

## International soy trades: A diver of deforestation in Brazil

By Ida Breckan Claudi

(A global supply chain specialist at Rainforest Foundation Norway)

**Abstract:** Global demand for soybeans has increased rapidly over the past 50 years, including demand driven by growing demand for biofuels. As Brazil takes the lead in becoming the world's largest soybean producer, Brazil's forest areas are facing massive expansion of agricultural commodity producers into forest landscapes, particularly Cerrado region. This article introduces the key trends worldwide in international soybean trade, discusses how market actors can reduce ESG (environmental, social and governance) risks, and provides related suggestions on how companies buying Brazil's soybeans should act based on good ESG practices.

**Key words:** Soy, deforestation, Brazil, ESG

Ida Breckan Claudi. International soy trades: A diver of deforestation in Brazil. BioGreen - Biodiversity Conservation and Green Development. Vol. 1, September 2023. Total Issues 48. ISSN2749-9065

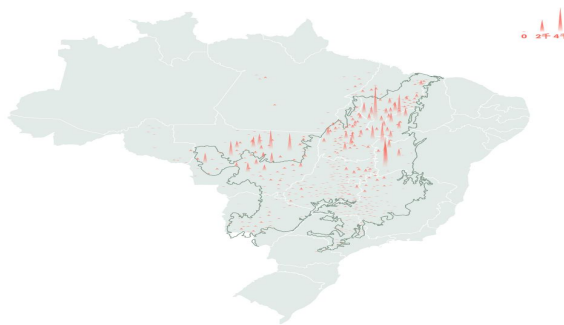
### Key trends worldwide in international soybean trade

The global demand for soy has increased rapidly during the past 50 years. Over 75 percent of global soy production is used in livestock feed, but a growing demand for biofuels is also driving demand. With Brazil taking the lead as the world's largest soy producer, Brazilian forest areas are facing massive expansion by agriculture commodity producers into forest landscapes. Since the adoption of the Amazon Soy Moratorium, agriculture production has expanded into Brazil's carbon and biodiversity-rich Cerrado landscape. Since the 1950s over half of the Cerrado has been converted into agriculture, leading to irreversible biodiversity loss and enormous carbon emissions.

The Brazilian Cerrado is the new deforestation and conversion frontier as this landscape suffers under very weak protection from Brazilian law. Thus, it is in the



hands of the global soy traders, and their downstream customers to decide how much deforestation and conversion this valuable and important landscape area should endure. Therefore, there is a need for stricter import regulations of Brazilian soy.



Deforestation driven by soy production in Brazil in 2018. The Cerrado biota (the line drawing area) suffered the most. The two tallest spiers in the picture represent the two municipalities of Balsas and Jaborandi in the Matopiba region. Photo by Trase

As conversion of the Cerrado continues, environmental concerns are growing in markets such as the EU. The newly established European Regulation on Deforestation is a demonstration of this concern. Similar demands from private sector actors such as the Consumer Goods Forum's (CGF) "Forest Positive Approach" and the Norwegian Aquaculture Dialogue Group also demonstrate market concerns about increased deforestation and conversion in Brazil. As exposure to deforestation and conversion is posing increased financial and reputational risk to businesses, we expect to see more and similar requirements from more private sector actors in the years to come.

During the COP 27 in November 2022, a joint global agriculture sector shared a roadmap for accelerated action within their supply chains to halt commodity-linked deforestation in line with a 1.5°C pathway. Although this industry-wide effort is welcomed, this roadmap was far from strong enough to effectively address commodity driven deforestation. This was a shared sentiment from the Consumer Goods Forum and Accountability Framework initiative.

### **Market players: how can ESG risks be mitigated?**

There have been attempts to try to mitigate risks through market dynamics such as certification to guarantee that certain soy volumes are deforestation-free. However, we see that certification has proven to be an insufficient measure to halt deforestation.



Since the introduction of soy certification 16 years ago, only 2-4% of the global soy volumes are covered by certification. Rather than halting deforestation, certification has led to parallel markets in which the same soy trader delivers certified deforestation-free soy for one supply chain while delivering deforestation-soy in another supply chain. As an answer to this unfortunate market dynamic, more actors are advocating for deforestation-free suppliers, rather than just deforestation-free supplies. This entails that market actors demand that their soy traders commit to becoming deforestation-free across their operations, instead of supplying deforestation-free volumes for a few specific supply chains.

The most solid way to mitigate risks in the long term is by demanding that soy traders commit to becoming deforestation-free across all their operations, i.e. to commit to the 2020 cut-off date for the Cerrado. This means that that soy traders do not trade with soy that has been produced on land deforested after 2020 and thus protect this landscape from further soy-driven deforestation and conversion.

### **Norwegian salmon industry's link with the soy trade**

There are some good examples of ESG in soy trade from Norwegian market actors. The Norwegian salmon industry - a huge consumer of Brazilian soy in salmon feed - have purchased certified deforestation-free soy for their own supply chain for many years. After advice from Rainforest Foundation Norway the industry acknowledged the above-mentioned market dynamic and realized that limiting concerns about deforestation to their own soy supply chain doesn't change the deforestation dynamics in Brazil. Consequently, Norwegian salmon feed producers encouraged their Brazilian soy suppliers to commit to becoming fully deforestation-free across their operation and cease to purchase soy produced on land deforested after August 2020.

As a result, the Brazilian soy suppliers to the Norwegian salmon industry committed to a 2020 cut-off date for their soy supplies in 2021. With this public commitment, these companies became the first soy processors operating in Brazil to become fully deforestation-free. The commitment set a new bar for sustainable supply chains and fuelled discussions regarding “clean suppliers” arguing that deforestation and



conversion free (DCF) requirements must be met on an operational, company level in addition to volume level within supply chains.

We believe that deforestation and conversion will decrease if soy traders (and other high-risk commodity traders) commit to the 2020 cut-off (for the Cerrado) and become deforestation-free. Since the commitment made in 2021, another major soy trader has followed the three pioneers, and we expect more ABIOVE members to follow suit. Governments and commercial associations should encourage their companies to demand the same commitment.

Another example of a best ESG practice from Norway was when salmon producer Grieg Seafood excluded Cargill - a soy trader that has not committed to the 2020 cut-off date - from their green bonds due to Cargill's role in driving deforestation in Brazil's Cerrado.

### **How companies buying Brazilian soy act?**

Recommendation to any company that buy Brazilian soy is that it should be diligent about what traders to buy from. Companies should choose soy traders that:

- have committed to the 2020 cut-off date;
- have a low deforestation risk (as defined by Trase);
- have demonstrated ability to address the deforestation problem either by not being present in high-risk areas (such as the Matopiba region in Brazil) with infrastructure or expansion plans, and/or being able to trace 100% of direct and indirect soy suppliers;
- are acting as a driving force in ABIOVE to increase industry ambitions.

### **Where to learn about sustainable soy?**

Trase.earth provide detailed data on supply chains, traders' deforestation risk, high-risk areas and frequently provide new insights into deforestation dynamics in tropical forest regions. The State of the Soy Industry report provides a status update on the largest soy



traders' commitments and presence in high-risk areas in Brazil. Global Canopy's yearly Forest 500 report presents the 500 companies with the most influence over deforestation, and is also worth looking into. Investors who are interested in tools to assess deforestation risks can also consult this report we have done in collaboration Norwegian investors: How investors can manage deforestation risk - The Rainforest Foundation (regnskog.no).



