



## **ABIOVE NEWSLETTER ON SOY SUSTAINABILITY**

January 20, 2009

### **SOY MORATORIUM – MONITORING IN 2009**

Technical teams are overflying and investigating the fields to raise exact information on what is happening in 633 areas located in the Amazon Biome, which were deforested after July 2006 and which were selected for monitoring by the Soy Moratorium, supported by information by INPE. In addition to the 268 polygons monitored last year, 365 new areas were included this year. This work is being done by Globalsat Sensoriamento Remoto (Globalsat Remote Sensor company), whose mission is to verify and document land use, especially whether there has been any soy planting. An estimated 217 hours are needed to fly over the soy-producing towns in the states of Mato Grosso, Pará and Rondônia, and the final report with detailed information and three photographic images of each polygon will be available for consultation on our site, [www.abiove.com.br](http://www.abiove.com.br), by March.

With the monitoring information in hand, the industry and trader members of the Soy Moratorium will comply with their commitment not to acquire soybeans produced in areas that were deforested after the Moratorium was announced, in according to the attached Monitoring Plan. Civil society organizations in the Soy Work Group (GTS), International Conservation, Greenpeace, IPAM, TNC and WWF Brazil, took part and collaborated in preparation of the Plan, which orients the moratorium's execution.

The member companies of ABIOVE and ANEC will check each new acquisition against the list of areas deforested after July 2006 that have planted soybeans. The system will not accept operations with properties that are not in conformity with the Moratorium. In cases of pre-production purchases where the contract was signed before the deforested area was included on the list, the company will only receive that portion of the volume produced on that property that comes from areas cleared before the Moratorium.

Despite all the sector's efforts, the monitoring system has some vulnerabilities. Control difficulties are greater in purchases of the commodity on the secondary market for immediate delivery. Large bulk volumes of a homogeneous product make it impractical to exercise individual control over the production's transport and storage flow.

Soy occupies only four-thousandths of the Amazon Biome (419 million hectares) and the Moratorium was built to discourage new deforestation. Monitoring the 2007/08 crop brought a qualitative improvement in discussions and showed that the questioning of Soy Agribusiness was unfounded. The 2009 survey will once again allow us to show that the oilseed's participation in the Amazon Biome's deforestation is totally inexpressive.

São Paulo, January 20, 2009.

## **MORATORIUM SOY MONITORING PLAN FOR 2009**

### **1. Scope of Monitoring Activities**

On July 24, 2006, member companies of ABIOVE (Brazilian Vegetable Oils Industry Association) and ANEC (Brazilian Grain Exporters Association) undertook a commitment not to trade soy that originated in areas of the Amazon Biome that were deforested after this date. This commitment became known as the Soy Moratorium, and was renewed on June 17, 2008. The Ministry of the Environment adhered to the Moratorium and accepted a commitment to promote and support environmental registration and licensing, implement ecological economic zoning, prepare a map of the Biome on an adequate scale and develop sustainable production programs, including a mechanism for remuneration.

The Moratorium Monitoring & Mapping Subgroup, consisting of representatives from the private sector and civil organizations (International Conservation, Greenpeace, IPAM, TNC and WWF Brasil), has held a number of meetings on monitoring since 2006. In the November 24, 2008 meeting, the Subgroup discussed the present work plan, with the objective of orienting execution of the Moratorium's monitoring activities for the 2008/2009 crop year.

### **2. Location of Soy Production in the Biome**

The Amazon Biome was defined by the IBGE and covers an area of 419 million hectares (49% of Brazil's territory), with 549 towns in nine states, though only part of the states of Mato Grosso, Maranhão and Tocantins are located within the Amazon Biome.

Soy production is concentrated in Mato Grosso state, which in 2008 had 1.5 million hectares in the Biome, according to the Globalsat survey, and to a lesser degree in the states of Pará and Rondônia, with a total of 0.2 million hectares, according to the IBGE.

Thus, we can conclude that soybeans occupied a total of 1.7 million hectares in the Amazon Biome, an area that corresponds to just four one-thousandths of the Biome. In the states of Maranhão and Tocantins, soy is basically grown in towns located outside the Biome and, in the other states, soy production is either non-existent or completely inexpressive.

### **3. Implementation of Monitoring**

Implementation of the monitoring process began in the 2007/2008 crop year, when 193 polygons were identified in areas that were deforested after July 2006 and which fit the criteria developed by the Moratorium Mapping & Monitoring Subgroup. Using images from the PRODES system, Globalsat selected the polygons to be surveyed, either visiting them or flying over them with the specific objective of verifying land use on these properties. The results were photographically documented and show that no soy was planted in these areas. The detailed results by polygon are available on the site [www.abiove.com.br](http://www.abiove.com.br).

At the same time, a pilot project was implemented in three producer municipalities in the state of Mato Grosso, where all deforested polygons were inspected – a total of 89 polygons – and, again, the results showed that no soy was planted, even in areas of less than 100 hectares. This pilot project sampling of 100% of the deforested areas indicated that polygons with over 100 hectares represent 75% of the total deforested area.

#### **4. Areas to be Monitored in 2009**

In addition to the 193 polygons already being monitored, areas deforested after July 2007 that meet the selection criteria described below, will be included. After analyzing the available data, including those from the pilot project, and the degree of complexity of the work involved, the Monitoring Subgroup decided to focus its activities on the areas deforested after the Moratorium went into effect (deforestation polygons) that are:

located in the states of Mato Grosso, Pará and Rondônia (the Biome's main soy producers) but not within protected areas, such as UCs (conservation units) and indigenous reservations;

over 100 hectares, according to INPE's PRODES system;

located in municipalities that planted over 5000 hectares of soy in 2008, according to data from IBGE. A filter reflecting the dynamics of recent deforestation was also contemplated. Therefore, those municipalities for which IBGE estimates a 2008/2009 crop acreage of over 5000 hectares were included. For states where no IBGE estimate is available, linear and logarithmic projections were used to estimate the planted area and the larger area was the one considered. Fifty-one towns were selected – 39 in the state of Mato Grosso, 6 in Pará and 6 in Rondônia.

The Subgroup also decided to renew monitoring activities in the 2008 pilot project areas, covering the municipalities of Feliz Natal, União do Sul and Vera.

#### **5. Identification of Areas Deforested between August 2007 and July 2008**

Using the PRODES system's "Shape" files made available by INPE, 365 deforested areas were identified between T1 (August 2007) and T2 (July 2008) that meet the criteria described above. INPE (National Spatial Research Institute), an organ of the Ministry of Science & Technology, is responsible for officially monitoring deforestation in the Amazon ([www.inpe.br](http://www.inpe.br)). The contracted company (Globalsat Sensoriamento Remoto) will work with files supplied electronically by INPE on December 5, 2008. Considering the short period available for doing the work between the release of INPE's data and the start of the harvest, the companies participating in the Moratorium and the contracted company are exonerated from any responsibility for possible later alterations in the data supplied.

A total of 628 polygons will be monitored – 365 new polygons and the 263 polygons that were monitored during the 2007/2008 crop year.

## **6. Land Use in Deforested Areas**

One of the main monitoring activities is checking land use in all the selected polygons (deforested after the Moratorium' start), for the purpose of identifying the areas that planted soybeans. The contracted company - Globalsat will do this by making technical visits to the location and principally by flying over the selected locations during the planting season.

Each polygon will have a specific register, on which the contracted company will record whether the land is being used to grow soybeans and/or other agricultural products, if other economic activities are being developed or if the land is not being used at the time of the visit. In addition to written records, the company will provide three photographic images of each area visited. These images will be posted on the Internet for consultation.

## **7. Identification of Rural Land Owners**

This will be one of the most complex monitoring tasks to be performed by the GTS Soy Work Group, with the help of the contracted company, using the data base in the state environmental rural property registration and licensing systems. When official information is not available, the alternatives will be: (a) collect informal information subject to legal confirmation, or (b) use the knowledge of the field teams of the companies that operate in the region.

The information obtained about the identification of rural owners will be not disclosed publically.

## **8. Conditions for Acquiring Soybeans**

For each acquisition from producers, the purchasing companies participating in the Moratorium will check the list of post-Moratorium deforested areas that planted soybeans. Each polygon will be identified by a specific code (Geographic ID), which will contribute to maintaining the information's confidentiality. The list of properties which planted soybeans in deforested areas will be kept private and its use will be restricted to those companies that participate in the system to avoid discomfort since the Soy Moratorium exceeds the requirements of Brazil's environmental legislation.

Information that is as precise as possible will be made available regarding the name of the area's owner and tenant farmer (if such is the case), their respective CPF (income tax identification number), the farm's name, town and state. The purchasers will not acquire soybeans that originate on land deforested after July 2006 where soybeans have been planted for the 2008/2009 crop in a polygon that is the object of monitoring activity.

## **9. Production Pre-Purchase**

When production is pre-purchased, corroborated by a contract signed at a date earlier than inclusion of the deforested area in the Moratorium list, the purchasing company will receive that part of the contracted volume that corresponds to production in areas deforested before the Moratorium's announcement in July 2006. This procedure is necessary to preserve the trade and production programs of the purchasing company that acted in good faith, as well as guarding against economic losses from market variations and the non-refund of the amounts advanced, which would reward the producer who acted

willfully. The purchasing companies will use data from the property's registration or other documents to calculate the total quantity produced on that land and the quantity produced in the deforested area after July 2006. This latter portion will not be received.

### **10. Origination Direct from Producers**

The soy purchase contracts used by the companies contemplate a clause specifying that the delivered soybeans will not come from areas of the Amazon Biome deforested after July 2006. Each vehicle arriving at the reception point should carry an invoice ("nota fiscal") showing the producer's name, his CPF and the farm's name. The acquiring company will check its systems for the rural producer's situation and will not receive soybeans that originated in areas deforested after the Moratorium. The only exception will be the cases stipulated in Item 9 regarding corroborated pre-purchases.

### **11. Origination in the Secondary Market**

Where purchases are made through third parties, suppliers will be required to provide a declaration that the purchased soy did not come from areas opened in the Amazon Biome after July 2006, under penalty of the law. An audit of the process will verify whether the suppliers provided the declaration. The industry/traders can purchase from producers who deposit soy in general warehouses, except those who do not respect the Moratorium's criteria. If any irregularity is noted in the declarations, the companies participating in the Moratorium will stop operating with that trader.

### **12. Monitoring System Vulnerability**

The companies participating in the Moratorium do not have policing powers. They will make their best efforts to comply with their commitments, but there is no perfect system to control the harvest, physical movement of the commodities stored without preservation of their identity and traded in bulk. Control will be much more effective in operations where there is greater access to information and documents, such as production pre-financing and origination directly from rural producers. Control is more difficult in purchases on the spot market and is further aggravated by the fact that some producers have a single state inscription allowing them to trade production from several properties.

One of the main bottlenecks will be the identification of the owner and tenant farmer of the property. When this information is not available in state registers, it will probably have to be obtained through third parties and will need to be verified to avoid possible mistakes and their consequences. The identification of the parties involved is necessary for safe monitoring.

Part of the production could be side-tracked and traded through third parties as the product is homogenous and controlling transport and storage of the production is not practical. Traders can resell to companies that are not Moratorium participants that part of the production that is not in conformity. The purchasers cannot demand that traders share information from their suppliers. The physical traceability of moving large volumes of product without its identity preserved would be very burdensome as regards the value of the product and the extremely complex operational implementation.

ABIOVE's and ANEC's members are estimated to move about 90% of the soy production. It is therefore timely to emphasize that commitment to the Moratorium does not cover all domestic and international soy purchasers, and Brazilian legislation allows producers to export their production directly or through their co-ops.

### **13. Independent Audit of Monitoring System**

If an audit is necessary, ABIOVE's and ANEC's members will allow free access to their soy purchase documents and their operations control systems at the end of the season to an external audit company chosen jointly, provided such audit company assumes the commitment of preserving the confidentiality of the information. The audit will validate compliance with the monitoring; in other words, it will verify that the companies really have not received soy from areas deforested after July 2006 and whether the non-producing suppliers (traders, co-ops, etc.) supplied the declaration described in Item 11.

In addition, Globalsat will also be available to provide the audit company with the evidence collected in the field work and show their operational procedures. The civil organizations in the GTS and the audit company are granted the opportunity to go on the contracted company's field visits and flyovers.

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