CAN'T STOP
DEFORESTATION

CONTINUED OTHER SUPPORT

POVERTY

MAIN DRIVER DEFORESTATION

SLIGHT ADAPTATIONS IN TEXT + SUPPORT

INHERENT RISKS IN VALUE CHAIN & AND
QUESTIONS ON INCENTIVES FOR FARMERS

DEFORESTATION RISK

COFFEE ? BASED ON IMPORTS TO EU

LEGAL AND ILLEGAL

HIGHER DIVERSITY OF RISK WITHIN ONE COUNTRY
(COFFEE)

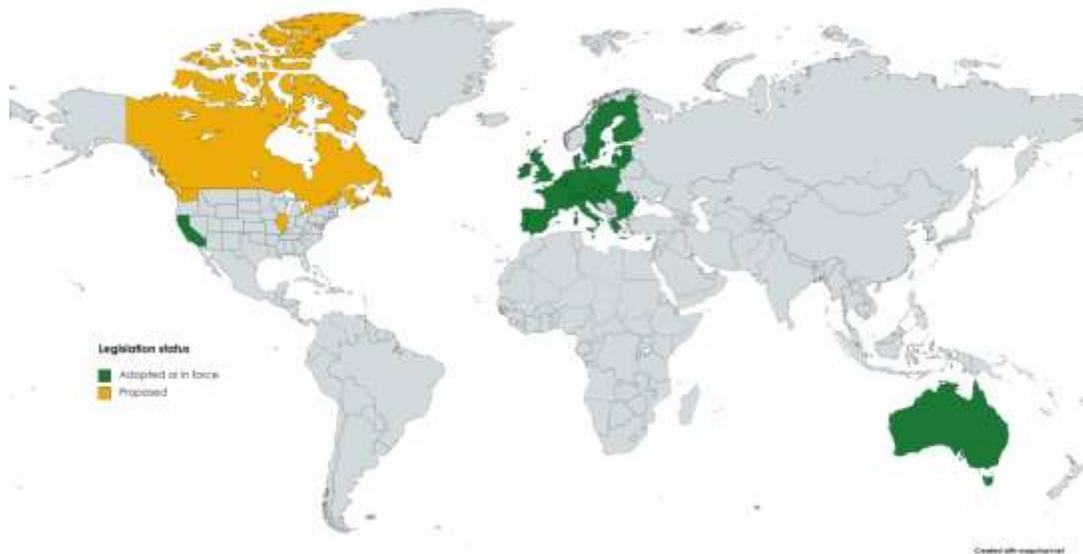
SMALLHOLDERS MAIN DRIVER DEFORESTATION IN
COFFEE

""PRIVATE SECTOR"" IS RESPONSIBLE AND 'PAIS'

EU LEGISLATION : HIGHEST LEVEL REGULATION

INCREASING SUPPLY CHAIN REGULATION –A GLOBAL (NORTH) PHENOMENON

- Disclosure: modern slavery, social, environmental, governance
- Trade restrictions (forced labor)



COFFEE TO EU (2022, ICO)

- EU LARGEST IMPORTER AND CONSUMER OF COFFEE. **51** COUNTRIES EXPORTED TO EU-27 IN 2016-2022, AVERAGE **51.1 MILLION 60-KG BAGS** TO EU PER YEAR (!)
- SOURCES CONCENTRATED, TOP **10 COUNTRIES 84.2%** OF THE IMPORTS. ALL CONTINENTS IN TOP 10, **BRAZIL (33%) AND VIETNAM (23%)** LEADING
- ON AVERAGE, THE EU-27 ACCOUNTS FOR **32%** OF THE TOTAL COFFEE EXPORTS OF THE 51 ORIGINS. FOR **11 ORIGINS, THE EU-27 :OVER 50%**
- **LIBERIA: 96%, BURUNDI: 78%, UGANDA: 61%, BRAZIL: 59%**, INDIA: 59%, VIETNAM: 42%, HONDURAS: 41%, ETHIOPIA: 41%, COSTA RICA: 35%, ... (2022)
- FOR 5 ORIGINS (BURUNDI, ETHIOPIA, HONDURAS, TIMOR-LESTE AND UGANDA), COFFEE **>10% SHARE OF THE TOTAL MERCHANDISER EXPORTS**. ETHIOPIA AND BURUNDI MORE THAN 20%



THIS WILL INFLUENCE MARKETS AND FUTURE REQUIREMENTS IMPORTERS

WHERE ARE WE IN THE PROCESS ?

- EU PARLIAMENT ADOPTED, COUNCIL ADOPTED (17 MAY)
- EU JOURNAL OF LEGISLATIONS BY END OF MAY '23
- INTO FORCE AFTER 20 DAYS: **BY THE END OF JUNE**
- BIG COMPANIES: TO COMPLY **AFTER 18 MONTHS = DEC 2024** (JAN 2025 DG ENV)
- CUT OFF DATE: 31/12/2020 (= PROCESS IS BUSY)
- REVIEW 1Y, 2Y, and IMPACT ON SMALLHOLDERS AFTER 5 YEARS (END JUNE 2023+5 years)



NO CHANGES – NO PHASING FOR LOW INCOME COUNTRIES - LATE REVIEW
IMPACT SMALLHOLDERS ACCORDING TO PLAN- EC READY ? ...

WHAT IS DEFORESTATION ?

FAO DEFINITIONS

- LAND SPANNING MORE THAN 0,5 HECTARES WITH TREES HIGHER THAN 5 METERS AND A CANOPY COVER OF MORE THAN 10%, OR TREES ABLE TO REACH THOSE THRESHOLDS IN SITU, EXCLUDING LAND THAT IS PREDOMINANTLY UNDER AGRICULTURAL OR URBAN LAND USE BEFORE CUT-OFF DATE
- 'DEFORESTATION' IS DEFINED AS THE **CONVERSION OF FOREST TO AGRICULTURAL USE, WHETHER HUMAN-INDUCED OR NOT.**
- **AGROFORESTRY: NOT CONSIDERED FORESTS** – PRODUCTS ARE NON-COMPLIANT IF GROWN ON AGROFORESTRY PLANTATION INTRODUCED ON FOREST LAND AFTER 2020
- 'AGROFORESTRY : SYSTEMS, SUCH AS FRUIT TREE PLANTATIONS, ... AND **AGROFORESTRY SYSTEMS WHERE CROPS ARE GROWN UNDER TREE COVER**



WHAT IF JUST A FEW COFFEE TREES IN FOREST ? – RESTORING IS NOT EXPLICITLY INCLUDED

BENCHMARKING DEFORESTATION RISK

- INITIALLY BASED ON DEFORESTATION RATE, AGRICULTURAL EXPANSION RATE, PRODUCTION TRENDS FOR 7 COMMODITIES + PRODUCTS.
- **COUNTRY LEVEL ALL 7 COMMODITIES.** POSSIBLY REGIONS IN COUNTRY
- DIFFERENT INTENSITY OF CHECKING DUE DILIGENCE STATEMENTS (1%, 3%, 9%) AND LIGHTER RISK ASSESSMENT FOR LOW RISK. HIGH RISK: DIALOGUE EU
- **BY END OF 2024 – BEGINNING 2025** (UNTIL THEN ALL STANDARD RISK = 3% CHECKED)
- **YEARLY REVIEW – CAN BE INCENTIVE**
- **FOR REVIEWS: ALSO VALUE CHAIN RISK, REPUTATION AND WHISTLE BLOWING WILL BE INTEGRATED IN FUTURE**



FASTER BENCHMARKING **X** – BE CAREFUL WITH REPUTATION

WHAT ARE REQUIREMENTS ?

COFFEE CAN ONLY BE PLACED ON, SOLD WITHIN OR EXPORTED FROM THE EU MARKET:

- **TRACEABILITY !** PROVIDE GEO-LOCALISATION COORDINATES OF ALL PLOTS OF LAND WHERE THE COFFEE WAS PRODUCED (AGGREGATED PER SHIPMENT) (POLYGONS FOR >4 HECTARES)
- PROVIDE ADEQUATE, VERIFIABLE AND CONCLUSIVE INFORMATION THAT:
 - THE RELEVANT COMMODITIES AND PRODUCTS ARE DEFORESTATION-FREE.
 - VERIFIED WITH DEFORESTION SATELITE INFORMATION
 - RISK ASSESSMENT
 - RISK MITIGATION
 - THE PRODUCTION HAS BEEN CONDUCTED IN ACCORDANCE WITH RELEVANT LEGISLATION OF THE COUNTRY OF PRODUCTION



- Establish the appropriate DDD systems (Traceability system, support to farmers...)

WHAT ARE REQUIREMENTS ?

+

- STOCK THE INFORMATION 5 YEARS
- PUBLISH CLEAR DUE DILIGENCE METHODOLOGY ON WEBSITE AND REPORT RESULT
- ESTABLISH THE APPROPRIATE DDD SYSTEMS
 - TRACEABILITY SYSTEM, REQUIREMENTS FOR DATA COLLECTION AND VERIFICATION FROM PRODUCERS, SUPPLY CHAIN DEFORESTATION RISK ASSESSMENT, DEFORESTATION MONITORING SYSTEM
 - TECHNICAL AND FINANCIAL SUPPORT TO FARMERS AND THEIR ORGANISATIONS TO FULFIL THEIR OBLIGATIONS
- PENALTIES: REJECTION SHIPMENT, CORRECTION SITUATION, FINES 4% TURNOVER IN EU OF THE COMMODITY, PROHIBITED on EU MARKET

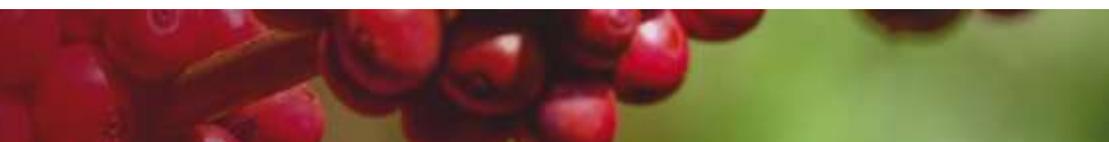
REQUIRED INFO

RISK ASSESSMENT

- RISK BASED BUT ALWAYS GEOLOCALISATION AND ANALYSIS AGAINST DEFORESTATION
- FOREST, FOREST DEGRADATION, INDIGENEOUS
- CONCERNS IN COUNTRY (CORRUPTION, DATA FALSIFICATION, LAW ENFORCEMENT, HUMAN RIGHTS VIOLATION, ARMED CONFLICT,...)
- COMPLEXITY VALUE CHAIN, INCLUDES ALL POSSIBLE LOOPHOLES (MIXING OTHER COFFEE, USING GEOLOCALISATION OF OTHER AREA,...)
- REPUTATION OF OPERATOR AND WHISTLE BLOWING

LEGAL

- LAND USE RIGHTS
- ENVIRONMENTAL PROTECTION
- FOREST-RELATED RULES, INCLUDING FOREST MANAGEMENT AND BIODIVERSITY
- CONSERVATION
- THIRD PARTIES' RIGHTS
- LABOUR RIGHTS
- HUMAN RIGHTS PROTECTED
- THE PRINCIPLE OF FREE, PRIOR AND INFORMED CONSENT (FPIC)
- TAX, ANTI-CORRUPTION, TRADE AND CUSTOMS REGULATIONS



NEXT MONTHS

GUIDANCE - NEXT MONTHS

DEFINITIONS (...) VIA 'FAQ'

GUIDELINES (SME's, *MEMBERSTATES'*
AUTHORITIES)

INFOSESSIONS (EMBASSIES...)

SYSTEMS EC BY END 2024

(?)
RISK BENCHMARKING

INFORMATION STORAGE SYSTEM

SYSTEMS FOR AUTHORITIES EU

SUPPORT – ONGOING, IMPLEMENTATION 2024

SOME EXTRA SUPPORT EU & MEMBERSTATES (FORESTRY AND
COFFEE)

REVIEW AND RESHUFFLING EXISTING SUPPORT

BASED ON DEMAND OF GOVERNMENTS OF COUNTRIES



CHALLENGES

DESPITE OPPORTUNITIES OF TRACEABILITY AND LEVEL PLAYING FIELD, **ONLY 20% - 25% COFFEE IS TRACEABLE...**

TECHNICAL

CAPACITIES FARMERS

- IMMEDIATE IMPACT
- ORGANISATION FARMERS : SEE HONDURAS, UGANDA, DR Congo
- INFRASTRUCTURE, MOBILE/ DIGITAL, NUMERACY
- INCENTIVES ?

INEFFICIENT LOCAL VALUE CHAINS

- LONG INFORMAL,...
- ALTERNATIVE ACCESS TO FINANCE FOR FARMERS IF VC RESTRUCTURED

WEAK GOVERNANCE/ INSTITUTIONS

SCALE, DIVERSITY AND COST IS IMMENSE

NEEDS A GENERATION ?

CHALLENGES

TOWARDS SOURCING FROM AREAS AND FARMERS AT LOW RISK, GOOD COUNTRY REGULATIONS,... (BRAZIL...)

TOWARDS LESS REQUIRING MARKETS FOR LOWER PRICE OF COFFEE



THE MOST PREPARED HAVE COMPETITIVE ADVANTAGE

DIVERSITY ORIGINE UNDER PRESSURE

STABILITY COFFEE SECTOR AT STAKE

FOCUS ON DATA SYSTEMS TAKES FOCUS AWAY FROM WELLBEING FARMERS

WHAT NOW ?

URGENT PREPARATION !

2 PRONGED APPROACH: START WITH HIGH RISK AREAS

DIFFERENT MODELS TRACEABILITY SYSTEMS

- GOVERNMENTS, TRADERS ASS. IF MANY TRADERS
- TRADERS (WHERE NOT SO MANY TRADERS)
- COOPERATIVES

UNCOORDINATED ACTION DATA COLLECTION

PARTNERSHIPS TRIGGERED, NATIONAL COFFEE PLATFORMS

INTENSIFIED LOCAL, COOPERATIVE APPROACHES

COLLABORATION ECF- GALILEO, LINUX

WHAT NOW ?

FACILITATE COORDINATION,
ALSO PRIVATE SECTOR

- JOINT RISK MAPPING & NATIONAL JOINT ANALYSIS OF HIGH RISK AREAS WITHOUT DATA
- JOINT DATABASE LEGISLATIONS PER COUNTRY
- JOINT GEOLOCALISATION PLATFORM
- NATIONAL COFFEE PLATFORMS
- DONOR COORDINATION

SOUTH-SOUTH EXCHANGE

INVOLVE SOLUTIONS OF/FOR
YOUNG

LESSONS LEARNT LOCAL
APPROACHES AND INCLUSIVITY

NEED FOR HIGHER RETURN ON
LABOUR



OWN CONSIDERATIONS

BRAZIL EXAMPLE = SUSTAINABLE AND INCLUSIVE COFFEE SECTOR

- GOVERNANCE + NATIONAL COFFEE PLATFORM,
- PRODUCTIVITY
- SUSTAINABILITY
- LIVING INCOME
- DATA & TRANSPARANCY
- CARBON NEGATIVE !



THANK YOU !

