FAIRTRADE INTERNATIONAL



Protecting forests with Fairtrade coffee





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 coffee on the European market, exporting coffee from Europe, or taking part in other business activities with coffee undertake a full due diligence process in their supply chain. 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.

The coffee industry has historically played a significant role in contributing to forest degradation and illegal logging. Structural problems associated with poverty, such as low prices and low incomes, are at the root cause, exacerbated by poor landscape governance.

Poverty can drive farming communities to turn to the forest to fulfil their fundamental needs, such as food and energy. In a bid to make an income, smallholder farmers sometimes plant coffee in already degraded areas, usually resulting in further soil damage and the cycle of economic hardship continues.

Climate change is also gradually worsening the conditions for producing coffee in many of these regions, significantly increasing the associated farming costs. **Analysis commissioned by Fairtrade** shows how increases in the number of days experiencing extreme temperatures could severely impact the stability of Fairtrade coffee sourcing.

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.

The role Fairtrade plays

Forests must be protected with legislation that incorporates fairness and social justice. Our aim is that Fairtrade coffee is being produced with respect for the forest boundaries as of 1 January 2014. This means coffee grown on land that was not deforested after this cut-off date will be monitored proactively (based on a date of 31 December 2018), and reactively checked back to 2014 if there are allegations or indications related to specific farms. It is worth noting that while technology such as satellite imaging continues to improve monitoring, there are still complexities to take into account, and Fairtrade certification can't guarantee that a coffee product is free of deforestation.



The **Fairtrade Standards** complement the EU deforestation law. They promote sharing the burden of meeting regulation more fairly among all stakeholders in the supply chain, from farmers, exporters and importers to manufacturers, brands, and 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 coffee.

It is important to note that the Fairtrade Minimum Price was reviewed and updated on 1 August 2023. The update reflects adjustments made to align the Minimum Price with current economic conditions, inflation rates and production costs, ensuring that it remains effective and relevant in supporting smallholder farmers. This indicates Fairtrade's responsive approach to changing market dynamics, policy environments and farmers' needs, and reinforces our role in poverty alleviation.

By offering a consistent, fair price for farmers' produce, Fairtrade not only mitigates the immediate financial struggles faced by smallholders but also contributes significantly to breaking the cycle of poverty. This stable income means farmers can invest in their families and communities, and in sustainable agricultural practices. In essence, the updated Fairtrade Minimum Price serves as a cornerstone in Fairtrade's mission to create a more equitable and sustainable global trade system – particularly in the context of combating poverty and interconnected challenges such as deforestation.

However, there can be no sustainable coffee 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 so that smallholder farmers and their communities can achieve a dignified livelihood.

The table on page 5 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 deforestation regulation states that certification can 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 have been met, which includes that producer organisations and their members follow laws, including on deforestation. However, certification does not guarantee this.

The Fairtrade Coffee Standards work in four key areas that complement the EU regulation and aim to protect forests:

- **Fairtrade coffee cultivation adheres to a deforestation cut-off date of 1 January 2014.** This surpasses the EU's requirement by six years, in line with the Global Coffee Platform's equivalent mechanism.
- **Fairtrade enforces stringent separation protocols between Fairtrade and non-Fairtrade coffee at the small producer organisation level up to the first buyer with first-mile traceability.** This measure is crucial, due to the inherent risks associated with mixing Fairtrade and non-Fairtrade coffee. It's important to note that 'mass balance', a method allowing the mixing of Fairtrade and non-Fairtrade products, is not permitted in the coffee industry under the Fairtrade Standards. This is to ensure that coffee not compliant with the Fairtrade Standards – regarding the deforestation cut-off date or other requirements – does not mix with compliant coffee.
- **Cooperatives, exporters and importers have farm-level geolocation data.** The EU deforestation regulation makes the geolocation data of farms a requirement for market access. Fairtrade exporters and importers are asked to share data with cooperatives.

  Having access to geolocation data and the tools needed to collect, process and share this information at smallholder and cooperative level, in accordance with local laws, is critical. 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, this could enforce existing unfair global trade structures.
- **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

Caroline Jepkogei Rono, coffee producer, Kenya.
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We complement our certification services with a range of tailored programmes so that together we can deliver maximum impact for farmers and their families. These go beyond EU due diligence compliance. 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 work supporting the Fairtrade Coffee Standard in relation to deforestation include:

- Producer organisations' access to deforestation monitoring data.
- Education projects about the environmental risks in coffee production, along with their prevention and mitigation.
- Programmes to scale the adoption of agroecology principles, such as agroforestry.

Producer access to monitoring data of deforestation risks for cooperatives

To better understand the risk of deforestation for cooperatives, we're collaborating with technology provider Satelligence to transfer high-quality satellite deforestation risk data to cooperatives for 'ground truthing'. This is the process of checking certain satellite information with the reality at ground level.

Fairtrade has been collecting monitoring data from 31 December 2018, using Satelligence's remote sensing technologies, and will **reactively investigate** any other allegation from 1 January 2014. We've started collecting this information with producer organisations selling to EU markets, and we're gradually expanding that number globally. The data will be used by our assurance provider FLOCERT to identify 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 who they share their risk analysis with, for example, trade partners.

Over time, governments in some countries may intervene in this area to support smallholders. Until then, we'll continue working with cooperatives. We know there are many more in need of access to this critical information, and we welcome the support of commercial partners in scaling this up.

Education about the environmental risks in coffee production

Fairtrade is committed to climate education and the implementation of adaptation plans in coffee production by strengthening smallholder farmers' resilience, but also by fostering a sustainable future for the coffee industry. Through advocacy, education and strategic alliances, Fairtrade will continue to support climate challenges.

One example of this is the *Exchange regional project for advocacy and leadership on climate change*. By establishing leadership schools in Bolivia, Ecuador, El Salvador, Guatemala and Nicaragua, Fairtrade has trained 112 smallholder farmers in comprehensive climate change and mitigation strategies including crop cover, use of organic fertilisers, drip irrigation and agroforestry. A total of 89 percent of participants demonstrated a high level of expertise in leadership topics, and 81 percent exhibited substantial knowledge of climate change and deforestation topics.

In addition, Fairtrade facilitated 23 advocacy actions through country networks, strategically targeting areas in which coffee producers are vulnerable to climate change. Examples include gaps in knowledge on best adaptation practices, and a lack of representation and participation. These efforts were bolstered by the signing of eight vital alliances, amplifying the impact of adaptation and mitigation initiatives. Fairtrade's dedication can also be seen in our distribution of technical information to 3,820 smallholder farmers, providing them with the essential tools to navigate climate challenges effectively, such as climate change adaptation and mitigation strategies. Fairtrade has also provided support to more than 270 coffee producer organisations in designing context-specific climate change adaptation plans.

Programmes to scale the take-up of agroecology principles

Fairtrade's GREAN project in Uganda stands as a shining example of the successful scaling of the adoption of agroecology principles, notably in the coffee industry.

Through targeted training initiatives, more than 17,000 smallholder coffee farmers benefited from knowledge and techniques for implementing agroecological practices, such as soil and water conservation practices, agroforestry and sustainable energy.

Not only did what they learn strengthen their resilience against the impact of climate change, more than 90 percent of farmers practising three or more sustainable agricultural methods reported increased coffee

production. The project also contributed to the prevention of soil fertility depletion and deforestation, and significantly mitigated the challenges associated with declining coffee productivity.

The initiative's impact across the value chain, has also enhancing the participation of producer organisations. The project additionally saw women farmers take a greater role, leading to the launch of Uganda's first-ever women-owned Fairtrade Robusta coffee brand – called Butonde Coffee – in the Ugandan market. The project also facilitated the establishment of climate-friendly stove and coffee husk briquette businesses, offering employment opportunities to women and young people while promoting eco-friendly energy solutions.

By instilling the principles of agroecology, Fairtrade's GREAN project has not only improved the livelihoods of small-scale coffee farmers but also safeguarded the environment, paving the way for a sustainable and resilient coffee industry in Uganda.

Evelio Ricardo Garcia Cordoba – cooperative Centro Café© Fairtrade / Christoph Köstlin



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

1 Coffee grows on farm

2 Farmers harvest coffee and sell to cooperative

3 Coffee is segregated before wet and dry mill processing

4 Cooperative packs Coffee and sells to exporter

Fairtrade cooperatives protect forest, Fairtrade Coffee standard 3.1.1 – 3.1.13: Cooperatives assess and monitor risk of deforestation as part of a wider HREDD analysis (**3.1.3**). Cooperatives use the results for a deforestation prevention and mitigation plan; raise awareness of risk areas amongst farmers and activities or production practises that have a negative impact; and promote the implementation of production practises that have a positive impact (**3.1.4, 3.1.13**). Exporters, importers, manufacturers, brands and retailers support cooperatives to prevent and mitigate deforestation (**3.1.5, 3.1.7**)

Fairtrade Coffee Standard 3.1.1. Protection of forest and ecosystems. No indication of deforestation since 1st January 2014

Fairtrade Coffee Standard 3.1.2. No deforestation on farms. Farmers do not cause deforestation since 31st December 2018.

Fairtrade Coffee Standard 3.1.6. Cooperative has geo location data for all 100% of farm units. Polygons if over 4 hectares.

Fairtrade Coffee Standard 3.1.7. Sharing geolocation data. Payer and conveyors have same data as 3.1.6 and share this with cooperatives.

Programme intervention: Through our partnerships, Fairtrade provides farm-level satellite deforestation risk data to coops based on farm mapping data they provide, to meet Coffee Standard requirement 3.1.3. Where data are available, they are used by Fairtrade's assurance provider FLOCERT for deforestation risk identification per the Coffee Standard.

Fairtrade Coffee Standard 2.1.1. Members' production and sales information. Coops record individual member production and total production of the cooperative. This includes both estimated and actual production. Estimated production is compared to actual production and/or sales. Significant differences are recorded, investigated and measures taken to prevent reoccurrence.

Fairtrade SPO standard 2.1.1. Physical segregation of fairtrade products. Coffee produce under Fairtrade trade is physically segregated from non-Fairtrade Coffee at all stages.

Fairtrade SPO standard 2.1.2. Documenting product flow. Cooperatives document the product flow map and traceability procedure from farmer to first buyer.

5 Exporter sends green coffee to consuming countries

6 Importer supplies green coffee to roasters, brand or own label

7 Coffee supplied to retailer for sale to consumer



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.

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