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**Communication from the European Coffee
Federation on the EU Deforestation
regulation proposal**

Background

The attached communication has been received from the European Coffee Federation on the new Directive of the European Union related to deforestation that may have an impact on coffee supply and trade.

Action

The PSCB is requested to note this communication.

ECF Reactive Statement on the European Commission Proposal for a Regulation to Minimise the Risk of Deforestation and Forest Degradation Associated with Products Placed on the EU Market

(January 2022)

The European Coffee Federation and its members welcome the publication of the new European Commission proposal for a regulation on commodities and products associated with deforestation and forest degradation. Over the past years, the coffee sector has been involved in numerous private projects, verification schemes and initiatives to improve sustainability, fairness and transparency along the coffee supply chain¹. The European Coffee Federation and its members are committed to driving long-term sustainability in the coffee sector and share the objectives of the European Commission of protecting and restoring the world's forests. We believe that sustainability is a shared responsibility, and that therefore the EU regulation should be attentive towards the interests and wellbeing of the entire coffee supply chain – from the smallholder farmers to the EU consumers – to be effective and guarantee market competitiveness.

1. Due diligence obligations

The ECF and its members are calling for the Regulation due diligence requirements to be in line with the requirements of the Sustainable Corporate Governance initiative and the Corporate Sustainability Reporting Directive to ensure a harmonised EU legislative framework and a level-playing field. Any additional duties and responsibilities for companies operating on the EU market should be based on a principle of appropriateness and proportionality allowing companies to integrate a risk-based approach to identify, address and report on risks of deforestation and forest degradation into their existing structures, based on their size, capacity and the scope of their business activities.

2. Traceability and risk of exclusion of smallholder farmers

The ECF and its members are committed to increasing transparency and traceability along the coffee supply chain, while encouraging the Regulation to take into consideration the specificities of the different targeted commodities. Grown in the area located between the Tropics of Cancer and Capricorn, coffee is cultivated on 12.5 million farms that are producing 70-80% of the world's coffee in an average size plantation of 4 hectares. Almost 95% of plantations are smaller than 5 hectares, and 84% of all coffee farms are smaller than 2 hectares. Moreover, one quarter of these farms are in fact managed by women, providing up to 70% of the labour in coffee production. It is estimated that only 27% of coffee is produced by large coffee estates. Considering the role of smallholder farmers in the coffee supply chain, their wellbeing is a paramount concern to the coffee sector as a whole and should remain a priority in the new Regulation's implementation.

¹ An overview of the coffee sustainability landscape is available at <https://www.ecf-coffee.org/category/sustainability/>

In addition, in many coffee producing countries – such as Vietnam from where 22% of the European imports come from – small plantations have no divisionary barriers. Those characteristics inherent to the coffee supply chain, as well as the large number of intermediaries playing a role between the smallholder farmer and the local exporter, including processing mills where coffee from different plantations is mixed and graded according to size and quality, make traceability at plot level an immediate challenge for the sector as geolocalisation and contact details information might not be available for small plantations. In order not to exclude smallholder farmers from the coffee supply chain, resulting in a worsening of their living conditions, we call on the Regulation to consider a more realistic approach, with efficient and inclusive traceability and monitoring system, implemented and managed on the ground, covering areas rather than individual plots and complementary to satellite imaging.

3. Benchmarking

The new benchmarking system under which countries will be assessed as presenting a high, medium or low risk status has not been clearly defined yet and should take into consideration the peculiarities of the different commodities and the recent developments of agricultural techniques. For this reason, we would like to stress the need for assessment of each targeted commodity within each origin country to ensure fair treatment and recognition of differences between the sectors. Any inaccurate risk assessment, such as non-differentiation of commodities or misinterpretation between densely shaded coffee farms and forested areas, would lead to undesired outcomes as well as potential crippling effects on smallholder farmers who would ultimately be bearing the costs and lose their livelihoods. We do encourage the Regulation to ensure for the benchmarking system not to encourage smallholder farmers to shift their production to other non-targeted commodities nor companies to source the targeted commodities only from low-risk areas. This would reduce the availability of coffee imports into the EU, which in turn would affect consumers' preferences. In other words, the Regulation should ensure that there is no diversion to other markets or commodities by avoiding that targeted supply chains adjust to risk-avoidance and lose interest in upholding high sustainability market demands. The Regulation should look beyond country-level benchmarking to rather look at the landscape, sub-national or ecosystem levels depending on the geography and the commodity.

4. Partnership

A partnership approach based on robust cooperation and continued dialogue with producing countries – including at the International Coffee Organization level, the European Union being an Importing Member Country – and relevant stakeholders is key to ensure deforestation-free supply chains, as well as to develop a holistic policy framework that keeps farmers at the centre of all stakeholders' interests. Financial and technical support will be crucial for implementing and incentivising more sustainable farming practices. This is especially the case for smallholder farmers facing poverty, for whom the provision of training, technical assistance and capital represents a way to build capacity and improve their livelihoods. The EU regulation should therefore provide for appropriate and efficient collaboration with coffee producing countries through direct dialogue and

time-bound framework agreements covering the provision of technical and capacity-building assistance from the EU in implementing these deliverables. Those framework agreements should also include actions and incentives to improve standards of governance and law enforcement in the producing countries, the development of national traceability systems and the recognition and respect for the customary tenure rights of Indigenous Peoples and Local Communities. Such provisions would help mitigate trade disruption and minimise the risk for smallholder farmers to face worsening of living conditions or financial burden when transitioning to more sustainable practices.

For this purpose, we believe that a step-by-step implementation process that envisages an appropriate transition period and clear methodology and guidelines would give companies sufficient time to establish or strengthen their due diligence processes and minimise any potential negative impacts on partner countries. We strongly encourage the EU to consider all the above-mentioned aspects before implementing any restrictive measure and reiterate our commitment to be a proactive part of this process and to reduce EU-driven deforestation and promote more sustainable business practices.

The European Coffee Federation (ECF) is the representative organisation for the European coffee trade and industry, speaking for over 700 companies ranging from SMEs to internationally operating companies, representing approximately 35% of the world coffee trade volume. ECF offers its members a forum for exchange, identifying industry-wide issues of common interest in the areas of food safety, sustainability and international trade.