Quarterly market update

March 2026

This update explores key developments in regulation and broader market dynamics relating to forest-risk commodities. This includes the Middle East conflict and the EU RED III Directive. It also provides commodity specific market updates on palm oil, soy, cocoa and coffee.

Regulatory updates

EU Deforestation Regulation (EUDR)

The amended EUDR regulation has been published in the EU Official Journal, following EU approval on 17th December 2025:

- The application date has been postponed to 30th December 2026 for large and medium-sized companies, and 30th June 2027 for micro and small enterprises.
- Core due diligence obligations remain for the first actor to place a regulated product on the market.
- Obligations for downstream companies are largely limited to now retaining supplier information and due diligence reference numbers.
- Micro and small primary operators are only subject to a one-off simple declaration.

In addition, the European Commission (EC) was asked to carry out a simplification review of the EUDR and publish a report by 30th April 2026.

It was reported in a closed-door meeting on 10th February 2026 that the Commission has decided to not reopen the core text of the regulation but a delegated act amending Annex 1 to the EUDR (which defines those products are in scope) will be proposed as part of the simplification review. It is understood that this may propose the inclusion of soap made with palm oil and instant coffee. The act is expected to be opened for public feedback in late March/early April. The Commission will also be publishing updated Guidance and FAQ's including updated supply chain explainers (published 25th March, see here).

Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD)

On 24th February 2026, the EU Council gave the final approval to the Omnibus simplification package, which reduces the scope of sustainability reporting and due diligence requirements for companies under the directives on

corporate sustainability reporting (CSRD) and corporate sustainability due diligence (CSDDD).

For CSRD, the scope has been narrowed to:

- EU companies with over 1,000 employees and over EUR 450 million net annual turnover.
- The highest level non-EU parent companies with over EUR 450 million net turnover in the EU and with an EU subsidiary or branch generating a turnover exceeding EUR 200 million.

Member states must transpose by 19th March 2027, with mandatory reporting applying for financial years starting on or after 1st January 2027.

For CSDDD, the scope has been narrowed to:

- EU companies with over 5,000 employees and more than EUR 1.5 billion net worldwide turnover.
- Non-EU companies generating over EUR 1.5 billion net turnover in the EU.
- Royalties exceeding EUR 75 million and turnover exceeding EUR 275 million.

Member states must transpose by 26th July 2028, with obligations applying from 26th July 2029. Sustainability reporting applies for financial years starting on or after 1st January 2030.

European Union Packaging and Packaging Waste Regulation (PPWR)

The Packaging and Packaging Waste Regulation (PPWR) is an incoming EU regulation that replaces the Packaging Waste Directive. It entered into force on 11th February 2025 and will apply from 12th August 2026.

The regulation aims to ensure:

- Packaging must be recyclable and clearly labelled
- Recycled content targets for plastic packaging by 2030 and 2050
- Reuse or refill options must be offered for certain products
- Avoidance of unnecessary packaging and harmful substances.

UK exporters will need to comply with the regulation when selling any packaged goods to the EU market. Companies must ensure compliance prior to its application on 12th August 2026, starting off with a ban on plastics containing per- and poylfulroalkyl substances (PFAS) over minimum thresholds. PFAS are man-made chemicals used to make products water, oil and heat resistant and do not break down easily.

EU Renewable Energy Directive (RED III)

The EC has proposed a draft amendment to Delegated Regulation (EU) 2019/807, which proposes the gradual exclusion of soybean oil derived biofuels by 2030.

This comes after EC research in January 2026. The research classifies soybean oil as a high indirect land-use change risk feedstock due to its deforestation impacts.

As a result, soybean oil biofuels, along with palm oil biofuels, will be excluded from EU RED III targets from 2030. Rapeseed oil is expected to emerge as the primary replacement. This shift is predicted to tighten feedstock availability from around 2028.

Wider market updates

Middle East conflict

The ongoing Middle East conflict is causing major disruption to global trade flows. The effective closure of the strait of Hormuz by Iran poses significant disruption risks to numerous critical global supply chains. This includes

fertiliser supply chains, with between a quarter and a third of global trade in raw materials passing through the strait. Nitrogen and ammonia are particularly dependent on this transport route. Global nitrogen supplies are also expected to be further impacted by shutdowns of fossil gas plants in the Gulf. Disruption to fertiliser materials has the potential to drive up higher agricultural production costs and yields, impacting future availability of crops and so food prices for consumers.

Carbon

On 30 January 2026, the Greenhouse Gas (GHG) Protocol released its long-awaited Land Sector and Removals Standard, following a five-year consultation process. It will become effective from January 1 2027, with the accompanying Land Sector and Removals Guidance expected in Q2 of 2026.

The release of the Standard is an important development in corporate climate accounting for companies with significant land sector activities in their operations and/or supply chains (including but not limited to those operating within food supply chains).

The Standard will be a key reference for target setting bodies (e.g. SBTi) and reporting bodies (e.g. CDP). Deforestation and conversion are key areas within the guidance and align with Accountability Framework Initiative definitions.

The Standard provides GHG accounting requirements and guidance on standardised methods to quantify, report and track land use emissions and CO_2 removals related to agriculture, forestry and other land use.

It aims to provide clear requirements for corporate climate accounting of agricultural impacts and establish robust safeguards for companies that choose to account for removals or captured CO_2 in their GHG emissions inventories.

To conform with the Standard, companies must report on land use change emissions for commodity production in Scope 3, including deforestation impacts. This includes emissions from enteric CH_4, manure, fertiliser, N_2O and soil CO_2. Physical traceability for commodities is also required.

Human Rights and Living Income

On 25 February, the Technical Guidance on Due Diligence for Living Income was presented at a high-level roundtable in the European Parliament. It was developed by the Living Income Community of Practice (LICOP) in partnership with Shift. The guidance provides a UN Guiding Principles on Business and Human Rights (UNGPs)-aligned framework. It compiles tools, methodologies and best practices to support stakeholders in assessing living income risks and design appropriate measures to address the risks.

Also presented in February 2026, the Shadow Guidelines on Living Income and CSDDD was developed by the Fair Trade Advocacy Office and AxHA and provides guidance on implementing the CSDDD, as revised through the Omnibus proposal. It clarifies legal compliance expectations and sets out practical expectations for regulators and companies on implementing meaningful living income due diligence.

Spotlight – Land Sector and Removals Standard

- Released on 30 January 2026, becomes effective from 1 January 2027.
- Provides guidance for corporate land-sector GHG accounting and inform frameworks like SBTi and CDP.
- Requires Scope 3 land-use change reporting and physical traceability for relevant commodities.

Human rights due diligence and living income are rising issues within the forest-risk commodities agenda. They are increasingly relevant in the EU regulatory environment, particularly with the incoming CSRD and CSDDD. Addressing such issues is therefore important, not only for compliance, but also for the resilience, security and sustainability of supply chains.

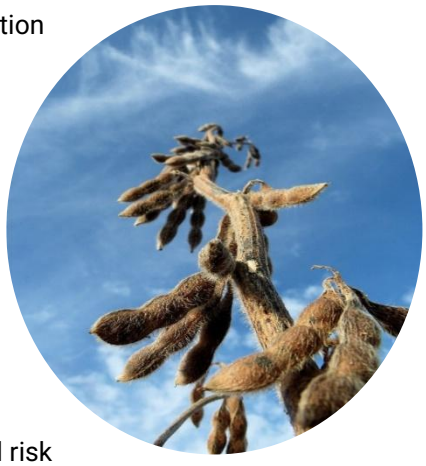
Commodity specific updates

Soy

Amazon Soy Moratorium (ASM)

On 5 January 2026, a key industry group ABIOVE (the Brazilian Association of Vegetable Oil Industries), that represents major global soy shippers sourcing soy from Brazil, announced its withdrawal from the Amazon Soy Moratorium along with key global shippers including Cargill, ADM and Bunge. This was precipitated by the removal of tax subsidies for shippers seeking compliance to the Moratorium in the state of Mato Grosso and the on-going investigation by the Brazilian competition authority of alleged cartel behaviour by the these same shippers.

The Retail Soy Group (RSG) issued a public letter confirming retailers will continue to require suppliers/shippers maintain compliance with the Moratorium criteria. The UK Soy Manifesto has also published a public statement which builds on the RSG letter, calling on global shippers to maintain their commitment to the 2008 cut-off date for the Amazon and urging all actors to commit to a constructive dialogue. In addition, the UK has worked with other national soy initiatives across Europe to develop a pan-European statement which will be published shortly.



Additionally, a global coalition of ten organisations, including Mighty Earth and WWF, have published an open letter in response to ABIOVE's withdrawal.

In the absence of a clear and effective sector-wide, market-based mechanism like the Moratorium, there is a real risk that deforestation rates could increase in the Amazon Biome. Estimates from TNC indicate that the end of the ASM could result in the deforestation of up to 9.2 million hectares in the Amazon. This is an area equivalent to half of the Netherlands and composed of surplus Legal Reserve areas on private land suitable for soybean production.

Sustainable Soy Standards

Work continues through the UK Soy Manifesto Group on the development of two Standards that will enable UK companies to specify and verify soy in supply chains has been grown free of deforestation and conversion free

The first has been developed in partnership with the UK Animal Feed Industry (AIC) and will be applicable for soy imports into the UK and use in UK livestock sector - this is currently being rolled out for use by Q3 this year.

The second is in development and being led by the British Standards Institute and will be wider in scope and able to be applied outside of the UK, to Europe and globally. This should be published by early 2027, for use by companies and certification bodies.

EUDR compliance preparation in Latin America

Agro Brasil + Sustentável platform (Brazil)

Agro Brasil + Sustentável is a federal government platform designed to consolidate environmental and legal compliance information related to Brazilian agricultural production and facilitate traceability for international markets.

The platform integrates data from several existing public databases related to environmental licensing, land registration and legal compliance in order to provide a more comprehensive view of the status of agricultural production in each farm. Its objective is to streamline the verification of compliance with environmental legislation and support access to international markets increasingly requiring traceability and sustainability assurances.

The Brazilian government has recently introduced improvements to the platform, indicating that both the legal compliance component and the module intended to support EUDR-related requirements are technically ready. However, the effective operational use of the platform and its coverage across supply chains remain to be demonstrated in practice.

VISEC Platform (Argentina)

VISEC is a socio-environmental traceability platform developed by the Argentine agri-food sector to improve transparency and strengthen the sustainability aspect of Argentine agricultural exports. The platform was created through a multi-stakeholder effort bringing together key actors across the soy (and beef) value chains — including producers, traders, processors, exporters, industry associations and civil society organisations — with the objective of providing a coordinated sectoral response to growing international requirements on sustainability.

Through its collaborative structure, VISEC seeks to consolidate information from different stages of the supply chain and generate a common framework that enables companies to demonstrate compliance with sustainability and market requirements while supporting the international positioning of Argentine agricultural products. The platform operates as a shared infrastructure for companies to organise, verify and report supply chain information in a consistent and transparent manner.

The VISEC MRV (Monitoring, Reporting and Verification) system integrates geospatial analysis with supply chain data to assess deforestation risk and document traceability and legality attributes associated with production areas, supporting companies in conducting due diligence and demonstrating compliance with market requirements.

The system has been designed to support EUDR-aligned soy supply chains and facilitate the delivery of traceable soy once the regulation enters into force. VISEC is currently engaging with companies to implement pilot initiatives aimed at testing the system under operational conditions. In parallel, enhancements have been introduced to broaden the platform's scope, enabling it to respond to specific requirements from international buyers and support companies in demonstrating progress against their individual and sectorial sustainability commitments.

Positive global soybean stocks forecast

The USDA predicts global soybean stocks for the marketing year 2025/26 to reach record high levels due to higher production in Brazil and Paraguay.

This is due to favourable weather conditions in major soybean growing regions during January. Higher stocks

The USDA February report finds Brazil's soybean production is forecast to reach a record high of 180 million metric tons and Paraguay a record high of 11.5 million ton (February 2026).

have the potential to lower soybean prices, reducing costs for livestock production. However, current international market uncertainties, as discussed above, may undermine this positive trend.

Palm Oil

Decline in Malaysia's outputs

Palm oil production in Malaysia fell by 16% in February 2026, compared to January 2026. This is the largest month-on-month decline since January 2025. This is predominantly attributed to heavy rain and flooding in the Sabah region, which accounts for a fifth of the country's palm oil output.

Despite declines in output, global demand is increasing, particularly for biofuels. Indonesia is the world's largest consumer, with a significant and increasing proportion of palm oil supplying domestic demand for biofuels due to ambitious government biofuel targets. India, the second largest consumer, also has growing appetite, fuelled by consumer demand for affordable edible oils.

The ongoing conflict in the Middle East is expected to compound this increased demand, as discussed below.

Increased demand due to the Middle East conflict

Prolonged conflict has made palm oil attractive to the biodiesel industry. Crude oil prices have risen by over 25%, reaching their highest levels since mid-2022. Higher prices and rising freight costs are subsequently leading to Asian markets seeking more readily available and cheaper vegetable oils, with palm oil trading at a steep discount to crude oil.

In the EU, palm oil biofuels are being phased out under the EU RED III Directive (as mentioned above). However, in Indonesia, it is reported that there may plans to revive its roll out of a B50 grade of palm oil biodiesel mid-year to counter surging crude oil prices. If diesel prices remain elevated due to a shortage of crude oil, demand for biodiesel as a substitute will rise. This has potential to reduce exportable supplies of Indonesian palm oil.

RSPO Supply Chain Certification Standard review

The RSPO are currently reviewing the Supply Chain Certification Standard. Draft one of the revised standard is open for public consultation until the 14th May 2026. The proposed changes include updates to language and structure to enhance user experience and clarity. It also includes specific requirements for Oleochemicals businesses and Food Service companies, better aligning with operational realities in these sectors.

During the public consultation period (16th March-14th May) the Secretariat are also hosting a number of public webinars to communicate the main changes and how to provide comments.

The expected timeline for the review is 18 months, with expected endorsement by September 2026.

Cocoa

Price volatility

Cocoa prices have fallen nearly 70% in early 2026 from their 2024 peak of above $12,000 per tonne. The 2024 price surge was due to supply deficits in West Africa as a result of heavy rainfall and spread of crop disease. As a result, some

manufacturers increased prices, reduced product sizes and/or substituted cocoa with cheaper fats.

Major global food manufacturers, including Pladis and Nestle, cut cocoa volumes in products and shifted to 'compound' chocolate, a mix of cocoa powder and other fats (including palm and shea oils). Consequently, some of their products, such as Kit Kats and Penguins, are no longer permitted to be described as 'chocolate'.

Whilst supply recovered in 2025 and prices dramatically declined by early 2026, global demand had reduced (in part because of a shift in manufacturing of cocoa products, as above), with global prices halving over the past year to a two-year low of $4,000 per metric ton.

This has impacted farmer incomes. Cote d'Ivoire and Ghana operate regulated farmgate systems which set guaranteed domestic farmgate prices. However, these prices exceed global prices, and as a result traders have become reluctant to buy their crops.

This has resulted in large stocks of unsold beans and payment delays to farmers, significantly impacting their livelihoods.

Farmgate price cuts in Ghana and Cote d'Ivoire

In early February, Ghana cut its farmgate cocoa price paid to farmers in bids to spur more demand and align prices to the international market. Ghana's farmgate price is set annually by market regulator Cocobod and was nearly $5,300 a ton. The high price reduced international demand and left farmers unpaid. Its new price is set at $3,580 per metric ton for the rest of the 2025/2026 season. Cote d'Ivoire announced at the start of March that it too would reduce farmgate prices by 50%.

Many smallholders report the price cuts will leave them without money for basic living necessities, including food, children's school fees and farm maintenance.

Coffee

Launch of Brazilian coffee platform

At the end of February, Brazil's National Supply Company (CONAB) launched its 'Parque Cafeeiro' platform, a free, public, universally accessible tool that has been developed to certify the entire Brazilian coffee production chain as deforestation-free.

The platform is now operationalised and is aimed at supporting EUDR compliance and ensuring traceability of national production. It connects to official government databases and allows for almost real-time updates, monitoring and data consistency and standardisation to give compliance security to producers.

Increase in heat stress in some producing countries

New climate analysis has found that five major coffee producing countries - Brazil, Vietnam, Colombia, Ethiopia and Indonesia (countries that are responsible for collectively producing 68% UK coffee imports) – are now experiencing coffee-harming heat (temperatures above the threshold of 30 degrees Celsius) for on average more than 144 days of the year.

This has potential to impact quality and reduce yields. Production may also be pushed to geographical areas with higher elevation and cooler temperatures, posing a potential deforestation risk.

Studies suggest that from 2041 to 2060, yields may decline by about 8% in lower altitude areas but rise by about 16% at higher elevations.

Decline in Columbian coffee production and exports

According to figures released by the National Federation of Coffee Growers

of Colombia, coffee production and exports has shown a decrease in February 2026 compared with the same month last year.

Colombia is one of the UK's top five sourcing countries for coffee, contributing to 7% of imports in 2024. However, adverse weather conditions, particularly persistent excess rainfall, in the past year has resulted in coffee production decreasing by 36% and exports by 32%, which could impact future supply to the UK.

Global production surplus and coffee price decreases

Despite falling production in some countries, Rabobank predicts global coffee production to rebound over the next two seasons. This is projected to result in a global surplus of 8.64 million bags for 2026/27.

This surplus has the potential to drive down coffee prices. Whilst positive for the consumer, when combined with rising production costs, this could lead to coffee becoming less viable for some smallholders.

This is a particular issue in El Salvador and Honduras, which provides 5% UK coffee imports. Farmers face rising costs from fertilisers and labour and reduced prices for their coffee. This can limit farmers abilities to adapt to weather shocks and market trends. Living income is therefore becoming an increasingly important focus to ensure the sustainability of coffee supply chains.

UKSCI Coffee Working Group

Following a desire from UKSCI participants to work collaboratively towards understanding the particular sustainability challenges of the coffee sector, as discussed above, and what the business case for this would look like, the UKSCI has established a sector working group.

The initial focus of the group is on living income, and what role downstream actors can play to actively support producers' livelihoods. Additional priority areas include: no deforestation, climate smart agriculture and equitable supply chain data sharing.

If you would like to find out more about any of the UKSCI working groups (Coffee, Oleochemicals, Foodservice and Embedded Soy), please contact UKSCI@efeca.com.