
Can supply chain initiatives reduce deforestation? A comparative analysis of four private sector initiatives.

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Abstract

Around 7 million ha of forest area disappears every year. Major drivers of deforestation are the global demand for palm oil, soy, beef and pulp and paper. At present, there is little formal international regulation and local regulation is often either absent or not enforced. Pressures from NGOs and consumers have led to the development of supply chain initiatives that aim to reduce deforestation while continuing production. The effectiveness of such initiatives depends on characteristics of the initiative, the sector, and of both producer and consumer countries.

This paper presents a framework for analysis of supply chain initiatives and discusses the results of a comparative case study analysis of four supply chain initiatives: the Roundtable on Sustainable Palm Oil in Indonesia, the Roundtable on Responsible Soy, the Soy Moratorium and the Cattle Agreement, all three in Brazil. The first two concern multi-stakeholder initiatives that have developed certification schemes, the latter two are moratoria for which companies responsible in the supply chain for processing and trading have agreed not to buy products from companies involved in deforestation after a specific cut-off date.

Preliminary conclusions are:

- Moratoria have stricter rules regarding deforestation than the certification schemes, and better monitoring and enforcement.
- The visibility to environmentally aware consumers of a few actors who control a large part of the supply chain has contributed to the establishment and effectiveness of the moratoria.
- Reductions of deforestation by some companies may result in increased deforestation elsewhere, the so-called leakage. The prevention of leakage of the moratoria was limited to the Amazon area. Certification schemes cannot prevent leakage, unless they have full sector participation.
- Demand for low-deforestation products is low and with a growing demand of markets that have shown little environmental concern this is unlikely to rise. Currently, the production of certified palm oil exceeds the supply leading to low price premiums, and thus little incentives for producers.

It is unlikely that supply-chain initiatives alone will be able to reduce deforestation. Understanding factors that support or hinder the reduction of deforestation, to which this paper aimed to contribute, is important to develop complementing public policies.

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