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EU Classifies Thailand as Low-Risk for Deforestation, Boosting Export Opportunities for Rubber and Palm Oil to the European Market

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KEY SUMMARY

On May 22, 2025, the European Union (EU) classified Thailand as a "low-risk" country in relation to deforestation under the EU Deforestation Regulation (EUDR). This regulation, which is set to come into effect later this year for medium and large businesses in the EU, aims to ensure that certain imported products are free from links to deforestation. Under the EUDR, imports of the following products into the EU market must meet strict criteria: soy and soy-based products, cocoa, palm oil and its derivatives, timber and wood products, coffee, rubber and rubber-based products, as well as cattle and beef-related products. These goods must not be associated with deforestation, must be produced legally, and must undergo a three-step due diligence process: 1) Information collection 2) Risk assessment 3) Risk mitigation

Failure to comply with the regulation can result in penalties of up to 4% of the company's annual turnover within the EU, along with exclusion from public procurement processes and government support schemes.

Thailand's designation as a low-risk country is a significant positive development, especially amid the country's current challenging economic environment. Importers of agricultural products from Thailand will receive special exemptions under the EUDR. Specifically, they will not be required to undertake the risk assessment (step 2) and risk mitigation (step 3) phases of the due diligence process—both of which are complex and carry high compliance costs.

As a result, Thailand's low-risk status will reduce the cost of importing Thai goods into the EU compared to products from countries classified as standard- or high-risk, which must complete all three steps of the due diligence process. This creates a competitive advantage for Thai exports, particularly in sectors such as rubber and palm oil, by lowering barriers to entry in the European market.

Thailand's "low-risk" status provides a cost advantage and enhances trade opportunities in the EU market, especially when compared to competitors classified as medium- or high-risk. In 2024, Thailand ranked as the 15th largest source of EUDR-regulated imports into the EU (excluding EU member states), with a total import value of USD 2.041 billion, accounting for approximately 1.5% of all EUDR-regulated imports from non-EU countries.

Rubber and rubber-based products are the primary EUDR-related exports from Thailand to the EU. Among the EU's top 15 trading partners for EUDR-covered goods, 10 countries—including Thailand, China, and Vietnam—are classified as low-risk, while the remaining 5 countries—including Brazil, Indonesia, and Malaysia—are considered standard-risk.

This classification highlights an opportunity for Thailand to expand its market share by positioning itself as a preferred sourcing alternative. As EU importers seek to reduce compliance costs, they are likely to shift procurement away from higher-risk countries, thus benefiting low-risk exporters like Thailand.

SCB EIC assesses that countries classified as "low-risk" under the EUDR framework have the potential to expand their exports of EUDR-covered products by substituting for standard- and high-risk countries, which currently export approximately USD 39.586 billion worth of goods to the EU. As EU importers seek to lower compliance costs associated with the regulation, there is a growing tendency to shift sourcing to low-risk countries, which are exempt from the more complex and costly risk assessment and mitigation steps. An analysis of the top 15 non-EU source countries for EUDR-regulated imports that are currently classified as standard- or high-risk reveals significant trade volumes across the seven key product categories covered by the regulation. These include: 1) Soy and soy-based products – USD 10.175 billion 2) Cocoa – USD 7.580 billion 3) Palm oil and its derivatives – USD 5.995 billion 4) Timber and wood products – USD 5.912 billion 5) Coffee – USD 5.802 billion 6) Rubber and rubber-based products – USD 2.657 billion and 7) Cattle and related products – USD 1.465 billion

In addition, low-risk countries also stand to benefit indirectly by serving as upstream suppliers of raw materials to manufacturers within global supply chains that export finished products to the EU.

Rubber and palm oil are two of Thailand's key agricultural products with strong potential to expand into the EU market under the EUDR. Thailand is the world's largest exporter of natural rubber. In 2024, the EU imported over 680,000 tons of rubber from Côte d'Ivoire, Indonesia, and Malaysia combined—2.3 times more than its imports from Thailand. Given the stricter compliance requirements imposed on standard-risk countries, EU importers are increasingly likely to shift their sourcing to Thailand to minimize regulatory burdens. Additionally, Thailand is expected to benefit indirectly from changes in global supply chains. China, a major tire manufacturer and significant exporter to the EU, is likely to increase its rubber imports from Thailand in order to reduce its own EUDR compliance costs. In the case of palm oil, although Thailand currently exports relatively small volumes to the EU, it is the world's third-largest exporter of crude palm oil, after Indonesia and Malaysia—both of which are classified as standard-risk countries and thus face stricter regulatory obligations under the EUDR. In 2024, the EU imported more than 2.4 million tons of crude and refined palm oil from these two countries, representing a large market that Thailand could potentially tap into. However, the growth prospects for other Thai agricultural products—such as soybeans, cocoa, coffee, and cattle—remain limited in the short term, as current production levels are insufficient to substitute for existing suppliers from standard- and high-risk countries.

However, this opportunity may only offer a "temporary advantage" if Thailand fails to maintain credibility and transparency throughout its supply chain. While Thai exporters are exempt from the risk assessment and mitigation steps under the EUDR's due diligence process, they are still required to gather extensive information in Step 1, such as geolocation data of production sites and verified land-use documentation. As a result, Thai producers must develop robust data collection and traceability systems that can be readily shared with EU importers. Some industry players have already begun adapting, such as Sri Trang Group's "Traceable Rubber" initiative, which enables 100% traceability of rubber origins. **On the public sector side, the Thai government has made progress in preparing for EUDR compliance in several areas**—such as creating agricultural and forest mapping systems that align with EU requirements and linking farmers' geolocation data with private sector platforms. These efforts must be accelerated and completed before the regulation takes effect at the end of this year. **In the long term, the government should also focus on scaling up production of EUDR-regulated crops in which Thailand currently has limited capacity**, such as coffee and cocoa—high-value commodities in strong global demand. This can be achieved through innovation-driven efforts to raise productivity, lower costs, and better integrate farmers into global markets. Additionally, Thailand must closely monitor its risk classification within the EU system and continue implementing forest conservation measures to maintain its “low-risk” status over the long term. The EU is scheduled to conduct its first official review of country risk levels in 2026.

The EUDR is not merely an environmental regulation by the EU, but a turning point for the global agricultural trade system. It represents a critical “test” of which countries can maintain their place in an increasingly demanding and sustainability-driven supply chain. Thailand must not miss this opportunity.

KEY POINTS

On May 22, 2025, the European Union (EU) officially classified Thailand as a “low-risk” country in relation to deforestation under the EU Deforestation Regulation (EUDR). This regulation, which will come into effect later this year for medium and large-sized businesses in the EU, aims to control the importation of agricultural products that are associated with deforestation risks. The EUDR covers seven key commodities: rubber, palm oil, timber, cocoa, coffee, soybeans, and cattle, as well as their derived products, such as car tires.

To enter the EU market, products must comply with three core conditions:

1. They must originate from land not subject to deforestation or forest degradation after 2020.
2. They must be produced legally in accordance with the laws of the producing country.
3. They must undergo a due diligence process aligned with the deforestation risk level of the exporting country (see Figure 1).

Failure to meet these conditions may result in penalties for EU importers, including fines of up to 4% of the company’s total EU turnover, and additional restrictions such as disqualification from public procurement and government support schemes.

On May 22, the EU announced its first official classification of deforestation risk levels for trading partner countries worldwide. **The good news for Thailand is that it has been placed in the low-risk category.** The EU determines these risk levels using data provided by the Food and Agriculture Organization (FAO) of the United Nations. Key indicators considered include:

- The rate of deforestation and forest degradation,
- The expansion of agricultural land specifically for commodities covered under the EUDR (excluding non-covered crops such as corn), and

  Trends in the production of EUDR-regulated agricultural commodities and related products.The

EU plans to review and update country risk classifications on an ongoing basis, with the first scheduled review set for 2026.

Figure 1: The EUDR will come into effect at the end of 2025. The regulation requires that imports of seven categories of agricultural products must be free from deforestation, legally produced, and subject to due diligence procedures.

EUDR Timeline

29 June 2023	The EU Deforestation Regulation (EUDR) entered into force.
23 December 2024	Announcement of the postponement of the regulation's effective date for operators.
22 May 2025	Announcement of deforestation risk classification for trading partner countries.
30 December 2025	Regulation comes into effect for medium and large operators and traders.
30 June 2026	Regulation comes into effect for micro and small businesses.

Products Covered under the EUDR

Types of Commodities	Examples of Related Products
Rubber	• Ribbed smoked sheets, rubber blocks, concentrated latex, and rubber-based products such as car tires and rubber gloves
Palm oil	• Crude palm oil, refined palm oil, and oleochemicals derived from palm oil, such as glycerin
Wood	• Processed wood and wood-based products, such as plywood and wooden furniture
Cocoa	• Cocoa beans, cocoa powder, and cocoa-based products such as chocolate
Coffee	• Coffee
Soybeans	• Soybeans, soybean oil, and soybean meal
Cattle	• Beef and cattle-derived products such as offal and leather

Three Import Conditions for Products Covered under the EUDR

1. Products must originate from land not subject to deforestation or forest degradation after 2020
2. Products must be legally produced according to the laws of the country of origin
3. Products must undergo due diligence in line with the deforestation risk level of the producing country

Source: SCB EIC analysis based on data from the EU

Importers of agricultural products from Thailand to the EU will receive a "special exemption" from conducting the risk assessment and risk mitigation steps, which are complex and high-cost procedures. Under the EUDR, the due diligence process consists of three components:

1. Information collection – including product details, geolocation of production sites, and legal compliance documentation
2. Risk assessment – involving verification and analysis of the collected data and a detailed evaluation based on EUDR criteria
3. Risk mitigation – such as conducting third-party audits or inspections and supporting suppliers to comply with the EUDR

According to the regulation, EU operators and traders importing from countries classified as "low-risk" are not required to carry out steps 2 and 3, which significantly reduces import compliance costs (see Figure 2).

Figure 2: Importers of agricultural products from low-risk countries to the EU receive a "special exemption" from conducting the risk assessment and risk mitigation steps under the due diligence process.

Risk Level of Producing Countries	Three Steps in the Due Diligence Process for EU Operators and Traders			% of Operators Subject to Random Inspection
	1. Information Collection	2. Risk Assessment	3. Risk Mitigation	
Low	Required	Not Required	Not Required	1%
Standard	Required	Required	Required	3%
High	Required	Required	Required	9%
Details of Required Actions	Collect the following information: • **Product details:** Specify all products or raw materials used, including scientific names (if available) • **Quantity:** Record the quantity in net weight or clearly defined units for each product code • **Geolocation of production site:** Accurately specify the coordinates of the land used for cultivation or livestock, along with the production date or period • **Supply chain information:** Maintain complete and up-to-date contact details of suppliers and customers • **Proof of legality and deforestation-free status:** Provide clear evidence that the product is legally produced and not linked to deforestation	Actions to Be Taken Include: • **Verify and analyze collected data** – such as checking for accuracy, credibility, and completeness of information • **Conduct a detailed risk assessment based on EUDR criteria** – for example, evaluating challenges related to law enforcement in the production area • **Prepare and review documentation** – including maintaining detailed records of the risk assessment process, and reviewing and updating the assessment annually • **Prepare for inspections** – ensure all risk assessment documents are readily available in case of audits by relevant authorities	Actions to Be Taken Include: • **Implement risk mitigation measures** – such as collecting additional data or conducting third-party verification or inspections • **Support suppliers in complying with the EUDR** – for example, by providing training or co-investing in necessary improvements • **Establish internal policies and control systems** – such as setting up an internal audit unit to ensure EUDR compliance • **Maintain documentation and conduct regular reviews** – record all decisions related to risk mitigation measures and review the mitigation strategy at least once a year	**Designated authorities will conduct random inspections of operators and traders,** for example, inspecting 1% of those importing products from low-risk countries.

Source: SCB EIC analysis based on data from the EU

Thailand's "low-risk" status gives the country a cost and trade advantage in the EU market compared to competitors classified as standard and high-risk countries. In 2024, Thailand ranked as the EU's 15th largest source of EUDR-regulated imports (excluding intra-EU trade), with an import value of USD 2.041 billion, accounting for 1.5% of the EU's total EUDR-related imports from non-EU countries. Rubber and rubber-based products are Thailand's main EUDR-regulated exports to the EU, making up 89.9% of the country's total EUDR-related export value. An assessment of the deforestation risk classification of the top 15 countries supplying EUDR-regulated products to the EU reveals that 10 countries, including China, Thailand, and Vietnam, are classified as low-risk. In contrast, the remaining five countries—Brazil, Côte d'Ivoire, Indonesia, Malaysia, and Argentina—are considered standard-risk (see Figure 3).

Figure 3: Thailand ranks as the EU's 15th largest source of EUDR-regulated imports. Its "low-risk" status provides a cost and trade advantage over competitors classified as standard-risk countries in the EU market.

Value of EU Imports of EUDR-Regulated Products in 2024 (Excluding Intra-EU Sources)

Unit: Million USD

Rank	Country	Import Value	Market Share	Risk Level
1	China	23,799	17.5%	Low
2	**Brazil**	**17,832**	**13.1%**	**Standard**
3	US	9,677	7.1%	Low
4	**Côte d'Ivoire**	**7,914**	**5.8%**	**Standard**
5	UK	7,666	5.6%	Low
6	**Indonesia**	**5,725**	**4.2%**	**Standard**
7	Türkiye	4,959	3.6%	Low
8	Switzerland	4,701	3.5%	Low
9	**Malaysia**	**4,261**	**3.1%**	**Standard**
10	Vietnam	4,038	3.0%	Low
11	**Argentina**	**3,853**	**2.8%**	**Standard**
12	Ukraine	3,627	2.7%	Low
13	India	3,292	2.4%	Low
14	Serbia	2,609	1.9%	Low
15	**Thailand**	2,041	**1.5%**	**Low**
Total (Top 15 Countries)		**115,177**	**84.6%**	
Global Total (Excluding EU Countries)		**136,166**	**100%**	

Value of Thailand's Exports to the EU in 2024

Unit: Million USD

Product	Export Value	Share
All Products	**33,468**	**100%**
EUDR-Regulated Products	**2,041**	**6.1%**
EUDR-Regulated Products by Category (% = Share of Total EUDR-Regulated Export Value)		
Rubber and Rubber-Based Products	1,836.8	89.99%
Wood and Wood-Based Products	183.6	9.00%
Cattle and Cattle-Derived Products	8.0	0.39%
Palm Oil and Palm Oil-Derived Products	7.7	0.38%
Cocoa	4.0	0.20%
Coffee	0.7	0.04%
Soybeans and Soy-Based Products	0.2	0.01%

Source: SCB EIC analysis based on data from Trade Map

SCB EIC estimates that low-risk countries have significant potential to expand their exports of EUDR-regulated products by substituting for standard-risk countries. The total value of this potential substitution market is estimated at USD 39.586 billion. This opportunity arises as EU importers seek to reduce both the compliance risks and costs associated with the EUDR. As a result, they are likely to shift their sourcing toward low-risk countries, which are exempt from the more complex and costly risk assessment and mitigation steps. An analysis of the EU's EUDR-regulated imports from five standard-risk countries shows the following potential market values: Soybeans and soy-based products: USD 10.175 billion, Cocoa: USD 7.580 billion, Palm oil and palm oil-derived products: USD 5.995 billion, Wood and wood-based products: USD 5.912 billion, Coffee: USD 5.802 billion, Rubber and rubber-based products: USD 2.657 billion and Cattle (notably due to deforestation from cattle farming) and processed products: USD 1.465 billion Together, these categories represent a total potential substitution market of USD 39.586 billion.

In addition, low-risk countries also stand to benefit from indirect export opportunities as producers of EUDR-compliant raw materials. Exporters of EUDR-regulated goods to the EU may increasingly source their inputs from low-risk countries to reduce compliance costs and ensure alignment with the regulation.

Figure 4: Low-risk countries have the potential to expand EUDR-regulated exports by substituting for standard-risk countries, representing a potential market value of USD 39.586 billion.

Value of EU Imports of EUDR-Regulated Products in 2024 from Five Standard-Risk Countries and Thailand

Unit: Million USD

	Brazil	Côte d'Ivoire	Indonesia	Malaysia	Argentina	Total (5 Countries)	Thailand
Soybeans and Soy-Based Products	7,180	2	1	0	2,993	**10,175**	0
Cocoa	73	6,971	278	257	1	**7,580**	4
Palm Oil and Palm Oil-Derived Products	44	96	3,299	2,435	121	**5,995**	8
Wood and Wood-Based Products	4,191	42	1,204	449	26	**5,912**	184
Coffee	5,505	56	241	0	0	**5,802**	1
Rubber and Rubber-Based Products	85	748	702	1,120	2	**2,657**	1,837
Cattle and Cattle-Derived Products	754	-	0	0	710	**1,465**	8
Total	**17,832**	**7,914**	**5,725**	**4,261**	**3,853**	**39,586**	**2,041**

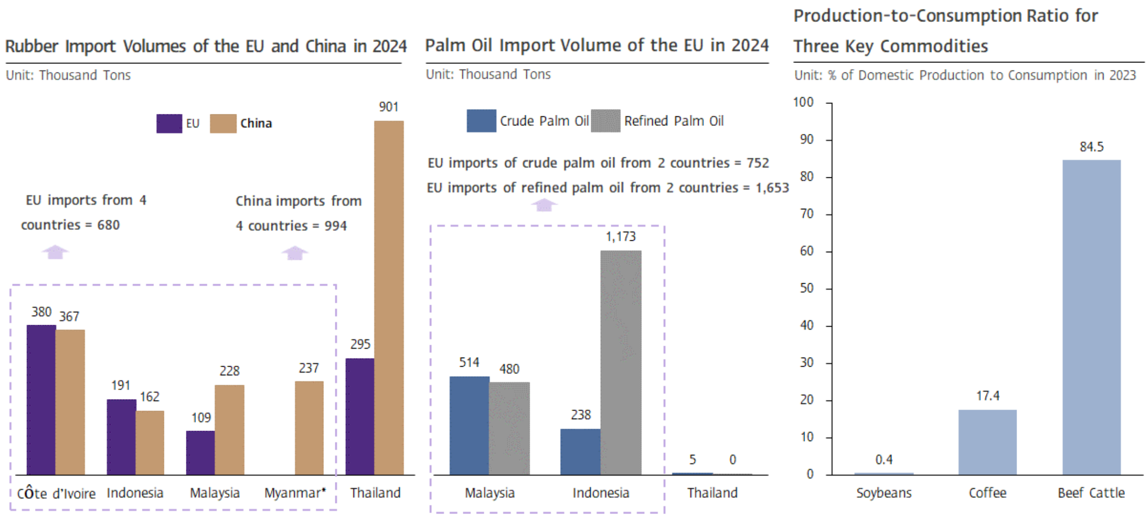
Source: SCB EIC analysis based on data from Trade Map

Thailand's rubber industry holds strong potential to expand in both the EU and Chinese markets under the EUDR framework. Thailand is the world's largest exporter of natural rubber. In 2024, the EU imported a combined 680,000 tons of rubber from Côte d'Ivoire, Indonesia, and Malaysia—2.3 times more than its imports from Thailand. As a result, EU importers are increasingly likely to shift rubber sourcing to Thailand to lower compliance costs under the EUDR. In addition, China—one of the world's largest tire manufacturers and a major exporter to the EU—is also expected to increase its rubber imports from Thailand to produce EUDR-compliant car tires for the European market. This shift would help replace rubber previously sourced from Côte d'Ivoire, Indonesia, Malaysia, and Myanmar, the latter of which is classified as high-risk under the EUDR. In 2024, China's combined imports of natural rubber from these four countries totaled 994,000 tons, highlighting the scale of the potential substitution opportunity for Thai rubber in the global supply chain.

In the case of palm oil, although Thailand currently exports relatively small volumes to the EU, there is significant growth potential. Thailand is the world's third-largest exporter of crude palm oil, after Indonesia and Malaysia, both of which are classified as standard-risk countries and therefore face stricter regulatory requirements compared to Thailand. Data from 2024 indicates that the EU imported more than 2.4 million tons of crude and refined palm oil from these two countries combined—representing a large market that Thailand could increasingly penetrate in the future.

However, Thailand’s export potential in other EUDR-regulated agricultural commodities remains relatively limited, due to insufficient production capacity. This includes soybeans, cocoa, coffee, and cattle, for which Thailand does not yet produce enough to substitute for standard- and high-risk competitors in the near term.

Figure 5: Rubber and palm oil are two of Thailand’s key agricultural products with high potential to expand into the EU market under the EUDR framework.



Note: *Classified as high-risk countries

Source: SCB EIC analysis based on data from the EU, Trade Map, and the Office of Agricultural Economics

Some Thai private sector players have already begun preparing for compliance with the EUDR. Although EU operators importing EUDR-regulated products from Thailand are exempt from conducting the risk assessment and risk mitigation steps related to deforestation, they are still required to collect detailed information under Step 1 of the due diligence process. **As a result, Thai exporters must develop systems to collect and provide key data, such as the geolocation of production sites, for submission to EU importers.** Currently, several Thai rubber producers have already taken initial steps. For example, Sri Trang Group has launched the “Traceable Rubber” or “GPS Rubber” project, which enables 100% traceability of rubber origin. This initiative serves as a model that other businesses in the industry should urgently follow.

The Thai government has also made progress in several areas to prepare for EUDR compliance. This includes registering farmers alongside geolocation data collection, developing databases under the Agricultural Land Reform Office that are integrated with private sector systems, implementing digital certification systems, and mapping agricultural production and forest areas in line with both Thai law and EUDR requirements. These actions must be accelerated to ensure readiness before the regulation takes effect at the end of this year, helping to maintain EU confidence and facilitate future audits. Looking ahead, the government should also focus on enhancing production capacity for EUDR-regulated commodities that have high export potential but currently low domestic output, such as soybeans, coffee, and cocoa—all of which are in high global demand and command significant value. This effort should emphasize the adoption of innovation and technology to increase yields, reduce costs, and connect farmers with knowledge and international markets. Moreover, Thailand must closely monitor its country classification status under the EUDR and continue implementing forest conservation measures to avoid any future reclassification to a higher-risk category. The EU is scheduled to conduct its first review of country risk levels in 2026.

In summary, Thailand's "low-risk" status under the EUDR serves as a gateway into the emerging global standard of sustainable trade—particularly in the EU, where regulatory stringency continues to rise. However, this opportunity will only translate into a lasting competitive advantage if Thailand can consistently uphold credibility in its production systems, ensure transparency in data, and foster strong collaboration between the public and private sectors.

The EUDR is not merely an environmental regulation imposed by Europe—it is a test of which countries are truly ready to become key players in a global trade system grounded in transparency and long-term sustainability. Thailand must not miss this opportunity.

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