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Forest, Agriculture, and Commodity Trade Dialogue


Multi-Stakeholder Consultation Report – India





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The document is the outcome of the FACT Multi-Stakeholder consultation carried out in India with minor enrichment from the research carried out by the organising team. The authors of the report are listed below in alphabetic order.

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Background

The FACT (Forest, Agriculture and Commodity Trade) Dialogues are an initiative launched by the COP26 Presidency to accelerate the transition towards more sustainable land-use practices in a way that opens up new investment opportunities for jobs and livelihoods for people dependent on forests and agriculture, and to ensure that economies which have a sustainable relationship with forests thrive and grow.

The FACT Dialogues aim to agree on principles for collaborative action, a shared roadmap on sustainable land use and international trade, and to take action now to protect forests while promoting development and trade.

The FACT Dialogues are conceptualised as a government-to-government dialogue, supported by wider multi-stakeholder consultations. The Multi-Stakeholder Track (MS Track) dialogue is the central pillar to achieve ambitious and transformative government-to-government principles, roadmaps and commitments. To feed into the agenda of the government-to-

government dialogue, MS Track deep-dive dialogues are conducted in selected countries. These gather a wide range of stakeholders and generate country-specific recommendations for achieving the broader FACT Dialogue Objectives. As requested by the MS Track dialogue organisers, the FOLU India country platform has joined forces with the Centre for Responsible Business (CRB), IDH-The Sustainable Trade Initiative in India, World Wide Fund for Nature India (WWF India) and World Resources Institute India (WRI India) to form a coalition to conduct the MS Track deep-dive dialogue in India with wide range of stakeholders.

The main objective for these deep dives is to understand better what key stakeholders think that governments could negotiate. The global themes for the deep dives are:

- **Aligning trade policy with sustainable land use and commodities:** aligning the development, implementation, and enforcement of policies across the global market for agricultural commodities with the aim to balance the expansion of trade and market development on the one hand with the imperative for sustainable land use and investment in sustainably produced commodities.
- **Integrating smallholder farmers and forest-dependent populations' interests:** increase the involvement of smallholder farmers and forest-dependent population especially women, other traditional forest dwellers within the agricultural commodity supply chains, including identifying policy measures to support their integration in markets, developing their capacity, facilitating access to finance, and supporting their role in sustainable land and forest management and conservation.
- **Transparency and traceability:** create enabling environments and systems that support transparency and traceability for decision-making throughout the supply chain through information collection, monitoring, and disclosure.
- **Research, development, and innovation:** expand our research, development, and innovation efforts to support and scale up productivity improvements within agricultural commodity systems to reduce expansion into terrestrial ecosystems.

FACT Multi-Stakeholder consultation in India

India is a major import and export location in the global economy, together with other emerging importers like China, and emerging producer-consumers like Brazil and Indonesia, accounting for approximately 40% of global demand for deforestation-linked commodities such as soy, beef, palm oil and timber products. The share of these countries in the global market is set to increase further by 2025. Considering its current population growth rate and the resulting increase in consumption, by 2025 India is predicted to be the second-largest consumer market in the world after China.¹ Between 2000 and 2016, India increased its share in global imports from 0.7% to 1.9%, making it one of the world's ten biggest importers.²

India's emergence as one of the top importers globally, along with various enabling conditions in the country, is attracting international companies. The availability of natural resources, low production costs, and its large, skilled workforce make the Indian market attractive to global companies. India has moved up 14 places on the latest World Bank ranking on ease of doing business – from 77th position in 2018 to 63rd position in May 2019 out of 190 nations.³

However, greater business opportunities come with increased pressure on businesses to improve their social and environmental performance. Globally, awareness of human rights and environmental issues associated with businesses and their supply chains is growing. Stakeholders – including governments, consumers and investors – expect businesses to operate in an environmentally sustainable manner – from their supply chain networks to their entire operations. The Government of India has responded to this emerging focus on responsible business by introducing the National Guidelines on Responsible Business Conduct⁴ and the upcoming National Action Plan on Business and Human Rights.⁵

The Indian Government has also responded to deforestation and sustainability concerns by encouraging domestic production of heavily imported commodities (e.g., palm oil) linked to deforestation, and reducing exports of all edible oils. To shift the demand away from unsustainably produced palm oil in partner countries, the government has increased import duties, initially on

processed palm oil and more recently on crude. However, India's biggest trading partners for palm oil – Malaysia and Indonesia – have responded by eliminating export tariffs. This, along with lower global prices, has seen Indian imports of palm oil reach record levels. Due to the highly price-sensitive nature of Indian markets, importers and consumers are less inclined towards more sustainable supply chains of deforestation-linked commodities if they mean higher costs.⁶

Considering the nature of the Indian market and the fact that it is an emerging economy in terms of global agriculture production, engagement between government and companies in global supply chain efforts is essential. While India has already initiated efforts to ensure the sustainability of its global trade supply chains, it is vital to continue moving in the right direction through collaboration with governments of partner countries, business groups and other stakeholders. Historically, India has a track record of proactive involvement in global conservation agendas, which is evident through its various international commitments. Against this backdrop, the objectives of the MS Track deep-dive dialogue in India have been decided as follows:

- To identify India's position and potential as a steward promoting sustainable and responsible international supply chains, especially in the Global South, by setting an example and by pushing the agenda in international forums (e.g., G7, G20).
- To identify the potential for India as a consumer country to set a good example of balancing domestic and distant sustainability issues.
- To address issues regarding intensifying domestic production and addressing policy and other gaps in making the export supply chains more sustainable.

1 World Economic Forum (2018). *Greening Commodity Supply Chains in Emerging Markets: Challenges & opportunities*. World Economic Forum, Cologny.

2 FAO (2018). *The State of Agricultural Commodity Markets 2018. Agricultural trade, climate change and food security*. United Nations Food and Agriculture Organization, Rome.

3 CESD & Sedex (2020). *Integrating Sustainability into Indian Supply Chains*. CESD, New Delhi and Sedex, London.

4 https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf

5 https://www.mca.gov.in/Ministry/pdf/ZeroDraft_11032020.pdf

6 World Economic Forum (2017). *Commodities and Forests Agenda 2020: Ten priorities to remove tropical deforestation from commodity supply chains*. Tropical Forest Alliance and World Economic Forum.

Structure of the FACT-MS Track India deep-dive dialogue

The dialogue adopted a ‘footprint-based approach’ to explore issues from a consumer and producer viewpoint. It aimed to come up with core recommendations broken down to commodity level. To address the major dimensions related to FACT, the dialogue involved consultations along three tracks:

- Aligning trade policy with sustainable land use and commodities
- Integrating smallholder farmers and forest-dependent population’s interests
- Transparency and traceability

Instead of targeting environmental neutrality in businesses, the dialogue identified and highlighted the need to proactively work on environmentally positive trade. The dialogue also discussed enabling conditions, gaps in policy and governance scenarios, successful examples and initiatives, and potentials and synergies, as well as potential incentive structures. The dialogue also identified the means of creating a locally suitable business environment, considering the impacts and challenges in terms of what is working and what more needs to be done.

For each track, separate discussions were carried out with relevant experts. Since these tracks are interconnected, the dialogue allocated enough time to discuss the recommendations developed under each track and to merge them under the three objectives.

Multi-stakeholder discussion process

The FACT dialogue multi-stakeholder consultation was conducted on the 13th of July 2021 as an online event. A total of 43 stakeholders with various backgrounds and expertise joined the meeting (see Annexure I). The participants were grouped into the three tracks, and were allotted separate breakout rooms for a detailed discussion on each aspect. The outcome of the discussions were presented in the plenary session in order to come up with a final set of suggestions and recommendations to advance environmental sustainability in the global commodity value chain.

The following sections describe each track and the major points that emerged during the discussions in each session.

Track 1. Aligning trade policy with sustainable land use and commodities

Stronger trade relations that encourage and increase sustainability (both environmental and economic) are necessary today as producer countries set a nature-

positive agenda to improve farmers’ livelihoods and responsible sourcing practices. At this stage, key international commodity supply chains across global markets are linked closely to deforestation-related environmental impacts in producer countries, especially developing countries in Latin America, West Africa and Southeast Asia. Production and trade in these regions and markets remain focused on price and availability rather than sustainability ambitions or voluntary standards. Therefore, sustainability issues remain absent from international trade negotiations. One case in point is the production, trade and market for edible oils – chiefly palm oil and soya. India’s selection and prioritisation of edible oil commodities for import and their source countries are entirely price-driven. As a country of 1.37 billion people, India continues to import large volumes (over 10 million metric tonnes annually) of palm oil and soya oil from deforestation hubs like Indonesia and Malaysia.

India remains central to global trade as both a large importer as well as an exporter. Its domestic policies for both demand-side management and commodity production shape the dialogue on sustainability – not just within India but also across global markets and production hubs. A trade review in India in the near future can ideally start to consider which commodities are heavily exported and imported and how import

policies that reflect the sustainability of commodity production in the source countries will help India further its commitments to the Sustainable Development Goals (SDGs).

Indian agriculture in the last few decades has been mostly associated with land conversion rather than with domestic deforestation. Our domestic (often state-specific) forest protection policies are considered robust and highly effective, except for forests in the north-eastern regions where encroachment and diversion have been observed regularly. Within this context, India's policies on sustainability in domestic production of high-volume export commodities are well established. However, some high-volume commodity imports into India – notably palm oil, soya, rubber and timber – continue to be associated with deforestation in the source countries. How India then sets and steers the global nature-positive agenda needs to be shaped at this crucial juncture in time.

There is a need for India to develop a regional stewardship role for responsible sourcing and trade, coupled with a collective global effort to address the global impacts of rainforest and peatland destruction. With the volume of global trade partly shaped by Indian demand and supply, the group identified domestic policy options for reducing these impacts. In some cases, this is being achieved by attaining self-sustainability (and import substitution) for key commodities. In other cases, India will need to make stronger demands for traceability and sustainability from producer countries of the imported goods, or reduce domestic consumption.

The merits, time, and agency for India in taking leadership in developing Global South trade standards, nature-positive agenda setting, and how to build these to address environmental and social protection it is most required in the present context. At this stage, India and other large markets will need to work together with producer and consumer countries to bring these elements into international trade-related discussions. Along with this, India must ensure that trade partners are brought into multilateral discussion forums like the Association of Southeast Asian Nations (ASEAN) and Free Trade Agreements (FTA). Ensuring sustainability of the production and value addition of commodities in

international trade is ultimately the responsibility of the producer countries – especially deforestation hotspots. Producer countries will need to recognise environmental issues associated with degraded forests, destruction of peatlands, loss of biodiversity, and depleting soil and water quality. Large consumers like India can demand responsible sourcing in these countries, which will help ensure the sustainability of production.

There is a need to work on responsible trade of high deforestation-linked commodities between consuming and producing countries, specifically rethinking FTAs around the ASEAN discussions. The group determined that collective responsibility needs to be taken and steered to ensure such policies are developed and implemented by producer countries. Being one of the largest importer countries, India can push this agenda in global forums – especially those in the Global South – to build a shared vision and potentially develop sustainability certification. Since India's relationship with Malaysia and Indonesia is predominantly around the import of palm oil, the first efforts could be made in that value chain.

Fostering market action and policy engagement

In addressing the issues of sustainability in India, the government, the private sector and market action can play critical roles. Companies involved in commodity imports and export can help in ensuring sustainable production by demanding traceability and building value chains with a focus on responsible sourcing. Strengthening existing standards and certification that guarantees sustainable production, along with increasing the uptake of these standards in key markets, will need to take centre stage. As a next step, the Government of India could also put in place mandatory measures for all goods and commodities to ensure that India reflects the global standard for sustainability. India has already set one example for this with TRUSTEA, the Indian sustainability tea standard developed by IDH. TRUSTEA not only ensures environmental sustainability, but also covers human rights, equity and inclusion.⁷

As India expands the idea of certification to other commodities, it is also well placed to demand sustainability as a fundamental requirement to

⁷ <https://trustea.org/>

qualify commodities for trade from other producer countries. Stronger standards, like those proposed by the Roundtable on Sustainable Palm Oil (RSPO), can be critical levers for achieving these goals across multiple countries. While taking this initiative, careful planning and agenda setting across multilateral forums will be important. Mapping the international commodity supply chains, including volume and existing sustainability of production, will be fundamental to plan this agenda based on the forum and member states.

There is a further need for careful prioritisation when intensifying demand, whilst balancing domestic production and also the Indian market for key commodities like palm oil, timber, soy and rubber. Per capita consumption of these four commodities is constantly increasing in the country. Considering the development demands of our fast-growing economy, the consumption are expected to increase over time. Since most of these commodities are known drivers of global deforestation, reducing consumption may be a knee jerk measure given the lack of alternatives to these commodities and population expansion. In addition, nutrition access and security for the poor are a key driver of the increase in palm oil imports into India. The idea would not be to move away from palm oil, but instead to start demanding sustainable palm oil in India's imports.

Against this background, attaining sustainability in the production of commodities is extremely important. Historically the policy taken by the country has been to prioritise self-sufficiency in the production of cereals and pulses and to import commodities like palm oil. The country has achieved sufficiency of production in cereals; however, there is now an increased emphasis on self-sufficiency for pulse production. Considering the large share of the population of citizens dependent on pulses as their primary protein source, the question is whether oilseeds or pulses should be prioritised given the land availability and other conditions. Further, even as oilseed production intensifies, the viability of the oil palm crop in India is being deliberated due to its high potential for sustainability impact and the additional land needed for its cultivation.

Agriculture and domestic production

As trade and agriculture continue to be driven by profit, as long as market demand continues and remains profitable, farmers will continue producing whatever is demanded within the ecological limitations of the region

of production. Minimum support price (MSP) policies in India remain interlinked with offshore deforestation caused by the increase in consumption of edible oils (soy and palm oil) in the country. This is as MSP encourages the farmers to produce those commodities which are supported by MSP, in which oilseeds are not there. There has been a thrust recently towards diversified production of oilseeds and pulses in different parts of India, especially the Gangetic plains and Eastern India. Cereal production has been at the helm of the agriculture policies stemming from the Green Revolution; to ensure the increase in pulses and oilseed production, the MSP policies now need to be revisited.

India's land available for oilseed cultivation at this stage is not ready to supply 100% of our domestic demand for edible oil. The group discussed how 3.5 million hectares (5% of the total area), is already under wheat. A hectare of cereal generates a sale value of \$1000 at most, whereas a hectare of oilseed will generate \$2,900 sales value per hectare. The feasibility of subsidising oilseed production as is done for rice and wheat needs to be also weighed against the average yield of edible oil of 5 MT of finished oil per hectare. Based on the estimates during group discussions, roughly 3 million hectares would be required to grow enough oilseed to completely replace imports. Given the complexities of the situation, India may choose to concentrate more on intensifying the production of pulses than oilseeds at this point and promote the diversification of agriculture. This would be focused on intensifying oilseeds like groundnut and mustard, the import of which remains economically unviable. The country will in the future also be ready to revisit its MSP policies, expanding it to oilseeds as well to intensify the production. The country can also concentrate on improving enabling conditions such as ensuring the minimum residue levels (MRL) of pesticides in agriculture commodities, which can double the impact by ensuring safe food and bringing multiple benefits to the commodities produced for export quality.

At a later stage, India could also work to put in place robust sustainability criteria and build a case for responsible sourcing for public procurement. Domestic policies supporting sustainability should also focus on access to nutrition for its large population and steer clear of biofuel production from edible oil. India's top planning agency, the NITI Aayog, has already initiated discussions with the European Union to build this.

Another critical commodity, timber, is also a major import and builds a similar case for (1) strengthening existing certification and (2) intensifying domestic production. This would effectively reduce the imports of unsustainably extracted timber and support the country to attain its international commitments like the Bonn Challenge and nationally determined contributions (NDCs) under the Paris Climate Change Agreement. The implementation of agroforestry policies and intensification of the production of timber and pulpwood outside forest areas are key measures that would help India reduce timber imports.

Intensifying corporate initiatives for just and sustainable agriculture

Across multiple commodity value chains in India, the private sector remains critically linked to agriculture. A part of their work is with farmers on existing farmland. While private sector investments in India are not driving deforestation, demand from the private sector primarily drives commodity-related (e.g. palm oil) deforestation. The private sector can also support regenerative agriculture and agroforestry to increase tree cover and improve soil health and water quality on agricultural land.

Concluding points

- India should push for a commonly agreed sustainability certification for exports from producer countries in global forums, especially those in the Global South.
- Map the international commodity supply chains connected with India, including the volume and available sustainability levels of production, as a first step in promoting the above agenda.
- India may concentrate more on intensifying production of pulses rather than oilseeds in the short run, and promote the diversification of agriculture for intensifying oilseeds like groundnuts, mustard etc.
- Provide MSP-backed procurement to oilseeds to ensure the diversification of agriculture and allow oilseed production to become self-supporting.
- Enforce the inclusion of sustainability criteria for public procurement of, including minimum residue levels, in export standards for all commodities – as well as for domestic trade.

- Use areas earmarked for developing palm oil plantations for tree plantations instead to reduce imports of timber and pulpwood.

Track 2. Integrating smallholder farmers' and forest-dependent population's interests

In India there are 700 million people dependent on agriculture and forests for their livelihoods, and around 85% of the farmers are small and marginal farmers, owning less than 2 hectares (ha) of land. Presently, most of these farmers suffer from low productivity, poor access to capital, and high transaction costs for accessing information and markets. Though a part of their marketable surplus reaches export markets, due to poor traceability systems and lack of disaggregated data, the exact quantification of their participation in international trade is difficult to assess. Given the socio-economic context, focusing on local and regional circular loops and strengthening social and environmental safeguards are key drivers prior to connecting with global markets. Furthermore, any discussion on integrating farmer and forest-dependent population's interests should be consultative and include their perspectives.

Fostering a livelihoods-centric approach to agriculture through diversification and reducing forest dependency

Small landholders and forest-dependent populations face similar challenges. Rather than the current commodity-focused approach, a diversified livelihoods-centric approach to agriculture would increase farmer income and reduce the risks of dependency on forests. Good practices such as growing trees outside forest areas, agronomic practices for reducing soil loss through run-off, sustainable agricultural interventions etc., can all play an essential role in improving the resilience of production systems, boosting farm income, and conserving natural resources. Additionally, improved livelihoods from sustainable agriculture practices would reduce forest dependency. A focus on the sustainable harvesting of non-timber forest products (NTFP) is also vital. There is a need to shift away from high-value commodities whose supply chains do not consider

social safeguards and whose benefits do not flow to local communities. Unplanned focus on export markets, which require critical quantities of one particular forest product to facilitate aggregation, can potentially harm local biodiversity.

Addressing fragmentation in forest-related value chains to strengthen local and regional markets

Small landholders and forest-dependent populations are vulnerable to international price shocks as their coping mechanisms are limited. Strengthening local supply chains and integrating small producers into local and regional markets would be preferable to exposing smallholders to the export market. Local haat (markets) are lifelines for these communities; a little investment could make them economically vibrant and an important place for trade. The private sector needs to give special attention to smallholder farmers. Due to high transaction costs, agribusiness companies often prefer to deal with large landholders. Product aggregation for small landholders through farmer-producer organisations can help them access distant markets by allowing them to benefit from economies of scale and scope. Building social safeguards is critical, through a focus on developing value chains that improve livelihoods and local biodiversity.

Safeguarding small landholders and forest dependent populations' interests through appropriate policy incentives

Protecting and safeguarding the interests of small landholders and the forest-dependent population is crucial. Regional and local market policy incentives need bolstering to reflect seasonality and market aggregation issues. For example, existing policy incentives, such as the Minimum Support Price for Minor Forest Produce, Van Dhan Yojana, and its delivery mechanism, need to be strengthened. This is crucial to protect people's interests and develop value chains whose benefits flow to the local population and enrich biodiversity. Relevant government departments also need to be sensitised. A consultative mechanism would enable stakeholders to identify solutions to the barriers to developing regional and local markets. Innovative incentive mechanisms can be explored, such as payment of ecosystem services to small landholders and forest-dependent people.

Recognising land and resource rights and strengthening governance and institutional mechanisms

There is a need to develop institutional and governance mechanisms to ensure that benefits from local and regional market chains flow to local people. For instance, recognising tribal and forest-dependent populations' rights over community forest resources under the Forest Rights Act 2006 could allow management committees to develop governance, harvesting and marketing rules, etc. Developing safeguards to ensure that supply chain development for NTFPs, medicinal plants, etc. is not extractive is critical. Any practice or practice modifications that reduce diversity should be prohibited. Local institutions are the bedrock for ensuring sustainability in livelihood interventions; decisions over land use should be made by the community alone without outside influence.

Addressing data and knowledge gaps

There are considerable gaps in knowledge, both local as well as institutional, which are a barrier to developing sustainable value chains. These include unexplored knowledge around medicinal plants and NTFPs, and knowledge for developing sustainable harvesting standards. To unlock finance for nature-based solutions (NbS), it is crucial to understand and map the biodiversity regions to develop data-driven strategies for ecosystem-based adaption and mitigation strategies like landscape restoration. Many of these data gaps could be filled through public and private partnerships.

Leveraging technology for innovation and entrepreneurship for small landholders and forest-dependent people

Technical solutions for adding value to commodities, and improving marketing and packaging, are critical to build sustainable value chains and reduce transaction costs. Yet access by forest-dependent people to these resources and knowledge is limited. Knowledge-based investment for technology adoption to connect the local community to local and regional markets may be necessary, but adapted to local conditions. Technological solutions could also enable more robust monitoring of the richness of biodiversity and other ecosystem services within a landscape.

Unlocking finance for nature-based solutions

There is potential to unlock private finance for NbS and ecosystem-based adaptation by developing a robust evidence base of critical levers to which funding can be deployed. This will enable philanthropies to prioritise investment areas. India is well-positioned to leverage the funding flows for NbS – it can be used as an overarching framework to address the social, economic, and ecological challenges that smallholders and forest-dependent populations face. There is also a need to explore the availability and possibility of private capital and corporate social responsibility (CSR) funds for scaling up good and sustainable agricultural practices, already evidenced through focusing on tree-based restoration projects. Potential to develop synergistic models of convergence and blend public and private finance will be crucial to strengthen the uptake of NbS for multiple benefits.

Concluding points

- India needs to strengthen its stance on traceability and nature-positive value chains as it continues to be one of the largest consumers of key commodities from offshore deforestation hotspots. Its overall focus should be on enhancing livelihoods, landscape restoration, protecting forests and diversifying agriculture, rather than taking a commodity-focused approach.
- Focus on building policy and market incentives for promoting sustainable sourcing, production and harvesting, and reducing fragmentation in value chains.
- Strengthen domestic supply chains and ensure their sustainability before using policy to strengthen connections between small landholders and international supply chains and export markets.
- Shift the focus of value chain development away from export-oriented markets towards creating local and regional markets while developing environmental and social safeguards and a level playing field for greater uptake of sustainability practices.
- Recognise land and resource rights and strengthen governance and institutional mechanisms to safeguard small landholders and forest-dependent

people's interests. Stellar laws exist to protect people's interests.

- Prioritise investment in research into data and knowledge gaps, including the leveraging of technology to support innovation and entrepreneurship avenues for small landholders and forest-dependent people.
- Unlock NbS finance for adaption and mitigation interventions. Special emphasis needs to be on developing synergistic models of convergence to blend public and private finance to strengthen the uptake of NbS for multiple benefits.

Track 3. Transparency and traceability

Transparency and traceability play an important role in ensuring the sustainability of global forest and agriculture commodity supply chains. Being one of the largest importers of deforestation-linked commodities, India can and should play a significant role in ensuring the sustainability of production. The discussion on transparency and traceability in the context of India focused on existing scenarios and enabling conditions, gaps and initiatives required and the role of various stakeholders. The following sections present the major points that emerged during the discussion.

Generating reliable data as a first step towards ensuring transparency and traceability

Reliable data on key aspects of major commodities is a significant tool in ensuring transparency and traceability in global value chains. Being one of the major importers of deforestation-linked commodities such as oilseeds, rubber and timber, India must officially join hands with the source countries to generate better data on the production and extraction of these commodities to prevent deforestation linked to export market demand. Robust data on various aspects of the value chains of these commodities and their impact on forests and communities need to be collected and made publicly available. Along with this, India needs to also work towards collecting and making available adequate data on domestic production or extraction of commodities and the related environmental and social impacts.

At the domestic level, non-timber forest products (NTFPs) are a significant commodity on which India needs to focus. The country currently lacks sufficient data on the quantities of NTFPs extracted, as well as the sustainability of extraction or collection by local communities. Considering the geographical and biological diversity of the Indian sub-continent and the heavy reliance of forest-dwelling communities on NTFPs, an in-depth understanding of the NTFP value chain in different regions of the country, particularly from a policy perspective, can be the starting point for ensuring sustainability in domestic production and local trade.

It is also pertinent to examine the current institutional mechanisms and their capacity to generate data. Various institutional reforms have helped to improve the ability to collect disaggregated data. However, data on specific commodities, even major timber commodities at the national level, are often either unavailable or inaccessible. This calls for advancing co-ordinated efforts involving government, business groups, academia and civil society organisations to generate reliable data on deforestation-linked commodities.

Using technology to monitor land-use change

Changes in land use and land cover have different impacts on the forest, forest-fringe and non-forest areas. In the fringe areas, communities experience lack of opportunities for economic return due to low agricultural production. In non-forest areas, where arable lands are degrading, commodity production leads to pollution and low-income agriculture. Existing technologies can be efficiently used to supplement information and data generated on deforestation, commercial agriculture, and land restoration. In terms of data collection, technology can help trace and periodically document the dynamics between land uses and land covers such as forest, agriculture and urban areas at very high resolutions. However, when a commodity is processed and marketed, the transparency of the process, methodology and outputs is also important for ensuring traceability at national and subnational levels. The reports generated should be made available on open-source platforms so that various national and international agencies can monitor changes in the land-use patterns. Available high-resolution open-source data sets, artificial intelligence and machine-learning techniques could help convert these reports into reliable information on commodity value chains.

Understanding the drivers for building transparency and traceability

Ensuring transparency and traceability in international and domestic supply chains calls for a detailed understanding of the various drivers of sustainability impacts. Along with this, understanding the key stakeholders (e.g. consumers, brand, financial institutions, government and international organisations) driving sustainability in supply chains is also important, as they can help to push the sustainability agenda forward.

Many drivers currently tend to be external factors, such as consumer preferences for commodities and sustainability performance of brands. In the Indian context, there exists a significant divide between urban and rural populations. Affluent consumers from urban areas who are conscious of sustainability issues may demand information about the products they consume; however, this is not a consideration for the large rural population present in different states across the country. Therefore, it could be best if the push for ensuring traceability comes from the government. Several initiatives such as business responsibility reporting, disclosures on a country's climate commitments through the Climate Disclosure Project (CDP), and the supplier scorecard of the Zoological Society of London (ZSL) encourage transparency or traceability in supply chains. However, to establish these as widely accepted practices for transparency, further depth needs to be built in the reporting framework than currently offered by these disclosure tools and scorecards.

Involving the private sector in establishing traceability and transparency in international trade

Bringing transparency and traceability to supply chains needs investment. To drive sustainability, senior business managers often seek a business case along with studies of similar cases which benefitted from it. Developing a robust and successful business case entails active the involvement of both industry and government, which can offer strong regulatory support as the business case develops. However, many multinational companies have already made commitments towards sustainability and set standards. Voluntary sustainability initiatives from those companies that are leading the way can create a competitive environment for establishing standards for driving traceability across the entire value chain and encourage other smaller companies to initiate their sustainability journey.

In India, industrial associations such as the Indian Pulp and Papers Manufacturers Association, Solvent Extractor's Association of India, and Confederation of Indian Industry have also played a critical role in driving sustainability. While large industry associations can play an important role at a national level, trade associations can play a major role at the regional or local level, given their rich field-level insights.

Building consensus for traceability and transparency in international trade

Various markets across the globe are at different levels of maturity, and thus their approach to building sustainable supply chains also varies. There are differences in market response among affluent and middle-income countries too. Being the largest importer of deforestation-linked commodities such as palm and soybean oils, India must take a lead in ensuring transparency and traceability and thus sustainability in its source producer countries in South Asia. Models exist in other countries that the Indian Government and companies could follow in building sustainability into the imports of deforestation-linked commodities and to build consensus among stakeholders for uptake. This will also require new legislation as well as position and policy papers. Consensus building is a time-consuming process that demands collaboration between business groups and the government in drafting policy documents and undertaking consultations. Civil society organisations have also played a major role in pushing brands and retailers onto the path of sustainability and providing inputs to the government on the subject. The involvement of civil society in consultations with the government as well as business groups will be crucial for building accountability in ensuring transparency and traceability across supply chains.

Concluding points

- Increase dialogue and join forces with source countries to generate better data on production and harvesting of these commodities to establish traceability and transparency in supply chains.
- Take active measures to generate sustainability-related data on exported commodities by establishing standards associated with the certification process.
- Build an in-depth understanding of the NTFP commodity value chain, particularly from a policy perspective, as a starting point for building sustainability in domestic production and local trade.
- Trace and periodically document the dynamics between land use and land cover such as forest, agriculture and urban areas at high resolution using cutting-edge technology such as satellite imagery so that the changes in land-uses and forest cover is identified along with its drivers.
- Foster voluntary initiatives from the companies that are leading the way in creating a competitive environment for establishing standards and ensuring traceability in the sector.
- Make concerted efforts among public and private sector actors for advancing traceability and achieving sustainability in value chains.
- Bring in government policies and regulations early and in conjunction with other efforts, including voluntary sustainability standards.

Conclusions and the way forward

India has been part of international trade from time immemorial, mainly as a producer of a variety of commodities. Over time it has become both a powerful producer and consumer nation in international commodity supply chains. As part of this, India is an importer of commodities like oilseeds, timber and rubber, whose production or harvest is known to be associated with deforestation in the source countries. India is also involved in exporting water-intensive agricultural crops and products such as rice, cotton and sugar. However, beyond the resource-intensive production of commodities, the stringent forest protection measures adopted by the country's subnational governments have ensured that deforestation driven by exports has been minimal. Still, being a rapidly growing economy and a high-volume commodity importer and exporter, and against the backdrop of its leadership on the global environmental sustainability agenda, the consultation suggests that there are further steps that India can take. These involve both international and domestic actions, as summarised below.

Overall, India needs to act as a steward in promoting sustainable trade across the globe. As part of this, it should promote the careful mainstreaming of the supply chain sustainability agenda in international forums and trade negotiations. At the same time, India should map its trade relationships and the volume of its commodity movements through international supply chains by initiating separate dialogues with producer countries. One of the key measures in ensuring the sustainability of trade is ensuring traceability of the source of commodities traded through international

supply chains. A careful analysis of the data scenarios and harvest needs to be carried out to identify the information needed to ensure the sustainability of production. The country should also promote the use of sustainability standards and certification processes in its supplier countries, especially for deforestation-linked commodities. Along with this, India should carefully attempt to protect the livelihoods of the smallholder farmers in the producer nations from which it imports commodities.

India needs to develop measures for the periodical monitoring of land-use dynamics – especially forest and agriculture – using cutting edge technologies and high-resolution satellite imageries. The country also should take initiatives to ensure the integration of sustainability standards in the production and trade of deforestation-linked commodities and advance the development of simple and low-cost certification processes to ensure these standards. This will create models for other nations, as well as help improve livelihoods for small farmers in India (thereby reducing forest dependency) and ensure the quality of production of commodities traded in the domestic market. The country also needs to invest in revealing the connection between the agricultural policies associated with its minimum support price and other input subsidies and the sustainability of production, and take adequate steps to bring policy changes to ensure livelihood development for farmers. India should also review its domestic production policies to ensure a balance between expanding agriculture to ensure production sustainability of commodities which are in high volume import; supporting sustainable land uses for forestry and agroforestry; and seeking opportunities to meet its international forestry commitments like its climate NDC and the Bonn Challenge. The government and civil society need to promote voluntary initiatives by private sector entities to create a competitive environment for establishing traceability in the sector.

Being a country with a large agriculture-dependent population, India should certainly ensure the maximum sustainability of its production. It also needs to prioritise its domestic production policies by carefully balancing imports and domestic production in terms of sustainability, feasibility and ensuring the livelihoods of small farmers in India and the producer countries. Finally, it needs to identify the best livelihood options for its farmers based on the priority commodities for achieving sustainability in domestic production.

Annexure 1

List of participants

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|-----------------------------|----------------------------|
| 1. Mr. Abhishek Jain | 16. Mr. Rajeev Baruah |
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| 10. Ms. Lizzie Petykowski | 25. Ms. Tania Wimpenny |
| 11. Ms. Madhuri Nanda | 26. Mr. Varun Grover |
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| 13. Prof. Nitya Nanda | 28. M. Vijay Kumar Thallam |
| 14. Prof. Parth Sarathi Roy | 29. Mr. Vikas Goswami |
| 15. Mr. Prabhat Bezbourah | 30. Dr. Yashashree Garge |

