



How to make due diligence work in agricultural value chains
26 January, 14.00-16.00 CET, Hosts: Heidi Hautala MEP and Christophe Hansen MEP

Online: Watch the recording [here](#).

Objective

This event was co-hosted by the members of the European Parliament Heidi Hautala and Christophe Hansen. It brought together smallholder farmers from different countries and sectors and key EU decision makers involved in the legislative process of the proposed EU Corporate Sustainability Due Diligence Directive (CSDDD). In the event we got to hear the views, concerns and expectations of smallholders – who will be directly impacted by the CSDDD but are often absent from consultations on EU policies.

The event also discussed the achievements, challenges and opportunities of the EU Cocoa Talks and the models that the ensuing partnerships can offer for resolving specific issues such as pricing and traceability to enable a living income to the cocoa farmers and find sustainable solutions to issues such as eradication of child labour and deforestation.

MEP Christophe Hansen opened with a promise to not leave anyone behind in the process of implementing the deforestation regulation and in designing the CSDDD. In relation to both legislations he pointed to the importance of building partnership with producing countries and smallholders and said that “we really need to help on the ground.” He said that we need to take care of the weakest elements in the chain and highlighted that we know that bigger companies have different means to comply than SMEs both inside and outside of the EU.

MEP Heidi Hautala led the discussion and highlighted that there is still a risk that the whole value chain will not be covered in the CSDDD and pointed out the cocoa sector as an important example for why this is needed. She also shared the worry that the CSDDD risks being a burden to smallholders if we do not take care and that it must be present in the discussion who should pay for implementing this directive. She concluded saying that what is most important with this directive is not for European consumers to feel good but the actual impact on the ground.

Keynotes – Smallholder realities

Kpomin Minrienne Kole Edi, President of the women's cooperative of cocoa farmers in Adzopé Côte d'Ivoire (SCAFRA), reminded the audience in the European Parliament that "unfair trading by cocoa companies, for example when they do not fulfil the contracts, is one of the reasons why farmers do not have a living income. The EU must act against this." She also highlighted that to tackle child labour, buying companies need to pay sufficiently high prices, that farmers do not want their children working, but for them not to do so, they must have the necessary means.

Pedro Marenja of the cotton farmers' forum (FONPA) in Mozambique highlighted that the farmers are at the beginning of the chain and are the ones taking higher risks when it comes to impact of climate change for example. This together with high cost of production leads to income that doesn't make basic rights for farmers possible. Which in turn leads to children starting to work instead of going to school, as well as girls getting married as early as with 14 years old. He explained: "250,000 farming families in my country depend directly on cotton for their income. On average, these families earn \$125 a year from the yield of cotton. That is far below the subsistence level. Poverty leads to many distressing problems such as child marriages that mainly affect young girls as young as 14 years old. To help solve poverty, cotton prices need to go up and European cotton and textile companies can help."

Pison Kukundakwe of the Ankole Coffee Producers Cooperative Union Limited (ACPCU) in Uganda, sees low and unstable coffee prices as the main problem. The coffee market in Uganda is dominated by a few traders who set the prices low. Production costs have risen significantly, and climate change is creating new pests that are expensive to control. He highlights that the CSDDD should guarantee better prices so that they can earn a living income (that covers cost of production, medical costs, housing among other necessary things.) "We welcome new legislation, but please ensure that the extra costs are not borne by farmers. Shared responsibility, investment and cooperation are crucial," Mr. Kukundakwe concluded.

Napolean Ningkos of the Sarawak Dayak palm oil farmers association (DOPPA) in Malaysia, highlighted the need of all smallholders receiving effective and transparent incentives from EU traders for complying to EU sustainability requirements as well as the legal recognition of Indigenous Peoples' rights to farm their land. He was outspoken about the fact that palm oil is the Dayak's only chance for sustainable economic development and that Europe's new rules risk excluding small farmers from the market. He wanted more frequent meetings with Europe to work together on solutions for sustainable economic development for the Dayak in Sarawak in Borneo and invited the EU to jointly work to tackle climate change.

The case of cocoa - developing instruments to enable effective implementation of due diligence

Antonie Fountain, the Managing Director of the Voice Network stressed how important it is that the people who are impacted by the legislation are heard first. He then highlighted that the proposed CSDD directive may have many unwanted consequences and that disengagement is a high risk for smallholders. The directive needs to entail careful disengagement strategies so that companies will not avoid poorer countries. This must go hand with a requirement to ensure a living income and

fair purchasing practices, he stressed and referred back to what Mrs. Edi said about companies not honouring the contracts. "We cannot just look at what the farmers must do different. You cannot talk about sustainability without talking about price." Mr. Fountain said and then explained that the CSDDD cannot set prices directly, but what the directive must do is to require companies to change their purchasing practices.

Virginie Mahin, Senior Director Global Social Sustainability & Stakeholder Engagement at Mondelez International said that they welcome the CSDDD but want it strengthened. The current proposal it is too focused on companies' individual part of the supply chain. The directive should, according to Ms. Mahin, incentivise companies to work together on challenges such as smallholder farmers' income, deforestation and child labour. "We understand that making a decent living is a fundamental human right" she said and stressed that living income is needed to help farmers face the systemic challenges that we have discussed today. She then highlighted some of the joint recommendations by the cocoa coalition. These include going back to the UNGPs and OECD guidelines (in particular when it comes to the scope covered by the directive, the whole supply chain must be covered) and commitment from the EU to partner with local governments to ensure an enabling environment in the producing countries.

Tawiah Agyarko-kwarteng, from the Initiative Cacao Côte d'Ivoire-Ghana (ICCI), stressed that in the cocoa sector the price is disconnected from the cost of production which hinders cocoa farmers to earn a living income. Her recommendations are for the CSDDD to include legally binding provision on living income and purchasing practices and incentives to do the right thing. She stressed that we missed the boat to bring living income into the deforestation regulation and called on the EU to not miss the chance again.

Gyinayeh Daniel Amponsah, Union President of the Asunafo cocoa farmers' cooperative in Ghana, believes European legislators should involve farmers when shaping legislation that affects them. He stressed the importance of more cooperation in the value chain and called for more programmes to combat deforestation. He stressed that farmers want their children to go to school, but it is not possible if the price of cocoa is too low. Mr. Amponsah explained: "If there is child labour, farmers are blamed. If there is forced labour, the farmers did it. Deforestation, it's the farmers. Farmers are the foundation of the chocolate industry. If we don't get fair prices, the whole industry collapses."

Christophe Hansen commented on the challenge of prices and pointed to the similar problem in European milk production where the farmers do not get more income when the supermarkets increase the price. The farmers have the weakest power in the supply chain.

Cécile Billaux, Head of Unit, Micro-economic Analysis, Investment Climate, Private Sector, Trade and Employment (INTPA.E.2) at the European Commission, commented on the second panel and promised that DG INPA will support with capacity building and that the European Commission will start to try to pull everybody on the table with development tools and support. She also stressed the importance of access to finance, which is a big challenge especially in Africa, and that the traceability of value chains is improved.

Harnessing the potential of the CSDDD for development

Boukje Theeuwes, Head of Policy Influencing at Solidaridad stressed that for the CSDDD to really improve the livelihood for people it must:

1. Require companies to work with producers to tackle systemic problems and not disengage directly as the systemic issues in agriculture are many and need collaboration and that all actors use their leverage to support change.
2. Recognize the human right to a Living Income. In the current proposal a right to a living wage is included but smallholders are not covered by this as they are not wage-earners. Given power imbalances smallholder farmers are often price-receivers rather than price-setters. Living income and living wage is also crucial as it is the base to many other human rights.
3. Address unsustainable purchasing practices and business models. Evidence show that these practices can contribute to and drive human rights abuses. Long payment terms, unilateral changes to contracts, prices below production are common due to power imbalances in value chains. Companies should develop contractual clauses that includes shared responsibility.
4. Require meaningful stakeholder engagement at every step of the due diligence process, including smallholders.
5. Include support to producing countries.

Sebastian Lesch, Head of the Agriculture Department at the German Federal Ministry for Economic Cooperation and Development (BMZ) (remote participation), said that BMZ wants to see an ambitious law and that they are happy that Lara Wolters proposed to include living income in her draft report. This is key to address challenges by smallholder farmers like child labour. He also highlighted the need for support measures for effective implementation and that we must work with stakeholders in other countries.

Hannah Koep-Andrieu, Head of Due Diligence, OECD Centre for Responsible Business Conduct shared that the OECD is working on handbooks; one will be on how to ensure living incomes and living wages. It will address among other things how to calculate a living income, purchasing practices and how living income and living wage are preconditions for other human rights. She stressed that collective leverage and collective action brings the best impact. In response to a question on the alignment of CSDDD proposals with OECD standards, she underlined the importance of going beyond tier one and using a risk-based due diligence approach, focusing on the most salient risks.

Peter Hofland, EU Market & Trade Policy Advisor Government Relations EMEA – Cargill, pointed to the need for guidelines for the agriculture sector that should be developed with stakeholders. According to Mr. Hofland, there is a need to clarify what the responsibility is for all stakeholders, what is sufficient actions, and a need for proportionality and prioritization. He then said that it is a responsibility to address human rights in their own operation and supply chain and that this is possible and something that has been a priority for them for many years.

Concluding remarks

Looking at the contributions of all the speakers, it is clear that the CSDDD must require companies to:

- Adopt fair purchasing practices
- Ensure a living income to smallholders in their value chains
- Engage meaningfully with smallholders
- Establish long term relationships with smallholders to work together to address systemic adverse impacts, and only disengage as a last resort