8 tips on how to become EUDR-compliant in cocoa

Last updated:
01 November 2024

The European Union's Regulation on deforestation-free products (EUDR) has been developed to ensure that specific products sold in the EU do not come from deforested land. The regulation is part of a broader regulatory strategy by the EU to address human rights and environmental degradation in agricultural supply chains. The requirements apply to traders and operators in the EU. However, for exporters it is important to learn about the requirements and understand what information EU importers will need. This can help meet demand, build trust with existing buyers and create opportunities to attract new buyers.

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1. Familiarise yourself with the EUDR

The EUDR requires companies to ensure that the products they place on the EU market are legal and do not come from areas that were deforested after 31 December 2020. It applies to importers and exporters based in the EU, as well as companies in the EU that are further down the supply chain. This includes chocolate manufacturers and retailers. The EU defines these as 'traders' and 'operators'.

These companies need to prove that the cocoa is traceable to farm level and does not come from deforested areas. They also need to prove that the cocoa is bought and produced with full respect for the regulations of the producing country. This chapter describes the key requirements for EUDR compliance.

What is the EUDR and why was it developed?

Climate change is one of the biggest challenges of our times, and refers to long-term shifts in temperatures and weather patterns. Humans are responsible for almost all global warming over the last 200 years. Climate change causes extreme droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, major storms and declining biodiversity.

Deforestation is one of the main drivers for climate change and loss of biodiversity. It is responsible for over 10% of global greenhouse gas emissions. The EU contributes to deforestation by using products that are produced on deforested land. Cocoa is responsible for 7% of deforestation driven by the EU.

The EU is taking action to address these issues and fight climate change through changes in regulations, as part of a broader global context. This includes legally binding treaties like the Paris Agreement and soft law instruments like the UN Sustainable Development Goals (SDGs).

In 2019, the European Commission (EC) published a communication on stepping up EU action to protect and restore the world's forests. This communication resulted in the European Green Deal, the EU Biodiversity Strategy and the Farm to Fork Strategy. Through the European Green Deal, the EU aims to become a climate-neutral continent. This is a binding commitment under the EU Climate Law, which includes a target to reduce emissions by at least 55% by 2030.

The EU has a lot of influence as a consumer and trader of agricultural commodities. As part of the European Green Deal, the EU has developed the Regulation on deforestation-free products (EUDR). The EUDR requires companies to prove that the products they import do not come from deforested land or contributed to forest degradation. Only deforestation-free products can be placed on the EU market.

The EUDR aims to limit the EU market's impact on global deforestation, forest degradation and biodiversity loss, promote deforestation-free supply chains, reduce the EU's contribution to greenhouse gas (GHG) emissions and protect human rights and the rights of indigenous people.

Figure 1: Tree logging in Cameroon

Source: Ruben Bergsma at Long Run Sustainability

What is the scope of the EUDR?

The EUDR defines the scope for projects and company types, and determines which countries and trades need to be compliant. These requirements are explained below.

Cocoa is in scope of EUDR

The EUDR covers seven commodities: cattle, cocoa, coffee, oil palm, rubber, soya and wood. For cocoa, the EUDR covers cocoa beans, cocoa derivatives and products containing cocoa. The relevant HS codes are:

- 1801 Cocoa beans, whole or broken, raw or roasted
- 1802 Cocoa shells, husks, skins and other cocoa waste
- 1803 Cocoa paste, whether or not defatted
- 1804 Cocoa butter, fat and oil
- 1805 Cocoa powder, not containing added sugar or other sweetening matter
- 1806 Chocolate and other food preparations containing cocoa

You can also find this in Annex 1 of the EUDR.

Operators and traders are in scope of EUDR

The EUDR applies to operators and traders:

The EUDR defines an operator as any natural or legal person who, in the course of a commercial activity, places relevant products on the market or exports them. Placing on the market means the first time that the product is made available in the EU. Operators also include companies further down the supply chain that convert the product. This means that the EUDR also applies to a company that buys cocoa butter from an EU trader and converts the butter to chocolate in the EU.

A trader is any person in the supply chain other than the operator who, in the course of a commercial activity, makes relevant products available on the market. Making available on the market means any company that sells the cocoa product for distribution, consumption or use in the EU.

An SME is a micro, small or medium-sized enterprise. The balance sheet total, net turnover and number of employees determine whether a company is an SME. This is defined in article 3 of Directive 2013/34/EU. Some requirements and timelines are different for SME companies.

This study will focus on information that is relevant for cocoa producers and SME exporters that are based outside the EU.

Only EU countries are in scope

The EUDR applies to products imported into and exported from the 27 EU countries. In 2024, these countries are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

The EUDR does not apply to imports into countries outside the EU, such as the UK, Switzerland, Norway and some other European countries.

The EUDR applies to both import and export

The EUDR applies to both exports and imports. If a cocoa product that is in scope is exported from an EU country to a non-EU country, the EUDR requirements also apply.

The EUDR starts on 30 December 2024

The EUDR was adopted on 31 May 2023 and entered into force on 29 June 2023. The main prohibitions and obligations under the EUDR will not apply until 30 December 2024, giving operators and traders an 18-month transition period to implement the new rules.

From 30 December 2024 onwards, cocoa can only be placed on the EU market or exported if it complies with the EUDR requirements.

Companies need to prepare their shipments well before the start date. Cocoa contracts are often arranged far in advance of the cocoa harvest. The main cocoa harvest in West Africa officially starts in October 2024. Some of this cocoa may be purchased in 2024, but will not be imported into the EU until early 2025.

SME traders and smaller operators will receive an extra six months to ensure compliance. The EUDR applies to SMEs on 30 June 2025.

What are the mandatory requirements for cocoa?

Cocoa can only be placed on the EU market if it is:

1. Deforestation-free
2. Produced in accordance with producing country legislation
3. Covered by a due diligence statement

Cocoa must be deforestation-free and legal

Production of cocoa must be deforestation-free and compliant with producing country legislation.

Imported cocoa must be deforestation-free. This means that the land used for cocoa production has not undergone deforestation after the cut-off date of 31 December 2020. Deforestation is defined as the conversion of forests into agricultural land.

Deforestation-free means land that is free from forest degradation. Imported cocoa cannot come from land that has been subject to forest degradation. Forest degradation means structural changes to the forest structure, for example from primary forest to plantation forest or planted forest.

Cocoa agroforestry systems are also classified as agricultural land use. While managing shade trees within agroforestry systems does not constitute deforestation, the conversion of natural forests into agroforestry systems does fall under the EU definition of deforestation.

Imported cocoa must comply with the laws about legal production that apply in the country of production. This includes land use rights, protection of the environment, rules about the forest, human rights and the rights of indigenous peoples, and tax, trade and customs regulations. This is defined in article 2.40.

Companies must set up a due diligence system

EU traders and operators need to set up a due diligence system. The traders and operators must take three steps:

1. Collect evidence that the product is traceable, deforestation-free and legal
2. Determine the risks of non-compliance
3. Take action to mitigate any identified risks

The EUDR is creating a benchmarking system to assess the risk of deforestation in different countries or regions. This system will categorise producing countries into three different risk levels based on the deforestation risk, with areas that are low risk, standard risk and high risk.

Companies only need to take the first step for cocoa that comes from a low-risk country or region. However, the cocoa will still be subject to the same traceability requirements. All three steps need to be taken for cocoa from standard- or high-risk areas. Cocoa from standard- and high-risk sources will also be checked more frequently by the local authorities (1% for low risk, 3% for standard risk and 9% for high risk).

The EU plans to publish the EUDR risk levels for each country by 30 December 2024. However, the risk categorisation has been postponed until 2025. Until the risk classification of countries is officially determined, all sources will be treated as standard risk. This means that all three steps need to be taken for all cocoa, regardless of its origin. Local authorities will need to check 3% of all cocoa.

Traceability and geolocations are needed

In their due diligence statements companies need to provide the geolocation points of the plots of land where the cocoa comes from. Polygon mapping is mandatory for plots larger than 4 hectares. GPS points can be collected for plots under 4 hectares. The cocoa must be traceable to the specific plots where it was cultivated.

Cocoa cannot be mixed with cocoa of unknown origin. Geolocation coordinates must be available for all cocoa that needs to be EUDR-compliant.

If the operator declares ‘in excess’ in the due diligence statement, they take full responsibility for compliance with ALL plots of land for which a geolocation is provided. This includes plots of land that aren’t used to produce the cocoa that is shipped.

Due diligence statements need to be uploaded to the Information System

Due diligence statements need to be uploaded to the Information System. Producers and exporters from producing countries do not need to do this if they are not in scope of EUDR.

The requirements are slightly different for SME operators. They do not need to do due diligence on products if this has already been done by their supplier. They do not need to submit a due diligence statement to the Information System either. However, they still need to provide due diligence reference numbers. For more details, read the requirements on the EU website.

The obligations of non-SME traders are the same as those of non-SME operators further down the chain (those that convert the product).

Learn more about the Information System in the tip about support provided by the EU, or read more about the Deforestation Regulation implementation.

Poverty is recognised as a root cause of deforestation

The EU expects a fair price to be paid to producers, especially smallholders, and ‘reasonable efforts’ should be undertaken to ensure this happens. This is to facilitate a living income and address poverty as a root cause of deforestation.

Who is responsible for ensuring EUDR compliance within an organisation?

The EUDR applies to operators and traders in the EU, who are responsible for compliance with it. They are also responsible for the accuracy of the geolocation coordinates.

The requirements do not apply to producers and SME exporters from producing countries. They are not responsible for compliance. However, if they sell to EU traders or operators, it is important that they provide all the relevant information the right way. For exporters it is important to know what information EU traders and operators will need.

Producers can prepare for EUDR compliance by collecting the relevant information about their plots of land and sharing it with their buyers.

Producer groups and farmer associations can prepare for EUDR compliance by supporting farmers with geolocation mapping and traceability. They can then provide all the relevant information to their buyers.

Middlemen can prepare for the EUDR by ensuring that the cocoa they buy and sell is fully traceable. It must also include the geocoordinates of the plots of land where the cocoa was produced.

What are the consequences of non-compliance?

If part of a shipment is non-compliant, that part must be separated from the EUDR-compliant part. If this isn't possible, then the entire batch is considered non-compliant and it cannot be sold on the EU market. 'Mass balance' cocoa is not allowed according to EU guidance, although controlled mass balance systems may be possible. In controlled systems, extra restrictions and controls are placed on the products when they are received or processed. The ISEAL Alliance hopes to clarify this further in 2024.

If an EU operator or trader is non-compliant, they can be fined by the EU. The fines can be up to 4% of annual turnover. This can also include confiscation or exclusion from public funding or contracts.

Some companies are taking a risk-based approach to batch management. They plan to source larger batches for low-risk production areas and smaller batches for high-risk production areas. With the high-risk areas more likely to be flagged for deforestation, the consequences of losing a batch are smaller if the batches themselves are smaller.

Many stakeholders are calling for the sector to support high-risk producers rather than leave them out of their supply chain. These high-risk producers may be EUDR-compliant if they are properly mapped and documented. This may take more effort, but the result is that marginalised, smallholder farmers are not excluded from the supply chain. Exporters can help cocoa farmers by supporting the higher-risk farmers as well.

While uncertainties remain, the EUDR is widely supported by the cocoa sector. The industry was involved in the development of the regulation since 2019. The European Cocoa Association supports the political objective and high level of ambition of the regulation. In 2023, big chocolate companies backed the EUDR, including multinationals like Lindt & Sprüngli, Ferrero and Unilever. Since its publication, many of the world's largest companies have spoken out in support of the EUDR, including Ferrero, Mars, Mondelēz, Nestle, Tony's Chocolonely, Barry Callebaut and Hershey's.

Figure 2: Opening a cocoa pod

Source: Ruben Bergsma at Long Run Sustainability

Tips:

Stay informed about the developments of the EUDR. Keep an eye on news related to the EUDR, especially the risk levels. If the country from which you buy is classified as high risk, that might change the requirements for your buyers. For more information, visit the Deforestation Regulation implementation webpage of the EC.

Learn more about demonstrating legal compliance in the European Forest Institute (EFI) newsletter. The EFI understanding of the EUDR is that the legal requirements apply to the cocoa plot. It does not cover stages further down the cocoa supply chain, such as processing and transport.

Talk to government agencies. Read our tips for doing business for more information about government agencies.

Talk to sector associations. Read our tips to find buyers for more information about sector associations.

Speak to your buyers about paying a fair price to producers, especially smallholders. The EUDR can be used to support farmers earn a higher income.

2. Learn about collecting the documentation that is required for EUDR compliance

To provide your buyers with the right information, it is important to know what documentation is required. The key documentation is described in this section.

Collecting the information for the due diligence statement

EU traders and operators must collect the following information:

- Product description
- Quantity
- Country or region of production
- Geolocations
- Name, e-mail and address of suppliers
- Name, e-mail and address of buyers
- Deforestation free evidence
- Evidence of legal compliance

The documentation must be kept for at least five years. For more details, see article 9 of the EUDR.

Performing a risk assessment

The risk assessment needs to consider at a minimum:

- The risk level of the country or region
- The presence of forests, deforestation and land degradation in the country
- Cooperation and collaboration with indigenous people present in the country
- Documentation supporting this evidence
- Concerns related to the producing country or companies in the supply chain

- The structure and risks of the supply chain
- Evidence from service providers or third-party certification that supports the risk assessment

For full details, see article 10 of the EUDR.

Collecting the geolocations of the plots

EU traders and operators must provide the geolocation of the plots of land where the cocoa was produced. This must be done with either a polygon or a GPS location.

A polygon is a drawing around the perimeter of the plot of land. It must have enough latitude and longitude points to describe the perimeter. Each point must have at least six decimal digits. Polygons are required for plots larger than 4 hectares.

A GPS point is a single point on the plot of land. The GPS point must have at least six decimal digits. GPS points are required for plots of land smaller than 4 hectares.

There are many tools available that can help you map plots of land. For more information, see the tip on tools and resources.

Providing deforestation-free evidence

Geolocations must be checked against maps to determine if the plots are deforestation-free. This can be done in three stages:

1. Geolocations
2. Forest cover data at the 2020 cut-off point
3. Protected area boundaries

Other sources can be used to support the analysis, such as national data on deforestation and protected areas. Public sources available for mapping and analysing geolocations include:

- The EU Forest Observatory map, produced by the Joint Research Centre (JRC) of the European Commission. It shows annual global forest cover changes between 2016 and 2022. This is likely to be the primary map used by competent authorities to assess compliance.
- Global Forest Change data from the Global Land Analysis and Discovery (GLAD) laboratory of the University of Maryland.
- Tropical moist forest data from the JRC. It has information on changes in forest cover in the humid tropics for 1990-2021.
- The Natural Lands map by the Science Based Targets Network and the World Resources Institute (WRI). It was developed to help companies with their commitments on ‘no conversion of natural ecosystems’.
- Worldwide land cover mapping, providing global land cover for 2020 and 2021 at 10-metre resolution.
- The Copernicus Land Monitoring Service (CLMS), a free tool provided with support from the EU.

Additional sources are published in the EFI March 2024 Cocoa Insights.

There is no single source available that operators can use to determine the deforestation status of the plots. Some maps do not identify accurately whether an area is covered by forest or agriculture. This is especially the case with agroforestry, which is not considered a forest by the EUDR but can look like a forest on satellite images. A high number of shade trees and cloud cover can also make it more difficult to identify and monitor forests.

There are some regions where the maps are more accurate. This is the case when there is a clear difference between forests and agriculture. This is easier to see with plantation-style production. Some countries have also recently published detailed maps, for example Côte d’Ivoire. Service providers can help you identify forests and plots available for agriculture.

Some producing countries are also setting up systems or services to support EUDR compliance. For example, the cocoa and coffee board of Côte d'Ivoire (le Conseil du Café Cacao) is developing a national traceability system. It will also geolocate every cocoa plot. The Ghana Cocoa Board (COCOBOD) is developing the Ghana Cocoa Traceability System (GCTS), to provide traceability from farm to port. COCOBOD is likewise developing a Deforestation Risk assessment Module in 2024. It will help with risk assessment and risk mitigation.

There are some differences between the definitions of the EUDR and local definitions. For example, the definition of forests in Peru is not aligned with the EUDR definition. Producing countries need support from the EU and the industry to help with the transition to EUDR-compliant production.

The use of these systems and maps does not guarantee EUDR compliance. Some maps may not be accurate enough. They can be used for the risk assessment, but they are not definitive proof that the plot of land is deforestation-free. On-the-ground checks might be necessary.

It is also important to verify legal compliance with local legislation. Farmers may have permission from the government to produce cocoa in protected areas. Collecting evidence is essential.

There are many tools and organisations that can support. For more details, see the tip on service providers.

Tips:

- While companies have a responsibility to ensure EUDR compliance, a large share of the work falls on the shoulders of farmers and producer organisations. Companies will have new demands for producers to collect and maintain detailed information about their operations. It is important to back them in this effort by providing support and resources. By working collaboratively, you can help them organise the flow of required information. This makes it easier for producers to provide the documentation to any buyer.
- Support the collection of geolocations for the plots where your cocoa is produced. Make sure that the producers you buy from have the geolocations available. If possible, verify that they are correct, and provide this evidence to your buyer.
- If you are collecting geolocation data from the producers, it is important to share this data with them. They need to have data ownership to get better access to EU markets. This gives farmers more opportunities, and thereby more power to get a better price for their products. Poverty is a driver of deforestation, so paying farmers more also helps fight deforestation.
- Research the best maps available for your production country or region. On-the-ground checks can help confirm whether an area is deforested or not. These checks may be easier for an exporter to do, since they are closer to the production area. By checking the geolocations with the deforestation maps, exporters can improve the quality of the documentation they give to their buyers.
- Collect all the necessary documentation for EUDR compliance. Producers and SME exporters do not need to give this evidence to the EU, but your buyers may ask for this information. You can help your buyers by having this information readily available. This will also help build trust with them, and potentially lead to new buyers.

3. Find out what support is provided by the EU

The EU provides many services and systems to support EUDR compliance. In this section you can learn more about the options.

Learn about the Team Europe Initiative on Deforestation-free Value Chains

The Team Europe Initiative on Deforestation-free Value Chains (TEI) focuses on supporting partner countries, including public and private sector stakeholders. The TEI will be an entry point for producing countries needing support from or access to the TEI services. As part of the TEI:

- The Zero Deforestation Hub provides information about partnerships for Deforestation-free Value Chains and helps coordinate related actions.
- The Sustainable Agriculture for Forest Ecosystems (SAFE) project focuses on supporting smallholders and assisting producing countries to ensure access to the EU market. SAFE is operational in Brazil, Ecuador, Indonesia and Zambia. More activities will start in the Democratic Republic of the Congo and Vietnam in 2024.
- The Technical Facility on Deforestation-free Value Chains gives expertise and technical support based on the needs in producing countries. The facility will be launched in 2024. They expect to work on needs assessments, geolocation, land-use mapping and traceability systems.

The TEI has published preparedness reports for key producing countries. These reports explain a country's readiness to meet the EUDR requirements for cocoa production. Check out the reports for Côte d'Ivoire, Ghana and Cameroon. All reports are available on the TEI library.

Become familiar with the Deforestation Information System

In 2024, the EU is developing and piloting an Information System. EU traders and operators upload their due diligence statements to the Information System. The competent authorities use the Information System to check the due diligence statements.

The first pilot of the system was completed in January 2024. In February 2024 a demonstration was given to members of the European Cocoa Association (ECA). The second pilot phase is scheduled to take place in mid-2024. The tool is expected to be open to user registration in mid-November 2024. The launch is planned for mid-December 2024. Operators and traders can then start submitting due diligence statements to the system.

The API interconnection function is also expected to be ready. With an API, companies can connect their own system directly to the EU's Deforestation Information System. The technical specifications for the API are publicly available so operators can develop the connection to the system.

Figure 3: The EU rules guarantee that the products EU citizens consume do not contribute to deforestation or forest degradation worldwide

Source: Photo by Guillaume Périgois on Unsplash

Tips:

- Check whether the TEI can give any support to you or the producers you work with.
- Follow the progress on the development of the Information System. Check the EU website on the Deforestation Information System.

4. Learn about the relevant tools and resources that are available

There are many tools and resources available to help you deliver cocoa that is EUDR-compliant. Several service providers are also available to support you. Many other tools are still being developed in 2024, while the cocoa sector is preparing for the EUDR.

First, determine whether a tool or service provider is needed. It is not always necessary to work with a service provider or certification programme: operators can also be compliant without using one. Focus on the requirements of the EUDR, then determine whether you need support.

If you are looking for a tool or a service provider, it is important to first compare the different options. Important factors to consider are purchasing costs, operational costs, which goods are covered, monitoring and reporting options, and flexibility. It can also be useful to look at their current customers and if they are already active in the country where you are located.

Use free tools for geolocations and risk analysis

Collecting the geolocation coordinates of a plot of land can be done using Geographic Information Systems (GIS) or other devices. Some of these tools are available for free:

- Most smartphones can be used, e.g. using OpenStreetMap apps. Be aware that the GPS data on smartphones may not always be accurate enough.
- Handheld Global Navigation Satellite System (GNSS) devices, which do not require mobile network coverage but only a solid GNSS signal.
- The geolocation tool developed by EUSPA and TechnoServe, a free tool that allows producers to capture and share geotagged farm-level sourcing data.
- INATrace is a free digital open-source solution that focuses on the traceability of global supply chains.
- TradeAware Lite is the free version of the LiveEO EUDR compliance tool.

Consider working with service providers

There are many service providers that offer tools and services for EUDR compliance. These may have different levels of expertise or experience. It is therefore very important to first consider whether you need to work with a service provider.

Do remember that a lot of work will still need to be done by your own organisation. Exporters need to invest in the capacity of their own staff as well. Make sure that you understand the EUDR and what kind of information is needed. Consider if you can have the right expertise within your organisation. Look at whether your current systems or a free solution could be enough to achieve this. Companies should not rely only on a third-party service provider. If you still need to work with a service provider, choose one carefully.

Exporters should prudently consider the price and length of the contract. The EUDR is a new regulation, and the tools and services are therefore also relatively new. It will take time to develop and improve these tools. Consider that the service provider landscape could look very different a few years after the start of the EUDR.

There are many service providers that can help you with your EUDR compliance, such as (listed alphabetically):

- Beyco: a platform that can be used to verify deforestation risk.
- Farmforce Integrated Enterprise Deforestation Monitoring: can help with field mapping, compliance and data quality assurance.
- Frontierra: provides geospatial services, risk analysis, risk assessment and development of a due diligence system.
- Global Traceability: has developed a tool called RADIX Tree that is an end-to-end product for the entire compliance process.
- Koltiva: can help with supply chain mapping, deforestation checks, traceability, due diligence statements and compliance.
- Meridia Verify: can be used to verify data quality, deforestation, legality and traceability.
- Nadar: uses satellite-powered technology to enable businesses to ensure traceability and track deforestation in their global supply chain.
- Satelligence: can help with traceability, risk assessment, risk mitigation and submitting due diligence statements.
- Single.Earth EUDR Tool: for geolocation.
- Sourcetrace: focuses on sustainable agriculture and empowerment of farmers.
- TaroWorks: a social enterprise that sells a mobile data platform to help organisations with data collection, monitoring, sales and inventory management in the field.
- Terra-i+: can help prepare for EUDR compliance and check farms for compliance.

There are many other service providers available. It is important to research several options before making a choice based on your needs.

Learn about the role of voluntary certification programmes

Voluntary sustainability schemes (VSS) can assist with EUDR compliance. This includes certification programmes. However, VSS do not replace the due diligence obligations of companies. This means that even if a product meets the requirements of a VSS, it will not automatically be considered EUDR-compliant.

These schemes can be used to support companies with their risk assessment, as well as with geolocation data, traceability and other documentation that is needed for compliance. This includes VSS like Fairtrade and Rainforest Alliance.

Rainforest Alliance can provide support

Rainforest Alliance supports EUDR compliance from farm to retailer. The system was adjusted in 2024 to make it possible to buy and sell cocoa according to the EUDR requirements.

The first step is EUDR compliance at production level. Rainforest Alliance has adjusted their standard for the EUDR. Farmers can select these specific criteria when they go through the certification process. If they are certified with these criteria, they can deliver EUDR-compliant cocoa to the first buyer in the chain.

The next step is to set up the right level of traceability. Rainforest Alliance offers the traceability levels of Identity Preserved (IP) and Mixed IP. All companies in the supply chain need to be certified at a traceability level to buy and sell fully traceable Rainforest Alliance-certified cocoa.

Fairtrade can provide support

The Fairtrade Standards complement the EU deforestation law and align with the EUDR requirements. The necessary traceability levels are already possible via the Fairtrade system.

Fairtrade has partnered with Satelligence to scale up satellite monitoring of forested areas and farms to all Fairtrade-certified cocoa and coffee producer organisations globally. Fairtrade aims to have all georeferencing data of Fairtrade cocoa farms in Africa, Asia and the Pacific by the end of 2024, and for Latin America by the end of 2025.

Fairtrade also highlights that poverty is a root cause of deforestation, and that deforestation can only be stopped if root causes are addressed. The Fairtrade Minimum Price and Fairtrade Premium can contribute to a living income. This also lines up with the expectation of the EU that a fair price be paid to producers.

Organic can provide support

Organic already requires full traceability along the entire supply chain. Non-organic cocoa cannot be mixed with organic cocoa, to ensure keeping the organic status. This has the advantage that traceability is already in place.

However, organic certifications are not necessarily aligned with the EUDR. Check with the organic certification that you use to find out more about the details.

Learn more with online training

Free training videos are available online. Publishers of training videos and webinars include Preferred by Nature, Geo for Good and Rainforest Alliance.

There are also many guides available. The OECD and FAO have published a comprehensive Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains. Service providers too have guides, like those of Swift Geospatial.

Tips:

> Research the options, like the free Fine Cacao and Chocolate Institute tool that benchmarks service providers. The tool lists solutions for both coffee and cocoa. It assesses them on what they are able to provide, including mapping, verification, traceability and security. Forests of the World recommends seven things to consider when you are choosing a service provider.

Talk to your current service providers. They may be able to help you with EUDR compliance as well.

Do not rely on service providers only. Exporters will also need to do and understand a lot of this work, so this cannot all be outsourced to a service provider. Make sure that you understand the EUDR and what kind of information your buyers may need. Invest in the capacity of your own organisation. By building your own capacity and taking on part of the work yourself, you can also save costs. You don't need a service provider for everything. This also gives you more flexibility as an exporter: you will be less dependent on external parties and the contracts you have signed with them.

If you are selling certified cocoa to your buyers, talk to your suppliers and buyers about their certification level. To avoid problems along the supply chain, make sure they are all certified at the right level for EUDR compliance.

Read the CBI study on tips to go digital in the cocoa sector for more information about digital service providers.

5. Learn about enforcement by local authorities of the country that you export to

The EUDR will be enforced by competent authorities in the EU member states. They will check compliance of relevant products based on the due diligence statements submitted by the operators. The implementation can vary slightly from country to country. The European Commission is working closely with the competent authorities to ensure correct implementation. Together, they make sure that the same rules apply regardless of the EU port of entry.

The countries that import the largest volumes of cocoa beans are the Netherlands, Belgium and Germany. For information on other countries, see the EU list of national competent authority (authorities) and contact points. See also our study on tips to do business for more information about custom requirements in EU countries.

Source: Eurostat and Trade Map 2024

The Netherlands

The local authorities for the Netherlands are:

- Ministry of Agriculture, Fisheries, Food Security and Nature (LVVN). They are responsible for policy and will ensure that legislation is complied with during implementation. They also supervise communications with stakeholders.
- Dutch Food and Consumer Product Safety Authority (NVWA). The NVWA is responsible for supervision and enforcement. They conduct inspections on importing, manufacturing and exporting companies.
- Customs for companies. They conduct the supervision and enforcement tasks of article 26 of the EUDR. For example, they check whether the products include a due diligence statement.

The contact point is tco@atkm.nl.

The LNV will take the lead, and the NVWA will work under the instructions of the LNV. The NVWA will take a risk-based approach. They focus on high-risk countries, using the EU risk classification. Inspections can be announced and unannounced. Companies are legally required to participate in the inspection.

Belgium

The competent authorities for Belgium are:

- Federal prosecution service (Federaal parket/parquet federal)
- Section Directorate for Combating Serious and Organised Crime (DJSOC)
- Belgian Institute for Postal Services and Telecommunications (BIPT)

The contact point is the Federal prosecution service.

Germany

The competent authorities for Germany are Bundeskriminalamt (Federal Criminal Police Office) and Bundesnetzagentur (Federal Network Agency). The contact point is Bundeskriminalamt, TCO-VO (department ST).

Tips:

> Watch the CBI webinar on the EUDR in the cocoa sector for more information about complying with the EUDR. The webinar includes presentations by the local authorities in the Netherlands. Review the slides from the meeting of the Dutch Initiative on Sustainable Cocoa for the EUDR.
>
> Remember that it is the responsibility of the importer to submit the due diligence statement and prove compliance. As an exporter from a producing country you only need to provide the information to your buyers.

6. Learn about how others are preparing for the EUDR

The cocoa industry is working hard to prepare for compliance. With the EUDR starting in December 2024, and with some cocoa that will be sold in 2025 already in the supply chains, it is important to prepare as soon as possible. Exporters can learn from what other companies are doing to prepare. In this section we present three examples.

Learn about working together with the entire supply chain

There are companies that are working together with all partners throughout the supply chain to ensure that they comply. This way, they can keep long-lasting relationships in place and continue supporting producers and local exporters.

One example is the collaboration between ASOTOC, MINKA SCS AG, Ritter Sport and Nadar. ASOTOC is a cocoa farmer association and exporter from Peru. MINKA SCS AG is a cocoa-sourcing company buying from ASOTOC. MINKA SCS supplies cocoa to Ritter Sport, the chocolate brand of the German chocolate manufacturer Alfred Ritter GmbH & Co. KG.

To continue sourcing from this farmer group after the start of the EUDR, the supply chain participants need to ensure that the cocoa sourced will comply with the EUDR. They must assure deforestation-free cocoa sourcing. MINKA decided to work with Nadar. Nadar is a German earth observation company that uses satellite-powered technology to enable businesses to ensure traceability and track deforestation in their supply chain. Through their partnership, they are setting up the cocoa supply chain for EUDR compliance.

To reach EUDR compliance, full traceability of the cocoa beans back to farm level is key. Traceability has already been in place for many years due to the long-lasting alliance between ASOTOC and MINKA and their

Rainforest Alliance certification. However, the requirements of the EUDR go beyond those set by Rainforest Alliance in the past – for example, the obligation to map polygons for farms over 4 hectares, which has only recently been adopted by Rainforest Alliance.

Nadar provides support to the cocoa farmer association in mapping the farms of its members. Digital tools such as Nadar's mobile app and web platform are used to map the farms. After mapping, Nadar first verifies that the data is complete and valid. Nadar then implements satellite-powered deforestation monitoring to identify any farms that were deforested after 31 December 2020. The system double-checks any potential false deforestation alerts to ensure that farms are not wrongfully excluded from the EU market. In 2024, the partners are undertaking traceability back to farm level, mapping points, and polygons depending on the size of the farm, to be ready for the start of the EUDR.

The project has led to some key insights. For exporters, it is important to gain knowledge of the EUDR. It is key to know early which farms are not EUDR-compliant and therefore not eligible for export to the EU. It is also recommended to use digital tools for farm mapping and learn about how to avoid errors during mapping.

Learn about working with service providers

Touton and Satelligence have worked together to address deforestation in Touton's supply chains for several years. In phase 1, Satelligence established a Forest Loss Risk Index and a baseline assessment of Touton's key sourcing areas in Côte d'Ivoire and Ghana. In phase 2, regular monitoring was conducted for these sourcing areas with quarterly reports provided to Touton.

Collection of geolocation data is the first step in the Deforestation Risk Assessment (DRA). This is done by Touton or with third-parties for cocoa that is purchased directly from farmer groups. For cocoa purchased from other suppliers, Touton relies on geolocation data provided by the suppliers. For this part of their supply it is very important to work with trusted and credible suppliers, and to have extra assurance that the data is accurate.

The deforestation risk assessment is then done by Satelligence. Work conducted so far is being consolidated with an eye on the upcoming entry into force of the EUDR. Based on the agreed Forest Loss Risk Index criteria, (including buffer zones, forest areas and others), the geolocation data is overlayed with historical forest cover maps to provide the DRA data necessary to feed into the EUDR due diligence statement.

Learn about stakeholder partnerships

The approach taken by the ISEAL Alliance is a good example of how stakeholders can collaborate to achieve more together. The ISEAL Alliance is the global membership organisation for credible sustainability standards. Their members include cocoa certification systems like Rainforest Alliance and Fairtrade as code-compliant members. ISEAL works together with their members to ensure alignment with the EUDR in several ways.

In February 2024, ISEAL published credibility criteria for evaluating certification schemes. This includes the minimum criteria that a standard must have to align with the EUDR requirements. It also explains what is needed for a strong assurance process and traceability and data management. This document can be useful for determining if a certification system can help you with EUDR compliance.

In April 2024, ISEAL published a technical guidance on behalf of its members. The paper identifies opportunities for further guidance for an effective implementation of the EUDR. ISEAL convenes the certification programmes to create more alignment. Together, they can accomplish more than by working alone.

Tip:

> Consider collaborating with your current suppliers, buyers and service providers to work towards EUDR compliance. To prepare, learn from others that have joined forces.

7. Use the EUDR to gain a competitive advantage

As an exporter, providing the necessary documentation required by the EUDR is not strictly your responsibility. However, being proactive and offering this service can bring significant benefits to your buyers in the EU. This can distinguish you from your competitors and strengthen your business relationships. Having the information available can open doors to new business opportunities and expand your customer base.

EU importers will expect their suppliers to have all the required due diligence and traceability data immediately accessible. This information needs to be properly compiled, digitised and stored in a way that it can be shared quickly with buyers. You need to be able to share this with your buyer immediately if it is requested. Having the information ready will help build the relationship and create confidence that you can deliver. If the information is not ready, there is a risk that the buyer will stop buying from you.

However, this should not only be the responsibility of exporters. Exporters should also expect some support from buyers. EU traders and operators should invest in capacity-building programmes, especially for smallholder farmers. They should support with training on EUDR requirements, data collection methods and tools, and risk-mitigation measures.

Being organised also means that you can have the information ready immediately for other buyers or new buyers. This can lead to finding new buyers.

Tips:

- Collect all the necessary documentation for EUDR compliance for your European-based buyers. If possible, collect this for other cocoa too. This makes the cocoa more attractive to new buyers. Many non-European buyers (like those based in the USA) are also looking to buy cocoa that is deforestation-free, so it could also lead to new business outside the EU.
- Exporters should be able to provide proof or assurance that the data is accurate. The importer is liable and would have to pay a fine for non-compliant imports. Expect your buyers to scrutinise the data you provide, as any mistakes could lead to fines and penalties.

8. Learn about the costs of compliance

It will cost money to ensure that the cocoa you sell is EUDR-compliant. This includes costs of geolocation mapping, data collection, traceability, and possibly managing all of this in a system. In 2024 it is not clear yet how much full EUDR compliance will cost, because the EUDR has not yet come into effect. However, it is important to estimate the costs of compliance, not only for your own costs but also to support the producers with the extra efforts they must take. As an exporter you can then factor this into the price.

Calculate the costs of EUDR compliance

For exporters, the main costs are investment costs and ongoing costs. Investment costs include collecting the right documentation about producers, getting the geolocations of the plots, and costs related to traceability. Ongoing costs are keeping this information up-to-date due to farmer turnover, checking the data accuracy, ongoing traceability costs, tool or service provider costs, and more. They can also include audit costs if certification is used for EUDR compliance. It may be necessary to set up an internal control system to manage everything. If you already have a large part of the supply polygon mapped, the impact on the costs is lower.

As part of the EUDR, the EU expects that a fair price be paid to producers, especially smallholders. A fair price might also mean a higher cost for buyers.

As of May 2024, public information on the extra cost of EUDR compliance for cocoa was not yet available.

Some experts are predicting a short-term shortage of cocoa that is EUDR-compliant. This is because setting up for compliance takes time, and not all cocoa may be ready on time. This could raise the price of EUDR-compliant cocoa in the short-term and lower the price of cocoa that cannot be sold to the EU. However, this will only become clear when the EUDR starts in December 2024.

Read our study on tips to do business for more information about pricing strategies.

Consider contractual agreements

In their contracts with producers, exporters can include which information they will need to provide. This way, the producers know exactly which information is expected and the exporter knows that the information will be provided. Attention should also be paid to include good purchasing practices. For more details, see the VOICE position paper (English, French or Spanish) or the DISCO position paper.

There is a risk of some producers being excluded from the EU market if they cannot comply with the EUDR. There are also concerns that the market will focus on those producers that are closer to compliance. Many NGOs are calling for more support for smallholder farmers to ensure they are not excluded from the EU market unintentionally. By working with the producers you already buy from, exporters can help ensure that these producers are not excluded from the market.

Tips:

- Estimate the cost of compliance, and factor it into the price of your cocoa. Ensure that producers are sufficiently supported and rewarded for the extra efforts they need to make.
- Do not exclude producers from the supply chain, but work with them to ensure that they can comply with the EUDR. Work with your buyers on supporting these producers.

Long Run Sustainability conducted this study in partnership with Ethos Agriculture on behalf of CBI.