IGC

Bridging the compliance gap: Ensuring smallholder inclusion in Ethiopia's coffee sector under the EUDR

Tesfaye Berihun

With acknowledgements to the Ethiopian Coffee and Tea Authority; Southwest Ethiopia Region Bureau of Agriculture; Southwest Ethiopia Region Coffee, Tea and Spice Authority; NABU Ethiopia; and Cooperatives Agency for the Southwest Ethiopia Region; this brief identifies key considerations for Ethiopia regarding the European Union Deforestation Regulation (EUDR):

- **A significant awareness-capacity gap**: While basic awareness of the EUDR is emerging, farmers' technical and institutional capacity to meet its core requirements remains critically low.
- **Certification is a partial bridge**: Participation in Voluntary Sustainability Standards (VSS) improves awareness but has a weaker and more selective effect on actual compliance capacity.
- **High risk of inequitable exclusion**: Farmers in ecologically valuable forest and semi-forest coffee systems face the highest compliance barriers due to land tenure and mapping difficulties. Without intervention, the EUDR may inadvertently exclude the most vulnerable and sustainable producers.
- **Structural, not behavioural, constraints**: The primary barrier is a lack of enabling infrastructure.

To prevent market disruption and achieve the EUDR's environmental goals, a collaborative and enabling governance framework is needed. This requires shared investment from the Ethiopian government, EU policymakers, coffee buyers, and development partners to build compliance capacity, differentiate pathways for diverse farming systems, and ensure equitable cost-sharing.

POLICY BRIEF ETH-24325

FEBRUARY 2026

This project was funded by the IGC

theigc.org

DIRECTED BY

LSE UNIVERSITY OF OXFORD

FUNDED BY

UKaid from the British people

Introduction and context

The global coffee sector is currently navigating a complex transition toward transparent, deforestation-free supply chains. The EUDR establishes a stringent due diligence framework that prohibits the placement of commodities on the EU market unless they are demonstrably deforestation-free (post-December 2020), legally produced in accordance with the laws of the country of origin, and traceable to a specific plot of land.

Despite Ethiopia's strong international reputation for shade-grown and forest-based Arabica coffee, rising population pressure, agricultural expansion, and weaknesses in land governance continue to generate localised risks of forest conversion and degradation. Although these drivers are unevenly distributed across coffee-producing landscapes, their presence underscores the need for credible and context-sensitive forest protection mechanisms. Addressing such risks—without creating perverse incentives that penalise low-impact or conservation-oriented producers—is central to the effective implementation of the EUDR in Ethiopia.

Although the regulation's intent is to curb global deforestation embedded in commodity trade, its application in Ethiopia encounters significant socio-ecological and institutional friction. The country's coffee sector is highly fragmented and partially informal, standing in contrast to the EUDR's formalised, data-intensive compliance requirements. Coffee remains the backbone of Ethiopia's agricultural export economy, generating up to 35% of total export revenue, with approximately one-third destined for the EU market. Production is overwhelmingly smallholder-based, with more than 95% of coffee cultivated on micro-plots averaging between 0.5-1.0 ha.

Moreover, a substantial share of Ethiopian coffee is grown within biodiverse forest and semi-forest agroforestry systems. These systems provide essential ecosystem services, including carbon sequestration, soil conservation, and habitat preservation for endemic species. However, their structural complexity—characterised by multilayered canopies, irregular plot boundaries, and customary tenure arrangements—renders precise cadastral mapping and historical land-use verification technically challenging. Many plots lack georeferenced certification, and land administration systems remain incomplete.

Consequently, Ethiopia's classification as a “standard-risk” country under the EUDR further intensifies compliance obligations. The convergence of fragmented production structures, limited digital infrastructure, customary tenure regimes, and high traceability requirements creates a substantial implementation gap. Bridging this gap requires policy solutions that simultaneously safeguard forests, preserve smallholder inclusion, and strengthen institutional capacity.

Key evidence-based findings

The awareness-capacity gap

- **Awareness is moderate, capacity is low**: Farmers show a nascent understanding of the EUDR's purpose, but their capacity to perform essential tasks—recordkeeping, GPS mapping, providing legal land proof and documentation—clusters below neutral levels.
- **The "prove it" challenge**: Many farmers operate deforestation-free systems but lack the verifiable evidence (geolocation coordinates, dated land records) required for compliance.

Sustainability certification: Awareness channel, not a compliance guarantee

- **Strong awareness effect**: Certified farmers show 0.24-0.30 standard deviations higher awareness than matched non-certified peers. VSS serve as crucial information channels.
- **Weak and selective capacity effect**: The impact on actual compliance capacity is smaller and concentrated among farmers already possessing better resources and managerial ability. Certification builds procedural knowledge but does not solve core technical gaps like geolocation or tenure formalisation.

The ecological paradox: punishing sustainable complexity

- Farmers in forest and semi-forest systems—which maintain high carbon stocks and biodiversity—systematically report lower compliance capacity.
- The EUDR's demand for precise plot boundaries and historical land-use data is mismatched with the ecological and tenure reality of these shaded, customarily managed systems. This creates a perverse risk: farmers practising sustainable agroforestry could be excluded, while those in simplified, easily mapped garden systems gain a market advantage.

Pervasive structural barriers

- **Land fragmentation**: The average farmer manages 3-5 tiny, scattered plots, making traceability complex and costly (estimated at USD 50-150 per farmer).
- **Tenure insecurity**: Only approximately 15% of coffee plots possess second-level (georeferenced) land certificates, while the majority are governed by customary boundaries that are not digitised.

- **Institutional weakness**: Primary cooperatives, which serve as key aggregation nodes, lack the financial and technical capital to manage the complex data streams required for due diligence.
- **Gender disparity**: Female-headed households demonstrate significantly lower awareness and compliance capacity, indicating entrenched inequities in information and resource access.

Farmer perceptions: Anxiety over uncertainty

- Farmers perceive a high risk of EU market loss and anticipate increased costs but see low certainty of price premiums or buyer support to offset these burdens.
- This cost-reward imbalance threatens producer buy-in and could push farmers toward less regulated markets or alternative, potentially deforesting, land uses.

Policy implications and recommendations

Achieving EUDR compliance in Ethiopia cannot be a pass/fail test imposed on smallholders. It must be a shared investment in an enabling ecosystem. The following multi-stakeholder actions are critical:

For the Ethiopian Government and National Agencies

- **Accelerate and integrate land certification**: Fast-track (prioritise) the rollout of second-level, georeferenced land certificates in coffee zones. Formally recognise Participatory Forest Management (PFM) agreements and customary certificates as admissible evidence of legal land use under the EUDR for forest coffee.
- **Launch an action-oriented National EUDR Support Platform**: Establish a multi-stakeholder task force (ministries, Ethiopian Coffee and Tea Authority (ECTA), cooperatives, unions, and non-governmental organisations) to coordinate strategy, pool resources, align public and private efforts, and provide clear guidance.
- **Finalise the National Traceability Platform**: Create a centralised, public-good digital backbone to lower the per-farmer cost of data management for cooperatives.
- **Negotiate differentiated verification models**: Advocate for landscape-level verification or group certification protocols for forest coffee systems to reduce the burden of individual plot mapping while maintaining environmental integrity.

For EU policymakers and Member States

- **Promote equitable implementation guidance**: Ensure delegated acts and implementation guidelines recognise the challenges of agroforestry and customary tenure. Support the development of risk-assessment methodologies appropriate for smallholder mosaics.
- **Mobilise targeted development finance**: Direct funding (for example, via the Neighbourhood, Development and International Cooperation Instrument) toward public goods such as farmer training, cooperative digitalisation, and national land administration systems. This support is essential to mitigate the regulation's unintended exclusionary impacts.
- **Operationalise landscape approaches**: Explore "low-risk" designations for specific jurisdictions (for example, the United Nations Educational, Scientific and Cultural Organization Biosphere Reserves) to streamline due diligence requirements. Within these zones, they officially accept documented community land-use agreements as valid components of compliance.

For coffee buyers, traders, and certifiers

- **Move from auditing to investing**: Shift from a compliance-checking model to a long-term partnership. Co-invest with suppliers in mapping, data systems, and farmer training. Internalise a fair share of compliance costs.
- **Align and upgrade Voluntary Sustainability Standards (VSS)**: Rapidly adapt certification protocols to explicitly cover the EUDR's 2020 cut-off date, geolocation, and legality requirements. Certifiers should develop streamlined add-on modules or integrated audits to prevent duplicative costs for farmers already under certification and to avoid creating a false sense of compliance with EUDR requirements.
- **Provide transparent incentives**: Develop clear pricing models or cost-sharing agreements that reward verified deforestation-free production, giving farmers a tangible economic incentive to engage.

For development partners and non-governmental organisations

- **Target support to the most vulnerable**: Design programs specifically for women farmers, forest coffee producers, and very smallholders to prevent a "compliance divide."
- **Foster innovation and cost-effective tools**: Support the piloting and scaling of affordable, locally adaptable technologies for plot mapping, digital record-keeping, and supply chain traceability.

- **Facilitate South-South learning**: Connect Ethiopian institutions with counterparts in other producer countries (for example, Colombia, Peru, and Vietnam) to share lessons on EUDR preparedness.

Conclusion

The EUDR presents a critical juncture for Ethiopian coffee. Without proactive, coordinated, and equitable support, it risks excluding millions of vulnerable smallholders from a vital market, undermining both livelihoods and conservation in globally significant landscapes. Conversely, if implemented through an enabling framework that combines public investment, private partnership, and differentiated pathways, the regulation can catalyse a just transition towards sustainable, deforestation-free, and resilient coffee value chains. The time for collective action is now.

This brief was prepared based on: "EU Deforestation Regulation and Ethiopian Smallholder Coffee Farmers: Awareness, Compliance Capacity, and Potential Impacts." (Empirical study, Southwest Ethiopia, 2026).