



Fairtrade's Offer ref. the European Union Deforestation- Free Regulation (EUDR)

What is it about, what's missing and what's Fairtrade's role? – March 2024

How will the EUDR operate?

1. Cocoa farms are mapped, and their geolocations are assessed to ensure deforestation-free

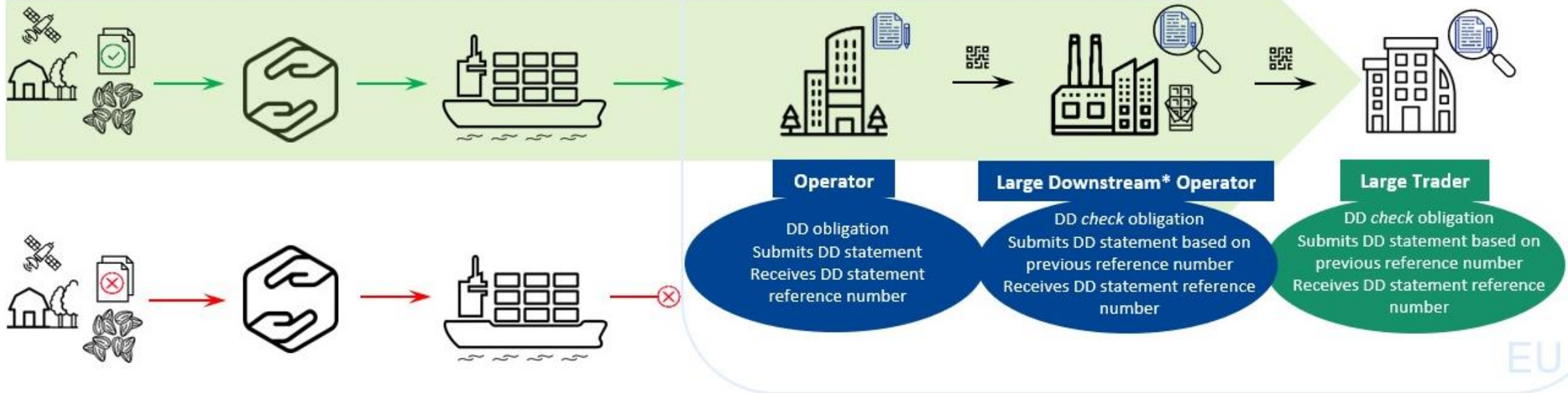
2. Farmers deliver deforestation-free cocoa beans directly to cooperatives, where they are kept segregated

3. Beans from deforestation-free farms kept segregated during export to EU

4. Importer in EU Member State buys deforestation-free beans and places them on the market

5. Chocolate manufacturer in the EU processes cocoa into chocolate bars and places them on the market

6. Large EU retailer sells individual chocolate bars to consumers, making the chocolate bars available on the market



*Downstream is used for "operators and traders further down the supply chain", as per Article 4(8), 4(9), and 4(9a), and Article 4a(2)

Please note that infographic shows an example of a potential supply chain scenario and is not representative of all supply chains

Challenges in the implementation of the EUDR

Producers likely to be overwhelmed due to lack of resources (money, time, know how)

- *lack of technical know-how, financial and human resources for implementation*

Regulation does not provide guidance for fair distribution of cost of compliance incurred at producer level

- e.g. GPS equipment, data collection & cleansing, satellite-based system for monitoring degradation and deforestation, first mile traceability, segregated supply chains, etc.

No measures to mitigate / adapt to the effects of climate change

- Compliance with EUDR does not lead to an improvement in climatic cultivation conditions, which is a more pressing problem than deforestation

No collaboration on joint solutions

- Companies are not obliged to cooperate meaningfully with stakeholders

Risk of cut & run by buyers

- No mandatory support measures for smallholder farmers to avoid exclusion from the market if requirements cannot be met (cost of compliance, technical know-how, personnel capacities, etc.).

Possible sales to countries outside the EU

- High risk for smallholder farmers to find themselves in an economic situation where expanding their acreage through deforestation is the only economically viable solution to secure their livelihoods ([Study](#))

Fairtrade's approach

1. *Fairtrade producer networks support SPOs with capacity building*
2. *Upstream participants of Fairtrade supply chains obligated by Trader Standard to support SPOs*
3. *Agroecological solutions*

Fairtrade supports partners on all DD requirements of the EUDR

Deforestation-free supply chains 	EU Deforestation Regulation 	Fairtrade Support Portfolio  
Embed responsible business conduct into production & operations	§2 Definitions: deadline deforestation & degradation as 31.12.2020; § 4.2 Obligations of operators: Due Diligence Statement	<ul style="list-style-type: none"> • §2: cut-off date in Fairtrade standards 31.12.2014 (coffee), 31.12.2018 (cocoa) • Tailored support in FT supply chain data collection for individual risk assessments if needed • Provision of relevant data to operators to support DD statement (risk assessment, geo-location data, deforestation monitoring status)
Identify & assess adverse impacts in operations, supply chains & business relationships	§9 Information requirements; data collection and sharing of geo-localization data; §10: risk assessment & risk mitigation: complementary compliance information, include from certification or third-party-verified schemes	<ul style="list-style-type: none"> • §9: Supporting stakeholder engagement to identify risks (SPO risk assessment tool), providing verified geo-location data, cleaning & analysis by Producer Networks, Fairtrade and Satelligence • §10: complementary compliance information, Fairtrade Risk Map (country, commodities, salient issues)
Cease, prevent or mitigate adverse impacts	§9 Information requirements; verifiable information that commodities and products are deforestation-free; §10 Risk mitigation	<ul style="list-style-type: none"> • §9: Producer support ref. to requirements on prevention & prohibition of deforestation and corrective actions • §10: Minimum prices and premiums ensure secure income. Support in meaningful stakeholder engagement to identify and develop adequate and effective mitigation measures
First mile Traceability & Reporting	§ 4 Obligation of operators, §9 Information requirements; §10 risk assessment & mitigation; §11 Maintenance of due diligence systems and record keeping, § 12 Simplified Due Diligence; § 19: geo-localization of origin plot of land; reporting	<ul style="list-style-type: none"> • § 4, 9, 10, 11: Support from Fairtrade Producer Networks for corrective measures on non-compliances, UNGP conform grievance mechanism (FLOCERT allegations process) • § 19: Implementation of tailored projects to improve first-mile traceability (e.g. FarmForce, FairTrace)
Track implementation and results	§9 Information requirements: Monitoring of implementation by geographic information, linking products to the plot of land	<ul style="list-style-type: none"> • §9: Support in meaningful stakeholder engagement to track implementation and results, satellite-based remote-sensing deforestation monitoring system (Fairtrade & Satelligence)
Document due diligence & allow information exchange between stakeholders	§ 31 Information System: registration of stakeholders, Due diligence statements, results of controls, risks, exchange of information	<ul style="list-style-type: none"> • § 31: Provision of relevant information, e.g. risks assessments, geolocation data, deforestation status <p>Beyond compliance: projects & programs to support companies and producers in tackling risks and challenges jointly, e.g. climate change adaptation & biodiversity projects</p>



FAIRTRADE
DEUTSCHLAND

Fairtrade Standards & beyond

Implementation of EUDR requirements to support Fairtrade partners in their due diligence

New Standard Requirements in Coffee and Cocoa Standards

Protection of forests and ecosystems



Assessing and monitoring deforestation risk



Deforestation prevention and mitigation plan



Support producers to prevent and mitigate deforestation



Geolocation data



Sharing geolocation data



+++ Biodiversity management (introduce as development criteria for coffee)

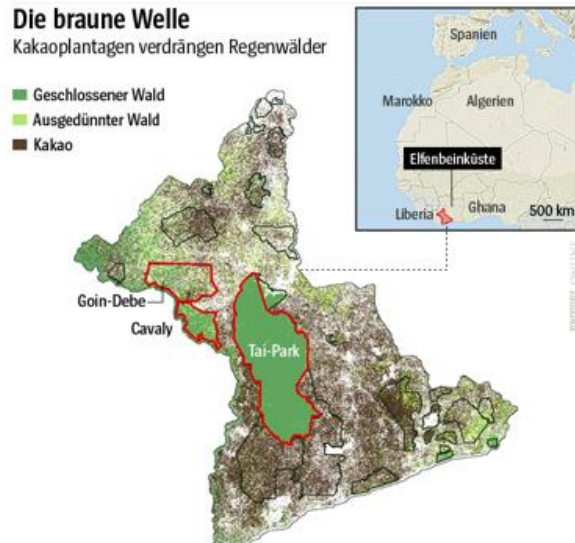


Deforestation criteria in the Fairtrade Standards

The Fairtrade Standards support companies in meeting the requirements of the EUDR and fulfilling their due diligence obligations* in the following areas

Existing criteria:

- ▶ prohibition of deforestation and degradation;
- ▶ conservation of protected areas;
- ▶ protection of forests and vegetation;
- ▶ maintenance of buffer zones;
- ▶ Promoting biodiversity



New criteria for cooperatives (from 2024, as per cocoa and coffee standard)

- ▶ Collection and reporting of **geographical coordinates for all farms** (from 4 ha: polygons); **data ownership lies with SPOs** (potential GDPR issues, if not);
- ▶ **Cut-off date: December 31, 2014 (coffee), December 31, 2018 (cocoa)**;
- ▶ **First Mile Traceability** (farm to cooperative) and segregation of Fairtrade raw materials and non-Fairtrade raw materials
- ▶ **Internal risk assessment** for deforestation **by SPOs** (with [Fairtrade Risk Assessment Tool](#))
- ▶ Monitoring & remediation measures
- ▶ Reporting to Fairtrade International

New HREDD criteria in Trader & HL-Standard (from July/August 2024 on)

- ▶ Buyers share geolocation data with supply chain actors;
- ▶ Buyers support cooperatives in reducing deforestation risks;
- ▶ Buyers report on the support provided to cooperatives.

Not in standard, but Fairtrade can support partners:

- ▶ Risk assessment of own supply chains (e.g. with Fairtrade Risk Map), monitoring of deforestation risks and remediation measures

*to the extent that a certification body can provide support for the implementation of the EUDR – (NOT: replace a company's own due diligence processes)

EUDR requirements in the Fairtrade Standards

Requirement	Reference	Implementation in Fairtrade Standards
Cut-off Date	Art. 2 (8)	Since 2023/24 in coffee and cocoa standard: <ul style="list-style-type: none"> - December 31, 2014 (coffee), December 31, 2018 (cocoa); - Analysis and assessment of deforestation risk
Geolocation	Art. 9 (d)	Since 2023/24 in coffee and cocoa standard: <ul style="list-style-type: none"> - Collection of geographical data - Sharing of existing data by third parties, e.g. traders
Confirmation of deforestation-free supply chains	Art. 9 (g) Art. 10 (1)	Since 2019 in SPO standard (for small producer organizations): <ul style="list-style-type: none"> - Conservation of protected areas - Protection of forests and vegetation (prohibition of deforestation) - Processes/strategies to prevent deforestation
	Art. 2 Art. 3 (a)	Since 2023/24 in coffee and cocoa standard (SPO standard from 2025): <ul style="list-style-type: none"> - Reporting on support against deforestation

EUDR requirements in the Fairtrade Standards

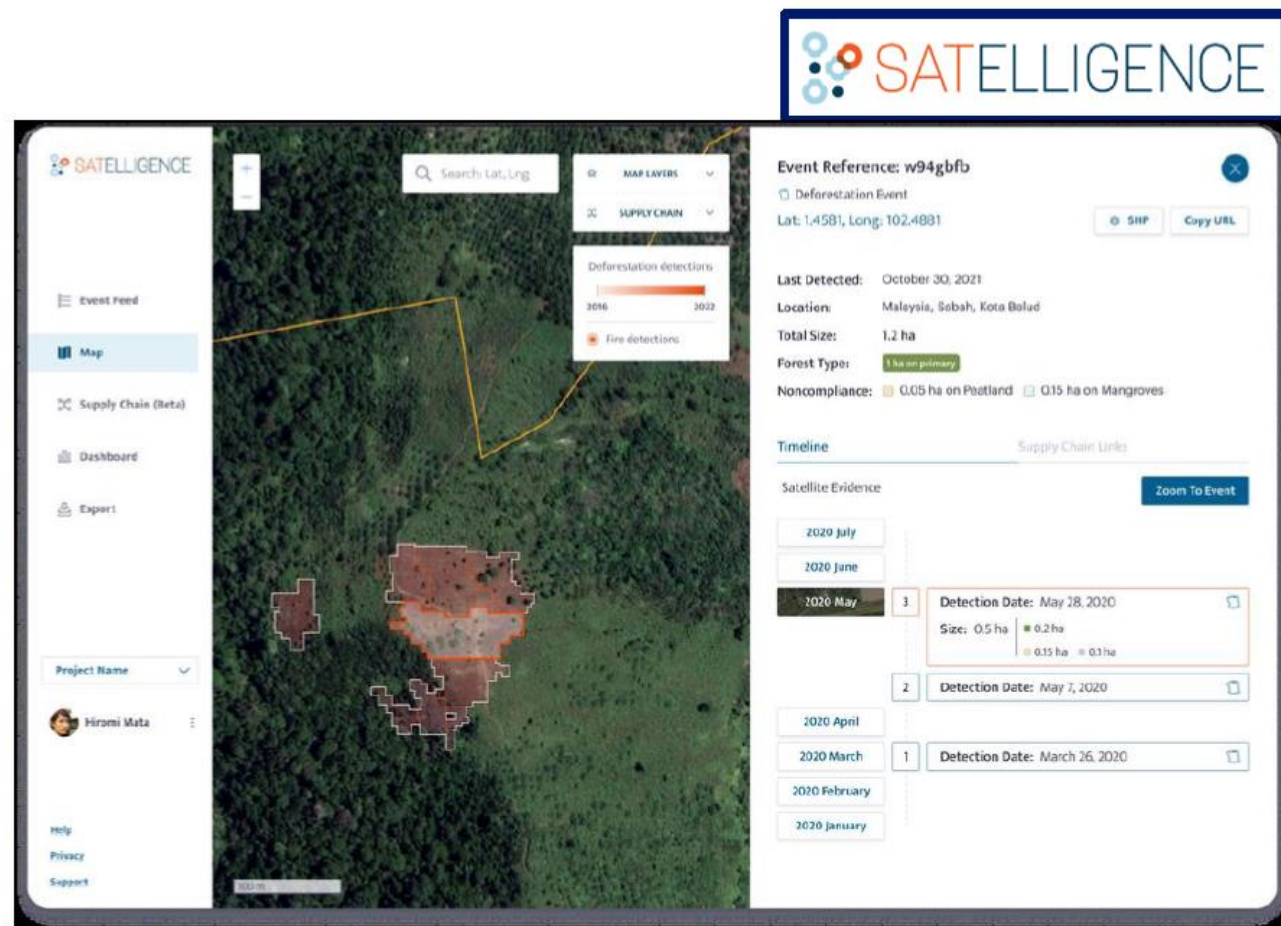
Requirement	Reference	Implementation in Fairtrade Standard
Compliance with national law (country of origin)	Art. 2 (26, 28) Art. 3 (a) Art. 9 (h) Art. 10 (1) Art. 2 (40)	Since 2019 in SPO standard : – Compliance with national legislation (1.1.6)
Risk assessment	Art. 10	Since 2023/24 in coffee and cocoa standard: – Environmental risk analysis From July/August 2024 on Trader Standard will cover further risk assessment criteria: – Concerns regarding country of production (corruption, violation HR, ...) – Claims by indigenous people regarding land use/ownership – compliance with relevant legislation of the country of production Further risk assessment criteria in SPO standard (2025)
Risk mitigation	Art. 8 (2c) Art. 10 (4,5,8) Art. 11 Art. 15 (1a)	Since 2023/24 in coffee and cocoa standard: – Prevention and avoidance of deforestation – Supporting cooperatives to prevent and avoid deforestation (as per Trader Standard, from July/August 2024)

Remote sensing and satellite images to monitor deforestation alerts

Fairtrade International have signed a service agreement* with Satelligence B.V. aiming to support SPOs with:

- Geolocation datasets quality checks.
- Deforestation forest cover loss analysis
 - Deforestation on SPO members farms
 - Deforestation within 500m. of the SPO member farms' boundaries
- SPO and their members own all data. They can choose who they share the reports with

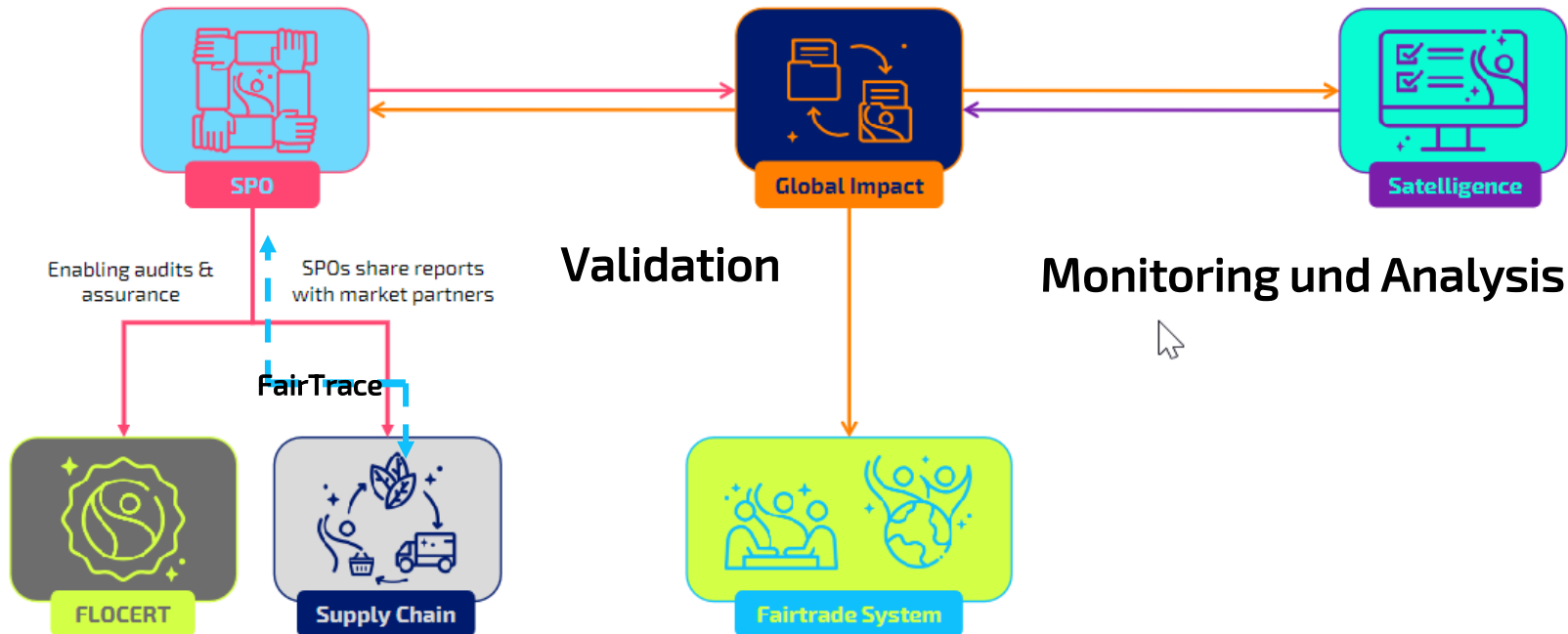
***Fairtrade International covers all the costs associated with this service**



*Illustrative example

Partnership with Satelligence

Two-way data flow via GI: SPO geolocation data, validation and deforestation risk analysis



1. **Validation of Geolocation Data Points**
2. **Monitoring und Analysis** with regard to cut-off date (geodata farm, surroundings, protected areas)
3. **Report** will be made available free of charge to producer organisations
4. **SPO decides** to whom to share via FairTrace

Annual/ Quarterly dataset provided to FI with the following information for each SPO that submitted geolocation data:

Submission of geolocation data:

Descriptive details: FLOID, country, product

Number of members for which geolocation data has been submitted

Number of farm units submitted in polygon format

Number of farm units submitted in point format

Total land area mapped

Deforestation monitoring on-farm:

Number of deforestation alerts within a farm boundary since cutoff date

Number of farm units with at least one deforestation alert within farm boundary since cutoff date

Total land area of deforestation within farm boundaries since cutoff date

Deforestation monitoring near farms:

Number of deforestation alerts within 500 meters of farm since cutoff date

Number of farm units with at least one deforestation alert within 500 meters of farm since cutoff date

Total land area of deforestation within 500 meters of farms since cutoff date

Farms in protected areas:

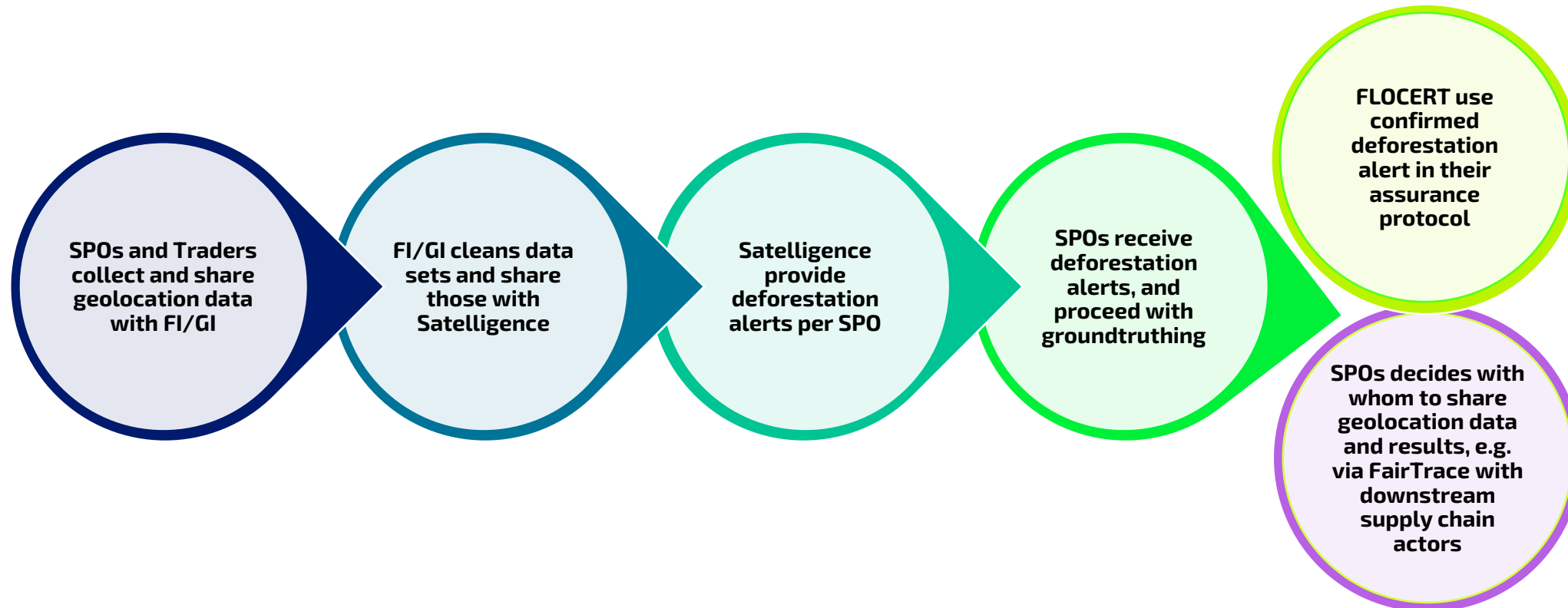
Number of farm units fully or partially in a protected area

Number of farm units within 200 m of a protected area

Total land area of farms fully or partially in protected areas

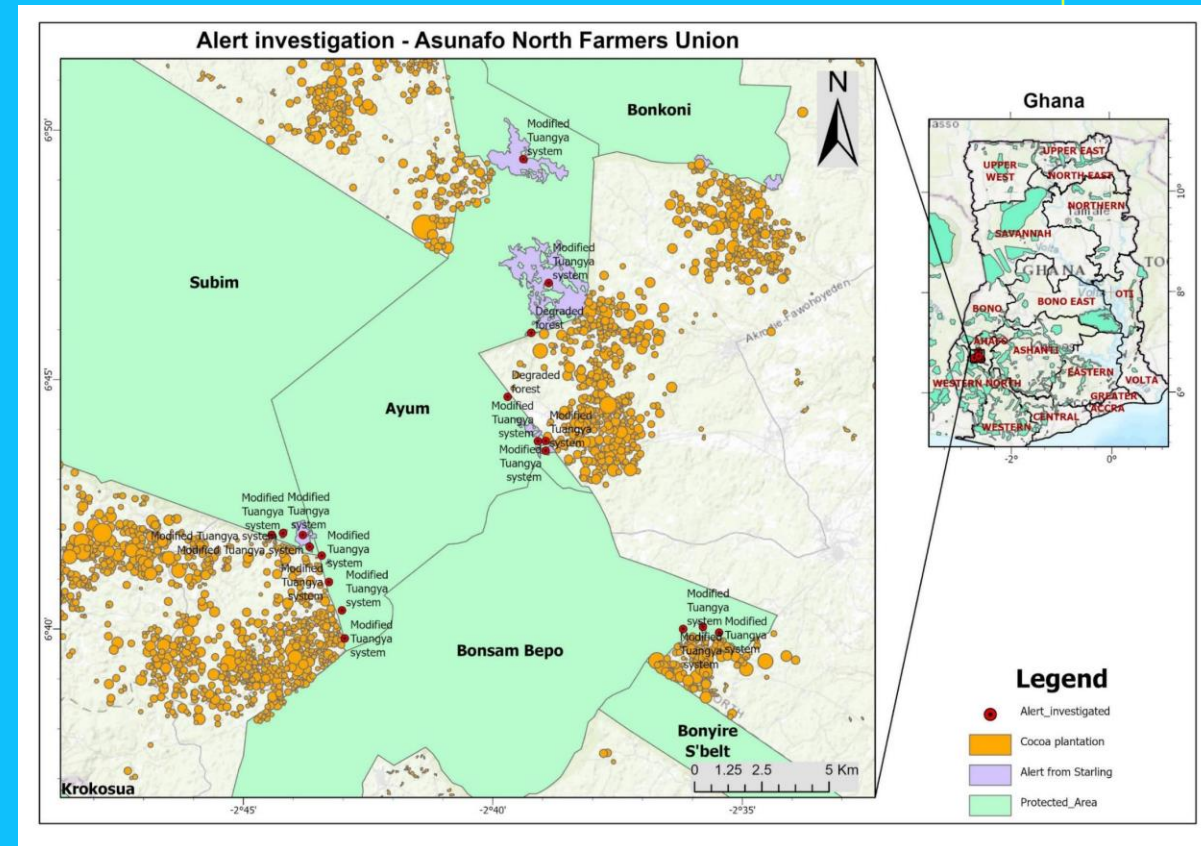
Total land area of farms within 200 m of a protected area

Deforestation monitoring information flow



Can Fairtrade share the data with commercial partners?

1. All geolocation information belong to producers, hence FT cannot share information with commercial partner upstream the supply chain **without the consent of producers and producer organizations (EU GDPR).**
2. For legal reasons, deforestation due diligence data must be provided by supply chain actors, meaning that operators that share data for compliance coming from standards, may have eligibility problems.
3. If data owner agree, geolocation data can be shared downstream the supply chain



2023 traceability trials (coffee) and current status of projects

- 2023: traceability trails conducted with Coffee partners, traders and cooperatives.
- Trials involved reporting of a lot number (which most bags of coffee already have, e.g. via Radio-frequency identification/RFID chips) in **Fairtrace** - an information system/platform in which all certified organizations reports and/or confirm sales on Fairtrade terms - in addition to the usual transaction data
- Trial objective: to map supply chains by tracking batches. It was possible to find identical lot numbers reported in different transactions; combining this information with date & volume information allowed supply chain mapping in coffee → **strict first mile traceability FT – non FT coffee**
- Fairtrade is currently working on **services based on traceability data.**
Prerequisites: **operators report the data that enables chain mapping in FairTrace** (ICO bag marks, other lot IDs...), **producer organisations agree to disclose data.**



EUDR-compliance: Does this safeguard the sourcing base against impact of climate change?

Supporting our partners beyond compliance

Listen to the science!

“...the interactive combination of agriculture and climate change is associated with large reductions in insect pollinators. As a result, it is expected that the tropics will experience the greatest risk to crop production from pollinator losses....”

Source: [Key tropical crops at risk from pollinator loss due to climate change and land use | Science Advances](#)

Study: Coffee Industry at High Risk Due to Climate Change, Land Use and Pollinator Loss



Nick Brown | October 17, 2023

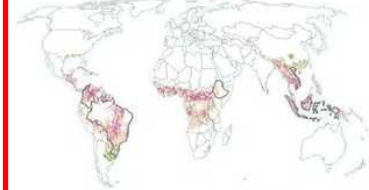


A new study suggests that the loss of pollinators due to climate change and tropical deforestation will have a pronounced effect in the global coffee industry, further threatening the livelihoods of farmers while affecting global trade.

[Study: Coffee Industry at High Risk Due to Climate Change, Land Use and Pollinator Loss](#)

The best areas for coffee growing are expected to shift out of the tropics.

Top five country for coffee production in 2020



Change in suitability for growing coffee between 2000 and 2050

- Increased suitability
- No change
- Decreased suitability

A new model predicts an overall **decrease** by 2050 in total land area that is suitable for growing coffee. Some countries, mainly outside the tropics, could see an **increase** in suitability and new opportunities to profit from the plant.

[What climate change means for the future of coffee and other popular foods | National Geographic](#)



Coffee may become more scarce and expensive thanks to climate change – new research

Published: January 27, 2022 2:27pm CET

Colombia's coffee region: the country could lose two thirds of its best coffee-growing land. Javier Crespo / shutterstock

The world could lose half of its best coffee-growing land under a moderate climate change scenario. Brazil, which is the currently world's largest coffee producer, will see its most suitable coffee-growing land decline by 79%.

Author



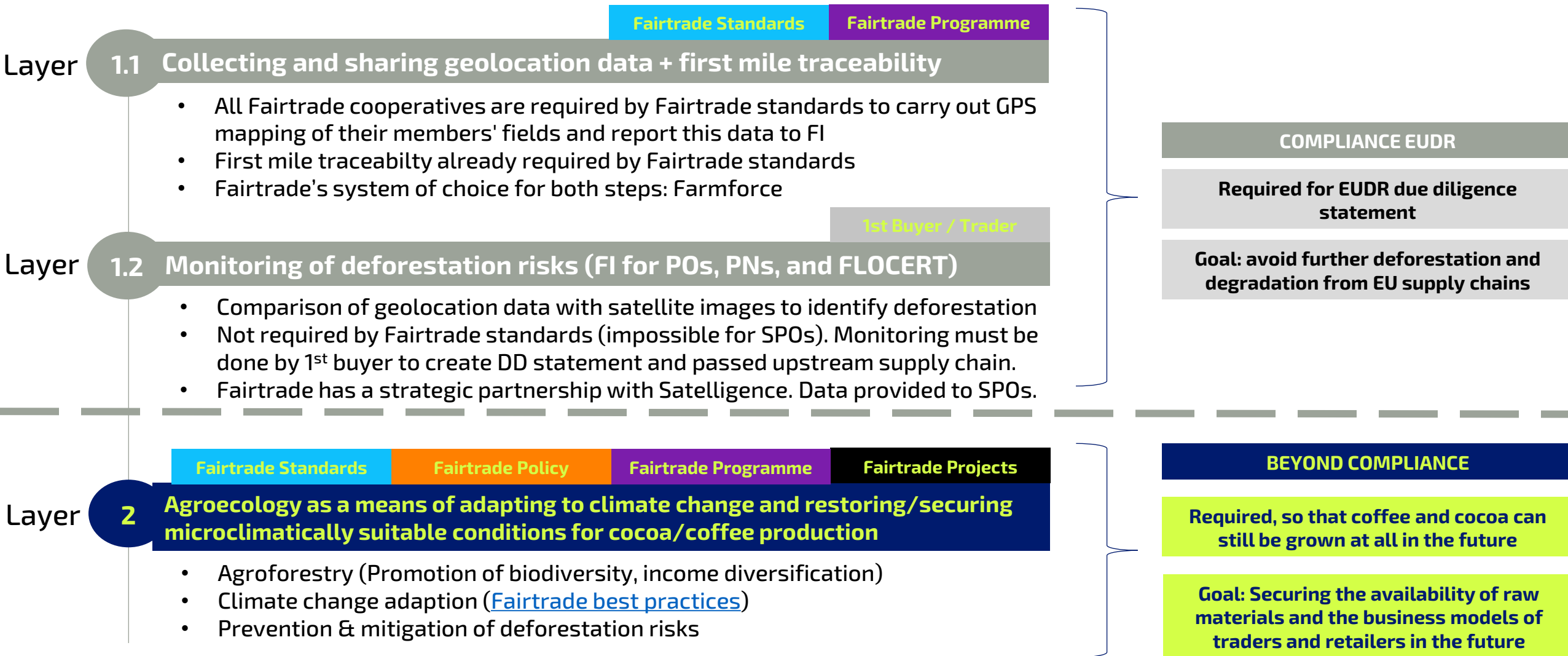
Denis J Murphy
Professor of Biotechnology, Head of Genomics & Computational Biology Research, University of South Wales

... and to Fairtrade

- [FAIRTRADE AND CLIMATE CHANGE](#)
- [Factsheet Climate Change and Fairtrade Coffee](#)
- [Factsheet Climate Change and Fairtrade Cocoa](#)

The major take-home message from the new study is that *predicted climatic changes are likely to result in significant declines in the amount of land suitable for growing these crops in some of the main regions where they are currently cultivated*. In turn this could impact both growers and consumers around the world. ([Source](#))

Compliance with EUDR ≠ Securing future supply chains against climate change & biodiversity loss!



Learning from experience

Fairtrade best practices climate change adaption

- ▶ Agroecological coffee cultivation
- ▶ Agroforestry
- ▶ Biodiversity

EUDR Explanatory Memorandum: „*The Commission will therefore continue to work in partnership with producer countries, offering new types of support and incentives with regard to ... **climate-resilient agriculture, sustainable intensification and diversification, agro-ecology and agroforestry.***”



Link: [FAIRTRADE CLIMATE CHANGE PROJECTS – Learning from Experience](#)



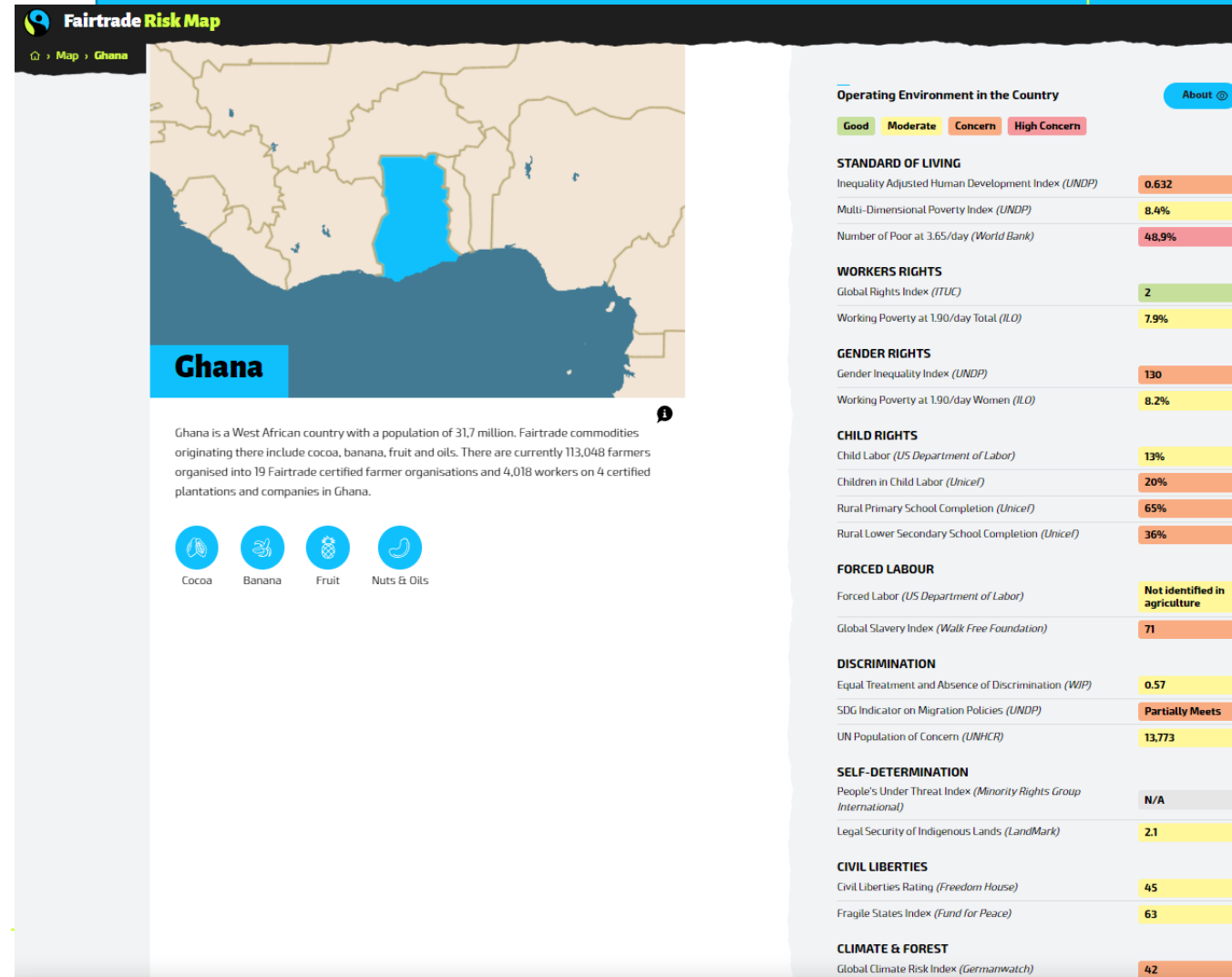
FAIRTRADE
DEUTSCHLAND

Fairtrade tools & resources

Supporting our partners in their due diligence

Fairtrade Risk Map

- ▶ In order to support our licence partners in their risk analysis, Fairtrade has developed a risk map for Fairtrade products and countries of origin
- ▶ The data are compiled from publicly available sources and indexes as well as qualitative research as background papers
- ▶ What makes it special is that the Fairtrade Risk Map has been verified in consultation with our producers, i.e. unlike other risk maps, the perspective of the rights holders has been directly taken into account
- ▶ In addition to the country and product information, Fairtrade's approaches to the most important HREDD topics are also summarized and made available in "issue papers".





Cote d'Ivoire

Population: **27M**

Fairtrade Status: **Producer**

Fairtrade Commodities: **Honey, Banana, Coffee, Cocoa, Fruit, Nuts & Oils**

Projects: **14**

Studies: **9**

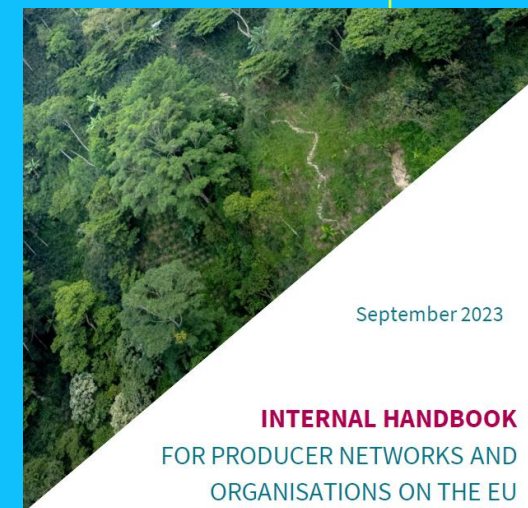
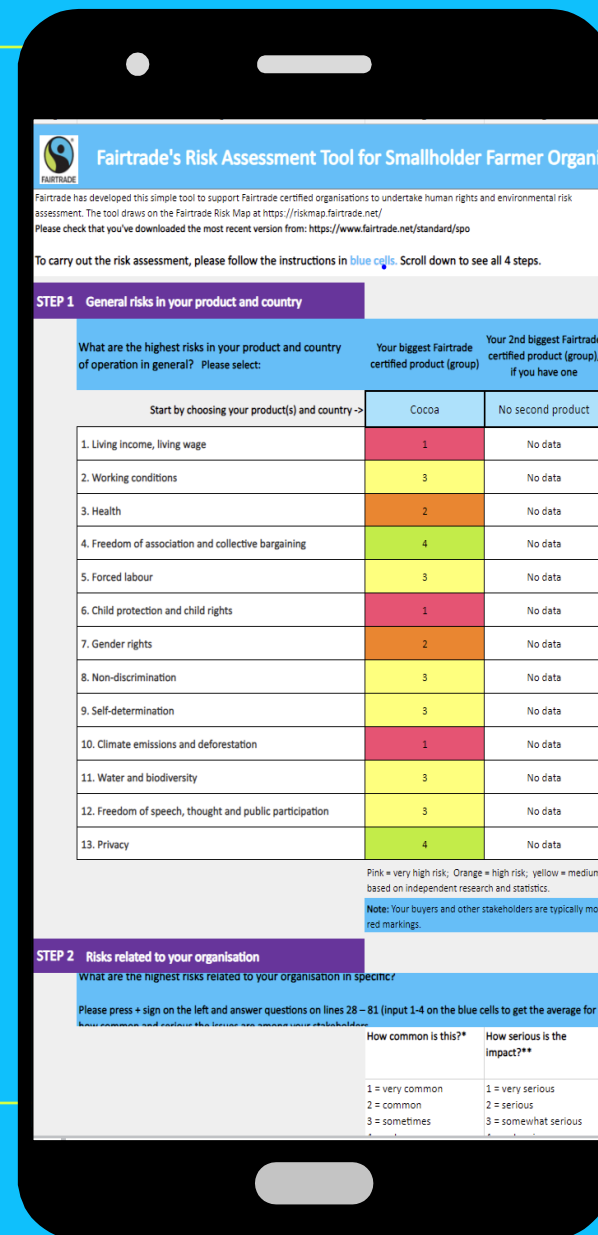
VIEW →

Fairtrade Impact Map – an interactive overview of Fairtrade project and programmes with social, environmental and economic dimension.



Risk Assessment Tools for producers

- ▶ [Simple Tools](#) for local risk analysis
- ▶ Empowerment and simplification for producers
- ▶ Built and consulted with production networks and producers



September 2023

INTERNAL HANDBOOK
FOR PRODUCER NETWORKS AND
ORGANISATIONS ON THE EU
DEFORESTATION REGULATION

Fair
Trade
ADVOCACY OFFICE

Co-funded by
the European Union

This publication was co-funded by the European Union. Its contents are the sole responsibility of and do not necessarily reflect the views of the European Union

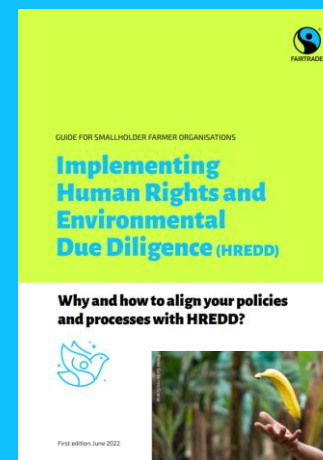
Producer Networks

- ▶ Our producer networks (PNs) support producers in implementing the Fairtrade standard criteria, training courses and tailor-made development programmes around the key topics identified together with the producer groups.
- ▶ In this way, they **contribute to the implementation of human rights due diligence** in supply chains in **direct interaction with the rights holders**.
- ▶ **PNs can also act as a bridge to producers** if Fairtrade partners want to implement HREDD projects such as HRIAs or living wages / income directly with rights holders to support the partner's human rights due diligence obligations.



Guidelines for the entire supply chain

- ▶ Empowerment of all parts of the Fairtrade supply chain
- ▶ Coherent guidance along the supply chain & Fairtrade Standards
- ▶ Concrete guidance (templates e.g. for policy statements)
- ▶ Developed and implemented with stakeholders



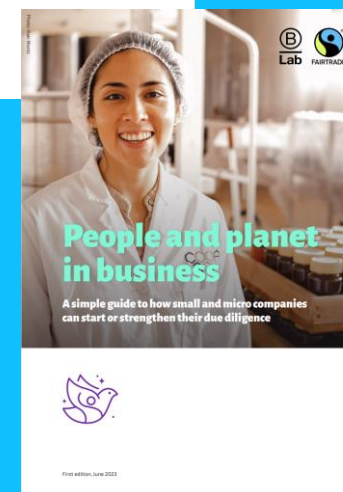
Support for cooperatives



Support for traders



Support for wage-earner contexts



Support for small companies





FAIRTRADE
DEUTSCHLAND

Protecting forests with Fairtrade



**Protecting forests
with Fairtrade and
EU regulation**



**Protecting forests
with Fairtrade cocoa**



**Protecting forests
with Fairtrade coffee**



Disclaimer



As clearly stated in the UNGPs and the OECD Guidelines on Due Diligence in Responsible Business Conduct, the **responsibility for establishing and executing the due diligence processes always lies with the company**. Even if companies are looking for an external partner for some due diligence steps or are part of a voluntary sustainability standard (VSS), **companies remain responsible for selecting a suitable and competent partner and integrating the results into their due diligence processes**. The partner, for its part, is responsible for completing the agreed task and communicating accurately and transparently the scope and impact of its work.*

The concrete contribution that Fairtrade can make to HREDD legislation **depends very much on how the laws are designed and implemented**. To this end, Fairtrade is in dialogue with the authority responsible for implementation (BAFA, Federal Office of Economics and Export Control and the BMEL, Federal Office of Food and Agriculture). It is not yet possible to predict with certainty what exactly will be required in the future and to what extent Fairtrade standards and programs (or sustainability standards in general) will be recognized as supporting measures to fulfill corporate due diligence.





Thank you

MARTIN SCHÜLLER

Consultant Development Cooperation, Climate & Environment

m.schueller@fairtrade-deutschland.de

+49 221 / 94 20 40 23

CHRISTIAN HEGGEN

Senior Key Account Manager Retail

c.heggen@fairtrade-deutschland.de

+49 221 / 94 20 40 103



FAIRTRADE
DEUTSCHLAND

Mass Balance & EUDR

Supporting our partners in their due diligence

What about Mass Balance?

- ▶ The EU repeatedly stressed that **mass balance in the sense of "deforestation free product with deforestation-free product" is permitted**, but also that traceability is expected. E.g., this means that for products with cocoa from mass balance, all data sets of all potentially involved cultivation areas must be reported to the EU. (Reference: [FAQ - Deforestation Regulation_1.pdf \(europa.eu\)](#))
- ▶ Since the cocoa sector is structurally dominated by mass balance cocoa, we do not expect "the end of mass balance" in the foreseeable future. However, the **market demand for "segregated and identity preserved supply chains" will likely increase** if the traceability of mass balance cocoa proves to be impracticable.
- ▶ Amendments to the EUDR relating to mass balance could possibly be included in the first revision of the regulation. The revision is planned one year after the regulation comes into force.

EUDR Understanding of Mass Balance

EUDR FAQ 22. June 2023, 22. December 2023, January 2024:

- **Mixing of deforestation-free with unknown origin or non-deforestation-free commodities**
- Such mass balance chains of custody are not allowed under the Regulation, because they do not guarantee that the commodities placed on the Union market or exported from it are deforestation-free.
- This requires segregation of deforestation-free commodities and such from unknown origin or from non-deforestation-free commodities at every step of the supply chain.
- However, fully identity preservation is not needed. I.e. mass balance between commodities of different origins is allowed, if all are proven deforestation-free.

Fairtrade Understanding of Mass Balance

- **Mixing of Fairtrade-certified with non-Fairtrade certified cocoa/orange juice/tea/sugar**
- Such Fairtrade/non-Fairtrade mass balance chains of custody are allowed under the Regulation, if all origins are deforestation-free.
- This requires segregation of deforestation-free commodities and such from unknown origin or from non-deforestation-free commodities as well as Fairtrade-from and non-Fairtrade **cocoa/orange juice/tea/sugar until the point of mixing.**

Ongoing work related to progressing traceability in Fairtrade cocoa supply chains

- Fairtrade has strengthened its cocoa standard in response to this by including new requirements for geodata/deforestation (satellite) monitoring, product tracing and digital management systems
- It is anticipated that some operators will wish to minimize their risk and potentially reduce their use of mass balance supply chains, in favour of segregated/identify preserved product
- Fairtrade is working on different market offerings by piloting segregated/identify preserved reporting solutions, similar to the recently completed coffee traceability pilots within the “**FairMarket**” project

Currently four pathways exist or are discussed

- a. **Segregated cocoa** customers or those customers who have expressed an interest in sourcing segregated cocoa - FTDE: voluntarily, some products
- b. **Identity preserved cocoa** customers, or those customers that have expressed an interest in sourcing identity preserved cocoa - FTDE: several products where LIRP is being paid, most organic FT Chocolate
- c. **“Mass balance plus” cocoa** customers, or those customers that have expressed an interest in mass balance plus cocoa (mass balance with volume commitments) - FTDE: not yet, discussions with customers
- d. **“Fair Market”/FAIRTRADE TRACEABILITY TRIALS** cocoa pilots – FTDE: not yet, discussions with customers

2023 traceability trials (coffee) and current status of projects

- 2023: traceability trails conducted with Coffee partners, traders and cooperatives.
- Trials involved reporting of a lot number (which most bags of coffee already have, e.g. via Radio-frequency identification/RFID chips) in **Fairtrace** - an information system/platform in which all certified organizations reports and/or confirm sales on Fairtrade terms - in addition to the usual transaction data
- Trial objective: to map supply chains by tracking batches. It was possible to find identical lot numbers reported in different transactions; combining this information with date & volume information allowed supply chain mapping in coffee → **strict traceability FT – non FT coffee**
- Fairtrade is currently working on possible **services based on traceability data**. Prerequisites: **operators report the data that enables chain mapping in Fairtrace** (ICO bag marks, other lot IDs...), Producer Organisations agree to disclose data.

Next step: Launch a traceability trial with a Cocoa supply chain

- To strengthen the lessons learned from the interviews and the Fairtrace data analysis, FT wants to test solutions with actual reporting in Fairtrace
- Need to identify a partner, traders and producer organizations willing to participate in the trial.
- The aim of this testing is to generate learnings, that can then be translated into
 - 1) technical adjustments (*= make Fairtrace more adequate for cocoa supply chain mapping*) and
 - 2) business requirements (*what is the most valuable for the involved participants*).