

THE EUDR: CHALLENGES AND OPPORTUNITIES

How NGOs Can Advance Global Forest Protection by Working Beyond the EUDR's Scope

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THE EUDR IN BRIEF

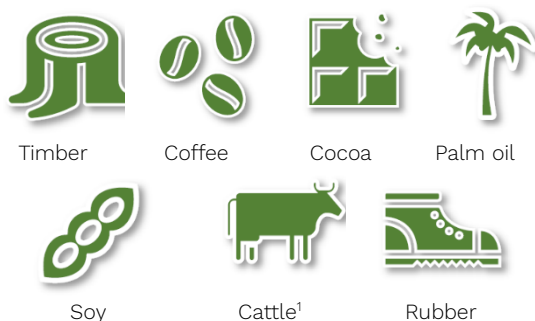
Each year, millions of hectares of tropical forests are lost to agricultural expansion (FAO, 2020). With the adoption of the EUDR in 2023, the European Union has taken an important step to address the link between deforestation and the commodities consumed within its borders.

The adoption of the EU Deforestation Regulation (EUDR) means that seven forest-risk commodities may not be placed on the EU market or exported unless they meet three requirements set out in Article 3 of the EUDR:

1. Are deforestation-free;
2. have been produced in accordance with the relevant legislation of the country of production; and
3. are covered by a due diligence statement.

The regulation includes a cut-off date for deforestation, set at 31 December 2020 — well ahead of the regulation's date of applicability. By doing so, the EUDR seeks to discourage anticipatory deforestation — such as mass clearing of forests in the time leading up to the date of applicability (Köthke et al., 2023).

The encompassed commodities are:



The company placing the commodity on the EU market must collect the relevant data and link it to a 'farm ID' with geolocation — this link must be maintained throughout the entire value chain. Furthermore, EUDR due

diligence encompasses carrying out risk assessments followed by risk mitigation. To better understand what compliance with the EUDR could look like in practice, both for actors within and outside the EU, see Ethical Trade Denmark's three insightful case studies based on examples from the [coffee](#), [soy](#), and [palm oil](#) supply chains.

What Has Happened Since the Adoption of the EUDR in 2023?

→ Postponement of the Date of Applicability

The EUDR was adopted on 31 May 2023 and entered into force on 29 June 2023. Initially, the regulation was set to apply to large and medium-sized companies from 30 December 2024, and to micro and small-sized companies from 30 June 2025. However, in autumn 2024, the European Commission proposed a one-year postponement. Following trilogue negotiations with the Council and Parliament, the delay was formally adopted. As a result, the EUDR will now apply to large and medium-sized companies from 30 December 2025, and to micro- and small-sized companies from 30 June 2026 (SGAV, 2025).

→ Creation of a New Benchmark Category

Alongside the postponement, a new benchmark category was introduced. Previously, countries were to be classified as low-risk, standard-risk, or high-risk. A fourth category — 'no-risk' — has now been added.

¹ Including beef and leather.

What Are the Next Steps?

→ Postponement of the Date of Applicability

The European Commission is currently working on the risk classification (low-, standard, high-, and no-risk countries²) and an information system to support clearer EUDR guidance. Both tools must be in place at least six months before the new date of applicability (Council of the European Union, 2025)



FROM EUTR TO EUDR: RAISING THE BAR FOR GLOBAL FOREST PROTECTION

Replacing the earlier EU Timber Regulation (EUTR), the EUDR expands both the scope and ambition of the EU's engagement by moving beyond the narrow focus on illegal logging to encompass deforestation in general, irrespective of its legality. Moving beyond a narrow focus on illegality represents a key strength of the EUDR, particularly in light of the limitations observed in earlier anti-deforestation initiatives. For instance, the Amazon beef moratorium in Brazil, which targets only illegal deforestation associated with cattle ranching, has faced challenges such as 'cattle laundering', whereby livestock is shifted to compliant farms to enable continued exports (Bosselmann & Dolmer, 2023). According to the Forest Policy Trade and Finance Initiative, commercial agriculture accounts for approximately 60% of recent tropical forest loss—of which nearly 30% is legal (Wolosin, 2022). Seen in this light, the EUDR's inclusion of both legal

and illegal deforestation is a shift that enhances potential impact.

Unlike the EUTR, which applied only to timber products, the EUDR encompasses six additional forest-risk commodities — thereby attempting to tackle the complex, cross-sectoral nature of forest loss.

While the EUTR exempted certain timber product categories, including recycled timber, printed paper products, and wooden chairs — the latter omission drew criticism, as wooden tables were not exempted — the EUDR expands its scope to cover printed paper and wooden chairs, while maintaining the exemption for recycled timber to encourage recycling (Köthke et al., 2023).

There is a range of additional differences between the EUDR and the EUTR that highlight the EUDR's stronger ambition and expanded scope — the most notable of these are summarized below, drawing on the detailed analysis by Köthke et al. (2023):

² For critiques of the new 'no-risk' category, particularly regarding its use of 'net forest area' as an indicator, see Gardner & Bellfield (2024)'s analysis here. It highlights how forest ecosystems

in countries with stable or increasing forest cover still face significant threats.

EUTR	EUDR
The EUTR allowed EU Member States to define penalties for non-compliance, allocate resources to competent authorities, and determine the frequency of compliance checks. This flexibility created loopholes, allowing non-compliant timber to enter the EU through countries with fewer compliance checks or lighter penalties. For instance, some Member States had legal options for imposing prison sentences, while others could only impose administrative fines.	In contrast, the EUDR requires companies to provide a due diligence statement for commodities traded across EU Member States, ensuring that products are verified as deforestation-free throughout the entire supply chain, not only by the company that first places the product on the EU market. To reduce the workload, ‘Company B’ may reuse the due diligence statement provided by ‘Company A’ further up the chain – but ‘Company B’ remains responsible for the accuracy of the due diligence statement. Notably, SMEs are exempted from providing a due diligence statement if it has already been done further up the chain. The due diligence requirement aims to ensure that companies cannot deny awareness of their obligations in a legal context. The EUDR also defines minimum sanctions and requires that competent authorities responsible for compliance checks have “adequate” powers and resources. While the term “adequate” is not further defined, the Commission can now invoke this provision to take action against Member States that fail to meet their obligations. Another innovation is the right to confiscate any profits generated by non-compliant products (the EUTR only provided the right to confiscate non-compliant products). Minimum quotas for compliance checks are also specified: 9% of <i>market participants</i> and <i>trade volume</i> must be checked from high-risk countries, 3% of <i>market participants</i> from standard-risk countries, and 1% of <i>market participants</i> from low-risk countries³.

The EUDR will therefore require substantial investments in due diligence systems and procedures. Given the prominence of voluntary certification schemes in promoting sustainable production — such as Fairtrade International, FSC, Rainforest Alliance, RSPO, and RTRS — one might ask:

could these existing tools serve as proof of compliance? While they have played a valuable role, these schemes differ widely in scope and enforcement. None fully meets the EUDR’s stringent requirements (Cosimo et al., 2024), meaning that certification alone

³ For the new ‘no-risk’ category, only 0,1% of the companies that place a product on the EU market are required to undergo checks (Gardner & Bellfield, 2024).

cannot be used to demonstrate compliance.

However, once robust due diligence systems are in place, the marginal cost of expanding them to include additional commodities — whether voluntarily or through future EU regulation — can be expected to be relatively low (Bosselmann & Dolmer, 2023).

Compared to the EUTR, the EUDR raises the bar for global forest protection. Yet, as subsequent sections will explore, the EUDR's regulatory design may not be sufficient to ensure transformative outcomes on the ground.

UNDERSTANDING THE DRIVERS OF TROPICAL DEFORESTATION

The EUDR targets the link between commodity trade and deforestation. But how decisive is international trade as a driver of tropical deforestation — and can measures like the EUDR truly address the root of the problem?

A common critique of the EUDR is that it seeks to regulate the supply of commodities rather than their consumption (Fisher et al., 2024). In EU countries, approximately one-fifth of all crops consumed are imported – by doing this, we effectively reduce the need for domestically cultivated land. This dynamic reflects what could be criticized as an ‘outsourcing’ of the EU’s deforestation footprint associated with food consumption to countries outside the Union (Bosselmann & Dolmer, 2023).

Land-use change linked to agriculture is, without question, central to the deforestation of the Amazon. Hänggli et al. (2023) conducted a review of 150 peer-reviewed studies published between 2000 and 2021 on the factors contributing to deforestation in the region. They found that agricultural expansion was the leading type of land use change that directly causes deforestation in 8 out of 9 Amazon countries, the exception being Guyana. Furthermore, they found that:

- Pasture expansion was the primary type of land use change that directly caused deforestation in Bolivia, Ecuador, Colombia, and Brazil.

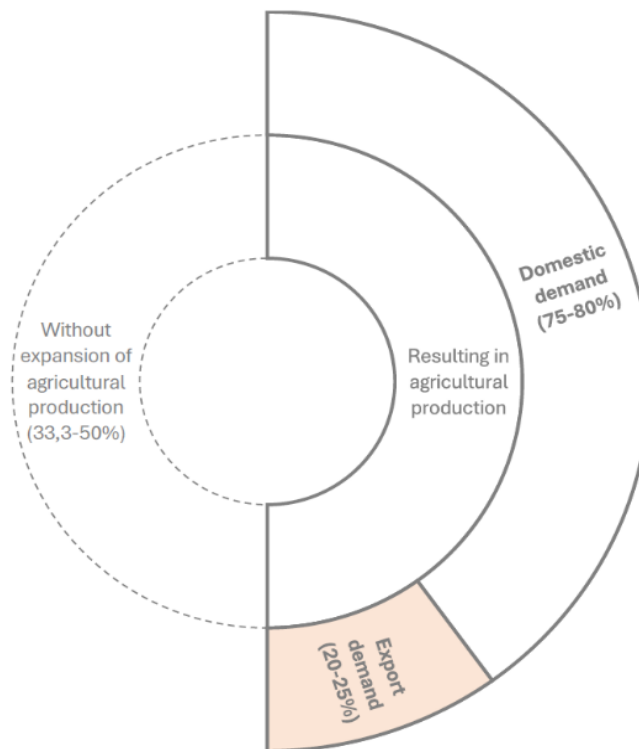
- Soy and oil palm expansion drove deforestation in southern parts of the Amazon, and oil palm has been linked to deforestation in Peru.
- Subsistence agriculture was identified as a less dominant but consistent driver in Bolivia, Peru, Brazil⁴, and French Guiana.

While international trade contributes to agriculture-driven tropical deforestation, its overall share remains relatively limited. Pendrill et al. (2022) found that only 20–25% of agriculture-driven tropical deforestation is linked to international demand, whereas the remaining 75–80% is driven by domestic demand. In addition, they found that between 1/3 to 1/2 of agriculture-driven tropical deforestation does not end up being productive agricultural land – and suggested six possible mechanisms behind this:

- Unrecorded agricultural area and production
- Crop booms and busts
- Land speculation
- Low suitability land or inadequate management
- Unclear or contested land tenure
- Fires spreading from forest clearing and land management

⁴ It is worth mentioning that large-scale agriculture in Brazil has been accused of clearing small and scattered areas in order to appear as

subsistence agriculture and thereby avoid stricter regulation (Richards et al., 2017).



Agriculture-driven deforestation. Figure based on Pendrill et al. (2022).

Given this evidence, it is critical to complement value chain interventions (such as the EUDR) with territorial approaches that can address the root causes of deforestation (Muradian et al., 2025). For instance, the lack of formalized land rights has repeatedly been documented as an underlying driver of deforestation in Brazil (Hänggli et al., 2023). The formalization of indigenous land rights in Brazil and Peru has been linked to reduced deforestation (Baragwanath & Bayi, 2020; Blackman et al., 2017) – and interestingly, landowners in Brazil and Peru tend to cause less deforestation than renters or squatters (Araujo et al., 2019; Marchand, 2012). Given the findings of these studies, the formalization of land rights could serve as a powerful instrument to protect tropical forests and should be promoted alongside other territorial approaches. It is urgent to apply a holistic approach to halt tropical deforestation, as we cannot rely on value chain interventions alone.

It is also important to note that banks and financial institutions are not included in the scope of the EUDR. Vaccarezza Sevilla et al.

(2025) emphasize that these actors also play a significant role in driving deforestation – between 2010 and 2022, banks and investors from the EU27 contributed USD 44,6 billion to sectors associated with deforestation.

The financial institutions of the Amazon countries are also linked to deforestation. For example, in Brazil, public banks finance at least 30% of agricultural activities through rural credit and no mechanisms are in place to monitor how these funds are used (Vaccarezza Sevilla et al., 2025).

Against this backdrop, it is clear that socio-environmental NGOs must play a central role in promoting complementary solutions. Strengthening territorial governance and reshaping financial flows are both critical pathways to tackling the underlying drivers of deforestation.

RECOMMENDATION: NGOs should continue to advocate for territorial approaches that address the root causes of deforestation as well as for banks (both in the EU and in the Amazon region) to promote deforestation-free investments.

A relevant question remains, with only 20–25% of tropical deforestation linked to international demand, can the EUDR still be a transformative instrument? This is the question explored in the following sections.

ADDRESSING THE GAPS: CHALLENGES IN APPLYING THE EUDR AND OPPORTUNITIES FOR CIVIL SOCIETY ENGAGEMENT

While the EUDR represents a significant step forward in aligning trade with forest protection, important gaps and challenges remain in its design and implementation. These challenges may limit the regulation's impact if not properly addressed. However, they also create new entry points for socio-environmental NGOs to drive complementary action on the ground. The following sections explore key areas where gaps exist — and highlight how NGOs can contribute to closing them.

Misalignments with National Policies in Producer Countries

Significant discrepancies between the EUDR's requirements and national policies in producer countries risk creating unintended consequences.

Addressing Legal Deforestation: Balancing Environmental Protection and the Sovereignty of Producer Countries

In Brazil, Rajão et al. (2020) estimate that around 20% of soy and at least 17% of beef exports to the EU from the Amazon and Cerrado regions may be contaminated by illegal deforestation. By targeting both legal and illegal deforestation, the EUDR aims to close enforcement loopholes. As Trevizan et al. (2025) note, equating legal and illegal activities may be perceived as unfair and has triggered accusations of the EUDR being an unjustified trade barrier.

RECOMMENDATION: The EUDR's decision to treat legal and illegal deforestation equally seeks to ensure stronger forest protection, but it also challenges the legitimacy of legal frameworks in producer countries. NGOs can help navigate this sensitive landscape by promoting a deeper understanding of the environmental risks associated with legal deforestation in producer countries, while acknowledging the legitimate concerns regarding sovereignty.

Cut-off Date Discrepancies: The Case of the Amazon Soy Moratorium

Oliveira et al. (2024) highlight a critical challenge posed by a misalignment between the EUDR and Brazil's Amazon Soy Moratorium (ASM). The ASM, a voluntary initiative, commits agribusinesses to refrain from sourcing soy grown on land deforested after 2008. In contrast, the EUDR sets a later cut-off date of December 31, 2020. As a result, soy produced on land cleared between 2008 and 2020 in the Amazon could legally enter the EU market under the EUDR. This discrepancy risks legitimizing up to 12 years of deforestation.

Experts warn that such discrepancies may be strategically exploited. Data from Brazil's National Institute for Space Research (INPE) indicate that more than 91,500 km² of land was deforested in the Amazon during this period — land that could now fall within the bounds of legal trade under the EUDR (Oliveira et al., 2024).

Equally concerning, the EUDR has triggered internal political pressure in Brazil to shift the ASM's cut-off date to match that of the EUDR — potentially weakening the impact of the ASM (Oliveira et al., 2024).

The ASM case underscores how discrepancies between the EUDR's scope and that of forest protection measures in

producer countries can generate unintended consequences. In light of these risks, Oliveira et al. (2024) call for a systematic assessment of potential discrepancies across the EU's trading partners.

RECOMMENDATION: NGOs should facilitate reforestation, restoration, and sustainable land use initiatives in areas affected by cut-off date discrepancies between the EUDR and national policies in producer countries. Additionally, NGOs can play a vital role in monitoring compliance with voluntary agreements like the Amazon Soy Moratorium and advocating for the preservation of forest protection standards that go beyond the EUDR's scope.

Limitations in EUDR's Definition of *Forest* and *Forest Degradation*

Some forms of forest loss and degradation are not covered by the EUDR, limiting its ability to fully protect tropical forest landscapes. Recognizing these gaps is

crucial, as NGOs can play a key role in promoting complementary measures to protect vulnerable ecosystems beyond the regulation's scope.

How the EUDR Defines *Forest*, *Forest Degradation*, and *Deforestation-free*

According to Article 2 of the EUDR:

'Forest' means land spanning more than 0,5 hectares with trees higher than 5 metres and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use.

'Forest degradation' means structural changes to forest cover, taking the form of the conversion of:

- primary forests or naturally regenerating forests into plantation forests or into other wooded land; or
- primary forests into planted forests.

'Deforestation-free' means:

- that the relevant products contain, have been fed with or have been made using, relevant commodities that were produced on land that has not been subject to deforestation after 31 December, 2020; and
- in the case of relevant products that contain or have been made using wood, that the wood has been harvested from the forest without inducing forest degradation after 31 December, 2020.

Cesar de Oliveira et al. (2024) raise the concern that large parts of the Cerrado biome in Brazil will not be covered by the EUDR due to the EUDR's definition of 'forest', which mirrors FAO's definition (see the information box above).⁵ The definition

carries the risk of spill-over effects, whereby reduced deforestation in the Amazon — driven by EUDR compliance — may unintentionally shift the deforestation pressures to neighboring ecosystems.

⁵ It is worth noting that a review is planned one year after the EUDR enters into force, which will assess the possibility of expanding the regulation's scope to include 'other wooded land'. Two years after, another review will evaluate the

potential impact of extending the scope to cover additional ecosystems (Cesar De Oliveira et al., 2024).

The concern is informed by the findings of MAPBIOMAS (2022). They estimated how much of the Amazon and six other South American biomes would qualify as ‘forest’ under the FAO definition. Alarming, vast portions of these biomes fall outside the definition – and consequently fall outside the EUDR’s scope:

- 15,6% of the Amazon
- 74,1% of the Cerrado
- 24,7% of the Chaco
- 90,4% of the Caatinga
- 88,7% of the Pampa
- 29,3% of the Atlantic Forest
- 75,8% of the Pantanal

The Brazilian Cerrado biome has less standing biomass compared to the Amazon, yet its ecosystem is under greater pressure (Godar et al., 2016). Deforestation in the Cerrado is primarily driven by pasture and soy expansion. Agricultural activities are also putting increasing pressure on neighboring ecosystems such as the Pantanal, Caatinga, and Pampas (MAPBIOMAS, 2022).

Köthke et al. (2023) highlight two additional concerns related to the EUDR’s definitions of ‘forest’ and ‘forest degradation’. First, the regulation excludes agroforestry systems from its definition of ‘forest’ – consequently, the EUDR does not protect agroforestry systems from being converted into monocultures. Second, the EUDR’s definition of ‘forest degradation’ is only concerned with land-use changes, not functional degradation – such as biodiversity loss or decline in ecosystem services – consequently, the loss of critical

ecological functions may occur without impeding compliance with the EUDR.

RECOMMENDATION: NGOs should (1) facilitate capacity-building initiatives that empower local communities to enhance and protect the biodiversity of tropical landscapes, as functional degradation of ecosystems is not covered by the EUDR, (2) disseminate knowledge on sustainable management of agroforestry systems to prevent their conversion into monocultures, and (3) facilitate projects that target the protection of ecosystems adjacent to areas classified as forests under the EUDR to prevent spill-over effects.

In this context, it is important to remember that shifting agricultural production to already deforested areas is not automatically a sustainable solution. Godar et al. (2016) highlight three key factors that must be considered to ensure that such production truly supports sustainable development: (1) the adoption of sustainable agricultural practices, ideally certified by recognized standards, (2) the provision of strong social conditions and rural development opportunities for local communities, and (3) the potential for positive spillover effects – such as knowledge exchange on sustainable farming practices – that can catalyze broader sustainable development pathways.

How the Response of Value Chain Actors to the EUDR Can Limit Its Impact

The EUDR has the potential to transform global value chains. However, its impact depends on a range of factors. While not exhaustive, the following four simplified scenarios illustrate potential responses from value chain actors to the EUDR:

- **Reduced deforestation is achieved through transformed value chains:** To comply with the EUDR’s requirements, companies adjust their global supply

chains, leading producers to adopt deforestation-free practices.

- **Impact on deforestation levels is compromised through trade segregation:** Producers or traders may choose to segregate production, creating a supply chain that meets EU deforestation-free requirements and another for other markets where such standards do not apply (Bastos Lima & Schilling-Vacaflor, 2024).

→ **Impact on deforestation levels is compromised through leakage to other markets:** Producers or traders may bypass the European market altogether, shifting focus to regions without equivalent deforestation-free requirements (Panwar et al., 2023).

→ **Impact on deforestation levels is compromised through crop switching** producers may shift to crops that fall outside the scope of the EUDR, potentially displacing rather than reducing deforestation pressures (Muradian et al., 2025).



On the one hand...

Several factors increase the likelihood that the EUDR could lead to reduced deforestation through transformed value chains.

First, Bradford (2020) highlights the potential for a '**Brussels Effect**', whereby multinational companies extend EU regulatory standards globally due to economies of scale. To minimize operational complexity and compliance costs, companies may find it more efficient to streamline all value chains to comply with the EUDR — even in markets where equivalent regulation is not in place.

Second, **market incentives** could encourage broader adoption of deforestation-free practices. Castro-Nunez et al. (2021) note that producers who meet zero-deforestation standards may secure improved market positions and negotiate higher prices, not only in the EU but also in other markets.

Third, **existing compliance know-how** may ease the transition. Cesar de Oliveira et al. (2024) emphasize that producers that are closely linked to international markets — or those with extensive experience in environmental certification schemes — may already possess compliance know-how, reducing their marginal cost of aligning with the EUDR.

Finally, **structural features of agricultural value chains** may also increase the likelihood of a successful implementation of

the EUDR. Reis et al. (2020) analyze the 'geographic stickiness' of agricultural value chains, using the Brazilian soy sector as a case. Their findings suggest that large traders, especially those with significant market shares and investments in specific export corridors, are less likely to shift sourcing regions over time or in response to disturbances. This entrenched market structure may create an incentive to maintain and adapt existing supply chains in line with EUDR requirements, rather than seeking alternative markets or suppliers.

Together, these factors suggest that in some sectors and regions, the EUDR could catalyze not only localized change but also broader systemic transformations in favor of the world's forests.

...And on the other hand

Significant risks of **trade segregation** and **market leakage** could undermine the EUDR's global impact.

Bastos Lima and Schilling-Vacaflor (2024) present evidence from Brazilian soy production that challenges the "Brussels Effect" hypothesis. Although a large share of soy imported into countries such as the Netherlands, Denmark, and Germany is certified and carries a low deforestation footprint, Brazil continues to produce soy associated with a much higher deforestation footprint — which is then sold domestically

or exported to markets like China.⁶ Their findings reveal a clear risk that supply chain actors may find it an economically viable solution to segregate supply chains as a response to the EUDR. Some supply chain In this context, the EU's **market share** becomes a critical determinant of outcomes.

As noted by Panwar et al. (2023), we wrongfully maintain our perception of emerging markets as producers and not consumers, when in fact emerging markets are the destination of a significantly larger share of internationally traded forest-risk commodities than the EU. Panwar et al. (2023) illustrate this point by drawing on the following numbers:

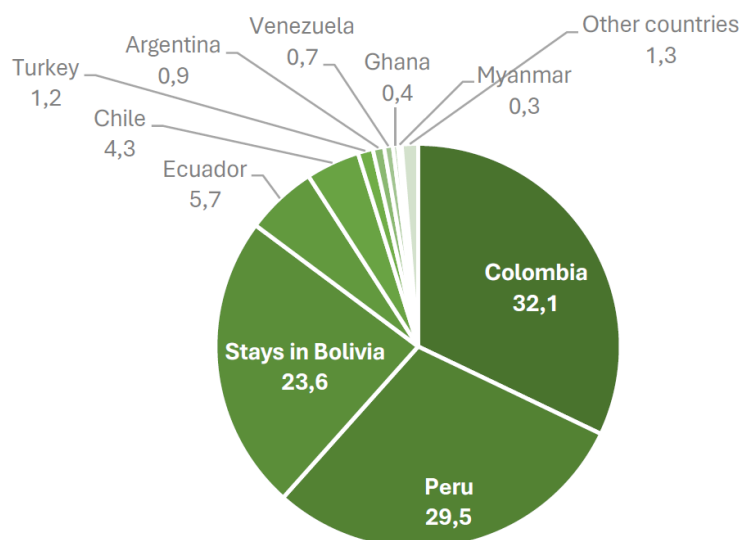
→ India imports 19% of globally traded palm oil, China 11,7%, and Pakistan 6,7% — together, these countries account for 2,5 times the volume imported by the United States and the EU combined.

actors may even choose to bypass the European market altogether, shifting focus to regions without equivalent deforestation-free requirements (Lambin et al., 2018).

→ China is the destination of 60% of global soybean exports.

→ in the case of Brazilian beef, major buyers include China (30%), Egypt (12%), Russia (10%), and Iran (7%), while the EU and US together account for less than 10%.

Worth mentioning is also the case of a country like Bolivia — where the soy-related deforestation intensity in 2021 was ten times higher than in Brazil (Trase, 2021). In Bolivia, domestic consumption and regional markets dominate, as Colombia and Peru are the main importers, while 23,6% of the produced soy remains within the country itself:



Bolivian soy export in percent. Source Trase (2021)

If the EU has little to no market leverage, trade segregation or leakage to other markets are likely responses to the EUDR's requirements. However, these are not likely scenarios in the case of cocoa or coffee, as the EU accounts for large market shares of

these commodities. For example, in 2022, the EU was the destination of 34,66% of Peru's cocoa exports and 49,88% of its coffee exports.⁷ At the global level, the EU accounts for approximately half of global cocoa imports and one-third of global

⁶ For example, in 2020, the deforestation pressure linked to Brazilian soy purchased by China was 445 ha/100 kt, compared to just 79

ha/100 kt for Denmark (Bastos Lima & Schilling-Vacaflor, 2024).

⁷ Own calculations based on data from: <https://trase.earth/open-data>.

coffee imports (Taylor, 2024) – this gives the EU significant market leverage. As a result, the EUDR is well-positioned to drive substantial transformation across the global value chains of **coffee and cocoa**.

In contrast, where the EU holds only a limited share of the market, the EUDR on its own is unlikely to drive substantial transformation. Bastos Lima and Schilling-Vacaflor (2024) advocate for a transformative approach that complements ‘do no harm’ legislation (such as the EUDR) with proactive ‘do good’ initiatives at the landscape level. This is where NGOs have a critical role to play.

Smallholder Vulnerability

Smallholders with limited access to capital and technology may struggle to meet the requirements introduced by the EUDR (Lambin et al., 2018). The challenge is particularly pronounced in countries with a high prevalence of smallholder production. In Ethiopia, for example, the general manager of the Ethiopian Coffee Exporters Association, Gizat Worku, estimates that it could take two years to provide the geolocation of the country’s five million coffee-producing households — not because coffee is grown on deforested land, but because smallholders may lack the means to prove that it is not (Taylor, 2024).

This dynamic creates a risk of market exclusion, as risk-averse EU buyers may favor suppliers who already have robust traceability systems in place instead of sourcing from smaller and more vulnerable producers who lack the capital and technology to prove EUDR-compliance (Fisher et al., 2024).

The Role of Traders: Risk or Opportunity?

In several agricultural sectors, only a handful of traders handle the majority of global exports (Panwar et al., 2023). These intermediaries increasingly operate through vertically integrated models, whereby they not only source, process, and export commodities but also engage directly with

RECOMMENDATION: NGOs should help drive change at the landscape level by supporting interventions that promote sustainable land-use practices in sectors where the EU’s market leverage is limited. For example, in the context of cattle production, one sustainable land-use practice worth promoting is the adoption of silvopastoral systems.⁸ NGOs can play a key role by strengthening the capacity of local communities to implement and manage such systems.

producers – in some cases, traders have helped smallholders transition to certified practices by covering upfront compliance costs, yet in return, some have retained ownership of certification credentials or appropriated the associated price premium (Grabs & Carodenuto, 2021).

In an EUDR context where certification premiums do not apply, traders may no longer be incentivized to absorb smallholder compliance costs. Furthermore, if geolocation and compliance data are held by traders rather than producers, it may increase dependency and reduce smallholder agency in negotiating market access (Grabs & Carodenuto, 2021).

Nonetheless, traders have the potential of becoming critical allies. Many traders have invested heavily in specific sourcing regions and hold strong operational ties through local offices, infrastructure, and relationships with suppliers or, for example, local government representatives. These sunk costs create a strong incentive to maintain sourcing relationships in established production areas (Grabs & Carodenuto, 2021). NGOs may therefore explore strategic partnerships with traders to scale capacity-building efforts for smallholders.

⁸ By integrating trees, pasture, and livestock, silvopastoral systems offer a viable pathway to

reduce the GHG emissions associated with cattle production (Landholm et al., 2019).

RECOMMENDATION: NGOs should support smallholders in navigating the EUDR's technical requirements by facilitating access to geospatial monitoring tools and ensuring that smallholders retain ownership of the data. Partnerships with traders and local cooperatives may help scale these efforts — but care must be taken to avoid reinforcing dependency structures. NGOs may also consider creating strategic partnerships with local universities or

scientific institutions to develop context-specific training programmes aimed at building smallholder capacity in geospatial monitoring. For examples of good practice in promoting smallholder inclusion, see the report [“Why smallholders must be favoured in the quest for traceability”](#) by Forests of the World.

With only 20–25% of tropical deforestation linked to international demand, can the EUDR still be a transformative instrument? The EUDR's impact is limited by its misalignment with national policies in producer countries, its definition of 'forest' and 'forest degradation', and the EU's limited market share of certain forest-risk commodities. Without careful attention, the regulation may lead to unintended social and environmental consequences. NGOs have a critical role to play. They can support smallholders and local projects focused on preventing ecosystem degradation beyond the scope of the regulation. By playing a complementary role to the EUDR, NGOs can accelerate the protection of the world's forests.



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