

Research brief:



INITIATIVE ON
Rethinking
Food Markets

Challenges and Opportunities for Honduran Coffee under the European Union's Zero Deforestation Rule

Consultations with key stakeholders

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Key messages:

- **Public-private collaboration for EUDR compliance:** Successful implementation of the EUDR in the coffee sector depends on effective collaboration between the government and the private sector. The government should provide the regulatory framework and the private sector should lead the implementation of practical tools, especially through cooperatives and associations.
- **Strengthening the technical and educational capacity of producers:** Ongoing training of farmers in EUDR standards, the use of traceability technologies and the adoption of sustainable practices is essential. Educational programs should focus on the importance of sustainability and regulatory compliance to improve both productivity and coffee quality.
- **Development of traceability systems and shared data platforms:** There is an urgent need to create integrated traceability systems and accessible platforms for data exchange between value chain actors. This

will ensure transparency, improve process efficiency and facilitate validation of EUDR compliance without duplication of effort.

- **Governance support and independent verification:** Successful implementation of the EUDR requires a strong governance system and independent verification mechanism. A government-validated platform needs to be developed, including geo-referencing of farms and a reliable record of compliance with environmental and social regulations.
- **Opportunities for technological innovation and sustainability:** The adoption of emerging technologies, such as blockchain and other digital solutions, can transform coffee traceability and strengthen transparency in the supply chain. These innovations will not only comply with the EUDR, but will also open up new opportunities to access sustainable and higher value markets.

Introduction

Purpose of the Brief: Objective and Relevance of the Topic

This research brief presents the findings of a study focused on the traceability of the Honduran coffee sector, particularly in the context of the European Union's "zero deforestation" regulation. This regulation has profound implications for coffee production, a key sector for both the country's economy and global environmental sustainability. The regulation requires coffee producers, among others, to demonstrate that their products are not linked to deforestation, which poses significant challenges for Honduran coffee growers, especially in terms of implementing traceability systems.

Through interviews with key actors in the coffee supply chain, the study seeks to understand how these regulations impact producers and how practical solutions can be implemented to comply with the required standards. Traceability, understood as the tracking of coffee from its origin to the final consumer, plays an essential role in this process, guaranteeing the transparency and sustainability of the crop. In this context, at least three digital traceability platforms implemented in the country are studied in depth, evaluating their operation, acceptance and the implications of their use for compliance with European regulations.

The analysis not only addresses existing traceability tools, but also examines the costs, benefits and risks associated with their implementation, comparing these systems with other alternatives available in the global market. In addition, the research focuses on identifying common services among the actors in the value chain, seeking collaborative solutions that facilitate compliance with the European regulation.

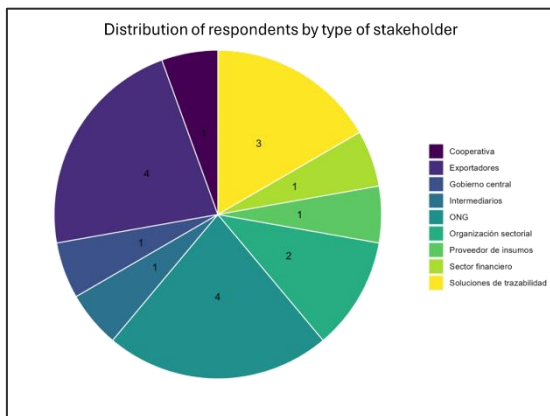
Finally, this document summarizes the impacts of the EU Zero Deforestation Regulation on the Honduran coffee sector through interviews that explore concerns, opportunities and services needed to adapt production to the new regulatory framework. The relevance of the study lies in its ability to inform producers, distributors and policy makers on the steps needed to ensure the sustainability of coffee production, while meeting international standards in a global market that is increasingly demanding sustainable practices.

Methodology

The research was carried out following a systematic process to ensure the representativeness and quality of the information obtained. It began with a database of 121 contacts from the initiative "Rethinking Food Markets in Honduras" (Development Agencies (NGOs), Certifiers, Cooperatives, Exporters, Financial Sector, Government, Importers, International Cooperation, Multilateral Banking, Intermediaries, Producers, Producer Associations, Regulatory Agency, Research and Extension, Sectoral Organizations, Traceability Solutions, among others). From this base, selection criteria were applied based on the type of actors involved in the coffee value chain, ensuring the inclusion of various links, such as producers, distributors and marketers. From this initial selection, 51 people were identified, of which 34 were classified as the main priority for interviews, while 17 were designated as secondary options.

To convene the interviews, an e-mail was sent to each of the 51 selected contacts, proposing a date and time for the interview, as well as including a brief description of the research objective. Active participation was

encouraged, allowing contacts to propose alternatives if the suggested dates were not convenient. Once the dates and times of the interviews were confirmed, a statement of informed consent was sent to some participants, ensuring that they understood the nature of the study and their right to confidentiality. This step was essential to establish an ethical framework for data collection.



Interviews were conducted with 18 key stakeholders between February 27 and March 12, 2024, using digital platforms such as Microsoft Teams and phones to facilitate access. At each session, the informed consent statement was read and participant sign-off was obtained prior to commencement. We opted for a semi-structured format that allowed for flexibility and open dialogue, thus enriching the responses. With an average of 13 years of experience in the coffee sector, the interviewees provided valuable information that enhances the quality of the findings.

The information collected was systematized using ODK (Open Data Kit), an effective tool for data collection and analysis. This process made it possible to organize the responses in a structured manner, facilitating their subsequent analysis and the drawing of conclusions relevant to the study. Once systematized, the data were analyzed according to the categories established at the beginning of the study, looking for patterns and relationships between the responses of the different actors interviewed. This analysis not only focused on individual responses, but also on the dynamics between the different links in the coffee value chain.

Results

Summary of Results by Interview Questions

This Research Brief presents a summary of the results obtained through interviews with key actors in the coffee value chain in Honduras. The main objective of these interviews was to explore the implications of the European Union's "zero deforestation" regulation (EUDR) and to understand how this regulation affects the different participants in the coffee sector. The interviews were structured around five key questions, ranging from the role of organizations in the coffee value chain to concerns and needs related to EUDR compliance. First, we sought to identify the specific role that organizations play in the production and marketing of coffee, which is fundamental to understanding their influence and responsibility within the chain. Second, we inquired about the main concerns of the actors in relation to compliance with regulations, highlighting the challenges and barriers they face. This allowed us to obtain a clear vision of the concerns that could hinder adaptation to the new requirements.

It was also explored which products or services could be implemented to address the concerns identified, thus providing practical and effective solutions. It was also analyzed which of these products or services are shared among the different actors in the value chain, which could facilitate more effective collaboration towards EUDR compliance. Finally, it was discussed which products or services should be led by the government, the private sector or through a public-private partnership, thus identifying opportunities for joint work in the implementation of solutions. Through this analysis, the aim is to offer a comprehensive view of the dynamics of the Honduran coffee sector in the context of European regulations, as well as to provide recommendations based on the experiences and opinions of the key actors involved.

Role in the Value Chain:

We sought to identify the specific role that organizations play in coffee production and marketing, which is fundamental to understanding their influence and responsibility within the chain. The organizations involved in the coffee value chain in Honduras play a crucial role in providing financing and technical assistance to producers. **Confianza**, for example, acts as a guarantor through the FONCAFE fund, facilitating access to the capital necessary for the production and operation of coffee plantations. It is estimated that around 25% of producers are linked to this financing system, which reinforces the sustainable development of the coffee sector. In addition, these organizations collaborate with cooperation programs and private businesses to promote traceability and compliance with regulations. The INATrace tool, developed over the last three years, is an example of how the

supply chain can be strengthened through the collection and connection of information between local and international actors.

The representation and promotion of the interests of the coffee sector are also vital. Through associations, they seek to influence public policies that benefit coffee growing, facilitating access to information on production and marketing. The creation of communication networks, such as WhatsApp groups, allows producers to keep abreast of prices and market conditions, thus optimizing their negotiation capacity. The **Honduran Coffee Institute** (IHCAFE) is another key player, providing technical assistance and defining sectoral policies that address issues such as climate change and gender equity. Through research and development, IHCAFE seeks to improve coffee quality and diversify the income of coffee growers, in addition to managing financial resources for their benefit.

The organizations also focus on training producers by implementing methodologies that promote learning and experimentation. Initiatives such as the "3Es" strategy (Elevate, Empower and Educate) aim to raise production quality and promote sustainable practices, including organic agriculture. Furthermore, coffee commercialization is facilitated through the development of technologies that provide traceability and efficiency in logistics. Fintech and Agritech tools are being implemented to optimize processes from harvest to sale, ensuring that producers can access financing and formal markets. Finally, there is a strong commitment to sustainability and coffee health. The organizations work to prevent pests and diseases, implementing phytosanitary programs and ensuring the use of resistant varieties. These actions not only improve productivity, but also seek to mitigate the environmental impact of coffee production.

Concerns Related to the EUDR:

The main concerns of stakeholders in relation to compliance with the regulation were explored, highlighting the challenges and barriers they face. The implementation of the European Union Deforestation Regulation (EUDR) raises multiple concerns for the Honduran coffee sector. First, there is a lack of interest on the part of financial institutions to support coffee farmers, which could complicate the ability of producers to adapt to the regulation. In addition, the absence of effective traceability tools and limited knowledge of the regulations generate uncertainty, especially among small producers and those who operate through intermediaries. Education and adequate information on EUDR requirements are essential, as many actors in the sector lack a clear understanding of how to comply with the new requirements. The need for clear leadership on EUDR implementation is another prominent concern. Currently, there is no effective coordination between the various institutions that should be involved in the process, such as IHCAFE, ICF (Forest Conservation Institute) and SAG (Secretariat of Agriculture and Livestock), which adds confusion about the verification of deforestation and the validity of the information collected. Lack of clarity on specific requirements, such as the use of GPS coordinates and the presentation of evidence of traceability, is also considered a significant obstacle.

Additionally, there are many producers who are not formally registered, making it difficult to gather accurate information and implement traceability systems. Although some organizations have made progress in complying with the regulation and have implemented sustainable practices, there is still a fear that EUDR requirements will be difficult to comply with, especially for those outside cooperatives or structured associations. Finally, the ambiguity of the European regulation is highlighted, which allows for varying interpretations and generates uncertainty among the actors in the sector. The lack of an approach adapted to local realities and the possibility of severe restrictions being imposed without an adequate transition period could have a negative impact on the production and marketing of Honduran coffee, which is highly dependent on European markets.

Products and Services Needed:

It explored which products or services could be implemented to address the identified concerns, thus providing practical and effective solutions. To address the main concerns related to EUDR compliance in the Honduran coffee sector, several solutions and services have been identified. First, it is proposed to support public policies that facilitate the governance of the sector, promoting technological models that make relationships and processes transparent. It is essential to improve technical assistance and educate producers on the importance of regulatory compliance, as well as to establish financing mechanisms that consider the costs of adopting new technologies.

The strengthening of cooperatives is crucial, focusing on training in management, quality control and information records. Traceability tools should be developed to unify processes and facilitate collaboration between producers

and buyers, especially in the context of creating a geo-referenced coffee registry. The implementation of open-source systems for data governance is also considered vital, ensuring that information is accessible and usable.

It also highlights the need for information gathering in the field, supported by trained personnel who can verify farms and document compliance with regulations. The creation of educational and awareness programs for producers is essential to motivate forest protection and regulatory compliance. Collaboration with organizations such as ENVERITAS, which have already demonstrated their ability to identify areas of deforestation and verify compliance with regulations, is suggested. Finally, a comprehensive approach is required that includes continuous training on regulations, the use of flexible technological tools for data collection and a financial support system that favors small producers. The creation of experience-sharing networks between compliant producers and those in need of guidance can facilitate a more effective transition to sustainability and EUDR compliance.

Common Services in the Chain:

An analysis was made of which of these products or services are shared among the different actors in the value chain, which could facilitate more effective collaboration towards EUDR compliance. On the road to EUDR compliance, there are several products and services that are common among the actors in the coffee value chain in Honduras. First, there is a shared interest in protecting coffee production, which translates into the need to implement traceability systems that are not isolated, thus avoiding duplicated efforts and unnecessary costs. All stakeholders recognize that compliance with regulations is essential to maintain access to markets, especially European markets, although there is concern that there is no additional economic value for coffee that complies with the requirements.

The creation of a single, accessible platform for the exchange of information is another aspect that many stakeholders consider crucial. This platform must guarantee data protection and trust among users. There is also a consensus on the importance of a survey of information on polygons and the georeferencing of farms, which will require trained personnel in the field. The collaboration and support of European importers in this process is welcome, as is the need for a government-validated verification system.

In addition, a change in the perception of the regulation has been observed; stakeholders are increasingly willing to accept and adapt to the regulations. Training and awareness-raising on the EUDR, as well as the creation of an effective communication system that reaches all producers, are actions that are considered necessary to ensure compliance. Coffee quality and the quality of life of coffee farmers are also identified as shared interests, with a focus on improving productivity and diversifying income to reduce migration.

Finally, the willingness to share information and collaborate between chain actors is essential to avoid duplication and optimize resources. The possibility of using technologies such as blockchain to improve traceability is mentioned, reflecting an interest in adopting innovative solutions in the implementation of regulations. In summary, the integration of efforts, institutional support and training are essential to achieve compliance with the EUDR and ensure the sustainability of the coffee sector.

Implementation Leadership:

Finally, it was discussed which products or services should be led by the government, the private sector or through a public-private partnership, thus identifying opportunities to work together in the implementation of solutions. In the context of EUDR compliance in the coffee sector, different approaches are identified as to who should lead the implementation of the necessary products and services. Many stakeholders consider a public-private partnership to be the most effective solution, as it leverages the strengths of both sectors. The government could play a facilitating role, providing the necessary structure and regulatory framework, while the private sector, through producer associations and cooperatives, could contribute its experience and specific market data.

However, there is a generalized perception of distrust among stakeholders. The private sector, which is jealous of its information, shows reluctance towards government intervention, especially in the handling of sensitive data. Therefore, some suggest that institutions such as IHCAFE could lead the technical part, acting as a bridge between the government and the private sector. This entity could be fundamental to validate information and establish clear rules that generate trust.

There is also a need for the government to establish a shared agenda among the different ministries involved, such as the ICF and SAG, to ensure a coordinated and efficient approach to the implementation of the regulations.

Some stakeholders propose the creation of a free national platform that allows access to relevant data and facilitates communication between all those involved in the value chain.

On the other hand, it is crucial to provide training and workshops to socialize the regulations and their implications, both for the private sector and for producers. This would not only help to improve understanding and compliance with the standard but would also foster an environment of collaboration among stakeholders, reducing the current fragmentation. In summary, a mixed leadership model is proposed, where government and the private sector work together, but with clearly defined roles and responsibilities to achieve effective compliance with the EUDR.

Challenges and Opportunities

Challenges

The interviews revealed several significant challenges for the Honduran coffee sector in the context of the European Union Deforestation Regulation (EUDR). One of the main obstacles is the lack of interest of financial institutions in supporting coffee farmers, which hinders their adaptation to the regulation. In addition, many actors lack effective traceability tools and a clear understanding of EUDR requirements, especially small producers and those operating through intermediaries. The lack of coordination between institutions such as IHCAFE, ICF and SAG creates confusion regarding verification of deforestation and validity of information. It was also identified that many producers are not formally registered, which complicates the collection of accurate information and the implementation of traceability systems. The ambiguity of the European regulation and the lack of an approach adapted to local realities generate uncertainty in the sector, which could have a negative impact on coffee production and marketing.

Opportunities

Despite the challenges, several opportunities to improve the situation were identified. The need to implement products and services to help coffee growers comply with regulations was highlighted, such as strengthening cooperatives and training in management and quality control. The development of unified traceability tools to facilitate collaboration between producers and buyers was also proposed. The creation of a single platform for information exchange was considered crucial to optimize resources and avoid duplication of efforts. In addition, a positive change in the perception of stakeholders towards regulation was observed, with a growing willingness to adapt to regulations. The integration of technologies such as blockchain to improve traceability and the formation of experience-sharing networks were also mentioned as effective strategies.

Conclusions and Recommendations

Conclusions

The implementation of the European Union Deforestation Regulation (EUDR) in the Honduran coffee sector poses a complex scenario, full of challenges but also opportunities. Key stakeholders have identified multiple barriers to adaptation, such as the lack of effective traceability tools, a general lack of awareness of the specific requirements of the EUDR and the absence of clear leadership in the implementation process. Many coffee farmers, especially smallholders, feel uncertain about how to comply with the regulations due to a lack of adequate information and training. In addition, lack of coordination between responsible institutions adds confusion and makes verification of deforestation difficult.

Despite these difficulties, there is a growing interest on the part of value chain actors in collaborating and share information. The importance of establishing effective communication networks becomes evident, as these links can facilitate the dissemination of good practices and access to resources. Ongoing training and the creation of accessible information systems are essential to foster not only compliance with the EUDR, but also the long-term sustainability of the sector. In short, although the challenges are significant, the willingness to adapt and the

possibility of collaboration between the different links in the chain are positive aspects that can guide the way towards more sustainable coffee production.

Recommendations

To facilitate compliance with the EUDR and promote sustainable development in the coffee sector, the following recommendations are proposed:

- **Encourage public-private collaboration:** It is recommended to establish a clear framework for collaboration between the government and the private sector, where the government acts as a facilitator providing the necessary regulatory support, while the private sector contributes its experience and specific knowledge of the market.
- **Develop training programs:** It is essential to implement training programs for coffee farmers that address both EUDR requirements and the use of technological tools for traceability. This will not only increase understanding of the regulations, but also empower producers to adopt sustainable practices.
- **Create an information exchange platform:** It is suggested that a national platform be established to facilitate the exchange of information among all actors in the value chain. This tool should guarantee data protection and allow for fluid communication to optimize resources and avoid duplicated efforts.
- **Strengthen cooperatives:** Cooperatives should be strengthened through management training, quality control and record keeping. This approach will enable them to lead in regulatory compliance and promote sustainable practices within their communities.
- **Implement a verification system:** It is crucial that a government-validated verification system be developed that provides confidence to both producers and buyers. This system should include methods for geo-referencing farms and documenting compliance.
- **Conduct a field survey:** To ensure accuracy in compliance with the EUDR, it is necessary to have trained personnel to conduct a field survey, documenting production practices and the status of natural resources.
- **Encourage technological innovation:** The use of emerging technologies, such as blockchain, should be explored to improve traceability and transparency in the supply chain. This will not only help meet EUDR requirements but may also open new market opportunities for Honduran coffee.

In summary, coordinated action that includes training, information exchange, and the strengthening of the sector's governance structure is essential to achieve a successful transition to a more sustainable coffee production model that complies with European regulations.

Quote:

Bioversity-CIAT Alliance. 2024. Research brief: Challenges and Opportunities for Honduran Coffee in the face of the European Union's Zero Deforestation Regulation. Consultations with key stakeholders. 8p.

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