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# A Call for EU Action for a Sustainable Cocoa Sector

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## Cocoa Coalition

Companies and NGOs working together

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Photo: Plickpik C.C.

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## Cocoa and the EU

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Europeans are the world's largest consumers of chocolate, and the EU imports more cocoa than any other global region. EU legislation that affects cocoa supply chains can help cocoa farmers achieve living incomes and avoid deforestation and child labour.

Members of the European Parliament, Commissioners and Commission staff, and EU member state governments all have a critical role to play in promoting a sustainable cocoa sector, through:

- **Effective implementation of three new items of EU legislation: the EU Deforestation Regulation, the Corporate Sustainability Due Diligence Directive and the Forced Labour Regulation.**
- **Establishing action-focused long-term partnerships with the governments of cocoa-producing countries, ensuring that all relevant stakeholders are engaged, including local community representatives, farmers, industry and civil society.**

The Cocoa Coalition includes companies, non-governmental organisations and multi-stakeholder initiatives; we are the most broadly based grouping active within the debates around cocoa and sustainability. We want to work with you to help achieve these goals. Please do contact us to discuss any of these issues further.



# Why cocoa matters

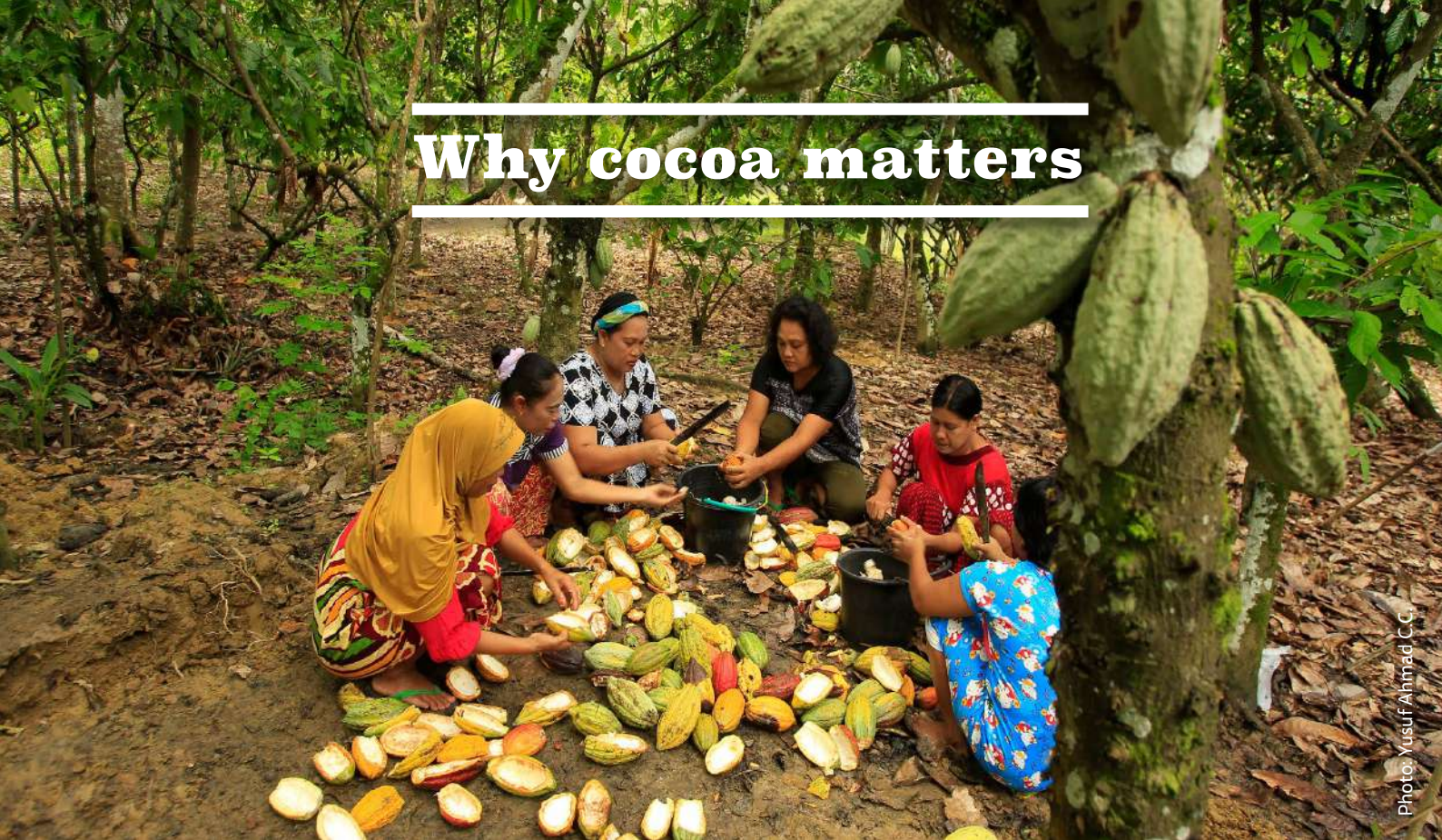


Photo: Yusuf Ahmad C.C.

Cocoa is the key ingredient in many of the world's most popular snacks – chocolate, and cakes, biscuits and ice cream that contain chocolate. Its cultivation provides income for millions of smallholder farmers in developing countries. Yet many farmers live in extreme poverty,<sup>1</sup> and cocoa production is a major driver of deforestation and child labour.

**And Europe matters to cocoa farmers. Europeans consume an average of 5 kg of chocolate a year, and the EU imports more cocoa than any other global region – 58 per cent of world production of cocoa beans in 2022.<sup>2</sup> EU legislation and actions could make a real difference to cocoa farmers and their countries, if properly and fairly implemented and enforced.**

In recent years, the EU has agreed three key pieces of legislation: the EU Deforestation Regulation (EUDR), the Corporate Sustainability Due Diligence Directive (CSDDD) and the Forced Labour Regulation (FLR). When fully implemented, these will regulate the business practices of businesses operating in the EU, including cocoa and chocolate companies. In turn this will affect how cocoa destined for the EU market is being produced, and profoundly impact the livelihoods of smallholder farmers who produce cocoa.

The EU has also agreed the Alliance for Sustainable Cocoa with three of the largest cocoa-producing nations – Côte d'Ivoire, Ghana and Cameroon – which aims for a sustainable cocoa sector through dialogue and financial and technical support.

**What the EU does over the next few years will be critical to the future of the cocoa sector and the smallholder farmers reliant on exports of cocoa for their livelihoods. We stand ready to work with EU institutions and EU member states to create the conditions for a sustainable and resilient cocoa supply chain free of deforestation and human rights abuses, to ensure that EU legislation is implemented effectively and that support measures are put in place to target all cocoa-producing countries, smallholder farmers and their organisations. MEPs, Commissioners and Commission staff and national governments all have a critical role to play.**





Photo: Plckpik C.C.

## Cocoa production and its impacts

Cocoa is an important source of income and employment for rural populations in producer countries, particularly for the 5 to 6 million small-scale farmers who grow over 90 per cent of the world's cocoa.<sup>3</sup> Yet many cocoa growers live in poverty or extreme poverty. Most cocoa farms are very small, typically a few hectares, and income from cocoa sales is usually too low to allow farmers to generate enough capital to invest in improvements in productivity or more sustainable practices.

Historically, higher production has derived mainly from increasing the total planted area, which in turn has helped drive deforestation. The cocoa poverty trap has also led to the widespread use of child labour. When these activities are hazardous (such as carrying heavy loads or involving exposure to pesticides), or involve children working too many hours, or interfere with their education, this is not allowed under national law and international conventions.





Photo: Marlon del Aguila Guerrero C.C.

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# Cocoa Coalition call to action

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We identify a number of key priorities for the development of a sustainable cocoa sector. This includes the effective, equitable and fair implementation of three new pieces of EU legislation, all of which the Cocoa Coalition has consistently supported. **Cocoa Coalition members aim to work together with MEPs, the European Commission and EU member states to develop realistic and practicable approaches to achieve these aims.**

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## EU Deforestation Regulation

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### Key priorities:

- **Maintaining the momentum for full implementation.** Our member companies have made significant investments in preparing for the application of the EUDR, and we hope that the agreement to extend the transition period to the end of 2025 will not result in any loss of momentum in putting the necessary systems in place. The Commission should issue further guidance and clarifications, complete the benchmarking process to risk-assess source countries and, more broadly, facilitate a coordinated and practical approach to implementation. Similarly, member states should ensure that they appoint, train and resource their competent authorities so that they are ready for full and closely coordinated implementation of the EUDR at the end of 2025.
- **Supporting producer countries** in establishing the national traceability systems necessary for full implementation of the EUDR. These will enable the information necessary to demonstrate compliance with the Regulation's deforestation-free and legality requirements to be passed reliably along the supply chain, from farmer to cooperative to trader to export. Without national traceability systems, it will be difficult to guarantee

the inclusion of smallholder cocoa farmers and local traders in the supply chains of companies placing cocoa on the EU market; companies will be forced to rely on their own systems, which would be a wasteful duplication of effort, as well as providing less robust information due to a lack of cross-checking between different systems. Robust national traceability systems should be afforded recognition within the EUDR's benchmarking process.

- **Supporting smallholders and their organisations.** Smallholder farmers and their producer organisations need support to be able to meet the additional costs of implementing management systems capable of collecting and transmitting the data needed for compliance with the EUDR. The EU needs to create an on-demand fund which smallholders and their cooperatives in all cocoa-producing countries can access, and also to assist producer countries with nationwide EUDR awareness campaigns for farmers.
- **Monitoring the effects of EUDR implementation on cocoa smallholder farmers, and taking immediate action to address negative impacts.** There is increasing evidence that the additional costs of compliance are in some cases being passed on to those least able to bear them, including smallholders and their organisations. The review of the EUDR to be carried out five years after its entry into force includes analysing its impacts on farmers, but we believe that assessments of compliance gaps and needs should be carried out immediately.
- **Leveraging learnings from the implementation of the EUDR** to inform its one and two-year reviews. These include assessing the scope for extending its coverage to ecosystems other than forest, such as grasslands – which we support, as long as reasonable implementation timelines are provided and the Regulation's existing scope is fully implemented in a fair and equitable manner.

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## Corporate Sustainability Due Diligence Directive

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### Key priorities:

- Ensuring that the European Commission and EU member states do all they can to ensure the **full implementation of the CSDDD**.
- This includes the development of specific **guidelines for companies**, as envisaged by the Directive. This should be carried out in a consultative manner, including private-sector experts, practitioners in implementation and civil society, and be based on due diligence guidelines from the OECD, as well as best practices, multi-stakeholder initiatives and proven sectoral initiatives.
- **Raise awareness of governments in partner countries** and support their efforts to build capacity throughout the private sector to facilitate their compliance with the Directive, for example through bilateral human rights or sectoral dialogues.
- Encourage the private sector and governmental regulatory bodies in cocoa-producing countries to develop **responsible purchasing practices**, including longer-term relationships with cocoa farmers, and provide support and investment for farming practices that are legal, do not cause deforestation and support progress to living incomes.

- **Raise awareness and build the capacity of smallholder farmers, their organisations and other rights-holders** in partner countries that are part of European companies' value chains. This includes allocating sufficient funding to enable smallholders and their organisations to meet new demands stemming from implementation of the Directive, and supporting complementary multi-stakeholder dialogues, including smallholder farmers, that address human rights and environmental impacts and the effects of the Directive.
- Establishing guidance and mechanisms on the reporting requirements through which **companies can be transparent** about the actions they are taking to fulfil their due diligence obligations without increased risk of legal claims. This should take into account the reporting requirements of the EU Corporate Sustainability Reporting Directive and avoid duplication of effort.

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## Forced Labour Regulation

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### Key priorities:

- **Clarification** of what implementation of the Forced Labour Regulation will mean for companies and smallholder cocoa farmers, including discussion of particular risks in the cocoa and chocolate sector.
- The **development of guidelines** on best practice for the remediation of forced labour and on due diligence on forced labour, aligned with the CSDDD. If companies are able to demonstrate that they have undertaken effective due diligence, and have remediated the harm caused, in alignment with the principles outlined in international frameworks such as the UN Guiding Principles on Business and Human Rights and OECD Due Diligence Guidelines, this should not lead to the withdrawal and destruction of products.
- The provision of **support for efforts to tackle forced labour** and its root causes and for implementation of the Regulation. This includes cooperation initiatives and accompanying measures, including financial resources, to support the efforts of economic operators, in particular smallholder farmers and their organisations.
- **Monitoring the impacts** of the Regulation to ensure that the costs of compliance are shared fairly across the supply chain, and do not fall only on cocoa farmers.





Photo: Thomas Cristofolletti, USAID C.C.

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## Partnerships between the EU and cocoa producer countries

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While we fully support the implementation of due diligence legislation such as the EUDR and CSDDD, its effectiveness will be limited unless it is coupled with the creation of the enabling environment in cocoa-producing countries required to make progress on sustainable cocoa farming. This is especially urgent given the acute stresses currently faced by cocoa farmers, particularly in West Africa, including ageing trees, unaffordable fertilisers, the encroachment of gold mining and the damaging impact of disease and climate change. In countries in Latin America and the Caribbean, which are also major producers of cocoa, smallholders and their organisations face impacts on productivity and significant increases in the costs of production, in part driven by the cost of compliance with regulations. **Accordingly, the EU should pursue the establishment of long-term partnership agreements with the governments of all cocoa-producing countries, not just a few.**

**In establishing these partnership agreements, the EU should work with producing countries to ensure that all relevant stakeholders are involved,** including local community representatives, smallholder farmers and their organisations, industry and civil society. It is crucial in particular to strengthen the representation of smallholders and



their organisations, including them in decision-making and establishing clear communication mechanisms to build trust and facilitate collaboration.

**These partnership agreements should include time-bound frameworks for action** for all parties involved, with a particular emphasis on incentive mechanisms and support from the EU and its member states, coupled with supporting policies enacted by the producer-country governments.

Partnership frameworks that already exist include the Cocoa and Forests Initiative and the Alliance for Sustainable Cocoa, though only the latter includes EU institutions. The Cocoa Coalition welcomed the establishment, in 2022, of the Alliance, between the EU, Côte d'Ivoire, Ghana and Cameroon, and its work to promote dialogue and to support actions on the ground such as the establishment of national traceability systems. In addition to creating new partnerships with other cocoa-producing countries, these are the key priorities that we identify for existing partnerships:

- Ensuring the **progress of smallholders to living incomes**, including recognising the role of the price of cocoa in achieving living incomes.
- **Supporting smallholder farmers and their organisations** to comply with the new EU legislation. This includes, as described above, providing support for implementation of the EUDR, CSDDD and FLR, in particular providing assistance with robust national traceability systems for cocoa, and supporting, in collaboration with producer countries, nationwide awareness campaigns for farmers.
- **Support for complementary producer-country initiatives** such as the piloting and assessment of the African Standard for Sustainable Cocoa as a mandatory requirement in Côte d'Ivoire and Ghana.
- Support for the interoperability of **private sector due diligence systems with national Child Labour Monitoring Systems** in cocoa-producing countries, both of which should be integrated with national traceability systems, in order to ensure coherence, cost effectiveness and impact.
- Support for the **establishment of economic incentives** that support policies and reward smallholders and their organisations for agricultural practices that are legal, do not cause deforestation and support progress to living incomes.
- **Dialogue** at different levels on all these issues, including political dialogue between the European Commission and producer countries, and a regular permanent multi-stakeholder dialogue forum at producer-country level.
- **Coordination** between the EU and European donors, including through the Team Europe Initiative supporting implementation of the EUDR and the design and funding of accompanying measures to support the compliance of smallholder farmers and their organisations with the EU legislation referred to above.





# Cocoa Coalition

Photo: Yusuf Ahmad C.C.

The Cocoa Coalition is an informal multi-stakeholder grouping which provides an open platform for dialogue and action among progressive cocoa supply chain stakeholders. It comprises both companies (Ferrero, The Hershey Company, Mars Wrigley, Mondelez International, Nestlé and Tony's Chocolonely), and non-governmental and multi-stakeholder organisations (Fair Trade Advocacy Office, Fairtrade International, IDH, International Cocoa Initiative, Rainforest Alliance, Solidaridad and the VOICE Network). It is the most broadly based grouping active within the debates over cocoa and sustainability.

**Our ultimate aim is to achieve a fully sustainable cocoa supply chain that allows cocoa farmers to enjoy living incomes and reduces and eventually eliminates human rights abuses, including child labour, and environmental degradation.**

We look forward to working together with Members of Parliament, the European Commission and EU member states to achieve meaningful change in the sector, with a primary focus on EU legislation and EU-focused activities such as partnerships with cocoa-producing countries.

We came together originally in 2019, following a meeting of the European Parliament's Responsible Business Conduct Working Group. We were the first grouping involving industry to call for mandatory EU-wide due diligence legislation, and we have supported the three ambitious pieces of legislation referred to in this briefing.

Our position statements are [available here](#).

For more information, contact [Duncan Brack](#) (Facilitator, Cocoa Coalition).

## ENDNOTES

- 1 Jiska A. van Vliet, Maja A. Slingerland, Yuca R. Waarts and Ken E. Giller, 'A Living Income for Cocoa Producers in Côte d'Ivoire and Ghana?', *Frontiers in Sustainable Food Systems*, October 2021.
- 2 'What is the demand for cocoa on the European market?' (May 2024).
- 3 'Improving farmer income through sustainable practices' (World Cocoa Foundation)