



STATUS REPORT 2023

Danish Alliance for Responsible Coffee Status Report

PREPARED FOR THE ALLIANCE BY EFECA LTD AND ETHICAL TRADE DENMARK, NOVEMBER 2024



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Summary: Alliance progress 2023

The Danish Alliance for Responsible Coffee represents between 55% and 80% of total coffee consumption in Denmark, with members spanning across major importers, roasters and retailers. With the global coffee sector facing numerous environmental and social sustainability challenges, the Alliance is working collectively to develop coffee supply chains that are climate resilient, ensure all farmers are paid a living income, and drive true accountability across the value chain.

Up to 55% of coffee volumes reported by the Alliance in 2023 could be traced back to farm level. Supply chain visibility back to areas of coffee production is an essential starting point to tackling the challenges faced by the coffee sector to achieving progress and Alliance members are now working towards both voluntary and legal requirements on traceability. Progress on traceability amongst individual members is highly variable, but whilst companies sourcing smaller volumes of specialty coffee generally demonstrate higher levels of traceability, this has also been achievable for those sourcing larger volumes.

42% of company members stated that they recognise and reward producers for implementing sustainable practices and traceability measures, for example by paying premiums, purchasing certified coffee and supporting farmers to gain revenue from carbon sequestration.

In 2023, up to 87% of coffee volumes reported by the Alliance were covered by a sustainability standard with criteria preventing deforestation. With deforestation in agricultural commodity supply chains a major driver of climate change and biodiversity loss, responsible action to prevent further loss of forests is essential to the future resilience of supply chains, with coffee supply chains particularly vulnerable to our changing climate.

Up to 36% of reported volumes were produced in agroforestry systems in 2023 – above the global average of 25%. Whilst the majority (69%) of the Alliance volume is estimated to have originated from monoculture systems, the Alliance is making progress on sourcing coffee through regenerative agriculture. This includes the use of agroforestry systems, which are important mechanisms to boost climate resilience and ecosystem health.

Up to 27% of coffee sourced by Alliance members in 2023 was certified organic according to EU standards. 75% of Alliance members have strategies and policies in place to increase organic production or reduce the use of pesticides. Synthetic fertiliser use, which is prohibited in organic production can account for up to 90% of total emissions in primary coffee production.

5 members were able to report on the proportion of their volumes that enable a living income, amounting to up to 10% of the total reported Alliance volume. Social issues, particularly the provision of a living income to producers, are a major focus for the Alliance and wider industry. Overall, 16 members stating that they have a policy on living income of producers – whilst this represents good progress, this also presents an opportunity to work collectively and with wider partners to understand how this action can be accelerated.

Whilst the EU Deforestation Regulation (EUDR) is a major focus for the sector, only 38% of members feel prepared to be able to comply with it. Whilst members are gaining increasing confidence that their coffee supply chains meet the objectives of the EUDR, the majority remained concerned about the specific compliance requirements of the Regulation, given outstanding uncertainties. Members stressed the issues of potential smallholder exclusion and burden as being key concerns around the implementation of this regulation.

Overall, there is a strong consensus on the value the Alliance provides in bringing the supply chain together in a collaborative, knowledge-sharing environment to tackle challenges that members are facing, including in ensuring the costs responsible coffee are shared equitably across the value chain and tackling concerns about unreliable green claims.

1. Introduction

1.1 Responsible coffee

Denmark is amongst the ten highest per capita consumers of coffee globally, with an average of 6.6kg of coffee consumed annually per capita (approximately 3-4 cups of coffee per person per day).¹ According to the International Coffee Organisation (ICO), 175.6 million 60-kilo bags of coffee were consumed globally in 2023, which is equivalent to around 2.25 billion cups daily.² This is a significant increase from the previous year, with 168.5 million bags consumed in the 2021-22 period.

A significant challenge in the coffee sector is insufficient income for producers to cover the costs of production: even when the end-user pays a higher price the value does not always get distributed throughout the supply chain and reach the farmer.³ Other serious social issues are also prevalent in the sector, including exploitative and child labour due to root causes similar in other agricultural commodity supply chains such as poverty and social vulnerability.⁴ Coffee production can also come with a high environmental cost, with forests and natural ecosystems cleared and converted for coffee cultivation. Research from Solidaridad suggests that over 130,000 hectares of forest has been lost annually over the past 20 years to expand the area for coffee production.⁵

The impact of climate change on coffee production is evident, with existing growing areas becoming unsuitable for production. The estimated suitable growing area for coffee is expected to decrease by up to 50% by 2050.⁶ A halving in suitable growing areas, as well as an increase in demand, may create a perfect storm with consequences for further deforestation, accelerated global warming and increased prices.

To address these issues, companies across the sector are taking action to support responsible production and consumption of coffee in a way that mitigates these impacts. Projects to address the social and environmental impact of coffee often focus on increasing, diversifying, and making more secure the income of farming communities, including through paying higher prices, and encouraging resilient agroforestry practices to increase yield.

Such projects are ongoing at multiple scales, being led and funded by local communities, governments, civil society, and industry, or through multistakeholder arrangements. International companies support these projects in part by buying coffee that is certified to have been produced by certain standards, and is sold by farmers for a premium. The leading certification schemes covering sustainable production practices and a chain of custody are Fairtrade, Rainforest Alliance and UTZ (the latter two of which now run in parallel).

¹ <https://www.cbi.eu/market-information/coffee/scandinavia/market-potential#:~:text=Denmark%20ranks%20number%208%2C%20with,of%206.6%20kg%20per%20capita>.

² <https://www.businesswire.com/news/home/20240322105959/en/Global-Coffee-Market-Size-and-Forecast-Report-2023-2024-and-2030-Trends-Share-Growth-Insight-Impact-of-Inflation-Company-Analysis--ResearchAndMarkets.com>

³ <https://www.solidaridadnetwork.org/wp-content/uploads/2024/08/The-Grounds-for-Sharing-A-study-of-value-distribution-in-the-coffee-industry-6Aug2024-FINAL.pdf>

⁴ <https://www.ilo.org/resource/news/new-project-address-child-labour-coffee-industry-launched-un-agencies-and>

⁵ <https://www.solidaridadnetwork.org/news/coffee-barometer-2023-reveals-worrying-impact-on-smallholders-livelihoods-and-deforestation/>

⁶ IDB, The Most Unexpected Effect of Climate Change, <https://www.iadb.org/en/story/most-unexpected-effect-climate-change#:~:text=But%20this%20is%20likely%20to,become%20hospital%20to%20the%20crop>

In terms of global coverage of production, jointly these covered 8.24% in 2020, 8.53% in 2021 and 12.45% in 2021.⁷

At a multinational level, companies have taken action including through the 2019 London Declaration on Coffee, with 12 major companies (supported by various industry and civil society groups) committing to address issues around low prices for farmers, price volatility and long-term sustainability of production.⁸ At a national mass-market level, companies are taking action individually and through industry platforms – including, in Denmark, the Danish Alliance for Responsible Coffee. Other national platforms include the recently launched Swiss Sustainable Coffee Platform, bringing together Swiss industry, government and academia to promote sustainability in the coffee sector, with an estimated 70% of the global coffee trade linked to companies based in Switzerland.

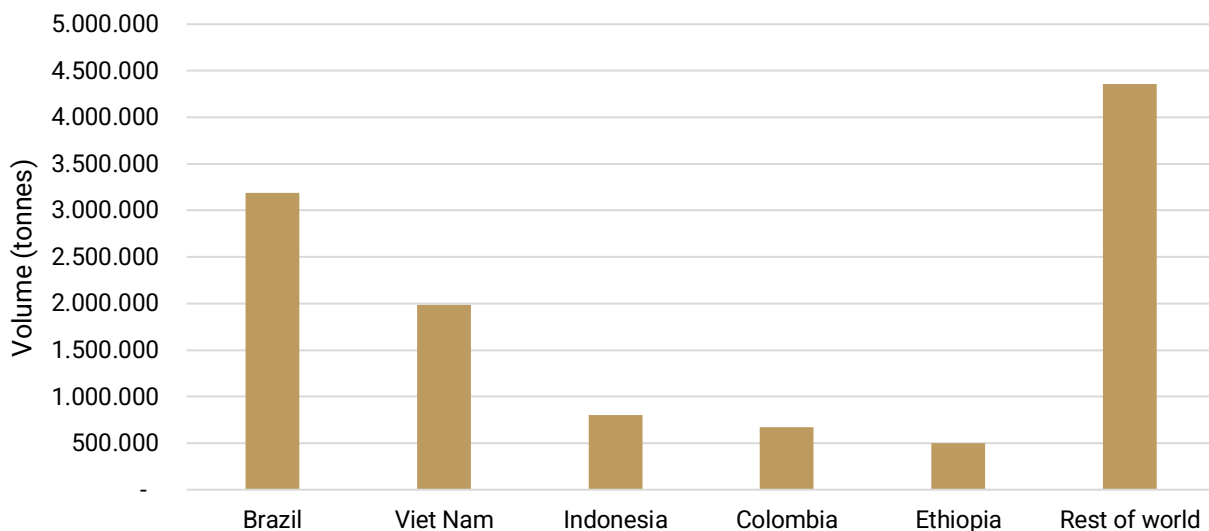
Before providing background on the Danish market and introducing the Danish Alliance in more detail, the remainder of this introduction provides further context on the global market and important regional developments at the European level.

1.2 International context

Coffee cultivation requires specific conditions, grown within the tropics, usually at altitudes between 800-2,200m. While there are over a hundred species of coffee, we rely on just two for 99% of our consumption volumes: Arabica and Robusta.

The main coffee production regions are Central America and northern South America, Central and East Africa and Southeast Asia. Amongst these, Brazil is the largest producer, followed by Vietnam, Indonesia, Colombia, and Ethiopia. Figure 1 below shows the production volumes of these main producers in 2022, with global production of coffee beans equal to 11.5 million tonnes⁹.

Figure 1 Global Coffee Production Volumes 2022¹⁰



⁷ Fripp et al., 2023, Traceability and Transparency in Commodity Supply Chains for Agricultural and Forest commodities, <https://doi.org/10.46830/wriprt.22.00156>

⁸ <https://www.worldcoffeeportal.com/Latest/News/2019/Major-coffee-firms-sign-up-to-historic-ICO-susta>

⁹ FAO Statistics

¹⁰ FAO Statistics.

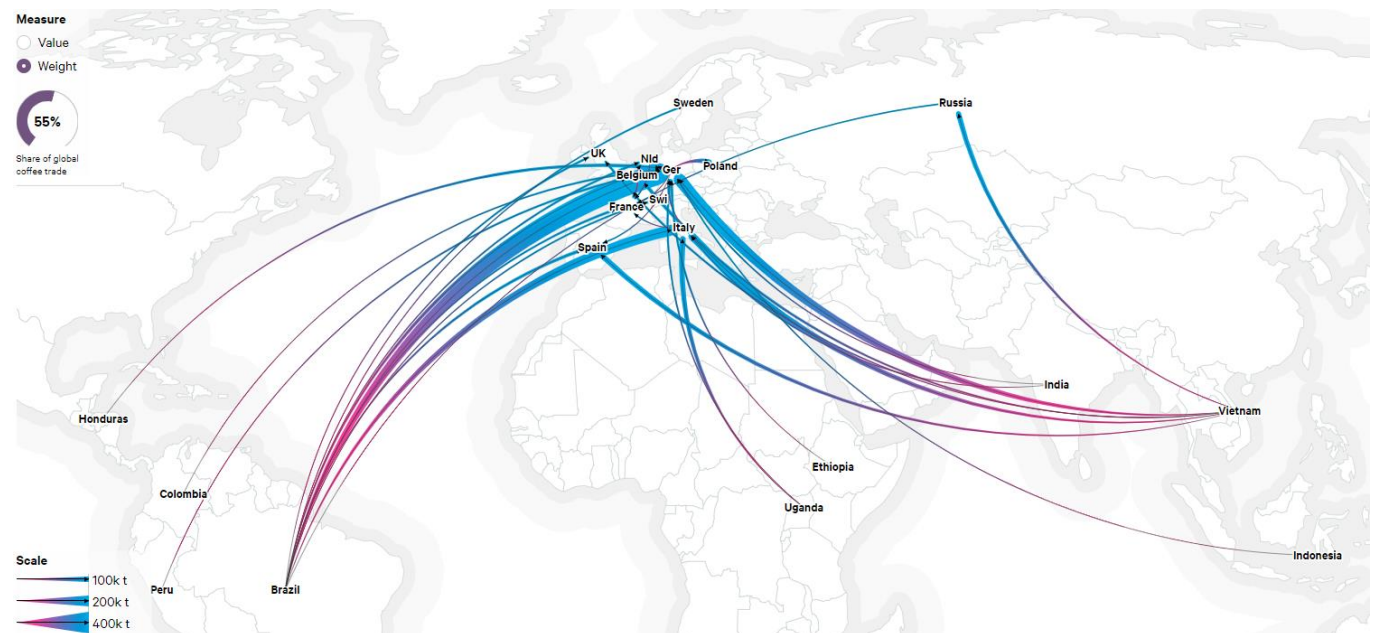
The International Coffee Organization is the principal international organisation that coordinates action by governments to support coffee production, acting as a forum for producing and consuming countries to cooperate on the promotion and development of the coffee market, research and support of good practices, and increasing sustainable developments in coffee production. A significant non-governmental player in coordinating global efforts to improve the social and environmental impacts of coffee production is the Global Coffee Platform, a multistakeholder initiative composed of multinational corporations, NGOs and certification bodies, as well as national associations and federations.

At an international company policy level, the importance of climate resilient coffee and the protection and restoration of forests continues to grow, in part due to the increasing focus on scope 3 (supply chain) emissions, which include those from land use change and degradation. Companies have been taking action on their carbon emissions, including by signing up to the Science Based Targets initiative, which includes a requirement to set zero deforestation targets for no later than 2025 in its FLAG (Forest, Land and Agriculture) guidance.¹¹ Complementing private sector action, governments are also increasingly stepping up, for example through the Forest, Agriculture and Commodity Trade (FACT) Dialogue and Glasgow Leaders' Declaration on Forests and Land Use, both launched at the climate change COP26 in November 2021, the latter of which committed 140 countries to halt and reverse forest loss and land degradation by 2030.¹²

1.3 European context

Europe is home to a dynamic coffee lifestyle with cafes serving as social hubs, driving demand for specialty coffee. There is a large diversity of company types present in the coffee value chain, from multinational consumer goods companies and retailers to numerous small-scale specialist roasters and cafés.

Figure 2 Sources of European imports of coffee, 2022¹³



¹¹ <https://sciencebasedtargets.org/sectors/forest-land-and-agriculture>

¹² <https://web.archive.nationalarchives.gov.uk/ukgwa/20230418175226/https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

¹³ <https://resourcetrade.earth/?year=2022&importer=eur&category=113&units=weight&autozoom=1>

Figure 2 shows the sources of coffee imports to all of Europe, which represents 55% of global coffee trade by volume – given that a significant majority of Danish imports come from other European countries, this is likely to be representative of sourcing countries for coffee ultimately imported into Denmark, whether directly or indirectly.

The largest importers and processors of green coffee are Germany, Italy, Belgium, Spain, Switzerland and France. There is a large roasting and further processing industry in Europe, with significant intra-European coffee trade.

There are coordinated efforts across the EU to improve the environmental footprint of coffee and other commodities, including through regulation. Developments in recent years have included the Corporate Sustainability Due Diligence Directive, adopted by the European Commission in 2022, which will require companies to address adverse impacts in their value chains within and outside of Europe. But, currently, the main regulatory driver for companies in EU coffee supply chains is the EU Deforestation Regulation (EUDR).

1.4 EU Deforestation Regulation (EUDR)

The EUDR entered into force on 29th June 2023 and is currently due to become applicable for large companies from 30th December 2024 and for micro and small enterprises from 30th June 2025. However, on the 2nd October 2024 the European Commission proposed that an extra 12 months is provided as a phasing-in period. If approved by the European Parliament and Council, this would make the law applicable on 30th December 2025 for large companies and 30th June 2026 for micro and small enterprises. At the time of writing, no further information is available on the timing of the decision from the European Parliament and Council.

The EUDR prohibits companies from placing products on the EU market (or exporting them) that are linked to deforestation and requires companies to collect information including geolocation of product origin back to farm level.

As noted already, coffee is one of the commodities within scope of the EUDR, under the HS code 0901 ('coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion'). Fundamentally, this means that companies importing to or exporting from the EU will have to demonstrate that coffee is deforestation-free and produced in accordance with legislation of the producing country. In order to prove this, companies will be required to collect information including the geolocation of the product origin back to farm level and report through a due diligence statement (DDS).

The impact of this legislation on the coffee sector is likely to be considerable due to its significant reliance on smallholder production. The EUDR's geolocation requirement means that millions of smallholder farms may need to be mapped, whilst farmers with limited access to data verification services may have to bear the burden of costs to provide the required information to customers. Section 4.2.3 discusses the challenges and opportunities linked to the EUDR as perceived by Alliance members, and how ready members and their suppliers currently are to comply with the legislation.

2. Denmark’s coffee imports



4 cups of coffee consumed per person every day in Denmark



63,626 tonnes of green bean equivalent imported into Denmark in 2022



25% of Denmark’s coffee imports are directly from producing countries



4,817 tonnes imported from Brazil in 2022 – the largest volume directly from a producer country

Sources of Import	Volume (tonnes)
Germany	16,079
Sweden	10,227
Brazil	4,817
Netherlands	2,592
Italy	2,178
Poland	1,628
Belgium	1,280
Uganda	1,238
Mexico	1,185
Kenya	1,139
Vietnam	1,061
Rest of World	7,847
Total	51,271

Figure 3 Sources of Danish coffee imports, 2022¹⁴

The majority of Denmark’s direct coffee imports come from other European countries, primarily Germany and Sweden, which presents an additional layer of complexity when it comes to direct visibility over the supply chain and the origin of the coffee. As demonstrated in Figure 4 below, approximately 50% of Denmark’s imported coffee is roasted, with a further 25% processed into extracts or concentrates. The remaining amount is comprised of 25% of raw coffee, and then very small volumes of other coffee products, including hulls and grounds.

¹⁴ Efeca analysis of UN Comtrade data

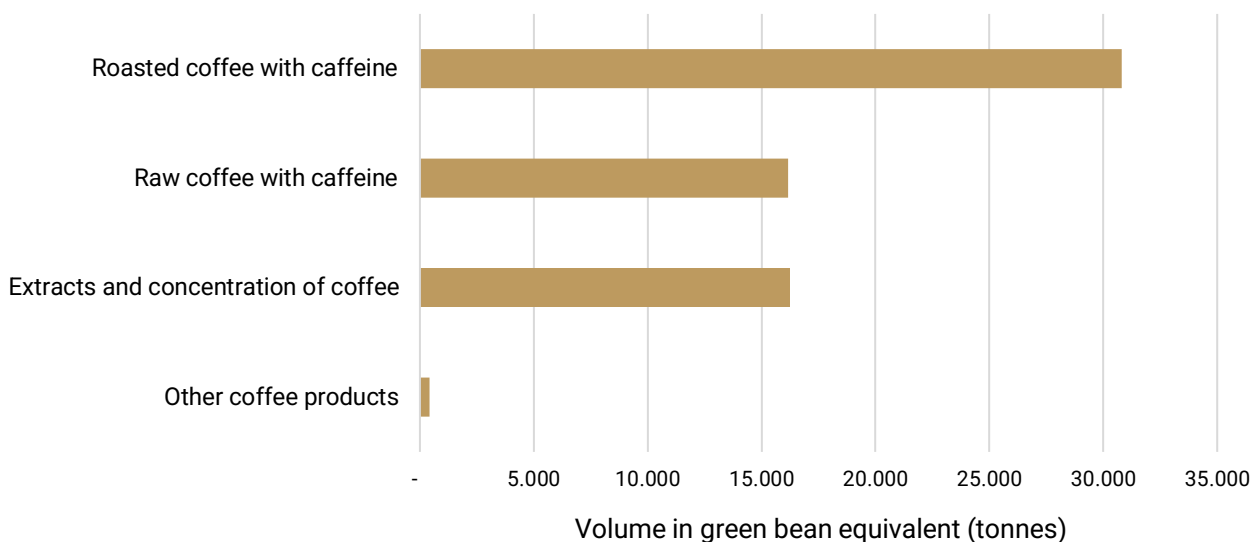


Figure 4 Proportions of 2022 Danish coffee imports¹⁵

3. The Danish Alliance for Responsible Coffee

Launched in January 2023, the Danish Alliance for Responsible Coffee brings together relevant Danish actors in a binding collaboration to transform the coffee sector for coffee value chain actors from all market segments. The purpose of the Alliance is to facilitate collective action for a responsible, climate-resilient and more equally distributed value chain. This is done by creating a platform for knowledge sharing, cross-sector collaboration, and development of joint understanding of what responsible coffee value chains imply and which steps can be taken next.

Ethical Trade Denmark acts as secretariat for the Alliance, which entails the following roles:

- Mobilising a broad group of Danish multistakeholder actors to join the Alliance;
- Supporting Alliance participants to achieve the vision from their different starting points through guidance, constructive debate, tools and sharing of good practice;
- Establishing and facilitating working groups and missions;
- Monitoring and communicating about overall progress enabled by the Alliance;
- Facilitating knowledge sharing and a nuanced Danish debate on topics related to coffee production, living wages, transparency, climate change resilience, deforestation, and regenerative agriculture;

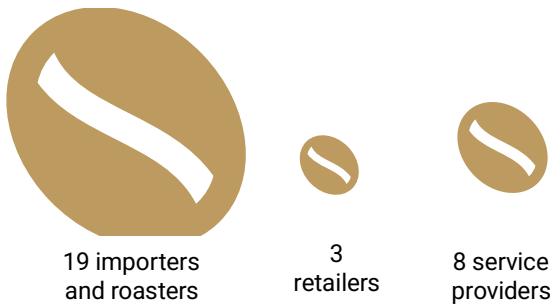
¹⁵ University of Copenhagen report, 2024 - Frandsen, O., & Bosselmann, A. S. (2024). *Monitorering af Danmarks import af skovrydningsfrie råvarer: Vurdering af standarder i forhold til EU's skovrydningsforordning*. Institut for Fødevare- og Ressourceøkonomi, Københavns Universitet. IFRO Udredning Nr. 2024/02

- Engaging with other Danish and foreign stakeholders to spread the Alliance vision and discuss pathways for progress; and
- Collaborating with similar initiatives in other countries as well as relevant international organisations, certification schemes and others, such as the Global Living Wage Coalition, the Science Based Targets initiative, IDH and Solidaridad.

3.1 Membership

The Danish Alliance for Responsible Coffee currently has 39 members in total, which are divided the following groups:

30 company members



Commit to publishing an action plan and to report on progress to the secretariat annually.

9 supporting members



Includes NGOs, ministries, business associations, trade unions, think tanks, municipalities, and researchers. Supporting members have a key role in mobilising and supporting their members or constituencies and thus support with their knowledge and knowhow within coffee and in the countries where the production of coffee takes place.



All members work actively within each focus area (see below). They also commit to alerting other members to the issues affecting or opportunities arising within the coffee sector, and to working in close collaboration with other members to transform the sector or specific coffee value chain.

3.2 Focus areas

The Alliance is focusing on taking action in four key areas that are defined as missions which are reflected in the progress areas members report on:



Since the launch of the Alliance, indicators have been developed by Alliance members and the secretariat for missions 1-3, and these are therefore the focus of this report.

3.3 Monitoring and reporting

Company members have committed to publishing an action plan, including a time schedule, for ensuring positive progress in alignment with the Alliance objectives and missions. They are also obliged to report on an annual basis to the Alliance secretariat through a questionnaire, which is based on the mission indicators that have been developed through collaboration between members and the secretariat. The reporting is confidential, with questionnaire responses anonymised and aggregated.

This report is the second status report published by the Alliance, providing the first assessment of progress against the baseline report published in 2023.

The remainder of this report analyses Alliance progress against different indicators, and the challenges and future opportunities highlighted by members.

4. Alliance progress

Note: In total, 24 of the 30 company members submitted a response to the survey. Of these 24, 15 reported their total 2023 coffee import volume for use in this analysis. A varied number were able to provide data on the other indicators in the survey. Due to the number of data gaps, it is important to note that the analysis below may not provide a completely accurate assessment of the progress made by the Alliance as a whole. However, it does provide a helpful indicator of current progress under each mission.

4.1 Import volumes and market representation

In 2023, Alliance members reported importing a total of 27,522 tonnes of coffee into Denmark (green bean equivalent), representing at least 55% of Denmark's total coffee consumption (estimated at 50,000 tonnes by IFRO and Dansk Kaffeinformation). When considering Alliance members who were unable to report their usage volumes, it can be estimated that the Alliance could represent up to 80% of Denmark's total consumption, given that Alliance members include the majority of the major players in the Danish supply chain.

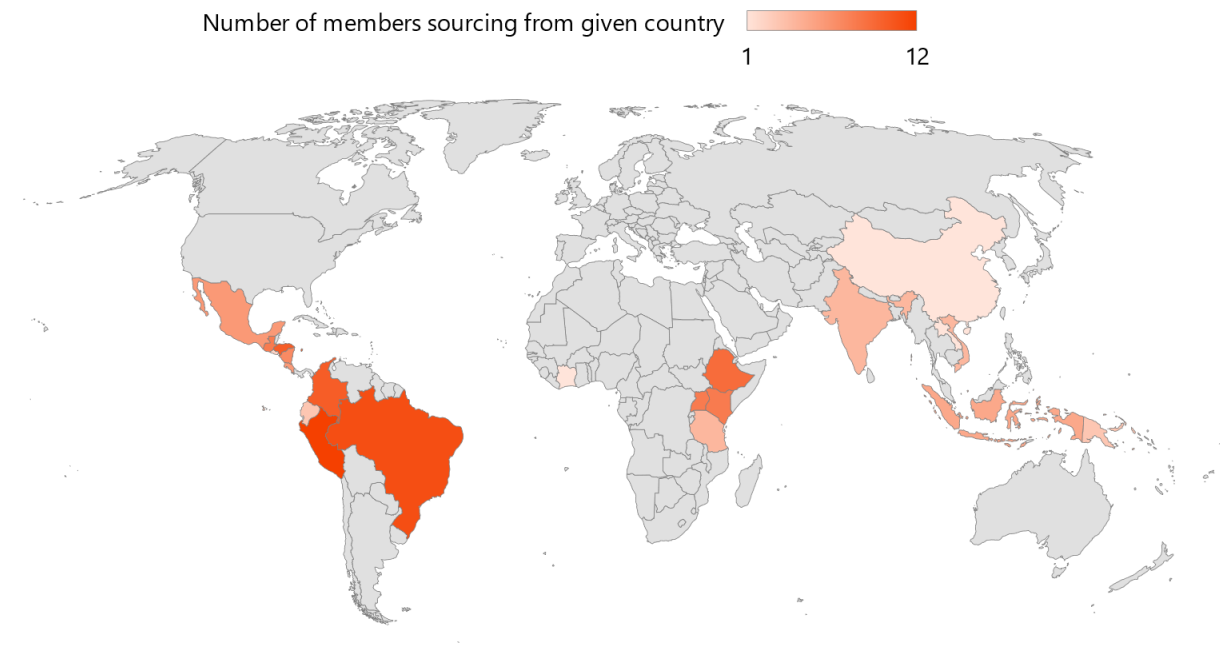
Coffee market segmentation in Denmark (2023)	Volumes (tonnes)
Total coffee imported	62,700
Re-exported (estimate)	12,700
Sold on retail market (including private label from abroad)	25,000
Sold on 'Out of home' market	9,000
<ul style="list-style-type: none"> • <i>Of which, public procurement (estimate)</i> 	<i>(3,000)</i>
<ul style="list-style-type: none"> • <i>Of which, B-to-B coffee (estimate)</i> 	<i>(2,800)</i>
Instant & extracts (in green bean equivalent)	16,000
Total coffee consumed	50,000

Table 1 Breakdown of segmentation of the Danish coffee market, using estimates provided by industry experts.

As illustrated in figure 5 below, Latin America represents the most common source of Alliance members' coffee volumes in 2023, with 12 company members sourcing from Peru, the most common origin country. Slightly fewer members sourced from Brazil, Colombia and Honduras, with other Latin American countries such as Guatemala and Nicaragua the source of several members' coffee. Central and East Africa is another common sourcing region for the Alliance, specifically Ethiopia, Uganda and Kenya, with at least eight members sourcing from one or more of these countries. South and Southeast Asia is another important source of coffee for the Alliance.

Figure 5 An illustration of the most important sources of coffee for the Alliance. This does not represent the sources of the highest volume, but rather shows the countries sourced from by the most members (in darker red).

Most common source countries for Alliance members



Across the countries they are sourcing from, many Alliance members are implementing projects and programs that support producers in alignment with the Alliance missions, including:

- Converting to more regenerative coffee production practices (14 company members have projects in this area) or organic production (11 members)
- Improving productivity and quality (13 members)
- Improving income and livelihood diversification (16 members)
- Improving accountability and transparency in the value chain (12 members)

With many members taking action on each mission, the following sections of this report now delve deeper into the progress made to date and opportunities for further improvement.

Up to
40%
of volumes reported by Alliance members were supported by their programs or projects.

4.2 Mission 1: Regenerative agriculture and climate action

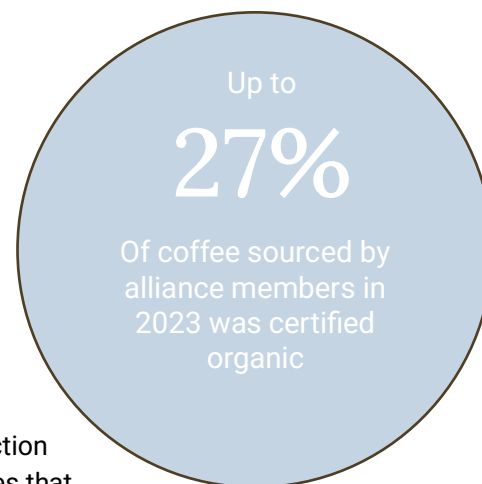
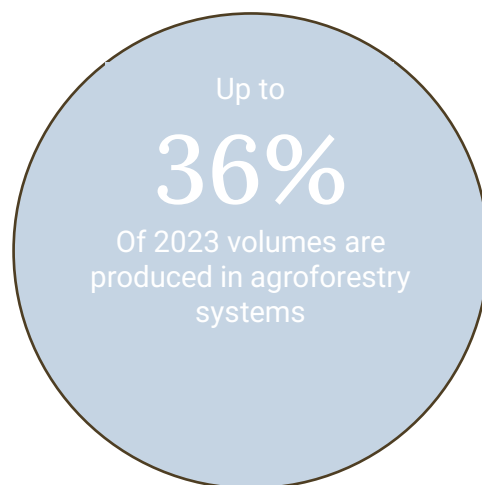
4.2.1 Supporting regenerative practices

When produced unsustainably, coffee is a key driver of forest loss in countries of production, contributing to deforestation-driven global warming. The resulting climate impacts are, in turn, predicted to result in the total area suitable for coffee production decreasing in size by up to 50% by 2050,¹⁶ having significant knock-on implications for price, product availability and farmer livelihoods. As a commodity that is one of the most vulnerable to climate impacts, it is critical that the industry severs its links to drivers of climate change like deforestation, and works to improve climate resilience and ecosystem integrity, for example by producing coffee grown to organic standards and in agroforestry systems.

Agroforestry

Another way that the coffee industry is working to improve climate resilience is by using agroforestry practices. Although there is not yet an agreement on the definition of what metrics a system must meet to be defined as agroforestry, it is a production system where coffee is grown on the same plot of land as trees and other species or crops. Currently, up to 69% of the Alliance member volume is estimated to have originated from monoculture systems; in other words, grown conventionally. Alliance members are, however, making progress towards sourcing coffee grown in agroforestry systems, with up to 36% of coffee sourced by Alliance members in 2023 produced in these systems.¹⁷

Globally, recent data shows that only around 25% of global coffee production comes from agroforestry systems where coffee is grown under taller trees that shade the coffee, with the remaining three quarters coming from plantations under full sun or with few shade trees.¹⁸ This indicates that the Alliance has made more progress in sourcing coffee from agroforestry systems than the global average. Moreover, this insight was not at all available until this year's report, thus creating an important baseline to build upon as alliance.



¹⁶ IDB, *The Most Unexpected Effect of Climate Change*, <https://www.iadb.org/en/improvinglives/most-unexpected-effect-climate-change#:~:text=But%20this%20is%20likely%20to,become%20hospital%20to%20the%20crop>.

¹⁷ Note that the misalignment between the p percentages for monoculture systems and agroforestry systems reported by the Alliance (totalling over 100%) is due to the fact that Alliance members estimated percentage ranges for the proportion of their coffee grown in each system type – in each case, the upper limit of the range has been reported here (hence 'up to').

¹⁸ IFRO 2023 https://static-curis.ku.dk/portal/files/340546716/IFRO_Udredning_2023_04.pdf

Organic

Fertiliser use in intensively cultivated coffee is a significant source of greenhouse gas emissions, accounting for up to 90% of total emissions in primary production, whilst organic production is pesticide free, amongst other requirements.¹⁹ In 2019, organic coffee imports to the EU represented 3% of green bean imports, with the market expected to grow more than 10% by 2030.²⁰ Denmark has one of the highest organic coffee market shares globally and one of the highest per capita consumption of organic coffee in the world.²¹ Up to 27% of coffee sourced by Alliance members in 2023 was certified organic according to EU standards.

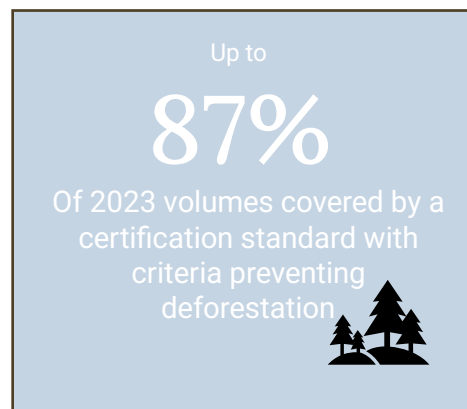
Alliance members demonstrate their commitment to making further progress in promoting regenerative, organic agricultural practices through their strategies and policies. 75% of Alliance members have strategies and policies in place to increase organic production or reduce the use of pesticides.

Waste management

Waste management at the production and consumption level is an additional focus area of the Alliance membership, with 58% of members indicating that this topic is covered by their policies.

Scope 3 emissions

In addition to supporting regenerative agricultural systems, companies are increasingly working to understand the climate impacts of their supply chains, for example by assessing scope 3 emissions. Currently, 8 members have calculated their scope 3 emissions for at least 50% of their volume. Members are also committed to reducing CO2 emissions and other environmental footprints, with 75% having strategies and policies in place to this effect.



Preventing deforestation

Understanding greenhouse gas impacts in coffee supply chains enables companies to develop and implement action plans to mitigate climate risks, and sourcing coffee that is not linked to deforestation is a core component of such action. Much of this data was unavailable in 2022, but in 2023, up to 87% of coffee volumes reported by the Alliance were covered by a sustainability standard with criteria preventing deforestation.

Such action on deforestation in coffee supply chains is more pertinent than ever, particularly given the incoming EUDR, which presents challenges to industry in terms of compliance but also opportunities for further accelerating progress.

¹⁹ Nab & Maslin, 2020

²⁰ <https://www.cbi.eu/market-information/coffee/certified-coffee/market-potential>

²¹ <https://www.cbi.eu/market-information/coffee/organic-coffee/market-potential>

4.2.2 Readiness for the EU Deforestation Regulation (EUDR)

Survey responses suggest that, whilst members are gaining increasing confidence that their coffee supply chains meet the objectives of the EUDR, the majority remained concerned about the specific compliance requirements, given outstanding uncertainties. Only 38% of company members who responded to the survey feel prepared for the EUDR.

A key part of preparation for the EUDR is engagement with suppliers to understand their level of readiness to provide information to the downstream supply chain needed for regulatory compliance.

Of the 12 company members who provided input on this point in the survey, 7 consider their suppliers to be 'somewhat ready' or 'ready to a strong extent', whilst 5 consider their suppliers to be ready to a 'low degree'. This suggests considerable variation in how prepared suppliers currently are to meet EUDR requirements, for example smaller suppliers may find it more challenging to meet the evidence provision requirements and deal with the cost burden of the regulation.

This is reflected in the key challenges perceived by Alliance members with the EUDR. As illustrated in figure 6 below, cost sharing and the burden placed on smallholders, alongside the risk of smallholder exclusion, are noted as key challenges presented by the EUDR for the coffee sector. Smallholder farmers may lack the financial resources and access to information needed to provide evidence required for EUDR compliance to the downstream supply chain. This means that they are at risk of being excluded from EU supply chains, with larger producers more likely to have the resources needed to ensure regulatory compliance.

Notably, Alliance members see several opportunities from the EUDR too, including:

- The potential for increased transparency and traceability in coffee supply chains due to regulatory requirements for visibility to origin.
- Environmental sustainability benefits, primarily in mitigating deforestation-driven climate change.
- Increased accountability of downstream companies in fulfilling responsibilities for responsible development of coffee supply chains.



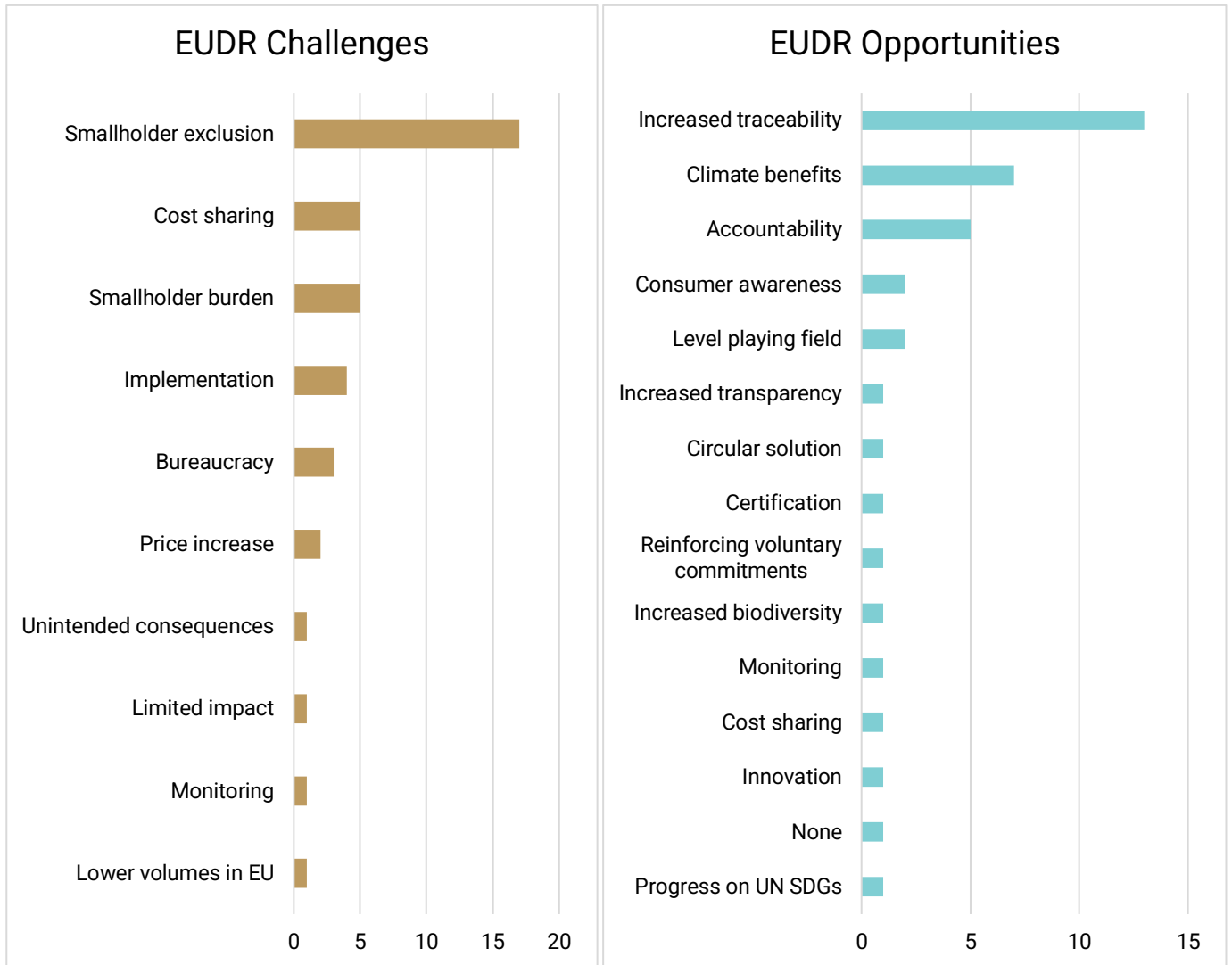


Figure 6 Summary of Alliance member responses on the key challenges (left) and opportunities (right) presented by the EUDR. The bars indicate the number of members who highlighted each particular challenge or opportunity that they see associated with the EUDR.

To conclude, the Alliance’s ambition as a whole to ensure progress towards implementing regenerative coffee production is demonstrated by members’ efforts, projects and strategies, with 79% of Alliance members working to promote practices that contribute to the conservation of soil biodiversity, ecosystem services and productivity, and all importing members working to ensure deforestation-free coffee imports.

4.3 Mission 2: Living income and better livelihoods

Coffee is heavily reliant on smallholder farmers. It is cultivated on approximately 12.5 million farms worldwide, 95% of which are less than 5 hectares in size.²² Low and volatile coffee prices have had a serious negative impact on farmers, with inequality rife within coffee value chains; in many countries, average income for coffee farmers is at or below the poverty line. The need to ensure a living income and better livelihoods for coffee farmers and workers is therefore a major priority for the sector, and for members of the Danish Alliance for Responsible Coffee.

Certification

One of the mechanisms through which companies can contribute towards better livelihoods for farmers and workers is by sourcing more directly from farmers or by sourcing coffee certified to standards such as Fairtrade and Rainforest Alliance. Both of these standards have various criteria regarding working conditions, and social improvements. The standard bodies are founding members of the Global Living Wage Coalition, and Living Income Community of Practice, and incorporate criteria within their standards which aim to raise the living income of commodity producers.

According to Alliance members' survey responses, up to 60% of reported volumes were third-party certified in 2023. Identical proportions were reported overall in 2022, however it should be noted that fewer members submitted a response against this indicator in 2023. For comparison, as reported in the most recent Coffee Barometer, approximately 55% of global coffee production was third-party certified in the period 2020-22.

Living income

5 members were able to report on the proportion of their volumes that enable a living income, amounting to up to 10% of the total reported Alliance volume. Whilst the majority of Alliance members have not achieved such visibility, a number of approaches are being taken to boost progress in this area, with 50% of company members who responded to the survey taking direct action through paying higher prices, premiums or wages.



²² Coffee Barometer 2023, p. 14

Whilst the payment of higher prices and premiums is the most common action being taken by members on living income, either mechanisms being deployed by members include engaging suppliers and implementing contracts that are longer term and/or include living income/wage criteria, supporting farmers to enhance productivity or increase cropping area, and diversification of income.

Workers rights and income diversification

Members also work on creating better livelihoods in the coffee chain by focusing on job creation, strengthening workers' rights and improvement of working conditions, as well as enabling diversified income through upcycling in the coffee value chain. Other opportunities to contribute to living income and better livelihoods are being explored by Alliance members through their individual projects.

Direct trade

Direct trade is a key focus area of many members, with companies indicating that they have strategies in place to purchase coffee directly from farms, or from cooperatives that actively work with educating and supporting farmers, enabling better livelihoods by engaging in long term contracts.

To conclude, overall, a large proportion of members who responded to the survey have policies in place to promote living income (67%), respect for human rights and due diligence (75%), and better livelihoods for producers (67%), demonstrating commitment at the Alliance as a whole to making further progress in these areas.

Spotlight: how are Alliance members working to enable a living income?

Whilst some members refer to sourcing of Fairtrade coffee as a mechanism to ensure better price is paid to farmers, others with a closer relationship with farms are able to take direct action to ensure a living income is paid.

Some members have reported paying premiums far above the market average price, ensuring farmers receive carbon revenue from agroforestry projects, and offering microloans to support new farmers.

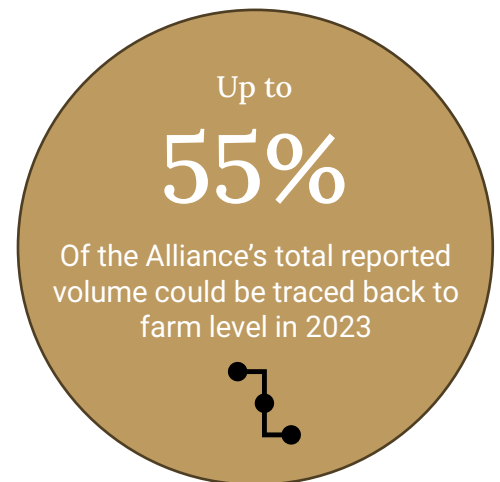
The value of collaborative action on this issue has also been highlighted, for example working with peers through the International Coffee Organisation Public Private Taskforce and the Global Coffee Platform. The Alliance provides another such forum for multistakeholder action at the national level in Denmark.

4.4. Mission 3: Accountability in the value chain

With the global coffee sector facing considerable environmental and social challenges, companies at each point in the supply chain are responsible for driving sustainable and ethical production and consumption. For the Alliance, this topic of accountability is important for building trust and transparency with stakeholders, particularly around smallholder inclusivity, EUDR and ensuring a living income.

Traceability

Alliance members are working to achieve transparency on the price paid to the mill(s) or farmer(s) in their upstream supply chain. To do this, supply chain traceability is essential, and in 2023 up to 55% of the total volume reported by the Alliance could be traced back to farm level. Individual members demonstrate varying levels of progressing in achieving traceability to farm level – generally, companies using smaller volumes and sourcing specialty coffee demonstrate a higher level of traceability, however Alliance data shows that it is also possible to achieve strong traceability when sourcing large volumes. Overall, 9 members stated that over 50% of their volume is traceable to farm level, with 7 of these able to trace of 75%.



Traceability is not only an important factor for implementing voluntary commitments on sustainable supply chains – when the EUDR enters into application, it will become a regulatory requirement under the EUDR for companies sourcing coffee to provide geolocation coordinates of the point of production. Achieving this level of traceability remains a considerable challenge in the coffee sector which is characterised by complex supply chains and limited visibility back to a smallholder-dominated supply base. This is also in part due to the mixing and blending of coffee beans from many different sources at processing mills.

Producer country action to support downstream traceability may play a role in accelerating Alliance progress in this area, in part driven by incoming EUDR requirements. For example, Peru, the most common source country for Alliance member imports, is implementing a National EUDR Compliance Strategy that includes technical support for traceability to aid development of transparent supply chains.²³

Alliance members are also taking action to improve traceability, doing so in two broad areas:

- **Direct trade.** Seven members reported enabling traceability using this mechanism, varying between direct engagement with cooperatives or individual farmers, with some undertaking annual visits in person. Others reported using coffee trading platforms that provide transparent assurances over the origin of the coffee and the price being paid to farmers.

²³ <https://magazines.rijksoverheid.nl/lnv/agrosppecials/2024/02/peru>

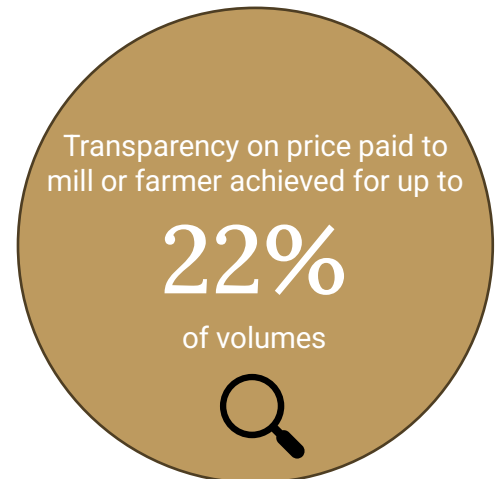
- **Implementing strengthened supply chain management systems.**
Particularly for larger companies with more complex and varied supply bases, engagement with and monitoring of suppliers is critical to ensure robust traceability and verification is in place in the upstream supply chain. 10 members reported using a supply chain management system.

Price transparency and rewarding practices

Traceability is an important factor in improving awareness of prices being paid to producers in the upstream supply chain. In 2023, transparency on the price paid to the mill or farmer was achieved for up to 22% of volumes reported by Alliance members (a similar proportion to in 2022).

In addition to working to improve transparency on prices, Alliance members are taking action to ensure that prices are fair, in addition to those outlined in section 4.3. 33% of company members who responded to the survey implement price risk management practices to mitigate risk faced by producers, for example by agreeing long-term contracts that offer stability to farmers. But, as outlined by one member, it is important that producers are not required to sacrifice a good price for this stability – this member instead highlighted the importance of trusted relationships with farmers that can allow them to renegotiate for better prices if appropriate.





Furthermore, 42% of company members stated that they recognise and reward producers for implementing sustainable practices and traceability measures, for example by paying premiums, purchasing certified coffee and supporting farmers to gain revenue from carbon sequestration.



5. Areas for future focus

The Danish Alliance for Responsible Coffee plays an important role in supporting companies to tackle challenges collaboratively. Whilst the EUDR presents its own set of challenges (and opportunities), as outlined in section 4.2.1, Alliance members have also highlighted barriers they face in achieving progress against voluntary commitments.

These have remained similar to those outlined in the previous status report, and include:

 <p>Cost sharing A lack of aligned understanding on how the cost of responsible sourcing can be fairly shared throughout the supply chain, including in the final price paid by the consumer</p>	 <p>Greenwashing and greenhushing Concern that some are not undertaking actions that back up green claims, and conversely an avoidance in communicating about action due to fear of greenwashing accusations</p>
 <p>Clarity of guidance on wider ESG agenda Guidance on climate action, for example through SBTi, perceived by some as rapidly evolving and challenging to understand</p>	 <p>The need for a common approach Some members believe that closer collaboration is needed to drive the systemic change the sector requires, for example by agreeing a common set of methods and definitions</p>

When asked how the Alliance can continue to contribute to progress in the future, members gave clear consensus on the value of the Alliance in bringing like-minded companies together to share inspiration and knowledge, and to collaborate in efforts to tackle shared challenges, including those outlined above. Specifically, members have highlighted that the Alliance is in a strong position to support members with:

- **EUDR compliance.** With uncertainty remaining over requirements for compliance and the implications for the coffee sector globally, the Alliance provides a vital forum for Danish coffee users to tackle issues collaboratively. Members can work together and to identify solutions on transparency and traceability, mitigate impact on smallholders and capitalise on the opportunities the regulation may provide.
- **Creating a shared understanding of emerging themes.** In a rapidly evolving regulatory arena, coupled with other emerging areas of focus such as on carbon emissions (including science-based targets) and nature and biodiversity (including TNFD), the Alliance provides a space for knowledge sharing and

establishing a common understanding. This could include agreeing a joint set of principles or business practices to work to on these issues.

- **Deep dives into specific topics using inter-Alliance learning.** The Danish Alliances for Responsible Palm Oil and Soy are tackling similar issues that cut across commodities, including traceability, deforestation-free assurance and regulatory compliance. Other emerging common areas of focus include climate commitments and setting science-based targets and understanding target-setting frameworks on nature (such as TNFD). There are opportunities for lessons to be shared and applied between the national Alliances, and also with platforms representing other demand-side markets. The Swiss Sustainable Coffee Platform, for example, was launched in 2024, and the UK Sustainable Commodities Initiative hosts an industry network focusing on commodities including coffee, palm oil and soy.
- **Awareness-raising through communication and joint messaging.** Communication has been set out as a fourth mission of the Alliance, and a focus on this topic could help to address concerns about consumer or public / private buyers' understanding of their role in supporting responsible coffee supply chains, and in consistent messaging from the sector.

Whilst the Alliance is well placed to support members to act collectively on these issues, members are also demonstrating ambition to strengthen progress in their own supply chains, for example through projects and programs that support producers in ways that span across the Alliance's missions (as described in section 4.2). Of the 24 members who responded to the survey, only 9 (38%) do not have such a project. 67% of members have a project supporting producers in improving income and livelihood diversification, for example. Other project areas include supporting producers in converting to more regenerative practices (58% of members), improving productivity and quality (54%), improving accountability and transparency in the value chain (50%), and converting to more organic production (49%). Some members have other projects that go far beyond these categories, for example one member is working to upcycle coffee grounds into other products, aiming to reduce waste. In total, up to 40% of the Alliance's total coffee volume in 2023 was supported by members' various programs and projects.

The vast array of activities being undertaken by Alliance members, and different objectives being worked towards, demonstrates a strong level of ambition to work both individually and collectively to overcome the challenges faced by the sector, and continue driving forward progress in achieving the Alliance's missions.