



Social-Environmental Sustainability: What is the Role of Public Governance?

São Paulo, February 22, 2011

Over the last five years, the Brazilian soybean complex has been experimenting with structural changes in the productive chain. Because this is the country's largest grain crop and a strategic component in the food, feed and biodiesel industries, the companies that process and trade this oilseed have been called on to contribute to strengthening the Amazon Biome's social-environmental governance.

The answer was the Soy Moratorium in July 2006. Under this declaration, the signatory companies made the commitment not to acquire production from areas in the Amazon Biome that were deforested after that date. Tied in with the environmental demands, concern for the social aspects is explicit: the companies established in their contracts the suspension of purchases from all establishments included in the employers register under Regulation No. 540/2004 of Ministry of Labor.

Participative management by the private sector, environmental NGOs and the public sector, and the results obtained after monitoring three crops, brought to the Soy Moratorium public recognition that (1) soybeans do not have a relevant role in the Amazon Biome's deforestation process and (2) the Soy Moratorium initiative contributes to this conclusion.

Recent questioning regarding the role soybeans play in deforestation within Conservation Units and Indigenous Lands is unfounded: the rigorous monitoring of the 2011 crop led by INPE (National Land Research Institute) showed that no soybeans were planted in deforested areas after July 2006. As regards rural settlements, the Institute confirms that only 12% of the area identified as having signs of soybeans are within the boundaries of these settlements.

It should be emphasized that the Soy Moratorium makes bigger demands than environmental legislation, since it does not accept production even from areas that were legally deforested after its declaration. However, the private sector cannot, and should not, usurp the public sector's duties to verify compliance and take steps when legislation is not complied with. This is even more evident when dealing with public areas created by and under the direct administration of the State.

In the case of rural settlements, development of productive activities to improve the settlers' economic conditions is essential. Soybean production provides a product with excellent market acceptance because of its many possible uses in human foods. Developing soybean crops is, therefore, a way of strengthening the government's social policies.

The Soy Moratorium signatory companies are doing their part, adhering to the initiative's strict principles. It is now up to the State to exercise its attributes, using the means at their exclusive disposal, to work on sustainability on a broad basis. This is valid not only for soybeans, but for all land usage.



Associação Brasileira das Indústrias de Óleos Vegetais

**Analysis of the presence of soybeans in Conservation
Units, Indigenous Lands and Rural Settlements in areas of
the Amazon Biome deforested after July 2006**

February 2011

1



1. Introduction

Soybeans (*Glycine max*) are a leguminous plant native to Asia, classified by many as an oilseed. Despite this classification, it has a low oil content (about 19%), compared to other oilseeds, such as canola and sunflower (between 40% and 45%). The main product of soybean processing is, in fact, proteic meal, giving rise to its European classification as a protein crop.

Seventy-nine percent (79%) of the soybean is meal, which is used to make animal feeds that provide healthy growth in shorter periods for poultry, swine, fish and other animals. Meal is also used in the production of several foods for human consumption, such as soy milk and tofu or bean curds, that bring excellent health benefits.

Soybean oil can be used in foods (such as cooking oil, mayonnaise, vegetable fats, etc.), its ready acceptance coming as much from its global availability as from improvements in stability and aroma (ITC UNCTAD/GATT, 1990). It has industrial uses (such as paints, varnishes, resins, plastics and others), and can also be used in the production of biodiesel.

These elements give soybeans the image of a healthy, multiuse product, with a consequent growing global demand for its products, especially in developing countries that have a growing need for animal proteins and vegetable oils. More recently, biodiesel's share in soybean oil demand has increased.

2. Soybean Development in Brazil¹

Soybeans, a fundamental part of Chinese and other Asiatic diets, have been around for centuries. After genetic improvements, China began cultivating this crop, but it was the U.S. that first produced this oilseed on a global commercial scale.

This crop was originally used mainly as fodder. However, its potential for grain production was quickly identified and planting for this purpose grew exponentially after 1940.

In Brazil, soybean crops were incentivated as a rotation crop for wheat in Rio Grande do Sul state in the 1950s. The following decade saw strong growth in soybean plantings, with Brazil's consolidation as a major world producer ten years later. Starting in 1980, planted acreage gradually migrated northwards, to the lower

¹ Based on EMBRAPA (2011).



latitudes, as a result of genetic improvements that adapted this oilseed to the climate in the Brazilian Cerrados (hot, semi-humid, dry winters). The research done by Embrapa, as well as by public, private and academic research entities, created the conditions that led to Brazil's Center-West region becoming the country's largest soybean producer, answering for 46% of the 2010/2011 crop, surpassing the South's 37%.

Overall, Brazil is today the world's second largest soybean producer (around 70 million tons annually) and the biggest exporter of the soybean complex (grains, meal and oil). Backed by state-of-the-art agricultural practices and an adequate climate, Brazil is now seen as the granary best able to meet the estimated growing demand of the next years.

Brazil benefits from the soybean complex in several ways: it moves some 1.5% of the domestic GNP, creates 1.5 million jobs and answers for approximately 10% of total export revenues.

3. Sustainability of Brazilian Production

a) Soy Moratorium

The accelerated growth in Brazil's soybean acreage after the year 2000 and its expansion into the country's Center-West region raised the hypothesis that this crop was associated to the then-growing deforestation of the Amazon Biome, which peaked in 2004.

Faced with the possibility that trade barriers would be erected against Brazilian exports, the members of ABIOVE and ANEC, associations focused on the processing and trading of Brazilian soybeans, resolved not to purchase production originating in areas of the Amazon Biome deforested after July 2006.

This initiative, called the *Soy Moratorium*, united the private sector and the NGOs, International Conservation, Greenpeace, IPAM, TNC and WWF-Brasil, with the formation of a Soy Work Group (GTS) to lead a joint effort to improve governance in the region. In 2008, Brazil's Ministry of the Environment joined the group and, two years later, so did the Bank of Brazil.

The work done by the GTS has already resulted in the monitoring of three crops, the most recent of which (the 2009/2010 crop) benefitted from a big advance in methodological strategy due to the participation of INPE, the National Space



Associação Brasileira das Indústrias de Óleos Vegetais

Research Institute, which made it possible to monitor 98% of the soybean acreage in the states of Mato Grosso, Pará and Rondônia. The results showed that soybean crops are directly responsible for just 0.25% of the total deforested area in the Amazon Biome after the implementation of the Soy Moratorium (ABIOVE, 2010).

The most obvious achievement was the resulting understanding by the markets and society that soybeans are not a relevant factor in the Amazon Biome's deforestation, as attested to by the public recognition by Brazil's Ministry of the Environment, INPE and the NGOs. Another show of recognition is the declaration of support for the Soy Moratorium, issued by the European Consumers Group. This was indeed an important victory that not only met the demands of the European market, which includes 30% of the destinations for our products, but also, and mainly, improved the image of Brazil's product abroad.

The credibility of the Soy Moratorium is thus based on the technical quality of the work done, the seriousness of the private sector in keeping its commitment, and the participative dialogue of everyone involved in the process.

b) Soy in Conservation Units and Indigenous Lands

The work done through the Soy Moratorium monitoring provided information, both transparent and explanatory, that made it possible to conclude that soybean participation in the Amazon Biome's recent deforestation is negligible. Nevertheless, a question arose regarding the presence of soybeans in areas under the direct responsibility of the federal government: the conservation units and the indigenous lands.

To evaluate the situation, ABIOVE asked INPE to make a detailed analysis of these areas from the viewpoint of compliance with the Soy Moratorium, in other words, to determine whether soybeans were planted in deforested areas after July 2006. For the states of Mato Grosso, Pará and Rondônia, INPE was definite:

"We analyzed all the deforested polygons (≥ 25 hectares) in the towns located in the Amazon Biome, in the states of Mato Grosso, Pará and Rondônia, that met the criteria of minimum soy acreage (5,000 hectares). We concluded that there is no sign of the presence of soybeans in any of the polygons deforested after July 2006, located in Conservation Units and Indigenous Lands."

Conclusions

Therefore, based on this information, ABIOVE can safely state that the Conservation Units and Indigenous Lands were monitored using the best available tools and that



soybean production has not contributed to deforestation in these areas since the declaration of the Soy Moratorium in July 2006.

c) Soy in Rural Settlements

The question of a soy presence in deforested areas in rural settlements after July 2006 also arose. Again, the GTS immediately undertook the evaluation of these cases by requesting INPE to make a diagnosis.

Using medium-resolution images from the Landsat-TM and AWIFS/IRS-P6 satellites, it was possible to verify that, of the 54,677 hectares with signs of a soybean presence (overflights are needed to confirm this), only 6,379 hectares were wholly contained within the settlements (12%). **In other words, only a small part of the deforestation from suspected soy plantings, occurring after July 2006, are within the settlements.**

Conclusions

In compliance with the Soy Moratorium commitment, the GTS will make the overflights and identify all the areas located along the borders and outside the rural settlements, maintaining their demanding restrictions regarding purchases from and financing of the properties thus identified. Areas wholly within the rural settlements will not be monitored for the following reasons:

- I. These settlements are the responsibility of various federal government entities, such as INCRA and IBAMA, which have custody over these settlements. As such, the private sector is unable to interfere in their management.
- II. The creation and location of new settlements are determined by the State, and the public sector should fully guarantee the good governance of the settlements it creates, as well as their compliance with the law in respect of all land uses, not just for soybeans.
- III. The rural settlers have to develop productive activities to sustain their families. Soybean production complies with the social policy of supporting homestead farming while offering a strategic product for the food markets.

The GTS once again shows its firm commitment to the continuous improvement of soy's sustainability and to deterring the relationship between its production and deforestation. Monitoring over 88% of suspicious areas and maintaining its commitment not to acquire or finance production from nonconforming properties is a



clear show of the sector's respect for the demands of the consumer. It is up to the public sector to implement measures that improve governance in the areas under their exclusive responsibility.

4. References

ABIOVE. **3º Ano do Mapeamento e Monitoramento do Plantio de Soja no Bioma Amazônia** (3rd Year of Mapping & Monitoring Soy Plantings in the Amazon Biome). Available on http://www.abiove.com.br/sustent/relatorio09/moratoria09_relatorio_jul10_br.pdf. Accessed on February 8, 2011. July 2010.

EMBRAPA. **Tecnologias de Produção de Soja - Região Central do Brasil 2004** (Soybean Production Technologies – Brazil's Central Region 2004). Available on: <http://www.cnpso.embrapa.br/producaosoja/SojanoBrasil.htm>. Accessed on February 8, 2011.

ITC UNCTAD/GATT. **Vegetable Oils and Oil Seeds - Principal Oils and Seeds in World Trade**. Volume II. Geneva. 1990.