Towards smallholder-inclusive risk mitigation under the EU Deforestation Regulation

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Why this briefing paper

On 30 December 2026, the EU Deforestation Regulation (EUDR) will start to apply to large and medium enterprises, and six months later to micro and small operators.

Risk mitigation under Article 11 will be a key element of the Regulation's implementation. So far, the public debate has been dominated by political uncertainty over the Regulation's timeline, scope and stringent traceability and legality requirements. The substance of how the risk of deforestation should be mitigated on the ground has received comparatively little attention and has not been included in official EUDR guidance.

As a coalition of organisations focused on ensuring that the EUDR works for smallholders, we have prepared this briefing to start that conversation. It builds on the AidEnvironment / Sangga Bumi Lestari Practical Guide for Risk Mitigation Measures for Forests and People under the EUDR (2026), which provides risk mitigation options.[1]

Our aim is to give policy recommendations for companies preparing for EUDR application, the Competent Authorities (CAs) that will check companies' due diligence systems and the European Commission.

Five principles for smallholder-inclusive risk mitigation under the EUDR

Risk mitigation under Article 11 of the EUDR should:

1. **Complement individual supply chains approaches with landscape or similar multistakeholder strategies —** companies should push for their EUDR compliance efforts regarding traceability and due diligence to be complemented by national or landscape/jurisdictional level actions so plans can cover all smallholders in a sourcing area and address structural risks effectively, where local or national authorities are willing to do this.

2. **Be preventive and long-term —** companies should make forward-looking investments and develop stable commercial relationships with farmers that build on trust, dialogue and direct contracts; replacing volatile spot-market purchasing with long-term contracts. This supports market access and allows smallholders to make stable financial and crop planning decisions.

3. **Treat exclusion as a last resort, no "cut and run" —** responsible disengagement should be the norm where deforestation or illegality persists. Joint investigation of alerts and appeals should be considered before any farmer or cooperative's business relations are suspended or terminated.

4. **Share compliance costs and data fairly —** European companies should pay for mapping and documentation for traceability and legality, and work towards interoperable data systems. They should seek farmers' informed consent before collecting, using and sharing their data and, at a minimum, enable the option for cooperatives and farmers to retain data ownership, along with genuine access and the capacity to generate insights from it.

5. **Be gender-responsive —** address the specific barriers women smallholders face in access to training, data systems and cooperative decision-making.

1) AidEnvironment and Sangga Bumi Lestari (2026), Risk Mitigation Measures for Forests and People under the EUDR: A practical guide for action and collaboration across agricultural supply chains, commissioned by GIZ under the EU- and BMZ-funded "EUDR Engagement" project.

Context

Legal obligations

Under Article 3 of the EUDR, operators placing relevant products on the EU market must submit a Due Diligence Statement attesting that those products are deforestation-free and produced in accordance with the national laws of the country of production.

Before placing products on the market, operators must complete three due diligence steps: first, collect the information required under Article 9; second, assess the risk of non-compliance under Article 10; and third, where a non-negligible risk is found, mitigate it under Article 11 through adequate procedures and measures aimed at bringing the risk to a negligible level.

EUDR's Article 11 stipulates that mitigation measures "may also include supporting compliance with this Regulation by that operator's suppliers, in particular smallholders, through capacity building and investments".[2] The Regulation's preamble goes further, stating that reasonable "efforts should be undertaken to ensure that a fair price is paid to producers, in particular smallholders, so as to enable a living income and effectively address poverty as a root cause of deforestation".[3] Mitigation measures are fully part of the due diligence obligation under the EUDR, and are not meant to replace the traceability requirement.

Excluding deforestation from supply chains is the baseline, but large market actors using their leverage to get suppliers to produce in a deforestation-free way is the key to fully harnessing the potential benefits of the EUDR.

Operational challenges

Considering the legal architecture of the EUDR, as well as its strong steer towards smallholder support, operators must create robust systems that mitigate deforestation risks and support smallholder inclusivity.

In this regard, EU CAs which will enforce the EUDR, have urged operators to avoid treating compliance as a box ticking exercise but rather as an incentive to build thorough internal systems.

That said, risk mitigation measures are likely to be considered very differently by operators, depending on a range of factors such as their size, their compliance capacity, the share of their sales going to the EU, and the structure of their supply chain(s). One cross-cutting factor is also whether operators have viable alternative sourcing options to smallholder-dominated supply bases.

The risk for smallholders is that operators decide to exclude farmers and cooperatives deemed as high risk by companies' compliance systems, even when the smallholders' production is EUDR compliant. While most easy to operationalise, this "cut-and-run" response would concentrate EU sourcing among the producers least likely to need support, leaving the underlying drivers of deforestation untouched and simply displacing non-compliant production to other markets. Obviously, this would also have disastrous consequences for the livelihoods of affected smallholders.

By contrast, adopting smallholder-inclusive risk mitigation measures could increase supply chains' resilience by improving quality and operational stability. It could also reduce procurement risk; preserve the flexibility that a

2) Regulation (EU) 2023/1115, Article 11(1): "Such procedures and measures may also include supporting compliance with this Regulation by that operator's suppliers, in particular smallholders, through capacity building and investments."

3) Recital (50) of Regulation (EU) 2023/1115: "When sourcing products, reasonable efforts should be undertaken to ensure that a fair price is paid to producers, in particular smallholders, so as to enable a living income and effectively address poverty as a root cause of deforestation." Article 38(3) foresees a review by 2028 considering, inter alia, the impact on smallholders.

broad supplier base provides; and contribute to improving the image of the company's brand. In addition it may reduce the likelihood that deforestation risk is displaced to other markets, while supporting more consistent enforcement by competent authorities.

So far, the European Commission has failed to provide guidance on mitigation measures. We hope this briefing will inform future guidelines and support CAs to assess whether companies have implemented appropriate mitigation measures.

Credit: KYTan

Financial support

Similarly to public support which has prioritised financial and technical support to small scale farmers, notably through the **Team Europe Initiative on deforestation-free supply chains**, companies should ensure they financially support small scale producers, especially women, who are the most vulnerable and essential actors in their supply chains. This can be done, among others, by investing in cooperatives' data and data rights management capacities, cash transfers, and supporting the roll-out of **public traceability and monitoring systems**.

"Smallholders" is a "catch all" term, there isn't a one size fits all solution to address their challenges

Treating smallholders as a single category is misleading, and has muddied the debate. The Regulation's effects differ sharply by region, by commodity, and by how a producer is currently positioned relative to the EU market.

In Peru for example, while operators placing products on the EU market are liable for complying with the EUDR, cocoa and coffee cooperatives have absorbed substantial compliance costs.[4] Without any financial support for compliance, these costs risk deepening the precariousness and poverty that are themselves drivers of deforestation.

In Ghana and Côte d'Ivoire, the large traders and chocolate companies are bearing the costs of EUDR compliance, but cocoa farmers are frequently mapped without their knowledge or consent. Here, the challenge is for producers to claim ownership of their data and greater transparency in their supply chains.[5]

For Indonesian palm oil, independent smallholders are largely already outside the supply chains linked to the EU market, because they cannot meet existing private certification requirements; for them the question is not how to avoid exclusion but how to gain access in the first place.[6] That said, if we consider palm kernel oil value chains, smallholders are still largely present.

Finally, the category also cuts across Indigenous Peoples and Local Communities (IP & LC): many smallholders are themselves Indigenous producers (such as the Arhuaco communities growing coffee in the Sierra Nevada of Colombia) for whom collective land tenure, customary rights and free, prior and informed consent shape what meaningful risk mitigation looks like.

Such a diversity of challenges calls for a case by case approach and tailor-made risk mitigation measures.

4) CLAC (2026), Analysis of the Potential Trade Impact of the EUDR … on Fairtrade Small-Scale Coffee and Cocoa Producers in Latin America. The same study reports administrative costs doubling for some organisations and the redirection of the Fairtrade Premium towards mandatory compliance.

5) Civic Response (Ghana), Commerce Équitable France (France), Fern (Belgium) and alt (2024) Transformative traceability: How robust traceability systems can help implement the EUDR and fight the drivers of deforestation.

6) Fern (2025), Indonesian palm oil smallholders and the EUDR: impacts and ways forward — "the main challenge is therefore not how to keep them in the EU market but how to support their access to it."

What the AidEnvironment guide contributes

The AidEnvironment / Sangga Bumi Lestari **Practical Guide** offers a typology of risk mitigation measures organised across six categories — capacity building; certification; forest management and conservation; landscape and jurisdictional approaches; livelihood support; and traceability and transparency. It also includes step-by-step implementation guides for two of them, namely capacity building for smallholders as well as cooperatives and the landscape/jurisdictional approach.

Among its conclusions, the Practical Guide argues that individual and collective approaches are complementary rather than mutually exclusive, and that the approach taken matters. The EUDR leaves room for operators and CAs to decide how mitigation is done and the inclusion of smallholders and IP & LC can be embedded into the logic, design, and implementation of risk mitigation measures from the outset. Notably, the guide highlights the advantages of collective approaches, where risk mitigation can be combined with practical support for compliance.[7]

The recommendations below takes up that opening and translates it into specific asks.

Collective, inclusive and multi-stakeholder approaches

The five orientations below cluster the coalition's recommendations. Each is set out with a short rationale and audience-specific asks.

1. Collective, inclusive and multi-stakeholder approaches

In supply chains where smallholders constitute a large share of a supplier base, company-by-company mitigation duplicates costs and burdens cooperatives with parallel demands. It leads to fragmentation and overlaps.

In addition to their individual plans and in order to ensure maximum effect and avoid duplicated efforts, operators should support coordinated collective compliance plans that are tailored to specific area needs and that progressively cover all the smallholders in a sourcing area, with prioritisation based on exposure to market exclusion and vulnerability factors (such as farm size, tenure insecurity, remoteness, presence of nearby protected areas or gender specific issues).

This approach would improve participation, transparency and facilitate monitoring and evaluation, as well as the work of CAs that are assessing mitigation efforts. In line with the eight core principles of the EU's Strategic framework for International cooperation engagement as well as with UN Guiding Principles on Business and Human Rights (UNGP) points 23, 28 and 30, they should be designed through a deliberative process involving all relevant stakeholders, e.g. representatives from the government, Civil Society Organisations (CSOs), smallholder organisations and the private sector.

There are two types of collective approaches. National-level approaches are well suited for shared infrastructure, public traceability, guidance and data standards. Landscape/jurisdictional approaches are suited for alert response, remediation, producer support and monitoring.

7) AidEnvironment (2026), pp. 22–25 on individual vs. collective approaches and multi-stakeholder partnerships, with reference to GISCO and its Pro-Planteurs sub-project in Côte d'Ivoire, and DIASCA. Comparable evidence on combining compliance with support comes from Fairtrade premium investments, Oxfam's supply-chain transparency work, and Tony's Open Chain in Côte d'Ivoire and Ghana.

For companies	• Co-design and co-fund collective mitigation plans at national or landscape/ jurisdictional level, covering all smallholders in a sourcing area. • Ensure plans are developed with producer-country governments, civil society and smallholder/cooperative representatives including women and Indigenous Peoples, with documented roles. • When producer countries lead the process, proactively contribute and support their national or jurisdictional process. • Embed clear data governance in mitigation plans, so that farmers, not just buyers, control how their data is used: opt-in consent, purpose limitation to EUDR, confidentiality safeguards, the capacity to manage data, and access controls.
For Competent Authorities	• Recognise credible collective approaches, as evidence of adequate mitigation measures under Article 11. • Engage producer-country CSOs and smallholder organisations when setting enforcement priorities.
For the European Commission	• Work with CAs on guidance for what makes a collective mitigation approach "credible" (inclusivity, transparency, verifiable progress), to limit divergence between Member States.

Credit: Chokchai Poomichaiya

2. Prevention and long-term commitment over ex-post data gathering

Risk mitigation should be forward-looking, not documentation gathering undertaken as a box ticking exercise. Both companies and CAs should treat it as a means of building long-term supply resilience, with progress demonstrated over time. Stable commercial relationships are a crucial precondition for this: cooperatives can only justify multi-year investment in compliance infrastructure against multi-year purchasing commitments.

Credit: Forest People Programme

For companies	• Frame additional smallholder inclusive mitigation around multi-year objectives and demonstrable progress, not single-shipment compliance. • Maintain long-term, stable purchasing commitments so cooperatives can justify multi-year investment in compliance infrastructure. • Invest in cooperatives' capacity (training, digital literacy and due-diligence documentation) ahead of and between transactions.
For Competent Authorities	• Accept evidence of preventive, structural investment in addition to shipment-level documentation.
For the European Commission	• Issue guidance on the elements of an appropriate multi-year mitigation plan: objectives, governance and financing.

3. Responsible disengagement: exclusion as a last resort — no cut and run

Companies should only disengage from suppliers where deforestation and degradation is confirmed or where the risk of deforestation, forest degradation or illegality persists despite genuine mitigation efforts, not as a first response to incomplete data, proximity to a protected area, or pre-existing supply-chain characteristics such as a smallholder-dominated production base.

This is firmly embedded in the UNGPs, Organisation for Economic Cooperation and Development (OECD) Guidelines and Corporate Sustainability Due Diligence Directive (CSDDD) (Articles 10.6 and 11.7) which require disengagement (suspension or termination of business relations) to be a last resort, only after support.

The OECD Guidelines emphasise that, when it is possible to demonstrate a realistic prospect of, or actual improvement over time, maintaining the business relationship will often be preferable to disengagement. Companies are also advised to 'take into account potential social, environmental and economic adverse impacts related to the decision to disengage'.

When disengagement is inevitable, companies should disengage responsibly including by seeking meaningful consultation with relevant stakeholders in a timely manner and where possible, by taking reasonable and appropriate measures to prevent or mitigate adverse impacts related to their disengagement.

Exclusion should be accompanied by remediation measures where possible – e.g. in case of human right violations committed in breach with the EUDR legality requirement – to enable a potential reconsideration of the exclusion decision.

Credit: Tropenbos International

For companies	• Incorporate the obligation of 'responsible exit' as enshrined in the OECD guidelines on Multinational Enterprises into company policies and contracts with suppliers. • Before suspending or terminating a business relationship, provide a right of appeal and correction, so affected farmers or cooperatives can contest the decision or remedy the issue; for cooperatives near protected areas, offer monitoring and mitigation plans rather than automatic exclusion. • Maintain an accessible grievance mechanism through which smallholders can flag adverse impacts of company decisions, beyond specific disengagement. • Investigate satellite alerts jointly with local stakeholders before refusing shipments or suspending contracts, rather than acting on unverified alerts alone. Considering satellite alerts as "risk indications" similar to when a grievance is raised, this should rather trigger 1) an in-depth assessment and 2) an action plan developed together with stakeholders. • Adopt remediation protocols with a potential path to reintegration.
For Competent Authorities	• Request evidence of documented mitigation and remediation efforts before exclusion is recorded as the chosen mitigation measure. • Expect operators to be able to show how alerts and potential false positives are handled. • Allow for sufficient time for companies to improve their systems after a potential non compliance notification.
For the European Commission	• Provide guidelines on documenting how steps are taken for responsible disengagement, including if the adverse impact of disengagement was considered and stakeholders were consulted.

4. Fair sharing of compliance costs, data and burden

The type and cost of risk mitigation varies significantly depending on the commodity, sourcing model, level of cooperative organisation, land-tenure context, existing traceability systems and the role of intermediaries.

Public financial support has prioritised EUDR smallholders compliance so far, and companies should do the same. This can be done, for example, by investing in cooperatives' data management capacities, cash transfers or supporting the roll-out of smallholder inclusive public traceability and monitoring systems.

Furthermore, cooperatives should remain in control over and keep possession of their own data. As per EU law (GDPR), farmers have data rights, but these are hardly recognised. Companies should comply with their legal obligations and seek informed consent from farmers, through cooperatives, before collecting, using and sharing data. As a minimum, companies should also enable cooperatives and farmers to retain ownership of their data and, crucially, to have real access to it as well as the means to use it, since ownership without access or usability is meaningless.

Finally, we advocate for the convergence of interoperable traceability systems, with a long term aim at having credible, smallholder-inclusive and robust public systems, which hold the most potential to drive transformative change on the ground.[8]

For companies	• Thoroughly analyse compliance costs associated with traceability and legality requirements, and set up an action plan to support smallholders with these costs to ensure they are not excluded from the chain. This action plan to split or share costs should be embedded within contracts. • Converge on fewer, interoperable data systems to cut duplicative demands, seek informed consent for data use, and ensure producers retain ownership of and access to their own data. • Investing in national traceability systems, and other public national platforms to financially support and facilitate compliance.
For Competent Authorities	• Incentivise operators sourcing from smallholder-dominated supply chains to document how compliance costs are shared along the value chain.
For the European Commission	• Issue guidance towards ensuring interoperable, shared data infrastructure rather than proprietary parallel systems.

8) Los sistemas públicos deberían evaluarse en función de la accesibilidad, el consentimiento de los productores, el derecho de rectificación de los datos, la interoperabilidad con los sistemas de las cooperativas y las salvaguardias que impidan utilizar datos públicos de riesgo para excluir a productores sin remediación.

Credit: CLAC

5. A gender-responsive approach

Women, and especially Indigenous women, hold a smaller share of agricultural land, are less likely to hold formal titles, and face additional barriers to participating in governance, be it at cooperative or in multi-stakeholder decision-making.[9] Without a deliberate inclusive design, mitigation measures will systematically benefit male producers.

Credit: Giuseppe Cipriani Alamy

For companies	• Design mitigation with gender-disaggregated participation, outcomes and reporting (including specific metrics) where smallholders are involved. • Address and mitigate the specific barriers women face in access to training, data systems and decision-making within cooperatives and farmer organisations. • Look for ways to actively stimulate women's representation.
For Competent Authorities	• Ensure the gender dimension to be visible in operators' due diligence systems where smallholders are a significant share of the supplier base.
For the European Commission	• Include gender-responsiveness in any common templates or guidance on Article 11 mitigation.

9) FAO (2018), The gender gap in land rights; véase también el documento de la coalición de 2021 (op. cit.) sobre la diligencia debida con perspectiva de género.

Towards effective, smallholder-centred mitigation

The choices companies make in designing their due diligence systems, and the expectations CAs set, will determine whether the EUDR drives structural improvements in producer-country governance and smallholder livelihoods, while tackling deforestation effectively.

We urge companies and CAs checking their systems to harness Article 11 in order to reduce deforestation risks while supporting smallholders to tackle the root causes of non compliance.

Credit: Fairtrade Česko a Slovensko

This briefing, endorsed by EU and non-EU organisations including smallholder representatives, offers recommendations for companies, Competent Authorities and the European Commission on implementing risk mitigation under Article 11 of the EUDR in a way that benefits smallholders and tackles deforestation.

Credit: Fairtrade NAPP

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