

# EU Deforestation Regulation info session at DISCO

November 2023



**idh**  
transforming markets



**DISCO**  
DUTCH INITIATIVE ON  
SUSTAINABLE COCOA



# Why are we here today?

Our main objective today is to bring together key stakeholders of the (Dutch) cocoa sector to share the latest information on the implementation of the EUDR.

If possible, we will identify follow-ups for broader and deeper exchanges and collaboration.



# How can we focus without losing sight of the bigger picture?

Today we look at *implementation* of the EUDR

We have limited time – only two hours – therefore:

- We will propose a separate session to dive into the questions around achieving the desired impact and avoiding undesired effects of the EUDR
- We will collect detailed (technical) questions to share back, where possible with answers, in the report out of today's session





# Agenda

Opening

Presentation by Dutch  
authorities

Julius Seinen of LNV

Jessica van Zetten of NVWA

*Exchange*

Ongoing developments in  
the sector

Susanne Folkerts (Ofi) bringing a  
perspective from NL cocoa  
industry

Michael Ekow Amoah with a  
recorded contribution from  
COCOBOD Ghana

*Exchange*

Zoom out

Gert van der Bijl of Solidaridad,  
CSO rep in DISCO

Closing







# Presentation by Dutch authorities

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**Julius Seinen (LNV)**  
**& Jessica van Zetten**  
**(NVWA)**

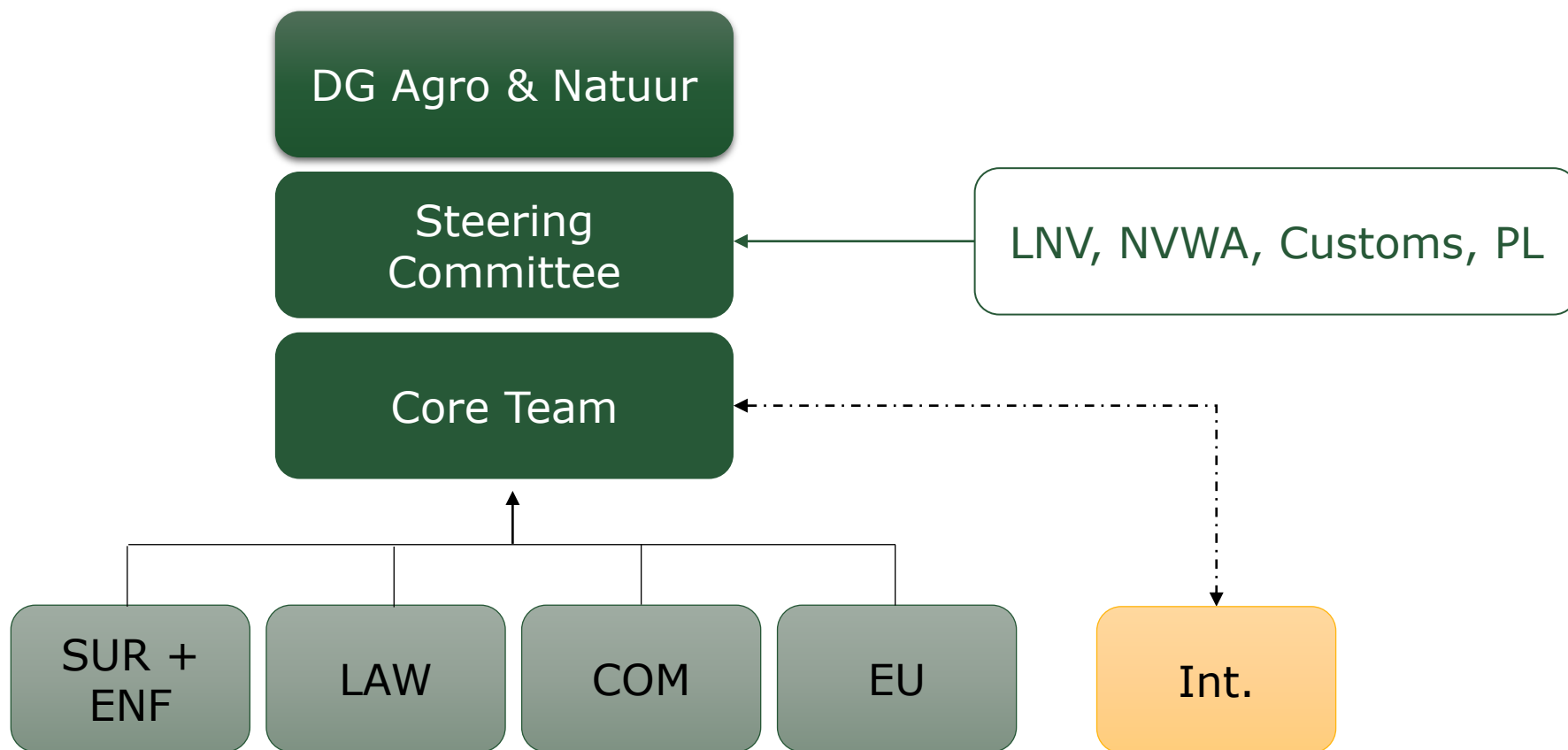


# Outline

1. Project
2. Work in progress
3. Goal
4. NVWA



## 2. Project structure





## 2. Work in process

- Changing national **laws**
- Preparation of/by **enforcement** agencies (a.o. CA, inspectors)
- **Communication** of requirements (web, stakeholder meetings)
- **EU** (harmonised requirements, third countries)
- **International** (support/involvement thirds countries)





### 3. Goal of implementation

"The goal is to complete the implementation of the EUDR in the Netherlands **by December 29, 2024.**

Completion means that the **Dutch government** has met its obligations as of that date and is able to implement the regulation.

Completion also means that - to the extent this is possible within the competence of the Member State - the business sectors have been sufficiently informed as of that date about which obligations they must meet and how."



Ministerie van Landbouw,  
Natuur en Voedselkwaliteit

# EUDR - What to expect?

Lessons from the EUTR



# Topics

- > EUTR / EUDR
- > What is the NVWA and what will the NVWA mean for the EUDR?
- > What do companies have to do for the EUDR?





# EUTR / EUDR? (1)

- › EUTR – European Timber Regulation (Nr. 995/2010).
- › Established in 2010 and came into action in 2013.
- › Importers that place timber/timber products on the European market (for the first time) will have to exercise Due Diligence on their imports to confirm the timber doesn't originate from illegal sources.



## EUTR / EUDR? (2)

- › EUDR – European Deforestation Regulation (Nr. 2023/1115 ).
- › Established in 2023 and will come into action at the end of 2024.
- › Importers that place products on the European market will have to execute Due Diligence on their imports, to confirm their products do not derive from illegal sources and not from plots of land that have been deforested after 31<sup>st</sup> of December 2020.
- › Involved products: coffee, cocoa, timber, rubber, cattle and meat, soya, palm



# The Dutch Food and Product Safety Authority (NVWA)





# NVWA (1)

NVWA is an agency of the Ministry of Agriculture, Nature and Food Quality and the Ministry of Public Health, Welfare and Sports

- › Inspections/supervision
- › Risk assessments
- › Communication
- › Audits
- › Competent Authority EUTR
- › Intended Competent Authority for the Deforestation Regulation

Animal welfare, Animal health, Plant health, Product safety, Food safety, Nature and environment, Alcohol and Tobacco



## NVWA (2)

- › Contact center: 24/7 available for (animal) health issues
- › Special criminal investigation (f.e. illegal timber, illegal trade in cigarettes, poor working conditions)
- › Expertise department: knowledge about regulations for different sectors and international policy
- › Inspections department: inspections and (criminal) investigations



# Role of the NVWA - EUDR

- NVWA will become competent authority
  - NVWA will set out to inspect and investigate compliance with EUDR
  - Inspections are “risk-based” (priority for origins where illegality is expected/known, and high risk products with complex supply chains)
  - Under the EUDR there is an inspection obligation for all CA’s;
- 1% of all importers from low risk countries
  - 3% of all importers from standard risk countries
  - 9% of all importers from high risk countries + 9% of all volume imported from those countries





# EUDR Obligations for companies:

- Information about the specific product (name, scientific name)
- Geolocation and traceability
- Harvests, transports, processing into a different product, exporting, taxes
- For importers; risk assessment. What is the risk that the product that I am buying is harvested illegally.
- For importers; what if the risk isn't negligible or low?
  - Risk mitigation; e.g. audits on the ground, certifications, other evidence
- Due diligence system
  - Systematic approach/ Written procedures



# What is a Due Dilligence System (DDS)?

- › Information collected about the relevant products
- › Analysis of collected information/estimation of risk
- › Conclude about risk level based on this information
- › Act based on these conclusions:
  - No trading/ extra mitigation
- › There is no standard 'perfect' DDS, everyone can create their own DDS. Analyses and results will have to be registered. This analysis will have to be performed by the operator
- › Yearly evaluation
- › Yearly publication of DDS system (not for SME's)



# If you identify risk in your supply chain, this should be mitigated. How?

- › a) requesting extra information and documents
- › b) independent audits or research
- › c) other actions that enhance the quality and reliability of the chain of information



# Learning from the EUTR

## Timber as an example



# Timber supply chain– simplified

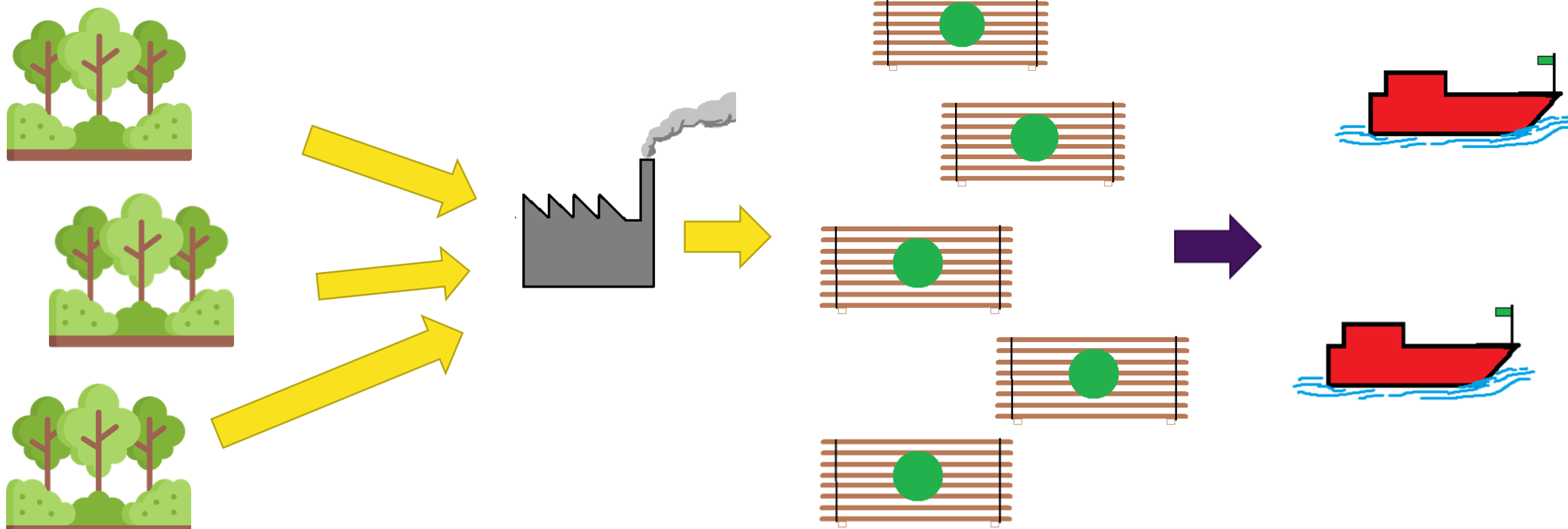


image: Flaticon.com

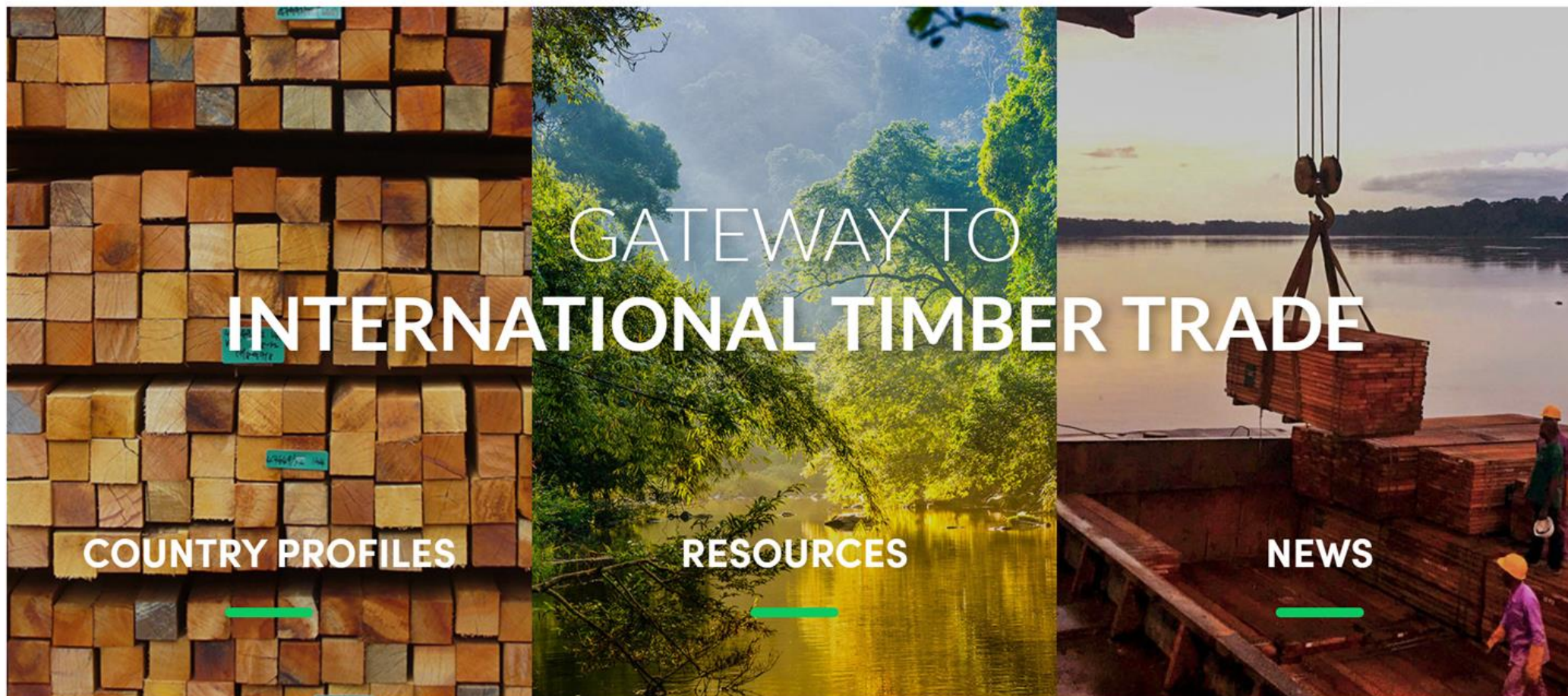




# TIMBERTRADE PORTAL



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# TIMBER TRADE PORTAL

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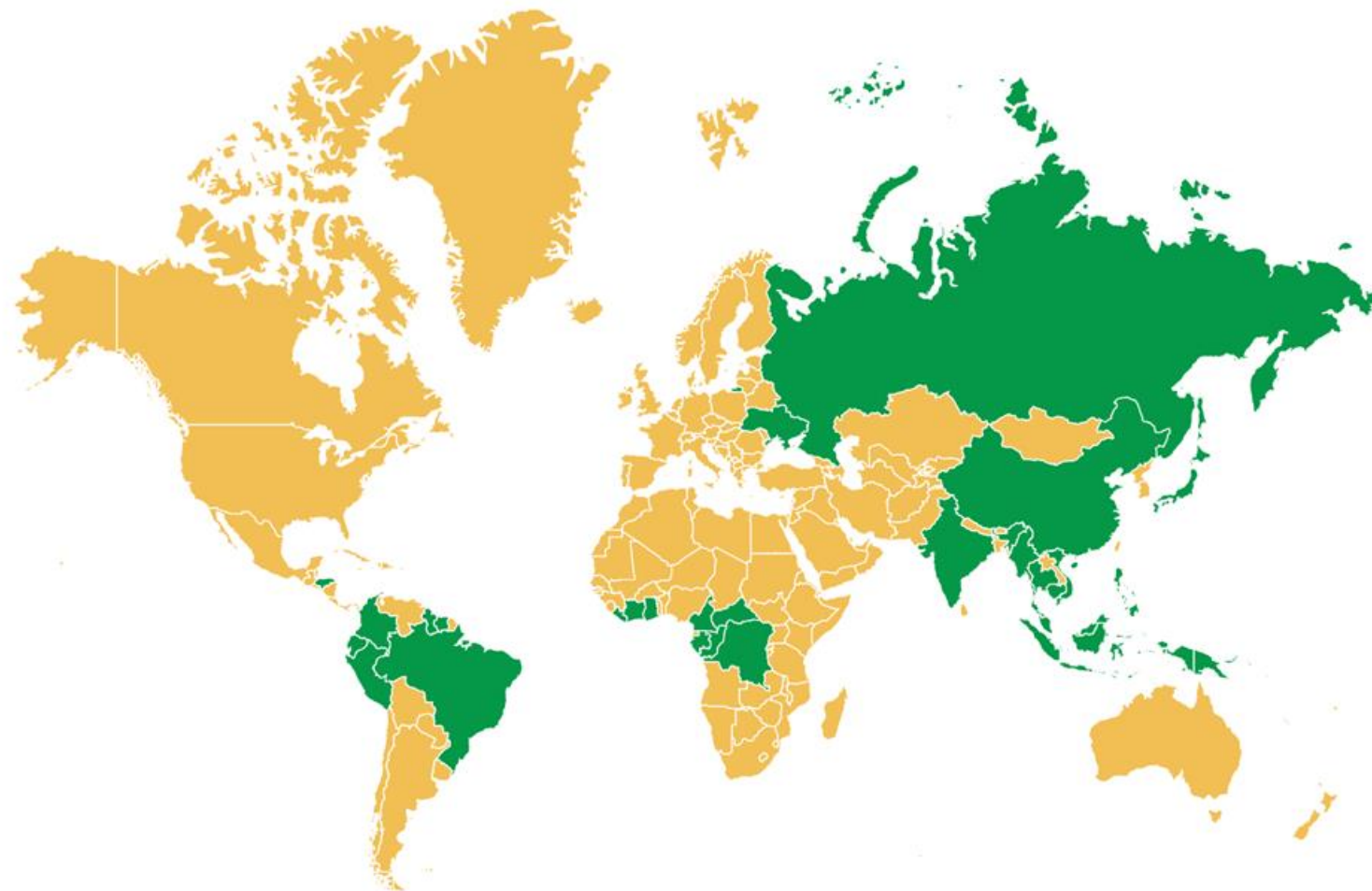
Republic of Côte d'Ivoire

Republic of the Congo

**AMERICAS**



**EASTERN EUROPE & ASIA**





COUNTRY CONTEXT

TIMBER SECTOR

LEGAL FRAMEWORK

KEY DOCUMENTS

OTHER ASPECTS

SOURCES & CONTACTS

## HARVESTING

Key document	Explanation	Legal authority
<b>Order approving to the forestry profession</b>	Legal registration as a forest exploitation company.	MINFOF - Direction of Forests
<b>Provisional logging agreement</b>	Provisional exploitation contract with a maximum validity of 3 years.	MINFOF - Department of Forests
<b>Definitive logging agreement</b>	Exploitation contract for a concession with a validity of 15 years, which may be renewed once. (it is only since 2019 that a few notifications of definitive agreements and attribution decrees have been issued to	MINFOF - Department of Forests



# Preferred by Nature's Sourcing Hub

Identify and mitigate risks in your supply chains from a well-researched global resource

## Country Risk Profiles

## Country Overview

### View Risk Profile

Select a commodity, a country of harvest and a transiting country (optional) to view risk profile. Check the box to view risk profiles at a past date.

Commodity ⓘ \*

Select one ▼

Country of harvest ⓘ \*

Select one ▼

Transit country (optional) ⓘ

Select one ▼

Add another transit country

View Details





# Palm oil

Save your supply chain for quick access to risk data in the future. You will also receive notifications about changes in the risk profile of countries in your supply chain. You will need to create a supply chain for each country of origin that you source from.



## Supply chain title ⓘ

## Country of harvest ⓘ \*

## Transit country (optional) ⓘ

## COUNTRY OVERVIEW

## VERIFY YOUR SUPPLY CHAIN

Download all data excel

15

Risk score ⓘ

### Download files

- [Peninsular - full Palm Oil Legally Risk Assessment EN](#)
- [Sabah - full Palm Oil Legally Risk](#)



# Examples Technologies used in timber industry to enable traceability

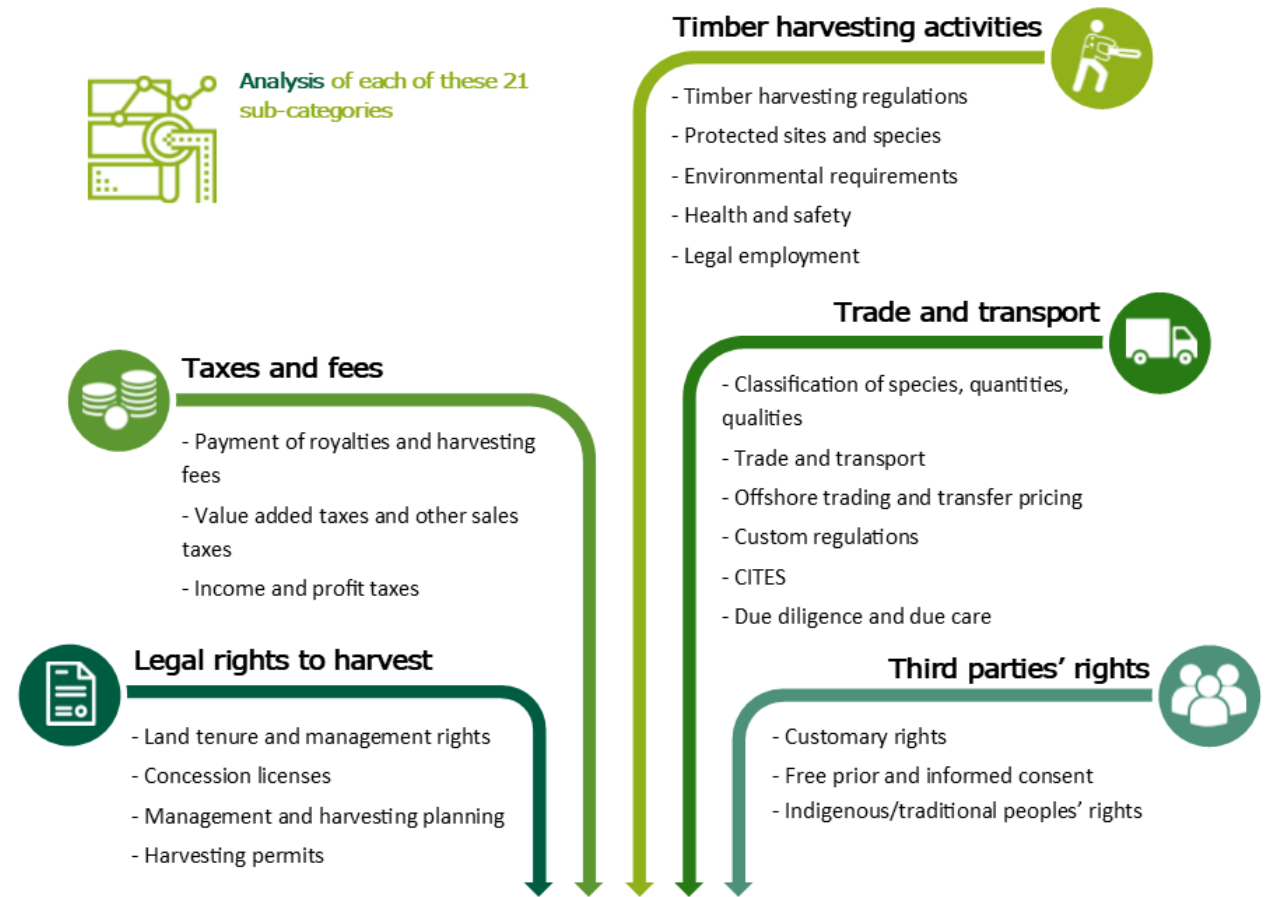


[Forests | Free Full-Text | Systematics of Forestry Technology for Tracing the Timber Supply Chain \(mdpi.com\)](#)



# Examples

## Listing (legality) requirements along the supply chain



The legality framework considers the risk of illegality across

5 categories and 21 sub-categories

Here Preferred by Nature uses the FSC® system as a blueprint for tracing requirements

[Timber risk assessment methodology | Preferred by Nature | global](#)





## Actions that can be taken – on the ground – to comply with EUDR (1)

- › Ensure that land management rights are in place and registered as legally required
- › Protect your land from illegal encroachment by others
- › Respect and uphold the rights of Indigenous Peoples, following the principles of Free, Prior and Informed Consent (FPIC)
- › Comply with legal requirements related to biodiversity conservation, protected sites, and endangered or protected species
- › Pay all required taxes
- › Follow legal requirements on corruption, including bribery and fraud
- › Inform your customers of the geolocations of the plot(s) of land, together with the harvesting or production dates



## Actions that can be taken – on the ground – to comply with EUDR (2)

- › Don't convert forest to agriculture – don't degrade forests
- › Follow legal requirements for land use, management planning etc
- › Respect human rights and make sure you do not contribute to armed conflicts
- › Obey laws for employment, including child labor
- › Communicate with indigenous peoples respectfully and culturally appropriate, respect customary and community rights
- › Respect the law for chemical use
- › Observe legal rules for trade, transport and product classification
- › Make sure your land rights are secure, registered and have clear boundaries
- › Ensure that your land management rights are secure, registered and have clear boundaries



# Certifications – a risk mitigation

- › In timber industry, we often see that (third party) certificates are used as risk mitigation
  - If the supply chain has been checked and certified by a third party, more certainty about the source is provided
- › Systems are only as good as they prove to be; as long as there is no evidence that the system is malfunctioning, it can be trusted.
- › Trust arrives on foot and leaves by horse...



# Overview DD obligation

Legend				
	DDS record keeping and transfer obligation			
	DDS record keeping obligation			
	no DDS implications			
	Continued voluntary DDS to satisfy non-sme downstream			
importer of cacao	end user			
importer of cacao	wholesale	cacao trader sme	large retailer	end user
importer of cacao	wholesale	cacao trader sme	chocolatier sme	end user
importer of cacao	wholesale	large retailer	end user	
importer of cacao	wholesale	chocolate factory sme	chocolate trader sme	end user



# Conclusions

- › The EUTR has shown us that, although the requirements are hard to meet, it can be done
- › All starts with reading carefully and implementing step by step



# Q & A





# Ongoing developments in the sector

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**Susanne Folkerts**  
(Ofi)





## Dutch Cocoa welcomes EUDR



- Progressive legislation to protect the environment
- Aims aligned with existing industry and company initiatives to combat deforestation
- Level playing field for all cocoa companies



## How have we responded so far

### Industry engagement with European and International bodies, such as:

- New taskforce created within the European Cocoa Association, World Cocoa Foundation and the ICE Cocoa Exchange
- International Cocoa Organization assessing the costs to comply with the EUDR



World Cocoa  
Foundation



### Cocoa companies have also taken action:

- Understanding the requirements of regulation
- Risk analysis of cocoa supply chain against the EUDR requirements
- Mapping farms in our direct cocoa supply chain using GPS polygons
- Support the development of national traceability systems





## Addressing the key challenges

- Clarity on the transition period and compliance of cocoa produced **before entry into force**, and **during the transition period**
- Timely clarity on obligations and processes for **uploading data**, including **access to tools**
- **Data Protection**
- **Collaborating** with cocoa-producing countries and aligning with **specific country legislation**
- **Confirmation** on specific **reference baseline maps** being used



# Ongoing developments in the sector

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**Michael Ekow  
Amoah  
(COCOBOD  
Ghana)**









# Zooming-out

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**Gert van der Bijl**  
**(Solidaridad)**

# What will I share with you?

1. EUDR requirements & costs for cocoa
2. Risks & benefits for smallholders
3. Fair pricing and other requirements for positive impact
4. Concerns about traceability and 'legal compliance'
5. Key elements for positive impact: Call to action

# **EUDR & COCOA SMALLHOLDERS**

***OVERALL FOR SMALLHOLDERS, WILL EUDR BE:***

**DETRIMENTAL?**

**BENEFICIAL?**



# Requirements for companies bringing products on the market *under EU Deforestation Regulation*

1. **Geolocation (>4ha polygon) + traceability** for each origin (also low risks regions):  
*Only mixing with products that are guaranteed deforestation free (no Mass Balance)*

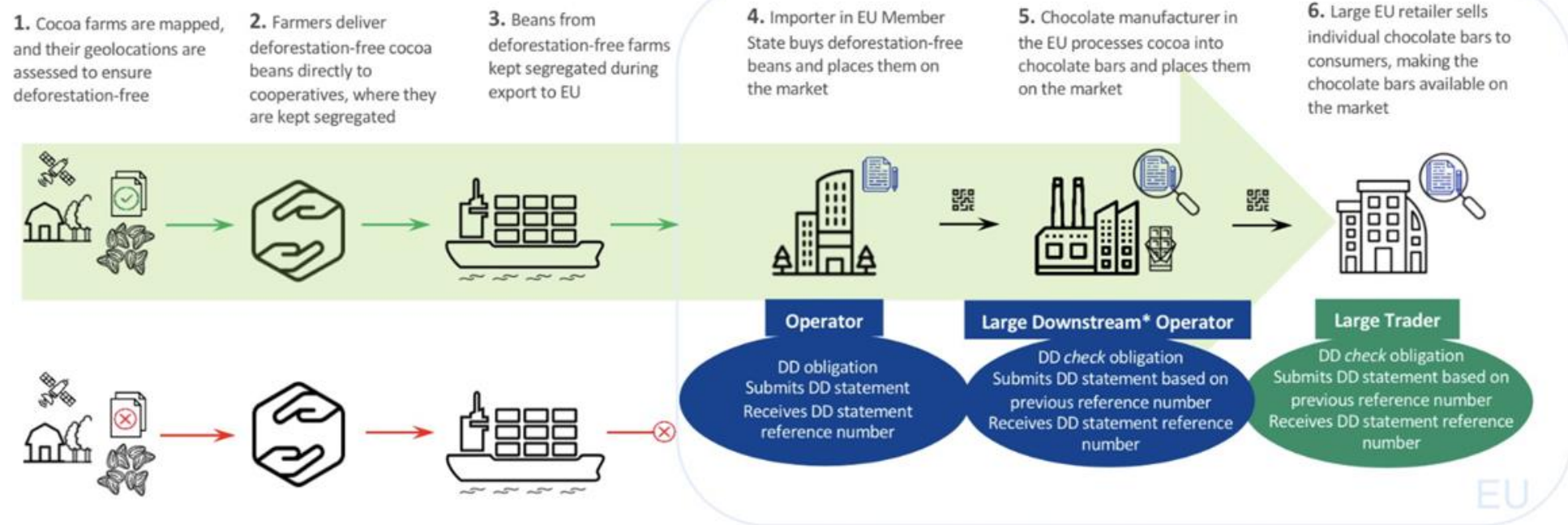
2. Companies need to show through **Due Diligence** that the product is:

1. **Deforestation free:** produced on land not deforested after 31 December 2020
2. **Legal:** produced in accordance with law of production country

*Includes: land use rights, environmental protection, labour rights, human rights, protected under international law, FPIC, tax & anti-corruption regulations*

# REQUIREMENTS ARE FIRST FOR COMPANIES BRINGING PRODUCTS ON THE EUROPEAN MARKET BUT WILL IMPACT ALL....

## EU chocolate brand traceable cocoa supply chain



# **COSTS OF EUDR COMPLIANCE FOR COCOA GH/CdI**

*According to draft study Le Basic for ICCO*

1. Exporters' assurance system (private actor and cooperative): **14 euro/ton** *geolocations, traceability tools, internal control systems etc,*
1. Implement traceability at national level: **21 euro /ton** *national App, Issuance of Card, Maintenance* *producer identification,*
1. Comply with specific national legislation (ARS): **72 euro /ton** *management tools, training farmers, auditors ...*

**Total: 107 EURO per ton (4.4% of FOB price)**



# RISKS OF SMALLHOLDER EXCLUSION

1. smallholders not able to meet requirements and loose access to EU market
1. smallholders to bear large part of costs involved



**PRE-ASSESSMENT STUDY FOR EU DELEGATION THAILAND by Landell Mills**  
***Conclusions on smallholder impact***

*“The concern is that the EUDR will place even more burdens on farmers, specifically that they will have to bear the costs for meeting the EUDR, and that these costs will be prohibitive for some.*”

*The struggles for many smallholders may be increased as companies focus on working with certain smallholders – those with better access to services, and part of supply chains with fewer intermediaries. The worry is that smallholders in remote areas may be excluded, and therefore have reduced income from commodities and may have to rely on forests to supplement their livelihoods.”*

# SOME POTENTIAL BENEFITS OF EUDR FOR SMALLHOLDERS

1. Traceability & digital payments:  
more transparency
2. Improved legal compliance, incl.  
land titles -> Credit
3. More direct purchase & supply  
chain cooperation
4. Data management tools used for  
knowledge transfer

***Stepping stone towards sustainable  
production?***



## **EUDR TEXT RECITAL 50**

***Not translated into requirement in article, but CRUCIAL***

(50)

***When sourcing products, reasonable efforts should be undertaken to ensure that a fair price is paid to producers, in particular smallholders, so as to enable a living income and effectively address poverty as a root cause of deforestation***

# **EUDR art 10.1 on RISK MITIGATION**

## ***operator's requirement in risk mitigation producer***

*Such procedures and measures **may** also include supporting compliance with this Regulation by that operator's suppliers, in particular smallholders, through capacity building and investments.*

# Article 30 on *Cooperation with third countries*

- Within their respective spheres of competence, the Commission and interested Member States shall engage in a **coordinated approach with producer countries**, in particular those classified as high risk in accordance with Article 29 through existing and future partnerships, and other relevant cooperation mechanisms to jointly address the root causes of deforestation and forest degradation.
- The Commission shall develop a comprehensive Union **strategic framework** for such engagement



# TRACEABILITY

- Steps made in **Direct Sourcing**, but 30% of Olam & Barry Callebaut's sourcing is indirect, Sucden and Touton: > 60% indirect , with traceability often a challenge
- National traceability systems developed in Ivory Coast & Ghana, but will they be in time and good enough?

# Proliferation of traceability and data systems

*Interoperability would reduce costs for smallholders & cooperatives*

**SustainIT**



**MERIDIA**



# LEGAL COMPLIANCE CAN BE MAJOR ISSUE

- Solidaridad did an assessment of EUDR consequences for coffee & cocoa in Peru. Main finding: legal compliance (first of all **land titles**) could well be bigger issue than traceability
- In Ivory Coast: 30% of cocoa coming from land designated as nature
- In some countries African Regional Standard can help (if agreed & implemented)

# ***ELEMENTS FOR **POSITIVE IMPACT** ON SMALLHOLDERS: Alignment & Cooperation***

1. Avoid simple focus on cheapest way to comply: Integrate EUDR compliance into **broader Sustainability approach**, including Pricing & Living Income ambitions
2. **Avoid two tier market** (one for EU, one for others)
3. **Precompetitive partnerships** between actors in supply chain: horizontally and vertically to reduce costs, also for smallholders & cooperative
4. Analyse **impact & gaps per origin**, not only Ghana & Ivory Coast, but also smaller origins (like Sierra Leone, Uganda, DRC etc.) as basis for **Action**
5. Focus on **root causes**, first of all : **reducing poverty**



# Closing

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**Renske Aarnoudse**  
**(IDH)**