

An aerial photograph of a tropical forest. The background is a dense, lush green forest. In the foreground, there is a large area of cleared land, showing a mix of brown, charred earth and some remaining trees and debris. The text is overlaid on the image.

# **EUDR implementation: a look at major market trends and challenges**

**Session 2: Shifting Markets, Value Chains, and Smallholder  
Inclusion: Challenges for EUDR Implementation**

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# Content

- EU demand and imported deforestation
- Attributed deforestation across EUDR's commodities
- Global market shifts, past and future trends
- Challenges linked to EUDR implementation
- Expected impacts from EUDR implementation
- Overcoming EUDR implementation challenges

# Take away messages

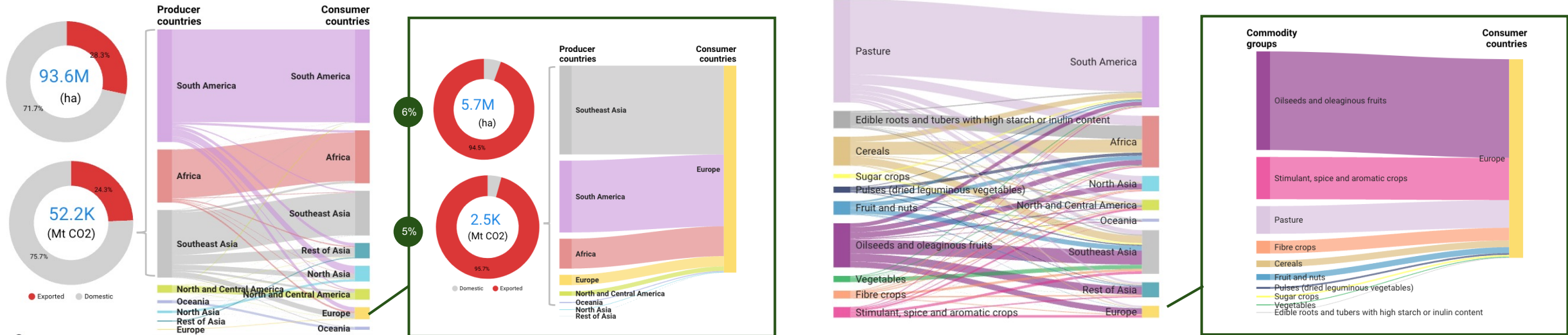
- EUDR may ensure that EU demand no longer contributes to deforestation
- It may likely do so by attracting the most sustainably or low-risk produced goods
- It will affect market dynamics with uncertain outcomes on overall deforestation
- EUDR will support market transparency linked to wider traceability uptake
- It will lead to better management of deforestation risks, yet with social impacts
- Uncertain market outcomes, but bifurcation of supply chains is expected
- Reinvigorated collective action is required to overcome emerging challenges

# EU demand and imported deforestation

EU consumption during the period 2005-2022 was responsible for **20%** (15% in 2022) of the total deforestation embedded in the international imports of agricultural commodities (**6%** if domestic consumption of producing countries is considered, 5% in 2022)

Source: Singh and Persson 2024, <https://www.deforestationfootprint.earth/>,

## Embedded deforestation and carbon emissions in global trade for the period 2005-2022

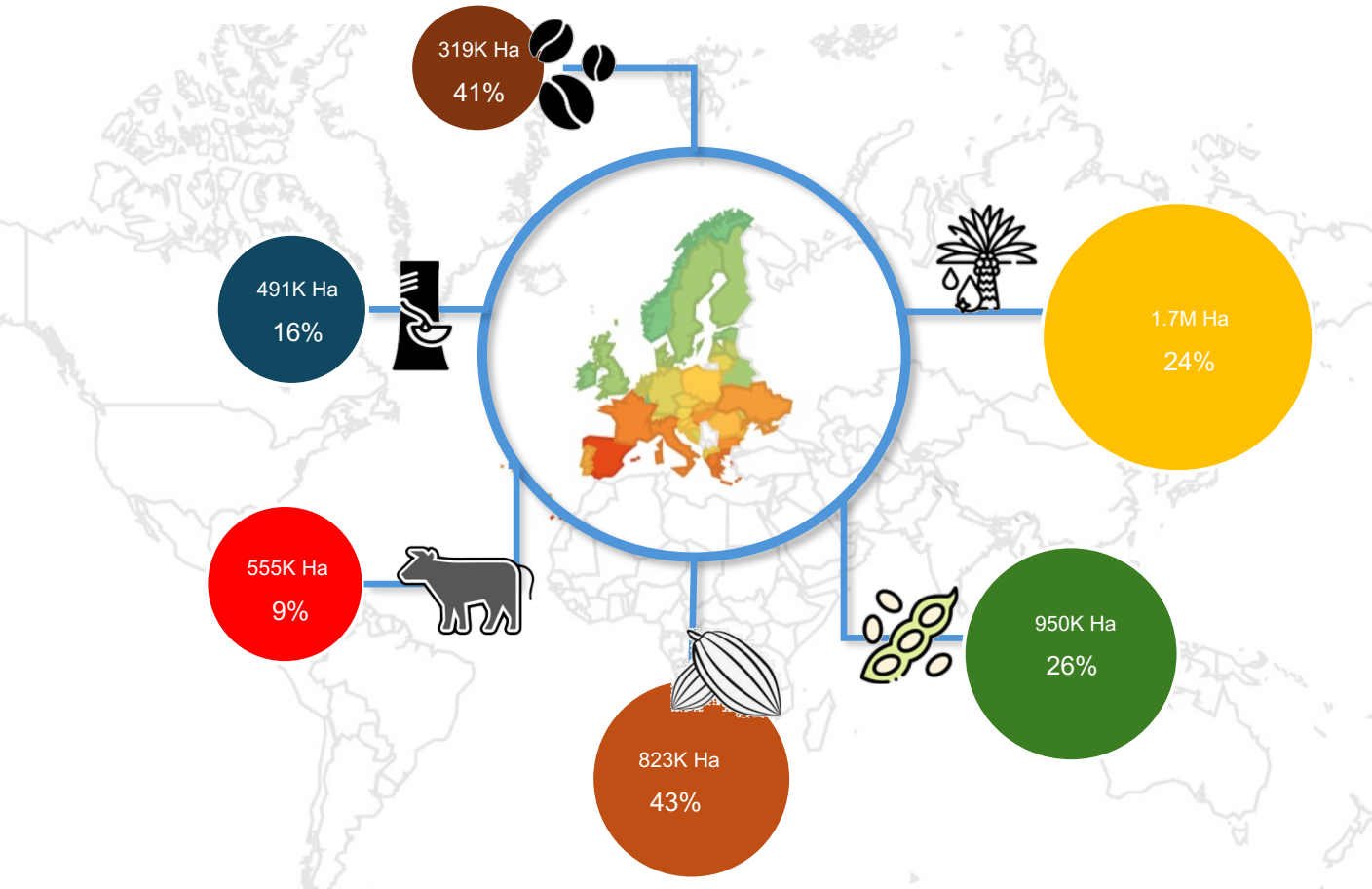


By producer and consumer countries

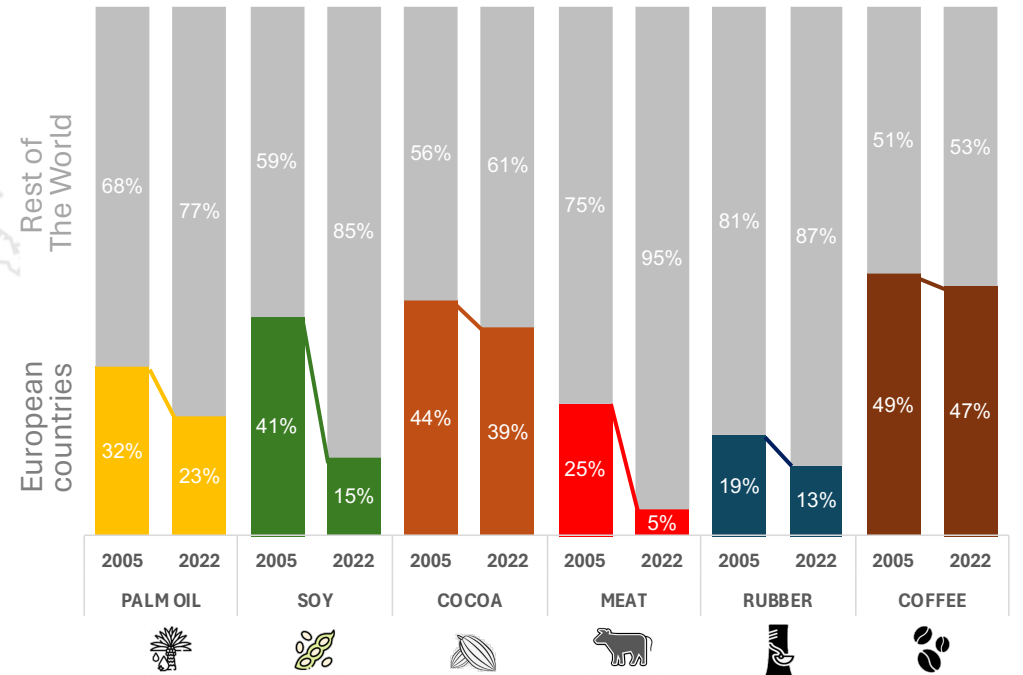
By commodity groups and consumer countries

# Attributed deforestation to EUDR's commodities

Attributed deforestation to European countries linked to exported agricultural commodities for the period 2005-2022









Change in the attributed deforestation to European countries linked to exported agricultural commodities between 2005 and 2022



Source: Own elaboration based on data from <https://www.deforestationfootprint.earth/>

# EU agricultural outlook – by 2035

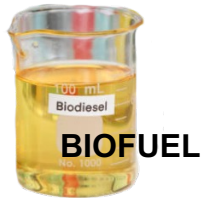
Demand for animal feed is forecast to decline		Due to <b>reductions in the EU's production of pigmeat and beef</b> , and a decline in the dairy herd as well.
Vegetable oil use is expected to decline		Due to a <b>reduced demand for biofuels</b> , shifting away from palm oil to benefit rapeseed oil, whose production will remain stable
Increase in pulses and soybean production		Due to <b>policies favoring protein crops and crop rotations</b> , which may reduce imports of oilseeds and protein crops.
Demand for biofuels is expected to decrease		Due to <b>regulations limiting the use of crop-based</b> to a production utilization cap set in 2020, and <b>growing use of advanced biofuels</b> .
Consumption of beef and pigmeat will decrease		Due to <b>sustainability concerns</b> . The EU will keep exporting, and <b>imports of beef may increase slightly</b> due to a limited supply.
Demand for cocoa is expected to grow		With a <b>larger dependence on sourcing from West Africa</b> facing declines in productivity that will lead to <b>price increases</b> .

# Other significant trends in the global markets



A growing demand in low- and middle-income countries

Slower demand in high- and upper-middle-income countries



Use expected to grow slowly over the next ten years



Global demand is expected to keep growing

Import demand for beef is still expected to increase



- Due to an expansion and intensification of livestock production.
- Due to lower growth in livestock production and feeding efficiency gains, including China.
- Growth in India and Indonesia, due to demand for transport fuel and higher blending targets.
- But growth will occur at slower levels than over the last decade and shifts to poultry.
- Due to greater demand from China, Vietnam, and sub-Saharan Africa.



# Challenges linked to EUDR implementation

- **A diverse reality**, significant distinctions among sectors and places
- **Different types of concerns** arising regarding EUDR implementation
  - *Operational concerns* - not to exclude smallholders ([Wei et al. 2023](#))
  - *Technical related* - to benchmark and adapt existing tools ([Martin et al. 2024](#))
  - *Financial worries* - about facing costs of compliance ([Turton et al. 2023](#))
- **Sustain supply and minimize risks** under a context of zero tolerance
- Importers taking a **conservative approach** in preparing their shipments
  - *Need to comply with deforestation-free, legal and segregated supply criteria*
- **Smallholders** engaged in informal market networks **will lag behind**



# Expected impacts from EUDR implementation

- EU importers may tend to **reduce demand from ‘high-risk’ origins**
  - *E.g., coffee contracts in Ethiopia not materializing ([Hochet-Bodin 2024](#))*
- Will create a **competitive edge from low or no-risk commodity origins**
  - *E.g., Brazil in better position to export coffee to EU markets ([de Oliveira et al. 2024](#))*
- A general **trend to exclude non-compliant** (often indirect) **smallholders**
  - *E.g., oil palm to be shipped only from direct verified suppliers ([Solidaridad 2023](#))*
- The emergence of **bifurcated supply chains** has been identified
  - *More pronounced in some sectors like palm oil in Indonesia ([POTC 2023](#))*
  - *Some rerouting of trade flows may be expected to non-EU markets*
- **Gaps to grow among producers** depending on the level of preparedness
  - *Large/medium-size exporters may capitalize from a head start ([Fisher et al. 2024](#))*
- May **discourage non-compliant smallholders** to adopt sustainable practices
  - *These farmers may remain engaged in informal, less transparent networks*

# Overcoming EUDR implementation challenges

- Increasing efforts to **create the conditions for achieving legality**, mainly on land titling
  - *Past efforts have made **Indonesia**'s timber sector ready in terms of legality assurance and product traceability. This is due to the building of the SLVK since 2009. The government is making efforts to accelerate smallholder mapping, land titling, and a portal for traceability ([Fisher et al. 2024](#)).*
- Deploy and **strengthen public-private collaboration** to secure market positions
  - *In **Vietnam**, under the government leadership, a plan has been developed for making coffee-growing provinces to comply with EUDR, moving from a supply chain to regional approaches ([IDH 2023](#)). There are other initiatives under development to achieve some readiness (e.g., cocoa in **Peru**, [CPS 2023](#)).*
- Adapting and promoting **traceability tools under broader sectoral approaches**
  - *For soy in **Brazil**, about 95% of soy in the Amazon and Cerrado (18M ha) was deforestation-free in 2020 but requires of verification mechanisms ([Trase 2023](#)). Guidance and road maps have been developed for the soy sector CGF-FPC ([2023](#)), and for the beef sector CGF-FPC ([2024](#)).*
- Adopting strategies for **managing risks** while **addressing productivity challenges**
  - *Expected cocoa shortages and price increases are linked to productivity declines **Côte d'Ivoire** and **Ghana** due to pests and the aging of cocoa trees ([ICCO 2024](#)). The supply chain fails to better distribute income which results in widespread poverty in the supply chain ([OXFAM 2024](#)).*

# Final remarks

- The EUDR's direct and indirect long-term outcomes in deforestation are uncertain
- Some commodities leading to deforestation are declining in EU imports (e.g., beef)
- Some crops leading to deforestation are not imported by the EU (e.g., maize, cassava)
- EU markets will tend to absorb the "sustainable" production not associated with deforestation
- May consolidate bifurcated supply chains and redirect trade flows for some commodities

In addition:

- Growing traceability adoption will enhance transparency to markets and supply chains
- May influence other consumer markets to adopt similar measures, but it may be slow
- How will it affect broader transformation of food markets and the just rural transition?