POLICY BRIEF

FARMERS' ROLES IN COFFEE, RUBBER, AND PLANTATION TIMBER SUPPLY CHAINS

In the context of the European Union Deforestation-free Regulation

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Smallholders play a pivotal role in the supply chains of agricultural and forestry products. At present, the vast majority of raw material inputs for these supply chains are sourced from smallholders. This policy brief provides an overview of the role of smallholders in the coffee, rubber, and plantation timber supply chains, with a particular focus on land-use practices and product transactions between smallholders and collectors. The European Union is preparing to implement the EU Deforestation-free Regulation (EUDR), which requires that these products, when imported into the EU, be legal, fully traceable, and deforestation-free. Meeting these requirements is critical for all three sectors. This policy brief highlights the following key messages:

Smallholders are heavily involved in the production of the coffee, rubber, and plantation timber sectors and constitute the most important source of raw materials for these sectors.

Smallholders' production land is fragmented and dispersed, and many product transactions between households and collectors are informal. This makes traceability particularly challenging.

Linkages between companies and smallholders to establish sustainable production areas offer a practical way to streamline supply chains, ensure traceability, and meet the requirements of the EUDR.

1. Background

Vietnam plays a significant role in the production and supply of agricultural and forestry products, including coffee, rubber, and plantation timber. The country is also a major processing hub for these commodities, serving export markets worldwide. All three sectors are strongly export-oriented, with raw material inputs sourced from both domestic production and imports for processing. Export destinations are diverse, with key markets including the EU, the United States, China, Japan, and South Korea.

Coffee, rubber, and plantation timber are the three main export sectors of Vietnam, with a turnover in 2024 of approximately USD 5.62 billion, USD 8.50 billion, and USD 16.27 billion, respectively.[1] These sectors are deeply integrated into global supply chains. Figures 1, 2, and 3 illustrate the share of major export markets by export value for each sector.

A common feature of all three sectors is their strong dependence on export markets that are increasingly imposing stringent requirements on legality, sustainability, and traceability. Most notably, the EU has introduced the EU Deforestation-free Regulation (EUDR), which entered into force in 2023 and will apply from January 2027.

Figure 1 – Proportion by export turnover of export markets of the coffee sector[2]

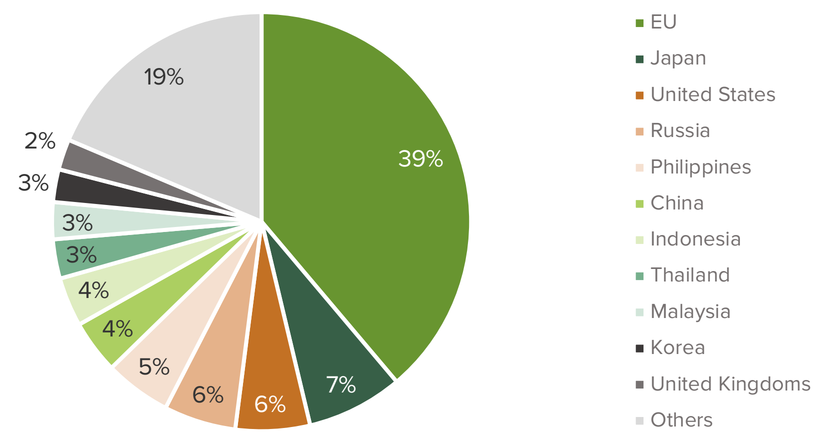
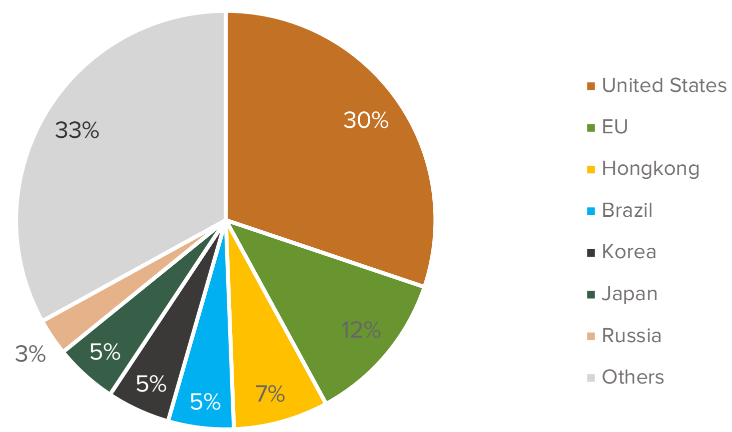
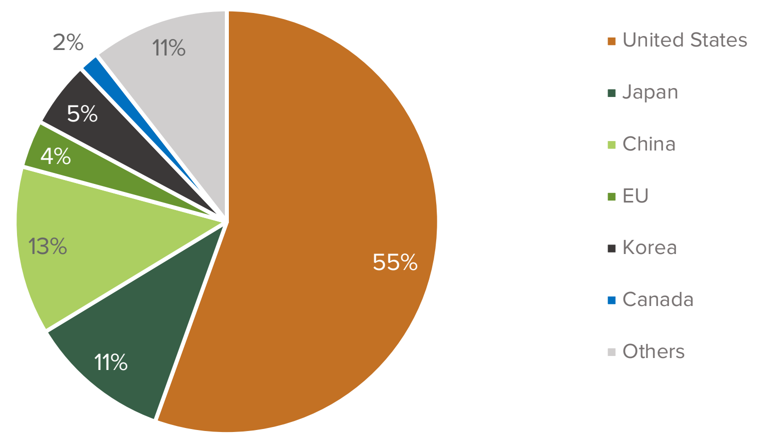


Figure 2 – Proportion by export turnover of export markets of the rubber sector[3]



[1] *Preliminary value and main export items in the months of 2024*
[2] *Source: General Department of Customs*
[3] *Source: General Department of Customs*

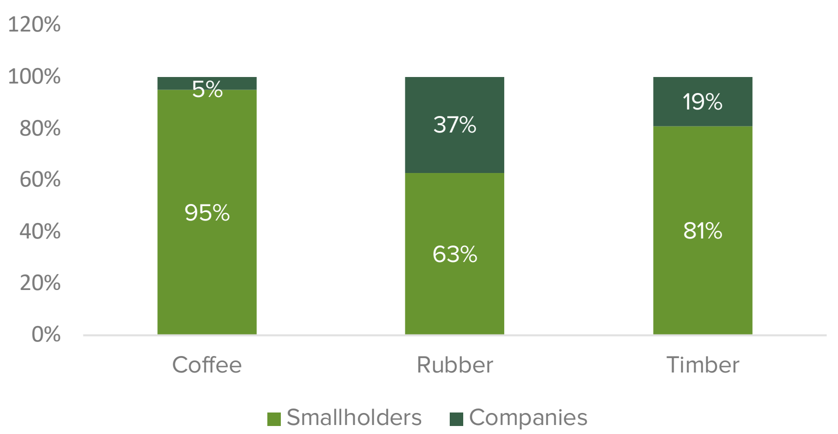
Figure 3 – Proportion by export turnover of export markets of the timber sector[4]



2. Smallholders as the primary producers in the supply chain

Smallholders are the starting point of the supply chain and play a decisive role in supplying raw materials in all three sectors. In the coffee sector, smallholders' production land accounts for approximately 97% of the sector's total arable area (nearly 720,000 hectares). Currently, around 700,000 households participate in production activities. Supply from households accounts for roughly 95% of total domestically sourced input materials. In the rubber sector, approximately 264,000 farmers cultivate roughly 490,000 hectares, equivalent to 54% of the national rubber tree area, and contribute nearly 63% of domestically sourced raw materials. In the timber sector, around 1.1 million households manage approximately 1.82 million hectares of plantation forests. Smallholders' plantation timber currently supplies nearly 81% of the input materials used in export-oriented processing activities. Overall, smallholders constitute the dominant source of raw material supply across all three sectors. Figure 4 presents the share of smallholder-sourced raw materials relative to other major supply sources in each sector.

Figure 4 - Proportion of supply from smallholders in three commodity sectors



[4] *Source: General Department of Customs*

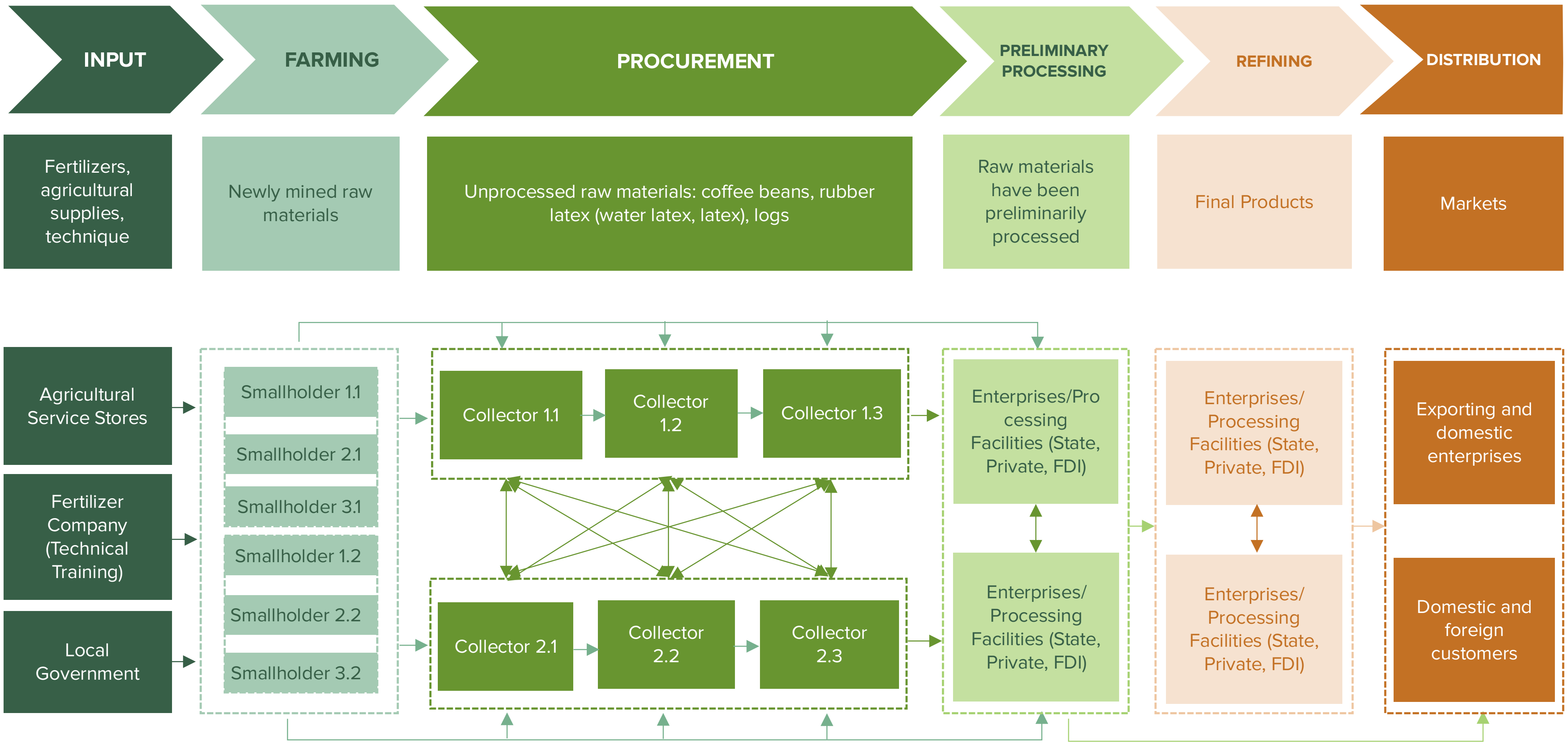
3. Fragmented and scattered cultivation land. Informal transactions between smallholders and collectors

Common characteristics of smallholders across all three sectors include small-scale and fragmented arable landholdings. Most coffee smallholders cultivate less than 1 hectare, typically divided into 2–5 plots with different legal statuses. In some localities, part of the land area used by coffee smallholders overlaps with land designated for forest planning purposes. In the rubber sector, each smallholder cultivates, on average, approximately 1.7 hectares of arable land across 2-3 plots. Overlaps between rubber smallholder land and land planned for forest purposes also occurs in some localities. It is estimated that the country currently has over 100,000 hectares (more than 11%) of rubber cultivated on forest planning land, leading to legal risks related to land use. In the wood sector, each smallholder cultivates, on average, approximately 1.65 hectares across 2-3 plots of land. About 30% of smallholders' arable land area lacks a red book; in some localities the share of untitled land reaches up to 60%. Fragmented landholdings hinder traceability.

The supply chains of all three commodity sectors are complex. In some areas, transactions between smallholders and collectors are relatively informal. Products from smallholders pass through multiple levels of collectors. When transactions between smallholders and collectors, as well as between collectors, are conducted informally, information can be "lost" at various stages of the supply chain, making traceability challenging. In addition, fragmented arable land and the movement of products through multiple levels of collectors create risks when products from many smallholders and land plots are mixed. As a result, tracing products to individual land plots – the core requirement of the EUDR – becomes difficult or impossible. This situation shows that efforts to meet global market requirements, particularly regarding traceability, cannot succeed without the active participation of smallholders. Figure 5 illustrates the complexity of the supply chain of the three commodities.

Photo 1: Farmers drying coffee. Source: George Dagerotip

Figure 5 – Supply chains of three commodities



4. Building sustainable production areas through company–smallholder partnerships

Practical experience from company-led models that cooperate with producers to establish sustainable and certified raw material areas shows that direct linkages between businesses and smallholders help to simplify supply chains and enable effective traceability. In these models, information on land use, farming practices, harvesting, and trading activities is recorded in a standardized and consistent manner, while layers of intermediaries are reduced. This minimizes the risk of product mixing or information loss and allows traceability down to the level of individual production plots. Within these partnerships, companies support farmers in standardizing data and information, including the recording and storage of data related to land use, labor, and environmental protection. Collectors play a critical intermediary role by transmitting company requirements to producers. With direct support from companies, these collectors provide hands-on guidance to smallholders on adopting sustainable production practices, including the collection of geospatial data on production plots to ensure full traceability.

However, to date, the sustainable production areas established through these linkage models remain limited, leaving substantial room for expansion. Current statistics indicate that approximately 29% of the total coffee cultivation area is certified. The corresponding figures are considerably lower in the rubber and plantation timber sectors, at approximately 13–15% of the total rubber area and about 15% of plantation forest area.

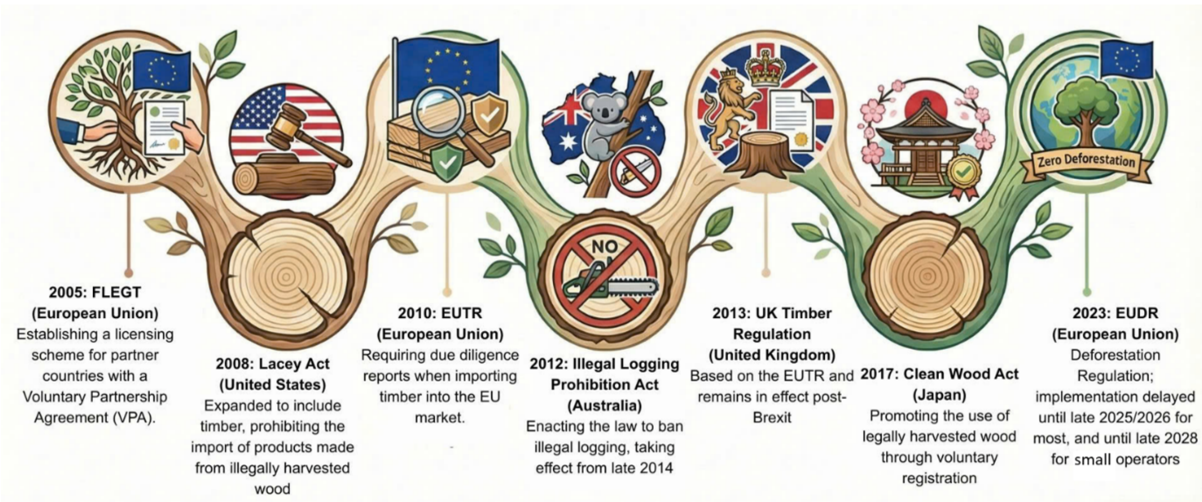
Although certified products do not automatically meet all export market requirements, including those of the EUDR, participation in sustainability certification schemes provides an important foundation for ensuring traceability. Where a country has a sufficiently robust legal framework and effective traceability regulations that are recognized by export markets, products do not necessarily need to be sustainability-certified to comply with market requirements such as the EUDR.

Photo 2: Rubber smallholders and companies participated in training to share production experiences. Source: Forest Trends

5. Increasing sustainability and traceability requirements

Market trends indicate increasingly stringent requirements for sustainable products, with a strong and growing emphasis on traceability. Since the early 2000s, major markets have introduced a series of regulations aimed at ensuring product legality and traceability. These include the U.S. Lacey Act (amended in 2008), the Voluntary Partnership Agreement under the EU Forest Law Enforcement, Governance and Trade framework (FLEGT/VPA), and the EU Timber Regulation (EUTR). Other countries, such as Australia, the United Kingdom, and Canada have adopted similar measures. The most recent development is the EUDR, which requires seven categories of agricultural and forestry products[5] —including coffee, rubber, and timber—imported into the EU to (1) fully comply with the laws of the country of production and (2) be deforestation-free, with no forest loss occurring after 31 December 2020. The EUDR further mandates plot-level information, including geospatial data, to ensure traceability down to individual production plots. Compliance with the EUDR is particularly critical for the coffee sector, as approximately 40% of Vietnam's coffee exports are destined for the EU market. Figure 6 summarizes key legality and sustainability requirements for imported products across several major markets.

Figure 6 – Policies related to sustainable production requirements from the global market



Traceability requirements are also becoming a priority and are moving toward mandatory application in Vietnam. At the Prime Minister's Conference on Dialogue with Farmers, held on 10 December 2025, the Minister of Agriculture and Environment stated that the Government's goal is for all agricultural, forestry, and fishery products produced or exported from Vietnam to be fully traceable by the end of 2026.[6]

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5 These products include cocoa, coffee, rubber, palm oil, soybeans, timber, beef, and derived products.

6 https://danviet.vn/bo-truong-tran-duc-thang-cuoi-nam-2026-co-ban-tat-ca-cac-san-pham-nong-lam-thuy-san-deu-phai-co-truy-xuat-nguon-goc-d1387409.html?gidzl=Z4gHRchNPKw2LPPjPSvXJOLLacjwppGQpLkNEt_0PnlBMi4-Af8s7izRn6Whb3HBpm30EZJHhC8KQTPdI0

6. Policy recommendations

To meet sustainability requirements and ensure traceability for both export and domestic markets, now and in the future, the supply chains of coffee, rubber, and timber need to be fundamentally restructured toward simpler, smallholder-centered models. Achieving this transition requires coordinated efforts from governmental organizations and all supply chain actors, including businesses, collectors, and smallholders. Technical and financial support from other stakeholders such as development organizations and associations, is also essential, particularly for collectors and smallholders. Key recommendations include:

Governmental organizations

Assess the current structure of commodity supply chains, with particular attention to the production stage at the farm level. Prioritize resources to develop a comprehensive database of smallholders and production areas, supported by a system for regular data updates. Give priority to completing and digitizing land-related information, including smallholder land-use rights and up-to-date land-use and forest maps, as a foundation for effective traceability. Develop a national traceability system and issue the necessary legal frameworks for key commodity sectors, drawing on existing regulations for legal timber traceability to support similar systems for coffee and rubber. Allocate adequate resources to support smallholders in meeting market requirements, including traceability obligations. Establish mechanisms that encourage enterprises to invest in the development of smallholder-linked raw material areas. Local authorities also play a critical role in facilitating linkages between businesses and smallholder producers.

For Businesses

Businesses need to form and expand linkages with smallholders to develop stable sources of raw materials that meet sustainability and traceability requirements. These linkage models should give particular attention to smallholders with limited financial and human resources to ensure inclusiveness. Businesses need to recognize smallholders as a core component of their production and business models and allocate appropriate resources to support them. Such support includes capacity building, data collection, and the development of databases on land use and the geospatial location of production plots. Companies should view support for smallholders as a strategic investment aimed at establishing stable, long-term, and sustainable raw material areas that underpin continued access to export markets.

For supply chain actors and supporting organizations

Support the development of linkages by prioritizing technical and financial assistance for smallholders and collectors who purchase products directly from them. Promote scientific and technological initiatives that focus on building traceability systems that are user-friendly, low-cost, and accessible to smallholders.

7. Conclusion

Smallholders play a vital role in the coffee, rubber, and timber sectors. Current supply chain conditions across all three sectors reveal systemic challenges, particularly the fragmentation of smallholder production land and the largely informal nature of transactions between farmers and collectors, as well as among collectors themselves. These factors hinder effective traceability and create risks in meeting export market requirements, including those within the EUDR. Smallholders require both technical and financial support to comply with these demands. Supporting smallholders should not be viewed solely as a business requirement for sourcing raw materials, but as a shared priority and responsibility of central and local governments, as well as development assistance organizations. To ensure long-term sustainability, the supply chains of these three commodity sectors will require fundamental transformation, especially at the farm level, toward greater simplification, standardization, and formalization.

Photo 3: Female workers sanding wooden furniture in Dong Ky craft village. Source: Forest Trends

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