

Due Diligence Regulations for the trade in Forest Risk Commodities: implications for producer livelihoods in Vietnam's coffee sector

Wednesday 16 December | 9:30am-1:30pm GMT | Online Zoom Roundtable

Chair: Alison Hoare

9:30am - 9:45am | Introductory session

Proposed Due Diligence regulations for companies dealing in Forest Risk Commodities (FRC) would prohibit the import of products grown on illegally converted forestland into the UK, and require companies to trace products back to source in order to demonstrate due diligence. Similar regulations are being developed in the EU and under consideration in the USA. While the environmental objective of these law is clearly to protect forest ecosystems, its social implications could be complex, and negative consequences for smallholders may necessitate mitigation. Coffee is unlikely to be regulated in the first wave of commodities but it represented 4% of the EU's 'embodied' deforestation footprint between 1990 and 2008 and is a critical driver in a number of countries with vulnerable forest ecosystems of great biodiversity value.

Speaker: Jade Saunders

9:45am – 11:00am | Session 1: The 'demand-side' - Trade routes and proposed regulation

The UK ranks among the largest global coffee-consuming markets. Within the EU, the United Kingdom is a primary market for certified coffees, ranked fifth-largest in 2018, after Germany, Italy, France and Spain, representing 6.6% of the total European market. Between 2017 and 2018, coffee imports into the United Kingdom grew by 2.5%. Regulations in the UK and other consumer nations prohibiting the import of products grown on illegal converted forest land and requiring companies to exercise due diligence would have significant consequences for coffee value chains.

Speakers:

- Naomi Basik Treanor, Forest Trends - Trade dynamics
- Kate Finlay, UK Department for Environment, Food and Rural Affairs - Proposed UK legislation
- Moray McLeish, OLAM – Compliance options and challenges

Facilitated discussion - indicative questions:

- Coffee is likely to face regulation less quickly than major forest risk commodities such as soy and palm oil, but could be vulnerable to more reputational risks associated with negative environmental impacts of production. Which is likely to be the stronger driver of change in the sector? Can the two dynamics be complementary or will consumers and regulators want different things?

- At what point in the value chain will coffee pass through a company that is large enough to be subject to the proposed new UK regulations? What are the consequences of this?
- How, in practice, can indirectly imported products (for eg via European Member States) be treated the same as directly imported products?
- How can duplication of the due diligence burden for companies and suppliers best be avoided?
- How can UK policy makers and regulators best work with policy makers and regulators in the EU, US and other potentially regulated markets in order to create a level playing field for companies and avoid circumvention.

11:00am - 11:30am | Coffee break

11:30am – 1:15pm | Session 2: Land, producers and illegality risks

Coffee production in Vietnam grew by an average of 25% each year in the 1990s and remains dynamic. The industry employs about 2.6 million people, as beans are grown on half a million smallholdings of two to three acres each; with these smallholder plantations playing a critical role in the recent increase in forest cover and quality in the country. Changing buyer requirements in response to proposed regulations are likely to require farmers to be able to document their rights to production land, its forest status and demonstrate chain of custody, in order to maintain market access.

Speakers:

- Dr Tran Cong Thang, Director, Institute of Policies and Strategies for Agriculture and Rural Development, Ministry of Agriculture and Rural Development - Vietnamese Coffee Production base and smallholder livelihoods
- Dr To Xuan Phuc, Forest Trends - Land conversion and the regulatory framework
- Dr Dang Ngoc Toan, Independent Analyst – Gender and labour issues in coffee production
- Mr Le Hien, Le Cafe - Smallholder concerns

Facilitated discussion – indicative questions:

- How best can the UK assume responsibility for human rights risks in supply chains that begin in Vietnam? Do the Modern Slavery Act TISC requirements allow for parity with environmental concerns?
- Will the production base remain viable for exports to the UK? If not, how might this affect producers – are alternative markets available?
- How best can producers manage different regulatory requirements in the UK, US and EU markets?
- Do producers have the capacity to provide the level of transparency/ data required by companies to comply with Due Diligence regulations?
- What role could community or CSO ‘independent’ monitoring play in alerting companies or regulators to deforestation on the ground?
- Do the same land conversion issues affect all commodities grown for export in Vietnam?

1:15pm – 1:30pm | Conclusions and Next Steps