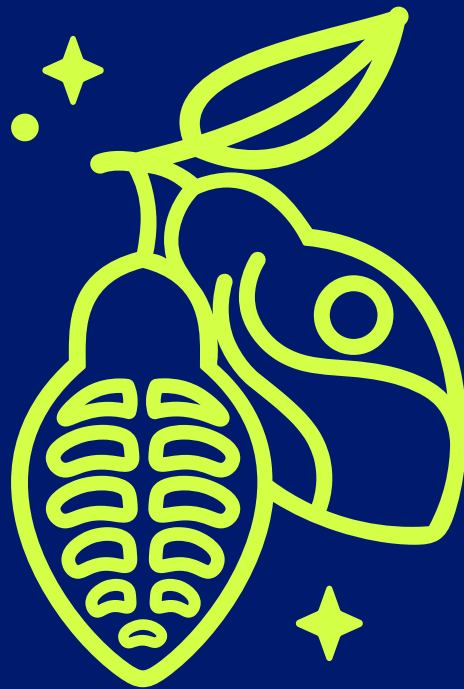




Protecting forests with Fairtrade cocoa





1. Background of the EU Deforestation Regulation and Fairtrade's role

From the end of 2024, new European Union regulation on deforestation will start to phase into operation to make sure that products causing deforestation or forest degradation are not sold in the EU.

The new rules will insist that businesses placing cocoa on the European market, exporting cocoa from Europe, or taking part in other business activities with cocoa undertake a relevant due diligence process. The scope of the regulation is understood to cover importers, exporters, manufacturers, brands and retailers. Small and Medium Enterprises (SMEs) have responsibilities too, but not as detailed as non-SMEs.

Structural poverty is a root cause of deforestation. Due to low prices and low incomes, poverty is widespread among many smallholder farmers in countries producing cocoa.

Degradation of forest and illegal logging is grounded in desperation and exacerbated by poor landscapes governance. A lack of decent living conditions leads people to turn to the forest to fulfil fundamental needs such as food and energy. Smallholders sometimes seek income opportunities by planting cocoa in those already degraded areas, usually resulting in further soil damage and ongoing economic hardship.

Climate change is also gradually worsening the conditions of production for agricultural goods in many of these regions, significantly increasing the associated farming costs. Complying with the new EU regulation will add even more expenses for smallholder farmers and their cooperatives.

Forests must be protected with legislation that incorporates fairness and social justice. Through our Fairtrade Standards and programmatic work with smallholder farmers, their cooperatives and commercial partners, our aim is that Fairtrade cocoa is being produced with respect for the forest boundaries as of 31 December 2018 – meaning grown on land that was not deforested after that cut-off date. It is worth noting that while technology such as satellite imaging continues to improve monitoring, complexities still exist and our certification can't guarantee or warrant that a cocoa product is free of deforestation. We explore this more in section two below.

What we can be certain of is that Fairtrade is committed to working with all stakeholders to address the root causes of deforestation, and expand producers' access to resources for their own deforestation monitoring and prevention.

Forests will only be protected when we work together. Smallholder farmers and commercial partners can strengthen their partnerships so that farmers' access to the European Union is maintained.



The role Fairtrade plays

The Fairtrade Standards complement the EU deforestation law, and promote sharing the burden of meeting regulation more fairly amongst all stakeholders in the supply chain, from farmers to exporters and importers, to manufacturers, to brands and to retailers. Fairtrade programmes contribute to smallholder farmers protecting forests and promoting biodiversity.

As highlighted, poverty and deforestation are linked. The Fairtrade Standards include the Fairtrade Minimum Price, which acts as a vital safety net for smallholder farmers when prices drop. Meanwhile, the Fairtrade Premium is an extra sum of money paid on top of the selling price which the cooperative and its members invest in projects of their choice. Recognising the additional costs of organic production, Fairtrade also has an additional payment for organic cocoa.

However, there can be no sustainable cocoa sector until farmers earn a living income. Smallholder cooperatives work directly with Fairtrade producer networks in Africa, Asia Pacific, Latin America and the Caribbean. These networks support cooperatives to build their businesses, foster sustainable development, increase their independence and promote human rights to achieve a dignified livelihood for smallholders and their communities.

The table on page 8 sets out how Fairtrade complements the EU Deforestation Regulation through our Standards and programmes at each stage of the supply chain, and how fairness is incorporated.





2. How Fairtrade certification complements regulation

The EU Deforestation Regulation states that certification could be used in the risk assessment procedure of importers, exporters, manufacturers, brands and retailers, "in order to recognise good practice." However, a certification should not "substitute the operator's responsibility as regards due diligence."

Certification is an important tool to check that the Fairtrade Standards are met, which include that producer organisations and their members follow laws, including on deforestation. However, certification does not warrant nor guarantee this. The Fairtrade Cocoa Standard has four key interventions that complement the EU regulation and aim to protect forests:

- **Fairtrade cocoa is grown on land with no deforestation after 31 December 2018** – two years earlier than the EU Deforestation Regulation requirement of 31 December 2020.
- **Separation of Fairtrade cocoa from non-Fairtrade cocoa is required** from farm to first buyer with first-mile traceability. This is designed to stop cocoa which is not compliant with Fairtrade Standards – regarding cut-off date or other requirements – from mixing with Fairtrade cocoa.
- **Cooperatives, exporters and importers have farm-level geolocation data.** The EU Deforestation Regulation makes the geolocation data of farms a requirement for market access. Exporters and importers are asked to share these data with cooperatives.

Having access to geolocation data and the tools needed to collect, process and share those data at smallholder and cooperative level, in accordance with local laws, is a critical benefit. It provides the opportunity for smallholders and cooperatives to benefit from its value, as it is now a market access requirement. On the other hand, when others in the supply chain have data access rights and the means to collect, process and share the data, existing unfair global trade structures could be reinforced.

- **Cooperatives assess and monitor deforestation, and have prevention and mitigation plans in place, which others in the supply chain have contributed to.** It is essential that cooperatives be supported in these necessary investments, particularly when it comes to resource-intensive ongoing monitoring and mitigation.



3. Fairtrade programmes supporting producers and forests

We complement our certification services with a range of tailored programmes so that together we can deliver maximum impact for farmers and their families. Programmes are usually funded through a combination of commercial partners, cooperatives and Fairtrade, often with institutional funding. With more resources, more cooperatives could benefit from these initiatives.

Three examples of programmatic support to Fairtrade Cocoa Standard in relation to deforestation are:

- Access to farm geolocation data and the tools for cooperatives to manage these data
- Access to satellite monitoring data of deforestation risks for cooperatives
- Promotion of smallholder farmers as forest protectors

Access to geolocation data

Since 2020, Fairtrade has partnered in Côte d'Ivoire with Farmforce, a business providing digitalised internal management systems. The partnership supports cooperatives and their members to benefit from the power of data-driven decision-making.

Participating cooperatives are trained on the Farmforce system, which can be used to digitalise the traceability of cocoa from farm to cooperative and map cooperative members' farms, along with many more business benefits. The initial hardware, software and training costs have been partly financed by Fairtrade and donor partners for the first year. We plan to extend the partnership to more cooperatives in need of support and we welcome more commercial partnerships to roll out Farmforce, and other tools, to more cooperatives.

In addition to our partnership with Farmforce, we have been implementing a complementary project in Côte d'Ivoire. This involves working with a wider set of cooperatives to collect and analyse quantitative and qualitative information on their membership and operations. This can then be used to make strategic decisions in response to the needs of cooperative members and meet market-related challenges, in particular the monitoring and prevention of deforestation.



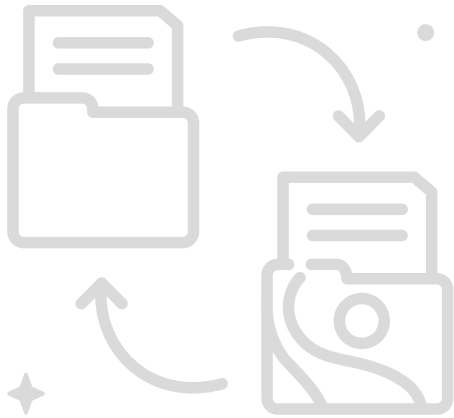
Access to satellite deforestation monitoring data

To better understand the risk of deforestation for cooperatives, Fairtrade worked with Earthworm Foundation in 2022 and created a process for transferring high-quality satellite deforestation risk data to cooperatives for ground truthing (the process of checking certain satellite information, usually in the form of alerts, with on-the-ground reality).

In 2023, 2024 and 2025 we are increasing the number of cooperatives that will receive this information. The data will be used by our assurance provider FLOCERT to assess deforestation risks.

This information is critical for cooperatives' market access as it provides a better understanding of risk and allows for risk management and prevention. Cooperatives choose with whom they share their risk analysis, for instance with trade partners. Over time, governments may intervene in some countries and support smallholders. However, until then, we seek to support cooperatives where possible in this area.

We know there are many more cooperatives in need of access to this critical information, and we welcome the support of commercial partners in scaling this up.





Promotion of smallholder farmers as forest protectors

The narrative of smallholders solely as a risk to forests does not match reality. Our experience is that smallholders and the communities they live in are conscious of the value of forests to them and the wider global community. However, poverty can increase the risks to forests.

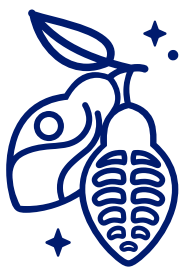
One example of a project that is highlighting farmers' roles as forest protectors is called Sankofa, which means "to return for or retrieve" in the Twi language in Ghana. The project is the result of an alliance between Fairtrade Africa, Swiss chocolate manufacturer Halba, Coop Group, Switzerland, Kuapa Kokoo Farmers Union, International Trade Centre, Fairtrade Max Havelaar Switzerland, World Wide Fund for Nature, Nature & Development Foundation and ECOTOP. The project aims to promote dynamic agroforestry practices with 400 farmers, each farming at least 1 hectare by 2025, and for another 1,000 farmers to start using these practices too. Dynamic agroforestry involves intercropping cocoa with other trees such as mango, avocado, and orange. The project is also scaling up other diversified food systems (which involve integrating other non-tree crops, such as cowpea, taro root and cassava) with a broader base of farmers, aiming for at least 2,500 households. With dynamic agroforestry practices and diversified production systems, the risk of further deforestation can be mitigated and biodiversity in forests can be promoted. This also contributes additional income to farmers and promotes food security.



The project, which is being studied by the Cocoa Research Institute of Ghana, has also incorporated carbon credits, which raises some of the funds needed for seedlings and technical support. Through these carbon credits, the Coop Switzerland intends to contribute 75,000 tonnes of CO₂ emissions reduction to the Ghanaian government's overall goals by 2028.

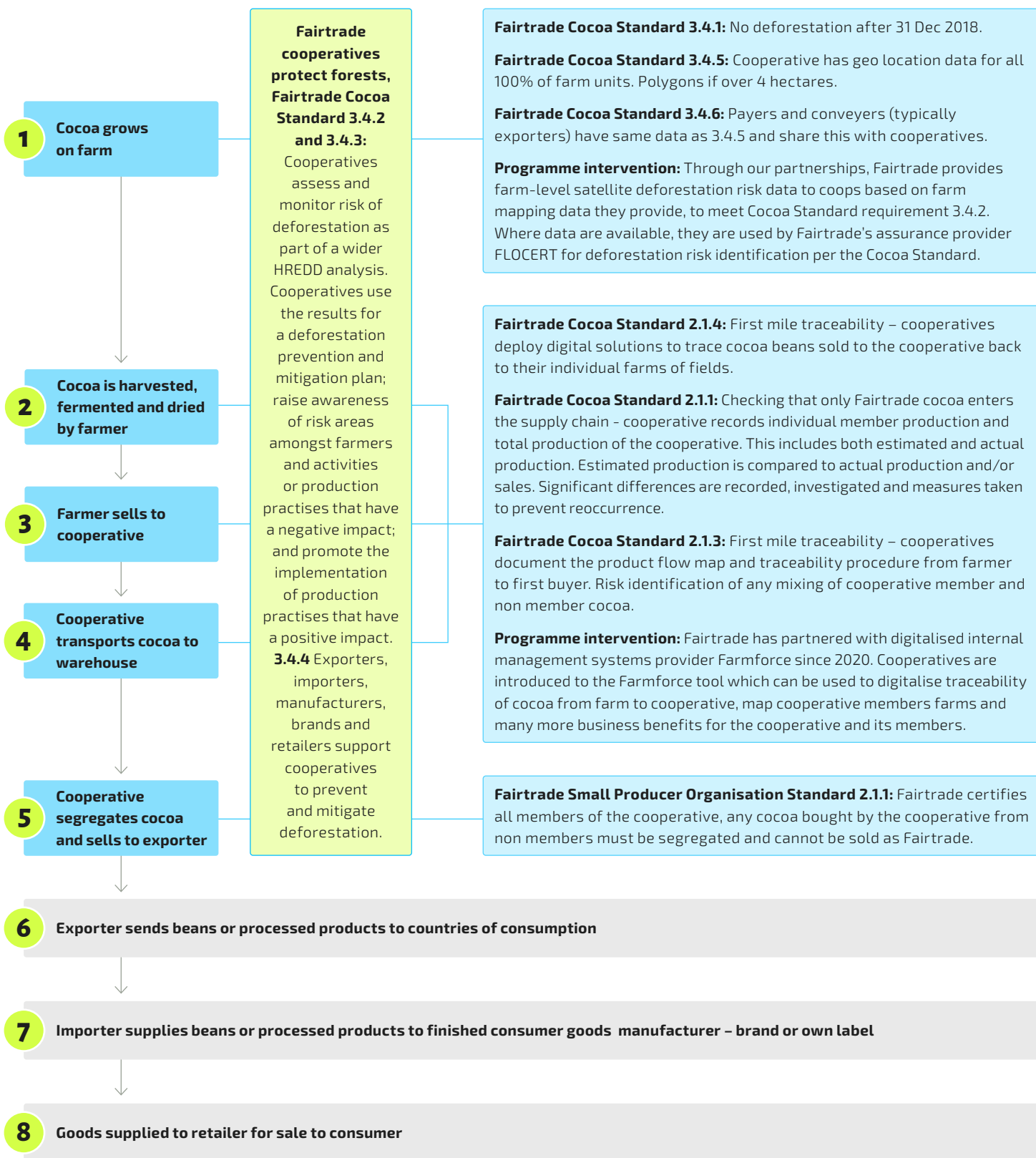
The project expanded in 2023 to strengthen the Human Rights and Environmental Due Diligence process and Child Labour Monitoring and Remediation.

In partnership with Commerce Équitable France through the Équité programme, Fairtrade Africa has also now extended the Sankofa project to four more Ghanaian cooperatives: Offinso Fine Flavour Cooperative, Asunafo North Union, Kukuom and West Akyem Union. The expected result of this work is to increase the knowledge and adoption of dynamic agroforestry and climate-smart practices. Smallholders build their skills in this area, rehabilitating old farms and making the land more productive through diversification rather than needing to expand farmland.



How Fairtrade complements the EU Deforestation Regulation at each stage of the supply chain

Fairtrade Standards and programmes support farmers and producer organisations to produce and trade cocoa that does not rely on deforestation



Fairtrade traceability: Fairtrade offers mass balance or physical segregation options. It is the choice of those in the supply chain. Where mass balance is chosen some supply chain actors work together to link to specific cooperatives even if the product is not physically traceable.

Out of scope of Fairtrade: The regulation states certification should not replace a businesses due diligence obligations in the EU Deforestation Regulation. Certification can only contribute to the risk analysis.



The Fairtrade Standards provide a tool to support the assessment of deforestation risks. Our programmes connect cooperatives and farmers with more resources so they can accelerate progress in preventing deforestation, monitoring land use, and championing forest protection.

There are many more cooperatives where these programmes could be implemented. Fairtrade welcomes the support of commercial partners in making this happen. For more information, contact your local national Fairtrade organisation.

