A “Forest-First” Approach
How to ensure private sector sustainability commitments tangibly reduce deforestation, while supporting farmer livelihoods and protecting biodiversity
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A “forest-first” approach
Existing approaches to achieve deforestation-free production and supply chains are failing to stem the loss of the world’s forests. A “forest-first” approach is urgently needed to provide a new pathway for companies and the public sector to address deforestation and forest degradation in priority forest landscapes.

Three key principles of a “forest-first” approach:
• Prioritise high risk forest areas
• Support smallholder inclusion
• Catalyse collective action

Background
Agricultural expansion is the primary driver of forest conversion across the tropics (Gibbs et al., 2010; Kissinger et al., 2012), with the production of a handful of internationally-traded commodities, including palm oil, soy, beef and leather, timber, pulp and paper, rubber, coffee, and cacao responsible for a significant proportion of tropical deforestation (Pendrill et al., 2019). In the last decade, numerous high-profile public and private sector commitments have been made to decouple deforestation from agricultural production. These include international commitments, such as: i) the New York Declaration on Forests, widely endorsed by governments, NGOs, and the private sector, which aims to eliminate deforestation from the
production of palm oil, soy, paper and beef by 2020, and end natural forest loss by 2030 [New York Declaration on Forests, 2014]; ii) the Amsterdam Declaration, which seeks to achieve deforestation-free agro-commodity supply chains in Europe by 2020 [Amsterdam Declaration, 2015], and at the sub-national level iii) the Rio Branco Declaration, that reaffirms the commitments of 26 states and provinces to reducing tropical deforestation [Governors’ Climate and Forest Task Force, 2014].

At the time of writing, driven at least in part by a growing recognition of the regulatory, operational and reputational risks that deforestation poses to their business models, 484 companies exposed to deforestation in their supply chains have made commitments to sustainable sourcing [Rothrock et al., 2019], while collective commitments and initiatives have also been established across sectors. The Consumer Goods Forum, for example, which brings together around 400 retailers and manufacturers, has committed to achieving zero net deforestation by 2020 [Consumer Goods Forum, 2019], and 34 of the world’s largest cocoa and chocolate companies have committed to collaborating to end deforestation in the cocoa supply chain and restore forest areas [World Cocoa Foundation, 2019]. These commitments have been further reinforced by the financial sector, with investors calling on companies to disclose and address their deforestation risks [e.g. CDP, 2019; Ceres, 2019].

Despite this evident policy progress, deforestation has not only continued but is accelerating [NYDF Assessment Partners, 2019]. Tropical forest areas decreased in size by around 195 million hectares between 1990 and 2015 [Keenan et al., 2015], while tree cover loss across the tropics was higher in 2016 and 2017 than in any other year since 2001 [WRI, 2018].

Why are deforestation-free commitments failing to protect forests?

Companies are aiming to mitigate deforestation risk not to reduce deforestation

Private sector sustainability commitments designed to ‘address’ deforestation or ‘remove’ deforestation from supply chains are assumed to be pro-environment. However, their primary purpose is to identify and mitigate corporate operational, regulatory, market or reputational risk, not to actively reduce deforestation through implementing or financing initiatives that support changes in business practices. Approaches designed solely to mitigate risks are therefore likely to have little impact in protecting forest areas or reducing forest loss.

Traceability is inefficient and risks the emergence of two-tier supply chains

Achieving traceability to source - understanding the origins of commodity supply chains - is the first step for companies in identifying and mitigating their exposure to deforestation risk. In sectors with fragmented supply chains and production dominated by smallholders, this is a complex and costly exercise. With the additional costs of any follow-up remediation activities, it is more cost-effective for companies aiming to address deforestation risk to increase their sourcing from low-risk supply sheds, where forest conversion often has already taken place. These costs can also present a major barrier to many smaller, well-intentioned companies from efforts to improve the sustainability of their sourcing. Combined, these factors can lead to two-tier supply chains, where companies less susceptible to reputational or operational risks continue to absorb supply from areas where deforestation continues to occur. In this case, the market for commodities associated with deforestation remains and there is little to no reduction in threat to forest areas.
Certification cannot address deforestation at scale

Certification is often considered to be one of the most effective tools to support tangible reductions in deforestation within supply chains. However, high costs tend to drive its application towards higher value commodities [e.g. Arabica coffee], often single-origin and therefore sourced from small groups of farmers in specific areas. Certification is less commonly pursued in higher volume, price sensitive categories [e.g. low grade cocoa or Robusta coffee], where commodities are sourced from large, complex landscapes and from thousands of farmers, where the embedded risk of deforestation risk is typically also higher.

Despite commitments to achieving sustainable and deforestation-free supply chains, demand for certified or verified sustainable commodities remains low and is insufficient to compensate for the high costs of implementation and to incentivise sustainable production across sectors at the scale needed to halt deforestation.

Certification accounts for around 2-25% of the total production area of key commodities, including palm oil, coffee, cocoa and soy while market uptake is lower still [Lernoud et al., 2018]. For example, out of 16 million tons of palm oil certified by RSPO in 2016, only 11 million tons were sold as certified [TFA, 2017a]. Certification's ability to leverage reductions in deforestation is also contested. For example, although RSPO certification has been associated with reduced instances of forest loss, it has also favoured low risk areas of low forest cover where minimal gains for reducing deforestation can be made [Carlson et al., 2018]. In addition, weak or inconsistent criteria related to forest conversion and limitations in the certification audit process do not fully mitigate deforestation risk [Smit et al., 2015; Yaap and Paoli, 2014; EIA and Grassroots, 2015].

Smallholders are not included in sustainability approaches

Despite supporting the commercial viability of entire sectors and producing the majority of export commodities from tropical forest regions, smallholders have faced relative policy neglect in the corporate sustainability agenda [UNCTAD, 2015]. This is particularly concerning given that smallholders are key agents of land use and critically important in the context of forest conversion. For example, in Brazil, deforestation attributable to smallholders increased by 69% from 2004-2011 [Godar et al., 2014], while in Indonesia, smallholders were responsible for one-fifth of deforestation, including within protected areas, between 2001 and 2016 [Dang et al, 2019; Austin et al., 2019].

Despite this, and although their role in operationalising deforestation-free supply chain commitments is well understood [e.g. Tropenbos International, 2019], smallholders have not been sufficiently included in sustainability efforts. With some notable exceptions, approaches to support, monitor or verify deforestation-free production have been developed primarily for large-scale developments in major concessions [Piraird et al., 2015] and are not designed to address the cumulative and uncoordinated impacts of thousands of independent smallholders at the forest frontier, often farming on land with unclear tenure. They are also typically far beyond the reach of smallholders in terms of the financial, technical and organisational capacity and resources needed [Proforest, 2017].

In practice this means that the majority of smallholder farmers and their associated impacts [in particular those operating outside of organised group structures], are beyond the scope of existing approaches to address deforestation risk. Tangible, lasting and sector-wide reductions in deforestation driven by agricultural commodities are impossible without smallholder engagement.
A “forest-first” approach to addressing deforestation

Existing private sector ‘no deforestation’ commitments will not be met by 2020. If renewed private sector commitments are intended to have tangible impacts in reducing deforestation, rather than just in mitigating corporate risk, a new approach is needed urgently. To overcome these challenges, and to provide a new pathway for companies and the public sector to address deforestation and forest degradation in priority forest landscapes, we propose a “forest-first” approach, which places forests and smallholder inclusion at the front and centre of next generation sustainability commitments and their implementation, and recognises the need for collective action by the private sector to catalyse transformational impacts.

Prioritise high-risk forest areas
Emerging jurisdictional approaches that aim to reconcile competing social, environmental and economic objectives and achieve sustainable production across entire administrative units offer a major opportunity for reducing deforestation at scale and engaging companies in support of efforts beyond their own supply chains (RSPO, 2019; TFA, 2019). However, these will fail to have the intended impacts in reducing deforestation if they are implemented through a “commodity-first” lens, whereby efforts are directed towards key production areas, but not necessarily towards areas with a high risk of deforestation (see: TFA, 2019).

Under a “forest-first” approach, private sector investments in sustainability and support for improved production practices must first be targeted where commodity production and at-risk forests of conservation importance intersect, and where the greatest gains for forest protection and risk reduction can be realised. These frontier areas are typically at high risk of conversion and/or have high conservation value. They also can fall outside of established concessions or formal protected areas, and are therefore beyond the focus of current supply chain sustainability efforts. Sustainability investments, for example in traceability or farmer training, across jurisdictions, without consideration of the highest priority areas for protection within those regions [i.e. national park boundaries, or the frontier of intact forest areas], will contribute comparatively little to actively reducing deforestation or corporate exposure to deforestation risk, compared to efforts along the forest frontier.

There is also a prevailing assumption in a “commodity first” approach that companies will be able to continue to source from areas of “low risk” as a mitigation strategy. However, questions remain over whether there is even enough volume produced in “low-risk” jurisdictions to fulfil the collective sourcing obligations of companies with sustainability commitments. A rapid implementation of the “forest-first” approach in many high forest jurisdictions, supporting a transition to agriculture along the forest frontier, provides the potential for a low-cost, high-impact pathway towards both protecting forests and securing the future viability of agricultural production in these areas.

Support smallholder inclusion
It is also crucial that renewed commitments and approaches recognise the central role of smallholders within the majority of export commodity supply chains, and in land use change and forest conversion at the forest frontier. Renewed private sector commitments that incorporate a “forest-first” approach should be founded upon the inclusion of smallholders operating in the “first mile” around high risk forest areas, and recognise that investments in smallholder agricultural capacity in these areas will have triple win outcomes for reducing deforestation, addressing company risk, and supporting farmer livelihoods.
Catalyse collective action
To be effective, renewed private sector sustainability commitments must move beyond a reliance on the individual efforts of leading companies. In order to operationalise a “forest-first” approach, collective action is needed. Companies must first recognise their responsibility to address the historical impacts of their sectors, and then collaborate to address sector deforestation risk, working alongside smallholder farmers, and government authorities, in areas threatened by conversion along the forest frontier.

There are also significant cost benefits to collaboration. Companies currently act in parallel to map their respective supply chains across sourcing jurisdictions, which can be extremely expensive. Collaborative approaches are far more cost-efficient. A high proportion of deforestation risk originates in well-defined regions immediately adjacent to forest areas - limiting the need to conduct detailed mapping beyond sourcing areas at the forest frontier in order to assess origins of deforestation risk. Additionally, where companies are prepared to pool funds to map and address deforestation risk across a forest frontier [see case study], this can both attract public sector funding support and, once established, can achieve further cost and risk reduction efficiencies by replicating the approach and utilising shared monitoring and traceability tools within other commodity supply chains that originate in the same landscapes. Crucially, collective action and collaboration between companies, with the support of the public sector and government, can also generate sector-wide shifts in sourcing behaviour, catalysing and creating the market signals needed to sustain demand for legal and deforestation-free commodities. Off-take agreements from supporting companies can also further enable the delivery of incentives for deforestation-free production, such as by providing guarantees in smallholder financing mechanisms [TFA, 2017b].

Conclusion
As the 2020 targets for corporate ‘no deforestation’ commitments look increasingly out of reach, and the approaches promoted to tackle them out of touch with the on-the-ground realities, there is a danger that private sector momentum towards tackling deforestation diminishes in the face of the complexity of the challenges. The “forest-first” approach, catalysed by collective action, offers a valuable pathway for the private sector to rethink their engagement in and around forest landscapes, and to move beyond a position of risk mitigation towards making net-positive contributions to tackling deforestation, supporting livelihoods and meeting their zero deforestation commitments.

Case study: Bukit Barisan Selatan National Park
The “forest-first” approach is being trialed around the Bukit Barisan Selatan National Park in southern Sumatra, Indonesia. Companies are collaborating to support smallholder coffee farmers in their collective supply base, enabling them to address sector risks by actively reducing deforestation through a joint focus on high-risk priority areas. Participating companies will commit to sourcing from verified smallholder farms adjacent to forest boundaries, underpinned by shared, low-cost, independent monitoring and traceability systems, to incentivise legal, deforestation-free production along the forest frontier. In parallel, pooled company sustainability investments are being combined with public sector funding to support smallholders along the forest frontier. This includes the establishment of farmer groups, access to capital and inputs, and extension services. In turn, this will improve commodity yields and quality, facilitate improved farmer market access, generate increased profits for participating actors in the supply chain, and ultimately create protective “commodity fences” of participating smallholders around this critically important forest landscape.
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