



**Communication from the
Government of Brazil**

1. The Executive Director presents his compliments and, for the information of Members, attaches a communication from the Government of Brazil stating their concern about the impact the new Directive of the European Union on deforestation currently being discussed at the European Parliament may have on coffee supply and trade. The Government of Brazil has requested that this Note Verbale be circulated to ICO Members and to the Task Force Sherpas.
2. The ICO will hold a webinar on the subject on 29 April 2022 to discuss the implications of the proposal from the European Union.
3. Further information is contained in the attached communication from the Government of Brazil.



PERMANENT REPRESENTATION OF BRAZIL
TO INTERNATIONAL ORGANISATIONS IN LONDON

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The Permanent Representation of Brazil to International Organisations in London presents its compliments to the International Coffee Organization (ICO) and has the honour to refer to the webinar, to be held on April 29th, about a new project for a regulation aimed at banning imports to the European Union market of commodities and products supposedly associated with deforestation, proposed by the European Commission and currently discussed in the European Parliament.

The new regulation under consideration will apply to coffee and its products and six other commodities (beef, palm oil, soy, wood, cocoa and rubber). In order to ensure that only so-called “deforestation-free” products enter the European market, the project establishes mandatory due diligence procedures to be carried out by traders and other market operators. A “benchmark” system would categorise exporting countries in three categories: low, standard and high risk, with progressively stricter requirements.

Brazil considers that the proposals under discussion in the European Parliament are of direct concern to many of the ICO members, for the following reasons:

Trade distortion and diversion

Because production is pulverized among thousands of small farmers and a single shipment contains grains from various producers, traceability in the coffee value chain is costly and difficult to achieve, even if an efficient and affordable geo-localisation system is implemented.

Moreover, the high operational costs of the due diligence system will have the same effect as a new tariff. They will impact the whole global coffee chain and reduce income for its weakest link: small farmers, which represent the immense majority of coffee producers.

In this context, the due diligence and benchmarking systems will cause market distortion and, consequently, concentration – both at the international and national levels. The complexity and rigidity of the procedures will incentivize traders and operators to concentrate on fewer countries and suppliers. This will benefit institutionally sounder exporting countries and larger businesses and penalize smaller producers. Most farmers will be excluded from the European

market not because they deforested, but simply because it is too costly to prove their coffee is deforestation-free.

Farmers excluded from the European market will have little choice but to flood their production, at depressed prices, into other importing markets that do not require compliance with mandatory due diligence. Some may simply turn to a different crop or business altogether. Unpredictable consequences to local communities can arise from this deviation process, including food insecurity, rural flight, growth of less sustainable economic activities or even of illegal crops, like coca leaves in South America.

Inconsistency with multilateral environmental conventions

The measures proposed by the European Commission are inconsistent with the principle of common but differentiated responsibilities, which underpins the whole multilateral framework of environmental conventions. These conventions acknowledge that sustainability in agricultural value chains will only be achieved through the dissemination of good practices and that deforestation is a multicausal problem, the mitigation of which requires comprehensive public policies towards promoting bioeconomy and payment for environmental services, among many other measures. Developed countries should support developing countries in affirmative actions involving financing, training, and technology transfer.

It is important that anti-deforestation measures respect the national environmental laws of developing countries. The mandatory due diligence system does not adequately consider the challenges faced by developing economies to enforce their environmental legislations, especially their lack of financial and institutional capacities. Anti-deforestation efforts should aim at strengthening local and international environmental fora, not overruling them.

Inconsistency with multilateral trade agreements

The measures proposed by the European Commission impose undue restrictions to trade and are discriminatory. Their scope is limited to products (like coffee) mostly from tropical countries. Furthermore, the benchmarking system establishes different administrative procedures according to country of origin.

Nonadmission of environmental commitments of the coffee global value chain

All coffee producing countries have their own environmental protection legislation and policies, which enforce conservation of forests and biomes, specify limits for land use conversion and punish illegal deforestation. The project under consideration criminalises all instances of land use conversion and punish farmers that fully abide by their respective national environmental laws.

All coffee producing countries are part of the main UN environmental conventions and made additional deforestation-curbing international commitments – most of them in bilateral or bi-regional treaties with the European Union.

It should be noted that, since land use transformation in developing countries is an important source of greenhouse-gas emissions, most of the UNFCCC commitments of exporting countries consist, in part, of forest preservation.

Furthermore, in the framework of the International Coffee Organisation, not only coffee producing countries, but also the private sector and civil society organizations have reaffirmed their engagement in the Sustainable Development Goals and committed to promote social and environmental sustainability across the coffee global value chain. These commitments are inscribed in the ICO 465/2018 Resolution and the 2019 London Declaration, adopted during the CEO and Global Leaders Forum promoted by the ICO in 2019. A Public-Private Task-Force has been established within the International Coffee Organization, where governments, major enterprises and non-governmental organisations have developed innovative approaches to environmental and social sustainability such as “Sector Transformation”, “Prosperous Living Income” and “Resilient Landscapes”.

As a member of ICO, the European Union has taken part in these discussions and the German and the Swiss development agencies (GIZ and SECO) actually finance this initiative. The conceptual framework of the Task-Force has been developed in cooperation with European-based and EC- and EU member-supported civil society organisations.

The project under consideration in the European Parliament would undermine preservation efforts under way at the ICO, which not only are consistent with the European vision of deforestation, but also are directly backed by the European Union.

Environmental protection and coffee production in Brazil

Brazil has a historical and enduring commitment to the preservation of ecosystems and to the reduction of illegal deforestation. This commitment has consistently resulted in high rates of native forests preservation in national territory. More than two thirds of original native vegetation is preserved, including 80 % of the Amazonian forest, a very different reality from that we find in Europe.

Brazil has adopted one of the most advanced environmental legal frameworks in the world. Rural producers are required to preserve a minimum of vegetation cover in their private properties, the so-called Legal Reserve (LR). This LR varies according to the biome: 80% in forest areas in the Amazon, 35% in the “cerrado” (savannah) areas and 20% in the other Brazilian biomes. Independently of the LRs, rural producers are required to keep “Permanent Preservation Areas” (APPs), such as riparian forests. These Brazilian requirements are not matched in most countries.

Furthermore, Brazil has developed a modern, comprehensive monitoring system to gather data on deforestation, conversion of ecosystems and its correlation with agricultural production. Last, but not least, in the context of COP-26, Brazil has also voluntarily committed to ending illegal deforestation by 2028.

For decades, the Brazilian coffee sector have invested in modernization and sustainability. Significant gains in productivity and, consequently, reduction of planted area, have been achieved. Total producing area has decreased from 2.31 million hectares in 2002 to 1.82 million, while annual production has increased from 48.8 million coffee bags. By the same token, planted area in the Amazon has decreased significantly between 2002 and 2022, from 345,000 to 70,000 hectares while production has increased from 2 million to 2.2 million.

As to climate change, according to a recent study conducted by Brazilian private and public institutions using the GHG Protocol, coffee production in Brazil has a negative Greenhouse gas emission balance: 10.5 tons of CO₂e ha⁻¹ year⁻¹.

The Brazilian value coffee chain is responsible for 8.4 million jobs. Family producers are 78% of total producing units.

The engagement of the Brazilian coffee sector in preservation is reflected in the 250 different certification processes developed nationally to attest the environmental and social sustainability of production units. Environmentally responsible production is not an European-only concern: it is deeply rooted in the Brazilian coffee culture, national consumption included.

The Brazilian position

Brazil is opposed to the adoption of measures that result in undue restrictions to trade, such as those being considered in the EU. There is no proven correlation between trade restriction regulations and environment protection. On the contrary, such measures can be seriously counterproductive. They cause market distortion, penalise small producers, cause poverty-driven environmental degradation and contribute to the phenomena they supposedly try to avert. Initiatives that do not contemplate cooperation mechanisms with developing countries are bound to fail.

Finally, Brazil reserves its right to question – through the most adequate international organizations – any legal provisions deemed incompatible with existing rules in the multilateral trading system.

Brazil kindly requests the Secretariat to circulate this Note among member countries, as well as among the Task Force sherpas.

The Permanent Representation of Brazil to International Organisations in London avails itself of this opportunity to renew to the International Coffee Organization the assurances of its highest consideration.

