



EUDR whitepaper:

Comprehensive impact analysis for
cattle, vegetable oils and corn markets



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December 2024

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Overview

By Simon Duke, Managing Editor - EMEA

The European Union Regulation on Deforestation-free Products (Regulation EU 2023/1115), commonly known as the EUDR, is designed to prevent European Union (EU) consumer products from contributing to global deforestation and forest degradation.

Part of the broader European Green Deal, it updates the 2010 timber regulation and was officially adopted in May 2023. EUDR covers commodities such as chocolate, coffee, cocoa, soy, palm oil, cattle, timber, and their derivatives, requiring companies to verify the sourcing of these goods and ensure they were not produced on land deforested after 31 December 2020. Companies must collect data on the geographic origin of these products, and non-compliance may result in fines of up to 4% of their EU turnover. From a Brazilian perspective (one of the main markets impacted by deforestation) the new legislation enacted by the European Union to ban the import of goods linked to deforestation will likely complicate negotiations of a trade deal with South America's Mercosur bloc.

The EUDR was initially expected to come into force for medium and large businesses on 30 December 2024, and for smaller businesses on 30 June 2025. However, in October 2024, in reaction to pressures from industries and governments, the European Commission (EC) proposed a 12-month delay to the EUDR. The delay proposal was approved by the European Parliament and member states in November 2024. Additionally, EU authorities also voted to water EUDR down by proposing a new 'no risk' category of countries with vastly reduced checks. These would principally have been EU member states. However, on December 3, 2024, it was agreed that there will be no changes to the existing rules.



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The 12-month delay—meaning EUDR will now come into force on December 30, 2025, for large companies and June 30, 2026, for micro and small enterprises—will provide more time to European primary producers and various industries to address the practical challenges associated with the EUDR's implementation to prevent uncertainties and avoid supply chain disruptions.

The proposal delay initially sparked outrage among European environmentalist organizations, with Sébastien Risso, Greenpeace's Forest Policy Director, saying that **“Ursula von der Leyen might as well have wielded the chainsaw herself!”**

The EC proposal for a 12-month delay was welcomed by EU animal feed industry body FEFAC.

“FEFAC invites the European Parliament and the Council to adopt all related EUDR implementation measures to allow this transition to take place without jeopardizing vital feed supply chains for soy (of both EU and non-EU origins) and palm oil (co-)products. FEFAC members remain committed to promoting the use of responsibly produced, deforestation-free soy in animal feed in accordance with the FEFAC Soy Sourcing Guidelines,” FEFAC President, Pedro Cordero said in October.

However, FEDIOL, the EU vegetable oil and protein meal industry association, representing the interests of the European oilseed crushers, vegetable oil refiners and bottlers, warned that **“companies [in the sector] have made high-risk investments to be able to be ready by the date of application. As a result of the likely postponement of the date of application, those companies will inevitably suffer losses in their investments.”**

FEDIOL added: **“While postponement seems to become inevitable, postponement alone will not make the future of EUDR implementation more secure. FEDIOL therefore continues to stress the necessity for the European Commission, Member States, and competent authorities to provide needed clarifications and consider practical solutions able to make the regulation workable and protective of the competitiveness of the EU food system.”**

This white paper provides a deep dive into the impacts EUDR will likely have on cattle, palm oil, soy, and corn markets (N.B. corn is not currently part of the EUDR).



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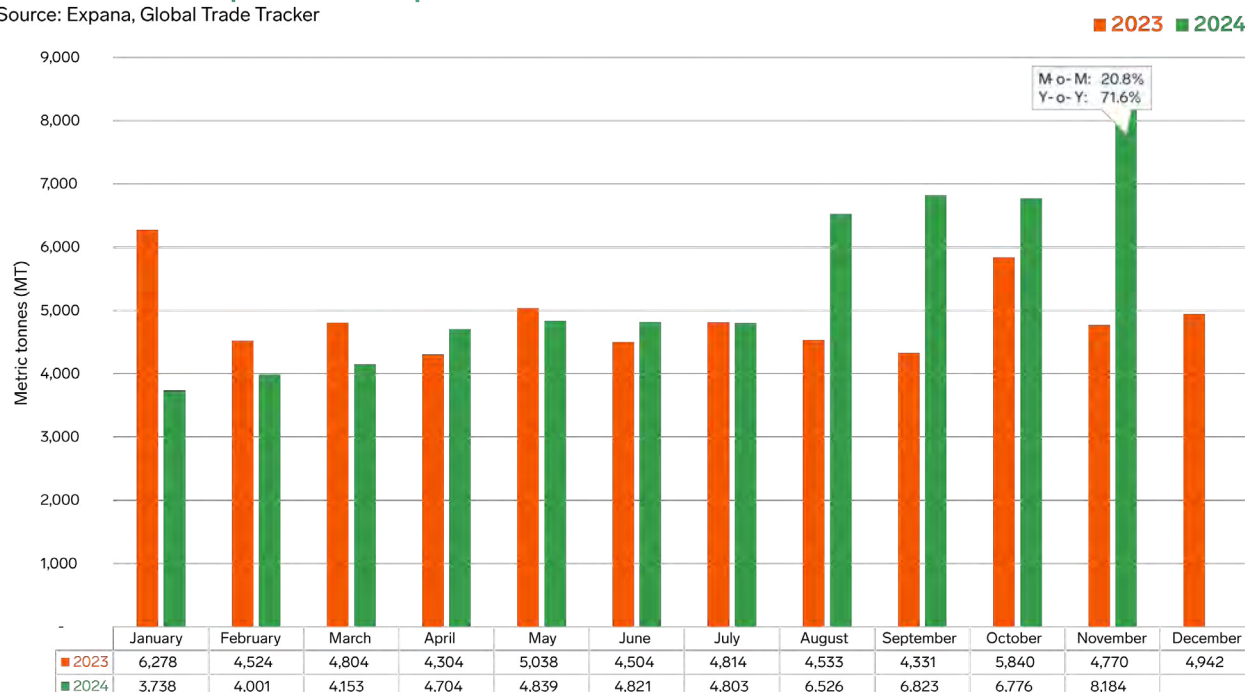
Cattle

By Augusto Eto, Market Reporter, Red Meat (Brazil)

Brazil's beef industry is under significant pressure to meet the EUDR regulations. The EU remains a relevant importer of Brazilian beef, particularly high-value premium cuts. Although EU demand is smaller in volume, it generates substantial revenue. As of October 2024, YTD beef exports to the EU totaled 51,184 MT, just 2.3% of Brazil's total exports (2,2 million MT), yet accounted for 4.06% of revenue, or USD 387.2 million.

Brazilian Beef Exports to European Union Countries

Source: Expana, Global Trade Tracker



To align with international standards, Brazil had implemented the Public Protocol for the European Union under *Instrução Normativa* nº 51 in 2018, which requires properties exporting to the EU to undergo regular inspections. These inspections are carried out by accredited third-party certifiers, who are responsible for ensuring compliance with EU standards for animal health and environmental impact. The Brazilian System of Individual Identification of Cattle and Buffaloes (SISBOV) is central to Brazil's traceability efforts. It mandates individual cattle identification and monitoring at least 90 days before slaughter, with cattle required to remain on certified properties for the 40 days preceding slaughterhouse transfer. Typically, most cattle are registered in the SISBOV system at an average age of 13 months.

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In addition to traceability, Brazil has implemented extensive socio-environmental monitoring systems to enhance traceability and prevent deforestation-driven cattle production, focusing on critical regions like Mato Grosso, Pará and Rondônia states.

In some of these areas, the Brazilian Forest Code permits regulated, legal deforestation under strict guidelines. Meatpackers certified under the Federal Inspection Service (SIF) must ensure their supply chains are free from socio-environmental risks, conducting audits and excluding cattle from non-compliant properties.

However, the EUDR enforces a strict zero-deforestation policy, prohibiting the import of products linked to any deforestation since 2020, and does not recognize Brazil's legal framework for regulated deforestation, even in cases compliant with the Forest Code. This disconnects

between the EU's strict requirements and Brazil's standards creates challenges in aligning assessment methods and definitions of compliance, especially for exports to the EU.



Achieving full traceability is inherently difficult, given the multi-stage beef supply chain spanning cow-calf operations, stocker phases, feedlots and packer plants, often spread across various regions. The complexity is compounded by the indirect supply links to deforestation. For instance, calves may be born in areas without strict land-use monitoring before moving to compliant farms, creating “traceability blind spots.”

“To meet the EU’s stringent requirements, the Brazilian Beef industry is discussing protocols to improve traceability for younger cattle.”

To meet the EU's stringent requirements, the Brazilian Beef industry is discussing protocols to improve traceability for younger cattle. This protocol will use Animal Transit Guides (GTAs), which are official documents that track livestock movement, to monitor these animals, simplifying compliance by focusing on cattle that typically change locations only once before fattening. This initiative could benefit Brazil's about 1,200

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EU-certified properties, which account for approximately 6 million SISBOV-registered cattle, but still faces challenges due to limited data on age distribution.

Discussions are ongoing with the Confederação da Agricultura e Pecuária do Brasil (CNA) and certifiers, with the pilot expected to begin in 2025. The Brazilian beef sector is also anticipating a potential delay in the EUDR's enforcement, which would provide critical time to adjust.

The Brazilian government, in partnership with Embrapa (the country's leading agricultural research institution) and Serpro (the national data processing service), is developing the Agro Brasil Sustentável platform. This digital system will integrate official data to improve the traceability and credibility of Brazilian agricultural products. Launching in November 2024, the initial phase will allow producers to voluntarily register farm and production details, while also cross-referencing socio-environmental data with national regulations. The platform has been introduced to key importing nations, highlighting its potential to support sustainable practices. However, its effectiveness will depend on collaboration and active participation from all industry stakeholders.



The lack of clarity in EUDR documentation requirements remains a concern. Producers are wary of the compliance burden and view some of these measures as potentially protectionist or as barriers to trade. The Brazilian government has often criticized these regulations as unilateral and economically motivated, further complicating negotiations between Brazil and the EU.

Despite the EU representing a smaller volume of Brazil's beef exports, the financial impact is disproportionate due to the higher revenue generated from premium cuts. The enforcement of EUDR may drive a reallocation of Brazilian beef exports, prioritizing markets with less stringent environmental demands, such as China. Additionally, smaller producers, who may struggle with the cost of upgrading traceability systems, could be discouraged from continuing in this market, leaving larger, industrial operations to dominate the supply chain.

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Price volatility is another concern. As Brazil implements stricter controls and potentially scales back production to meet compliance, costs are likely to rise. EU consumers could face higher beef prices, while Brazilian producers may lose competitiveness compared to suppliers from countries with more straightforward traceability systems, such as Australia or Uruguay.

“ Amid uncertainties regarding the delay of EUDR implementation, shipments of Brazilian beef to Europe have increased over the last months.

Amid uncertainties regarding the delay of EUDR implementation, shipments of Brazilian beef to Europe have increased over the last months. This rise may be driven by efforts to secure volumes anticipating the new rules could impact on supply. The increase highlights the financial importance of the EU market and the urgency for Brazilian producers to navigate these impending compliance challenges.

Even though EUDR poses a significant challenge, Brazilian stakeholders have shown an openness to adopting practices that align with environmental objectives. However, implementing new regulations like the EUDR implies substantial sector-wide adjustments. Given Brazil's role as a major global beef producer, changes of this proportion are complex and might require time to be effectively integrated into the industry. Ongoing efforts to align Brazilian and European regulations add another layer of complexity, requiring collaboration and negotiation to reconcile differing environmental and legal frameworks.



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Palm oil

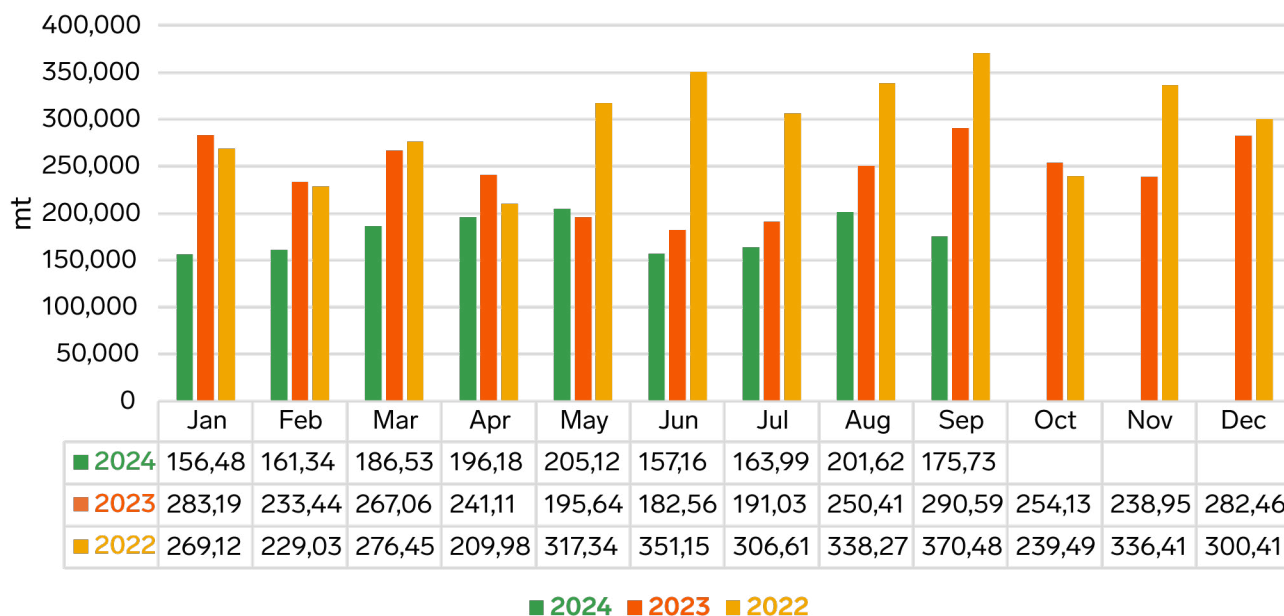
By Kyle Holland, Senior Market Reporter, Oilseeds

The European Union's annual imports of 3-5 million tonnes represent 10% of global palm oil trade and will undergo structural changes that could influence global price mechanisms and trade flows. The current market distribution across biofuels (50%), food products (30%), and oleochemicals (20%) provides context for analysing sectoral impacts.

Southeast Asian producers, namely Indonesia and Malaysia, supply most palm imports into the EU. Expana has learned from market players that there are serious concerns about the ability of both Malaysia and Indonesia to adapt to the requirements set by the EUDR. Sources on the ground commented that both nations have a vast network of smallholders accounting for around 40-45% of total palm production, many of whom were reportedly unaware of the EUDR initiative, let alone having the ability to respond to it.

Palm Oil Exports to European Union from Malaysia and Indonesia

Source: EU commission



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This is exceedingly important, as smallholders are thought to be the group most likely to be severely impacted by the EUDR regulation. The documentation and proof required are likely to be difficult to produce and obtain, according to industry insiders. With razor-thin margins, these market players are unlikely to afford help to procure and produce documentation proving their palm oil did not originate from deforested land. If smallholders are unable to 'get up to speed' with the legislation, it could curtail production by approximately 26 million metric tonnes, leaving total production between Indonesia and Malaysia at only 39 million metric tonnes and decimating the current export surplus.

The ramifications on the vegetable oil market in its entirety could be very significant as palm oil often forms the price floor for the vegetable oils with substitution happening between sunflower, rapeseed and soybean oil depending on the price basis between them. If palm oil is limited in quantity, it could 'force'



market players to purchase the substitute oils in lieu of palm increasing demand and supply pressure on these oils in turn. Market players noted that the EU already imports vast quantities of rapeseed to the tune of 7 million tonnes and procures significant quantities of sunflower oil. The absence of palm oil would necessitate increased imports, with the current global fundamentals unlikely to be able to support such a significant change. Industry insiders commented that this could cause a near total rebalance of trade flows and could force sunflower and rapeseed oils in particular to unprecedented price highs if the situation were not resolved.

It should be noted that a portion of these smallholders may develop the ability to pass EUDR regulations. Yet, with current biodiesel mandates increasing in both Malaysia and Indonesia to reduce fossil fuel consumption, very little palm oil would be left in the open market.

Market players have commented to Expana that larger players such as Cargill and Golden Agri will likely have little difficulty producing EUDR-compliant palm oil. However, before the EUDR's implementation delay, buyers noted they were receiving virtually no offers of EUDR-compliant palm oil due to sellers' concerns about regulatory requirements. This led market players to buy vast quantities of palm oil for the October-November-December 2024 (OND24) period to fill pipelines before the regulation's introduction.

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The regulation then may introduce increasing pressure from global stakeholders with often conflicting interests, potentially impacting producers regardless of their history, size, capacity, or location. Industry insiders have told Expana that the market is likely to witness the emergence of a complex pricing structure. EUDR-compliant palm oil is expected to trade \$100-150 per tonne above standard market prices, according to sources. European end-users will likely face substantial cost increases, with food manufacturers experiencing 15-20% price rises and biofuel producers facing 25% increases.

Projections suggest a 20-30% reduction in EU palm oil consumption...

Projections suggest a 20-30% reduction in EU palm oil consumption, which could reshape trade flows entirely, potentially 'forcing' European market players to seek alternative oils to maintain operations. Global trade patterns are set to undergo dramatic changes, with a projected 25-35% reduction in EU imports by 2026. Non-compliant palm oil volumes are likely to be redirected to less regulated markets, with China and India potentially absorbing these supplies at discounts of \$50-70 per tonne, industry participants told Expana.

The sectoral impact varies considerably. The biofuel sector appears most vulnerable, with projections indicating a 40-50% reduction in palm oil demand within the EU by 2027. Premium food manufacturers may absorb increased costs more readily, while mass-market producers will face significant margin pressures according to Expana's sources.



Importantly, the EUDR is part of a broader regulatory landscape, interconnected with other emerging EU regulations like the Corporate Sustainability Reporting Directive (CSRD), Carbon Border Adjustment Mechanism (CBAM), and potential Forced Labour Regulation. This suggests that the transformation extends beyond palm oil, representing a systemic shift in how global agricultural commodities are produced, traded, and regulated which will need to be carefully monitored in the weeks and months to come.

The adaptation period from 2024 to 2026 will be critical in determining new global trade equilibrium patterns. What emerges is a complex picture of market reconfiguration, where regulatory requirements are fundamentally altering the landscape of palm oil production, trade, and consumption.

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Soy

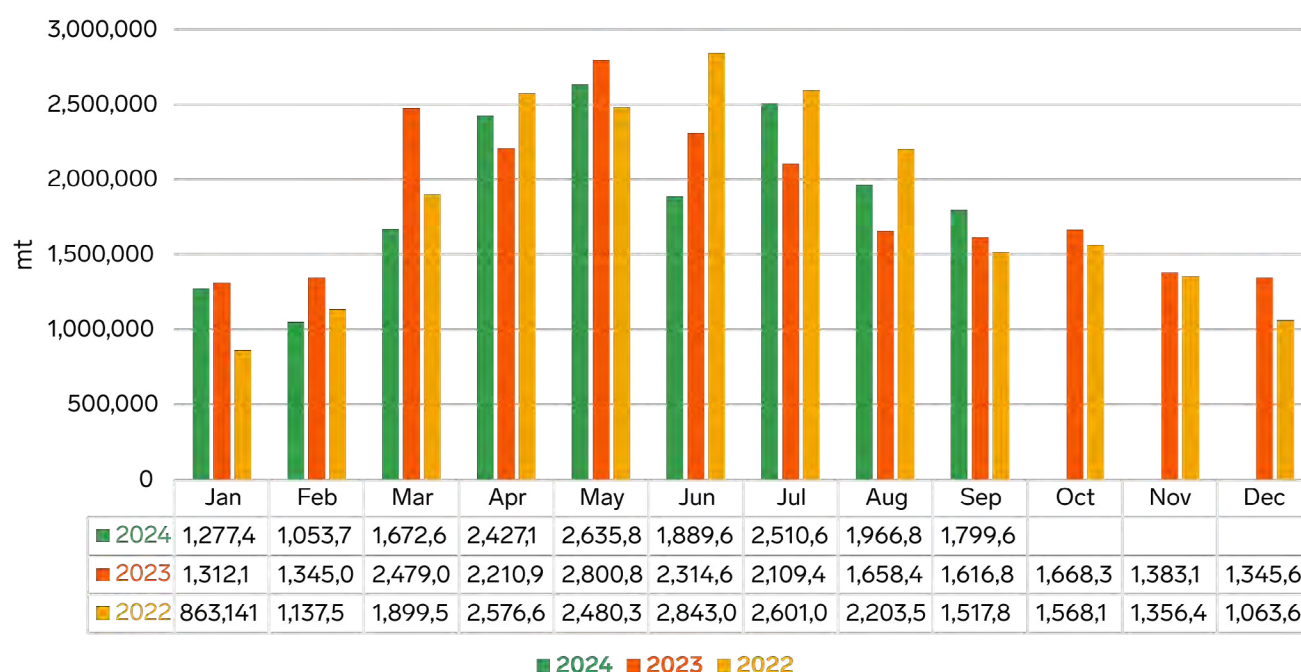
By Kyle Holland, Senior Market Reporter, Oilseeds

EUDR is poised to fundamentally transform the global soy market. Currently, the EU imports approximately 20-25 million metric tons of soybeans and soymeal combined, with roughly 70% used for animal feed, 20% in the food sector, and around 10% for biofuel and industrial applications.

The regulatory landscape reveals unprecedented challenges that extend far beyond simple compliance. Although EUDR implementation is now delayed, Expana had heard virtually no offers at all for the 2025 delivery period, which would be in 'normal' years unheard of. Market players commented that even if they did receive offers for EUDR compliant material they were \$35-50/mt over that of conventional, meaning that the prices were far too high for feed, food and biodiesel usage with current margins in those sectors. Industry insiders told Expana that the EU feed market's total demand of approximately 30 million tons of soybean meal cannot currently be met with EUDR-compliant material as most players do not have the operational guidance nor the institutional knowledge to comply with EUDR regulation.

Soy Complex Exports to European Union from South America

Source: EU Commission



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South American countries—primarily Brazil, Argentina, and Paraguay—remain at the epicenter of this regulatory transformation. These nations collectively account for over 50% of global soy exports, with Brazil alone responsible for approximately 35% of global production. The deforestation risk profiles of these countries vary significantly, with Brazil facing the most intense scrutiny due to ongoing Amazon rainforest and Cerrado ecosystem destruction.

The traceability challenges inherent in soy supply chains present an implementation hurdle for EUDR. Soy trading is characterized as involving multiple intermediaries, extensive processing stages, and final production. A single shipment of soy might pass through numerous handlers, making precise origin tracking exceptionally challenging.

This complexity is particularly acute with indirect suppliers—farmers and small agricultural operations several steps removed from direct exporters—who lack the technological and administrative infrastructure to provide comprehensive documentation. It may be small holders that are the group most severely impacted by the EUDR regulation. The documentation and proof required are likely to be difficult to produce and obtain, according to industry insiders. With thin margins, these market players are unlikely to afford help to procure and produce documentation proving their soy did not originate from deforested land. If smallholders are unable to ‘get up to speed’ with the legislation, it could curtail soy exports significantly, potentially leading from what is a currently huge exportable surplus to minimal volumes available for export.



...extra costs for EUDR-compliant soybean meal are estimated at 5-10% above normal market prices...

Industry insiders commented to Expana that the extra costs for EUDR-compliant soybean meal are estimated at 5-10% above normal market prices, with direct extra costs for Q1/Q4 2025 projected between €750 million to €1.5 billion. The potential total economic impact, including alternative protein sources, could reach up to €2.25 billion, seriously undermining the EU livestock sector’s competitiveness in global markets.

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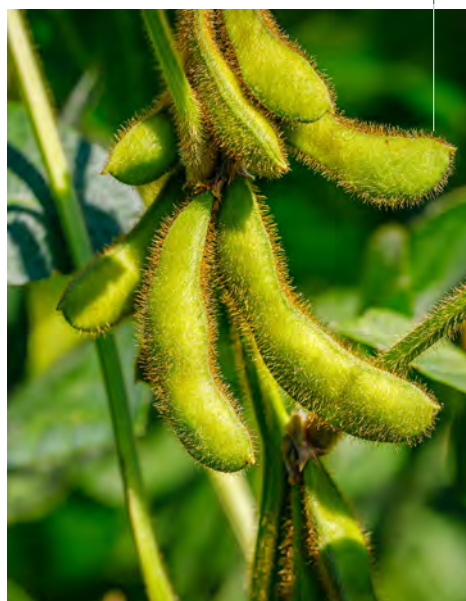
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Sources familiar with the situation commented to Expana that most players do not have the funds required to ensure their goods are EUDR compliant and will likely need significant governmental funding. However, at the time of writing funding appears to be lackluster with very few programs offering direct funding for farmers to meet EUDR compliance particularly in South America. Yet the impact is unlikely to be even across the sector; large agribusiness companies like Bunge, Cargill, ADM, and Louis Dreyfus are positioned to adapt more readily to the EUDR's requirements. These multinational corporations have existing traceability systems and the financial capacity to invest in compliance departments which should alleviate most of the issues. However, these multinational companies were unwilling to offer soybean meal for the 2025 period when the EUDR was originally set to come into force. If this continues to be the case over the coming months, it could mean that even these multinationals are unable or unwilling to offer the material which if realized could cause a near complete shortage of soy material on the market which could be catastrophic for the EU feed sector.

The EU's current import volumes could see a 20-30% reduction by 2026...

Global soy trade flows are likely to undergo substantial reconfiguration. The EU's current import volumes could see a 20-30% reduction by 2026, with non-compliant volumes redirected to less regulated markets according to market players. China and other Asian markets emerge as potential alternative destinations for soy that cannot meet EUDR standards. These markets may absorb non-compliant volumes at discounts of \$40-60 per tonne, creating a two-tier global pricing mechanism.



Market players commented to Expana that the industry could face a consolidation period around 4-6 major corporate groups capable of meeting the stringent traceability requirements. Smaller producers, particularly in Brazil and Argentina, may find themselves systematically excluded from EU markets, potentially triggering broader economic restructuring in agricultural regions such as increased planting of rival crops such as corn, thereby potentially reducing available volumes further. Moreover, if players are unable to meet the EUDR requirements it could 'mandate' the feed sector to purchase substitutes such as rapeseed meal. However, this may be easier said than done with the rapeseed sector facing production issues of its own with EU 27 rapeseed production in the 2024/25 season at around 16.6 million mt, the lowest level in several seasons.

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The EUDR intersects with ongoing debates about sustainable agricultural practices. The regulation potentially accelerates conversations around land use intensification versus extensification. While designed to prevent deforestation, the regulation might paradoxically incentivize more intensive farming practices in currently cultivated areas, potentially leading to increased agricultural chemical use and soil degradation according to sources familiar with the regulations.

Existing sustainability initiatives like the Round Table on Responsible Soy (RTRS) and ProTerra certification provide partial frameworks for compliance. However, the EUDR represents a significantly more comprehensive and legally binding approach. These certifications, which historically covered voluntary market segments, now face potential obsolescence or radical transformation.

Downstream industry adaptations reveal a diverging response to the EUDR challenge. Food manufacturers are exploring multiple strategic approaches, including ingredient reformulation, alternative protein sourcing, and increased investment in traceable supply chains. Large food processing companies are developing direct sourcing relationships with compliant producers, potentially creating more vertically integrated supply chains. Animal feed manufacturers face perhaps the most significant challenge, with projections suggesting they may need to diversify protein sources more dramatically. This could accelerate interest in alternative proteins like synthetic amino acids, or more locally produced feed ingredients. The biofuel sector appears particularly vulnerable, with many producers likely to reconsider soy as a primary feedstock potentially increasing the reliance on alternative materials such as Used Cooking Oil (UCO) and rapeseed-based biodiesel.

By 2026-2027, the soy market is projected to experience a fundamental recalibration. The EUDR represents more than a regulatory intervention—it signals a systemic transformation of global agricultural commodity trading, with implications that extend far beyond the immediate soy sector.



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Corn

By Zanna Aleksahinna, Market Reporter, Grains

The EUDR aimed at curbing the import of commodities linked to deforestation, currently excludes corn. However, there is growing speculation that corn could be added in future revisions with some market players saying that excluding it now is a ‘missed opportunity’. Corn is a key global crop and is often associated with indirect land-use changes, particularly in Latin America, where it competes with soy and cattle for farmland. Some market players feel that excluding corn might undermine the regulations environmental goals as land cleared for crops covered by the EUDR could be repurposed for corn production instead.



An Expana source commented, “If corn were added to the EUDR, it would create big challenges for exporters trying to sell to the EU. Right now, corn producers are keeping an eye on the regulation but do not see it as something they need to worry about just yet.” However, the possibility of future inclusion has already prompted some proactive exporters to start preparing. Major corn exporters like Brazil and Argentina, are already under scrutiny for EUDR-regulated commodities such as soy and beef and are using those experiences to anticipate the regulatory and logistical challenges that

corn supply chains could face if included in the regulation. Some producers and exporters are adopting certification schemes and exploring new technologies like satellite imaging and blockchain-based tracking to improve traceability. At the same time, farmers are looking for ways to boost productivity on existing farmland to avoid deforestation, though this shift could drive up costs through increased use of inputs such as fertilizers and irrigation.

“**...there is growing speculation that corn could be added in future revisions with some market players saying that excluding it now is a ‘missed opportunity’.**”

Expana believes that smaller farmers and exporters would be particularly vulnerable if corn came under the EUDR. They would likely struggle to meet traceability requirements, which demand robust

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systems to prove that corn is deforestation-free. In regions with limited infrastructure, such systems may not be accessible, creating a risk that smaller producers could be excluded from the EU markets. Furthermore, compliance costs would increase, as farmers would need to invest in monitoring technologies and certification processes. Many smaller producers lack the resources to absorb such costs without governmental support. Market players believe that this rise in costs could lead to higher corn prices globally, with the burden potentially shared across producers, exporters, buyers and consumers.

Some market players think that the inclusion of corn in the EUDR could create a dual market. An Expana source added, “Corn that meets the requirements of the regulation could sell for higher prices, attracting buyers who care about sustainability. On the other hand, corn that does not meet these standards might be sold cheaper in places without strict deforestation rules”. At the same time, EU buyers may alter their



sourcing strategies, favoring suppliers from low-deforestation-risk areas or diversifying their supply chains to avoid potential compliance issues. Such changes could disrupt global trade flows and create price disparities between compliant and non-compliant markets.

Whether or not corn is included in the EUDR, the regulation is influencing how market participants think about sustainability and the future of agriculture. Corn producers and exporters must prepare for the possibility of stricter regulations to remain competitive in the future.

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Consequences

By Simon Duke, Managing Editor - EMEA

EUDR is transforming the food industry by placing sustainability at the center of sourcing and procurement practices. Historically, the complexity of global supply chains made it challenging to trace the origins of raw materials such as soy and palm oil—commodities often associated with deforestation. With EUDR, the stakes for agricultural companies have risen significantly since they must ensure that their products are sourced from areas free of deforestation, pushing them to reevaluate supply chains, collaborate more closely with suppliers, and invest in transparent, traceable sourcing methods. This shift promises a more responsible approach to food production but presents a considerable challenge for businesses that need to quickly adapt to these strict new standards.

“
...the stakes for agricultural companies have risen significantly since they must ensure that their products are sourced from areas free of deforestation...”

Complying with the regulation goes beyond meeting requirements; it may fundamentally reshape how food businesses operate. The EUDR mandates that agricultural companies secure deforestation-free certifications for their products, which involves rigorous examination of their entire supply chain. It's not just about knowing the source of products—it's about demonstrating, without a doubt, that they have not contributed to deforestation. Achieving this level of transparency necessitates traceability systems, often supported by advanced technologies like blockchain, to track products from farm to fork and ensure every step aligns with EUDR standards.



The World Resources Institute (WRI) has warned that to determine whether a product contributes to deforestation, companies need information about its origin, which is often challenging to obtain.

Taking cocoa as an example, WRI explains that a simple chocolate bar may change hands and cross borders multiple times before reaching the consumer. Most cocoa is grown by smallholder farmers in West Africa, then exported to Europe for processing, and finally distributed worldwide. Tracing each step across a complex global supply chain is a challenge,

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especially at smallholder farmer level in Africa. Furthermore, WRI points out that a company like Unilever sources raw materials from up to 52,000 suppliers.

Even when supply chain information exists, it may not be accessible to all responsible parties. Companies, investors, governments, and civil society need transparent supply chain data to make informed decisions, enforce policies, and ensure compliance.

Technology to offset these issues is starting to emerge. Platforms like Global Forest Watch (GFW) and GFW Pro enable organizations to track supplier locations and nearby deforestation. Similarly, Trase, developed by the Stockholm Environment Institute and Global Canopy, maps the trade and financing of key commodities linked to tropical deforestation.



Companies in the food and agriculture sectors have already stepped up to embrace EUDR compliance, actively driving the industry towards more sustainable practices. For instance, Nestlé used satellite monitoring tool Starling to map 97% of its palm oil supply to the mill level. Bunge and Bangkok Produce Merchandising Public Company Limited, a subsidiary of Charoen Pokphand Foods Public Company Limited, jointly tested a traceability platform using blockchain technology for sustainable soy.



Companies in the food and agriculture sectors have already stepped up to embrace EUDR compliance...

In late-2023, Brazil's Para state, which leads the country for the highest levels of Amazon rainforest destruction, launched a mandatory program to track cattle in a bid to crack down on related deforestation. Meanwhile, in Ghana, the government is creating a cocoa tracking system to trace cocoa pods back to their farms of origin.

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In a February 2024 report, WRI identifies key conditions for scaling up traceability efforts and accelerating progress:



Stakeholder Alignment: Harmonized data sharing, standardized reporting requirements, and ethical data management practices can facilitate cooperation. Avoiding duplication is crucial as traceability efforts increase. For instance, multiple companies mapping the same farms wastes resources. Cross-industry collaboration can address shared challenges.



Supportive Regulatory Environment: Regulations that mandate data sharing can boost transparency. For example, the UK's adoption of climate-related disclosure standards for listed companies encourages reporting on land use and greenhouse gas emissions. Such requirements create a level playing field and enhance data availability.



Inclusion of Smallholder Farmers: Smallholder farmers produce a significant portion of the world's food but may struggle to meet traceability requirements. Supporting these farmers through initiatives like the Cocoa & Forests Initiative, which maps cocoa farms in West Africa and promotes sustainable practices, helps them remain part of the supply chain while enhancing yields and income.



The Need for Collective Action: Achieving sustainable, deforestation-free supply chains will require unprecedented collaboration. Governments can foster a supportive policy environment by setting legal standards and providing data on land use and trade. However, the private sector can share the costs of traceability, especially for smallholders who may lack the resources to comply with monitoring requirements.

Eliminating deforestation from supply chains is a complex challenge that requires multi-faceted approaches. While traceability and transparency are not standalone solutions, they can help remove barriers to sustainable commodity production when combined with the right conditions and collaborative efforts.

EUDR's impact extends beyond Europe, and the need for robust data collection may lead to some unintended negative effects. For example, companies could relocate their production to areas with lower compliance costs, potentially causing small food producers to be excluded from global supply chains and resulting in a centralization of food production. Additionally, if selling in the EU becomes more expensive, it could affect the EU's trade competitiveness.

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According to a November 2023 Deloitte article on EUDR, the following steps are essential for agriculture companies involved in trading cattle, cocoa, coffee, oil palm, rubber, soy, and wood, as well as products derived from these commodities:

- Establish an evaluation framework and identify data sources.
- Conduct a baseline assessment of existing data and identify any gaps.
- Create an action plan to address these gaps, which may involve forming partnerships.
- Develop a reporting structure that complies with EUDR. ❄

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