



**Soft Commodities Forum
progress report**

December 2019

**Building transparent and traceable soy supply
chains in Brazil's Cerrado region**

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About the report

The Soft Commodities Forum (SCF) is a global platform for leading soft commodities companies, convened by the World Business Council for Sustainable Development (WBCSD) for the purpose of advancing collective action around common sustainability challenges.

Addressing environmental challenges in agricultural value chains is a key priority to mitigate the impact of climate change, and preserve vital ecosystems and biodiversity. In this context, SCF member companies have each pledged to eliminate deforestation from their supply chains worldwide, through individual and collective action.

To achieve this goal, SCF members, starting from soy in the Cerrado, seek to increase traceability across their supply chains and to develop solutions that balance environmental, social and economic interests, respect the rights of local communities and engage key local stakeholders.

This report provides an update on SCF's work in 2019, as well as insights into strategic priorities and activities in 2020. The report was produced with the assistance of Proforest, the Soft Commodities Forum's technical partner.

Who we are

The SCF is unique as it brings together the leading soft commodities traders globally, in a pre-competitive way, to address sustainability risks they all share in the soy sector, but which no single company can solve alone. Members are Archer Daniels Midland (ADM), Bunge, Cargill, COFCO International, Glencore Agriculture and Louis Dreyfus Company (LDC).



Solutions which will help transform global agricultural value chains need concerted collaborative efforts. WBCSD is encouraged by SCF's progress to provide traceability in a very complex supply chain. Together, SCF members will help lead preservation of the Cerrado and beyond, but also promote positive and sustainable land-use changes.

Diane Holdorf

Managing Director, Food and Nature, WBCSD



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Executive summary

In June 2019, the SCF published its first public report sharing details on a common framework for reporting and monitoring traceability of the members' soy supply chains in the Cerrado. With guidance from Proforest, the SCF identified 25 priority municipalities (PMs) for engagement and analysis. The methodology used was based on identifying strong SCF member presence and high rates of native vegetation conversion (NVC) to soy.

In the June report, SCF members published:

- The percentage of soy sourced from the Cerrado in 2018 out of the total sourced in Brazil;
- The percentage of soy sourced from the 25 PMs in 2018 out of the total sourced from the Cerrado;
- Out of the total soy sourced from the 25 PMs, the percentage sourced directly from farmers and the percentage sourced indirectly from farmers via aggregators, cooperatives and other third parties.

This information has helped the SCF better focus on those areas where collective action and traceability would bring the biggest impact.

What's new in December?

In this report, SCF members are reporting the percentage of soy directly sourced that is traceable to farm.

The soy supply chain links a multitude of Brazilian producers to millions of consumers in Brazil and beyond. Its complexity can make it challenging to achieve full traceability, in part due to high turnover of suppliers over time.

These complexities are reflected in the SCF members' data in this report. While most companies are able to trace a large percentage of the soy sourced in the 25 PMs to farm, there is still room for improvement to ensure a fully traceable and transparent soy supply chain in the Cerrado, especially in areas where NVC is still a significant challenge. In chapter 4, SCF members report on their individual performance.

Moving forward, SCF Members commit to working towards full traceability to farm for direct soy sourcing across the 25 PMs. The SCF will continue reporting on progress throughout 2020, with the goal to report at least 95% of direct soy volume as traceable by the end of 2020.

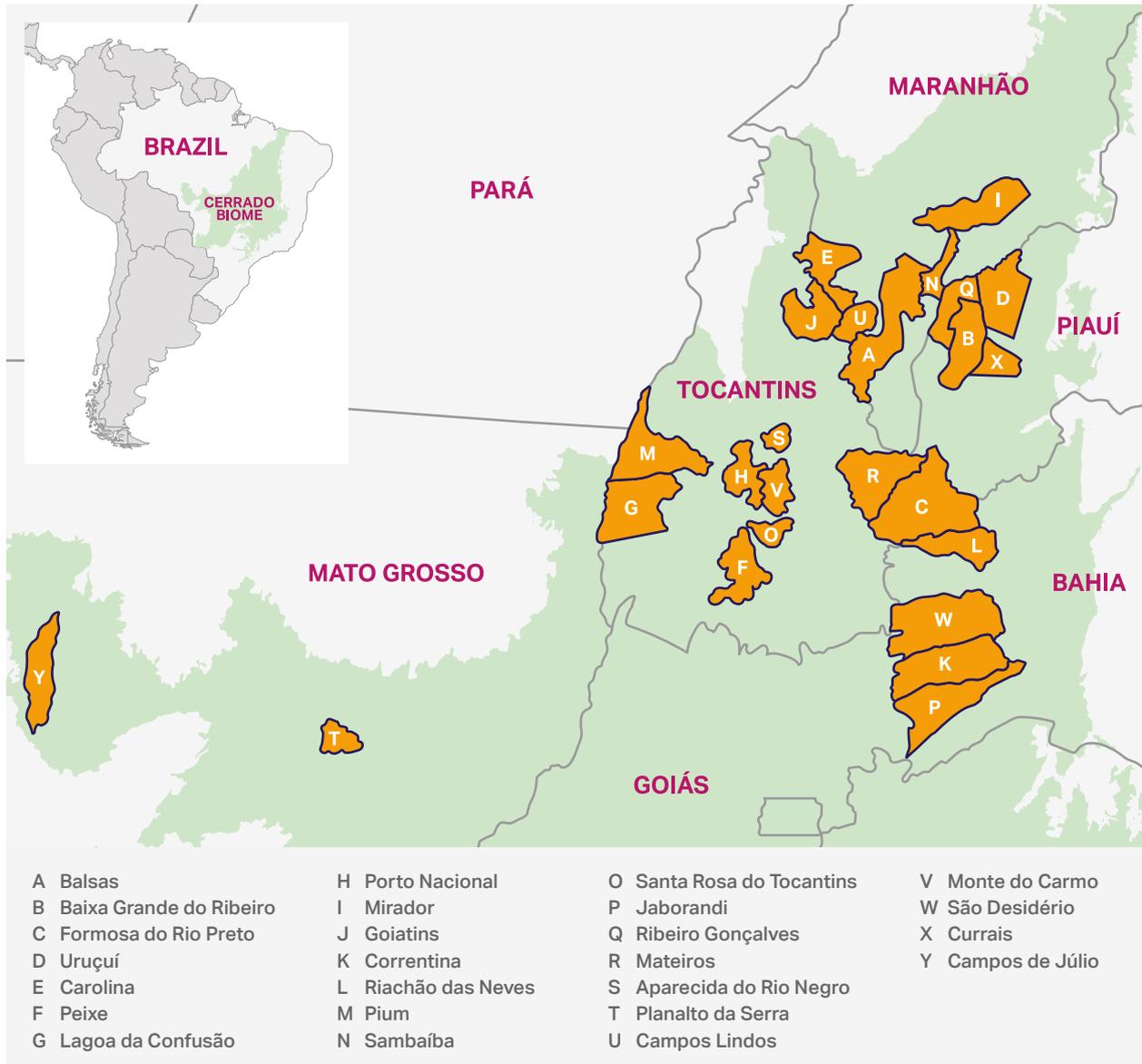
Working together to create lasting impact

The SCF members have come together out of recognition that collective and targeted action is the most effective way to drive real change towards more sustainable soy production in the Cerrado. Therefore, collective and targeted action has always been the number one priority for the group.

In 2019, the SCF focused on identifying key areas for intervention and engaging with potential partners to leverage and scale up existing efforts on the ground. With the support of Proforest, the SCF also analyzed different data sources for the 25 PMs to identify the most appropriate and impactful landscape-level interventions and to inform a baseline for future monitoring of outcomes.

② Executive summary

The Soft Commodities Forum 25 PMs in the Cerrado



Across the 25 PMs presented above, interventions will be of different levels depending on regional profiles and may include:

- Supporting the implementation and roll-out of jurisdictional approaches with the aim of encouraging better land-use practices and compliance with the Forest Code
- Engaging leading growers to identify and encourage the uptake of more effective production and land-use practices, with the ultimate goal of supporting soy expansion into previously cleared land and degraded pastureland
- Working to increase the scale and impact of existing landscape level initiatives

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Traceability to farm

Why and how



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Traceability to farm Why and how

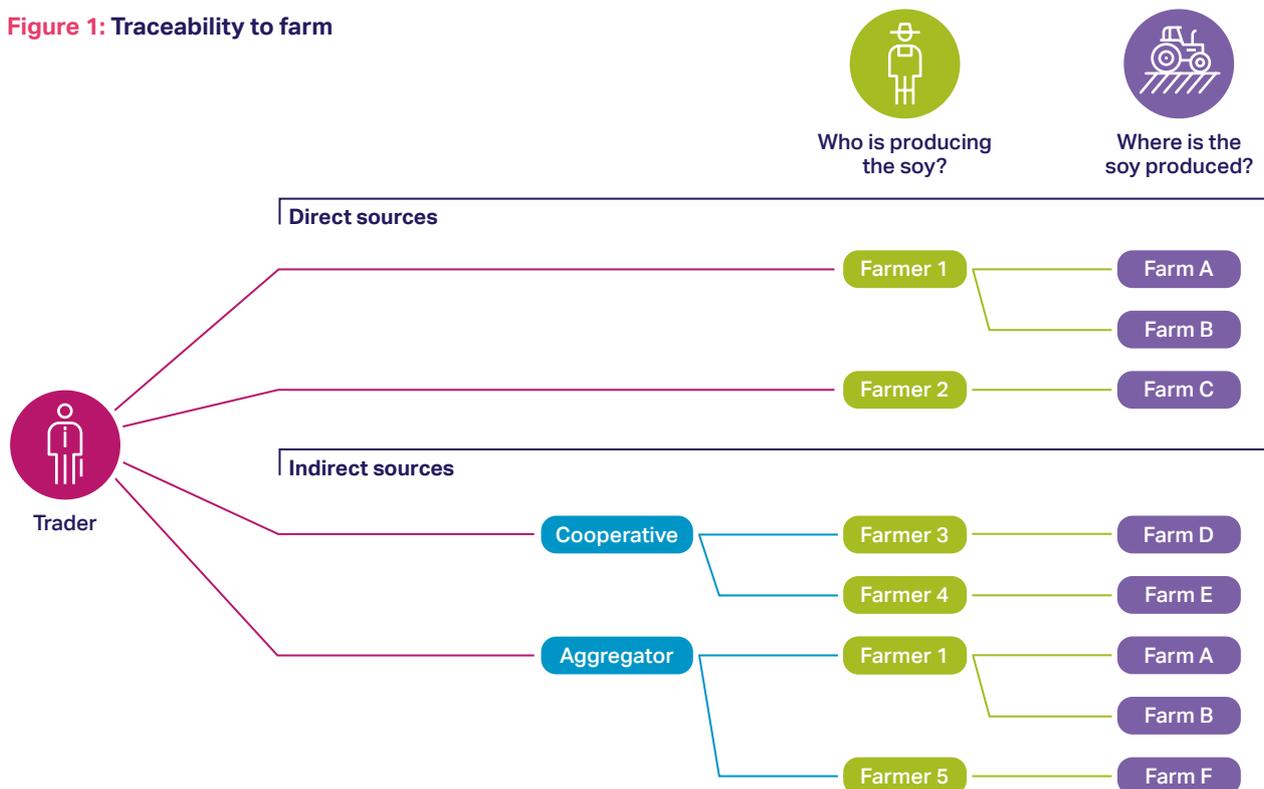
Traceability to farm allows companies to engage with their suppliers, understand their needs and work together to promote desired change. It also allows companies to understand land-use change and identify issues related to compliance with local legislation and individual company policies. Although essential, achieving traceability, especially in the soy supply chain, is not straightforward.

Data reported by SCF members in June show that, for the most part, more than 90% of the soy they source in the 25 PMs comes directly from farmers, which means a direct link to the production level.

However, because many soy farmers operate several farms, the complexity of the soy supply chains means buyers may not know exactly which farm produced the soy therefore missing a crucial step towards farm-level traceability.

Figure 1 illustrates that complexity. The same farmer, for example, typically produces soy in more than one farm and the soy he/she is selling can be aggregated from several farms, through aggregators and cooperatives, before reaching buyers.

Figure 1: Traceability to farm





90%

of the soy volumes reported in June by most SCF members came directly from farmers

In this report, SCF members are individually reporting the percentage of volume that is traceable to farm out of the total volume sourced directly from farmers in the 25 PMs in 2018.

Volumes were classified as traceable to farm when one, or both, of the two conditions below were satisfied:

- Availability of an **Environmental Rural Register (CAR)** number of the farm(s) where soy was produced
- Availability of **geocoordinates (GPS point) or polygon** of the farm(s) where soy was produced

For indirect sourcing, members who purchase significant proportion of volume from intermediaries will develop action plans and report on progress to increase supply chain transparency of indirect sourcing.

While it remains a key focus of their collaboration, SCF members understand that traceability is not an end in itself, but rather a tool to enable positive and collective action and to monitor progress in reducing conversion of native vegetation in their soy supply chains.

Chapter 5 and 6 of this report will elaborate on how the SCF is leveraging traceability and the data collected as part of their analysis of the 25 PMs to inform their collective activity at landscape level.

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Company data



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Company data

SCF members are committed to improving the traceability and transparency of their soy supply chains in the 25 PMs in Cerrado, to promote sustainable practices and demonstrate measurable reduction in NVC over time.

For this report, SCF members collected traceability information coming from direct sources across the 25 PMs by gathering farm locations or CAR numbers for each purchase of soy. These volumes were then aggregated for all 25 PMs and are shown in this report as percentage of total volume of direct sources that are either traceable or not traceable.

By clicking on each company logo, you will be redirected to individual SCF member's data, highlighting the percentage of soy sourced directly and traceable to farm, and their individual commitment to increase that percentage and reduce soy-driven native vegetation conversion in their respective supply chains.

Select a logo to view the company's individual traceability data



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Soy production in the 25 PMs



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Soy production in the 25 PMs

The Cerrado is a crucially important biome for both Brazil's economic development as well as for its environmental conservation. It is home to 4,800 species of plants and vertebrates found nowhere else in the planet and it plays a critical role in the country's water systems and climate regulation.



of Cerrado area is planted with soy

The Cerrado is also Brazil's latest agricultural frontier, accounting for approximately 43% of Brazil's total annual and perennial crop area and providing an important economic engine for local communities and for Brazil as a whole.¹ Soy is a particularly important commodity for the Cerrado, occupying 8% of the biomes' territory and representing more than 50% of total area planted with soy in Brazil. In 2018 alone, soybean and soybean products represented 17% of Brazilian exports, equivalent to 40.7 US\$ Bi in gross exports² and official data from IBGE reported more than 200,000 rural properties producing soy in the country.³

Strategies that are enabling this and which need to be leveraged to further foster this trend include cattle intensification, rehabilitation of degraded pastures, increase in soy productivity and promotion of soy expansion into available cleared areas suitable to soy. To further encourage these positive trends, there should be more engagement, learning and action in soy production landscapes to drive and accelerate positive change.



of soy produced in Brazil comes from the Cerrado

The agricultural boom experienced in the Cerrado over the last few decades has been accompanied by a steady decline in the amount of native vegetation by almost half since the 1970s. However, recent data shows a steady decoupling between soy production and native vegetation conversion in the Cerrado.⁴

SCF members selected 25 municipalities as priorities for collective action, considering: 1) relevance for soy production; 2) the highest conversion of native vegetation to soy and; 3) greatest presence of members. In 2019, with the support of Proforest, they developed an in-depth analysis of each of these 25 municipalities, to identify priorities for effective landscape-level action.

Appendix 1 presents the data used in the development of this analysis, as well as their sources.

This trend is supported by scientific evidence showing that, while meeting a rising global demand, soy in the Cerrado biome is increasingly produced without necessarily resulting in native vegetation loss.

5 Soy production in the 25 PMs

Key findings

Soy production and environmental conservation in the Cerrado are not mutually exclusive.

Recent analysis show that soy expansion over recently converted areas is decreasing over time (Figure 2) in the Cerrado, including in MATOPIBA, where the bulk of soy expansion has happened and is expected to continue.

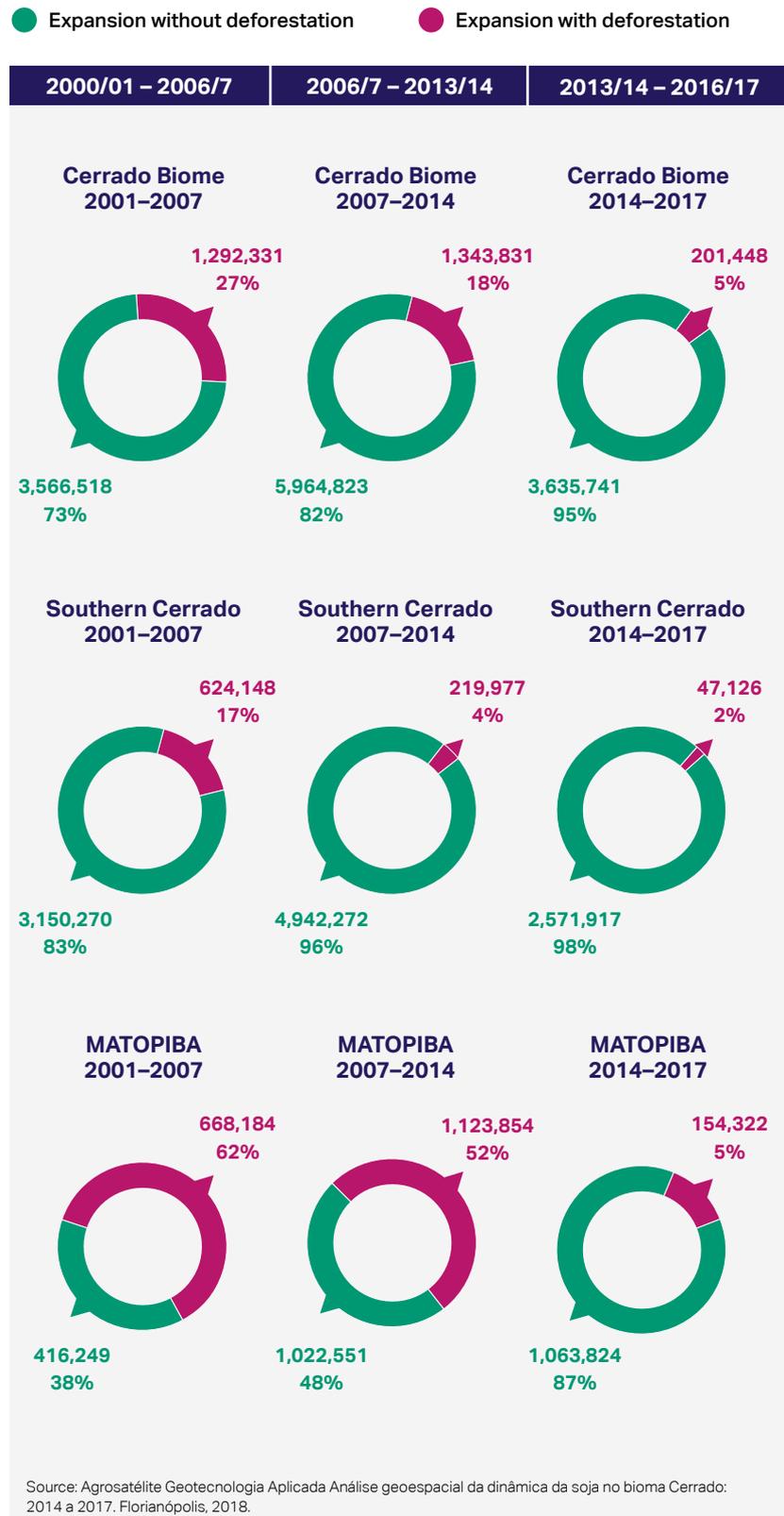
Across the 25 PMs, native vegetation conversion has also been declining (Figure 3).

The native vegetation conversion variation between 2014 and 2018 was consistently negative (-47% in average) for 24 out of the 25 PMs.

The analysis showed that soy is not the main driver for native vegetation conversion in the 25 PMs. In practice, this means that in most municipalities, soy expansion is happening on previously cleared land (Figure 4).

From the total area of native vegetation converted between 2014 and 2016 in the 25 PMs, only 18% were planted with soy in 2017.

Figure 2: Soy expansion and conversion of native vegetation in Cerrado



5 Soy production in the 25 PMs

Figure 3: Variation of native vegetation conversion in the PMs in 2014–2018

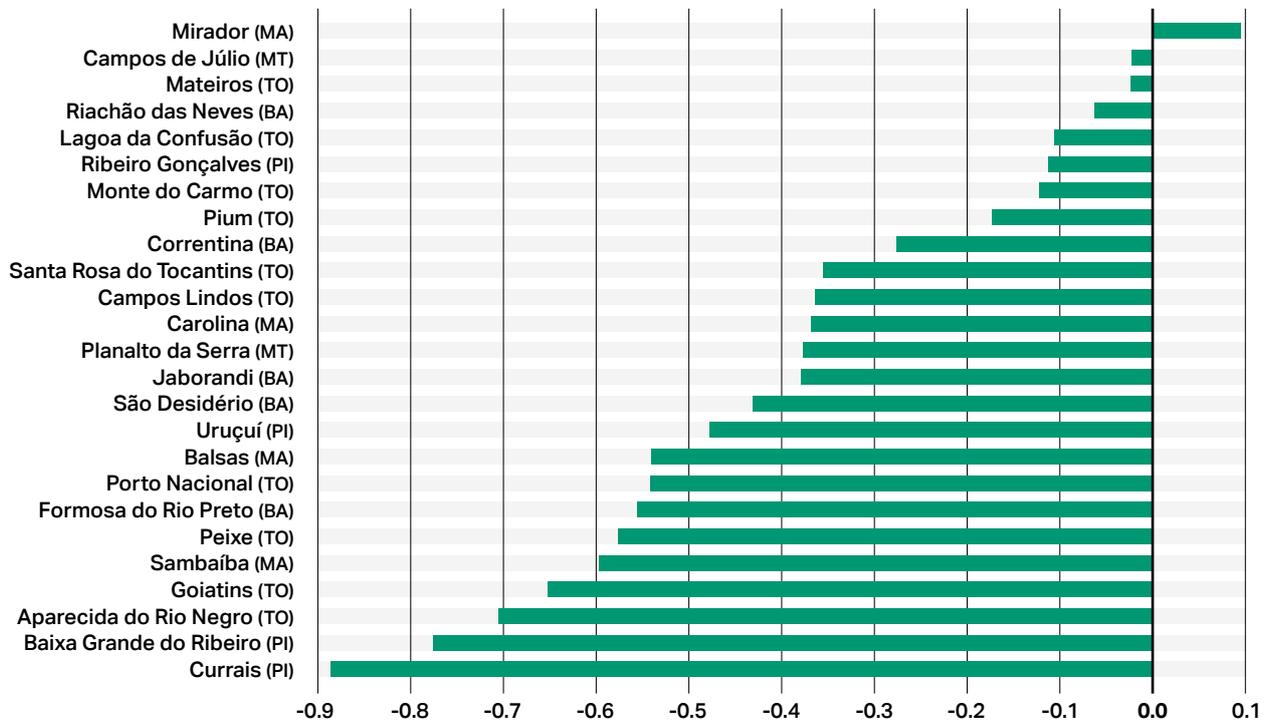
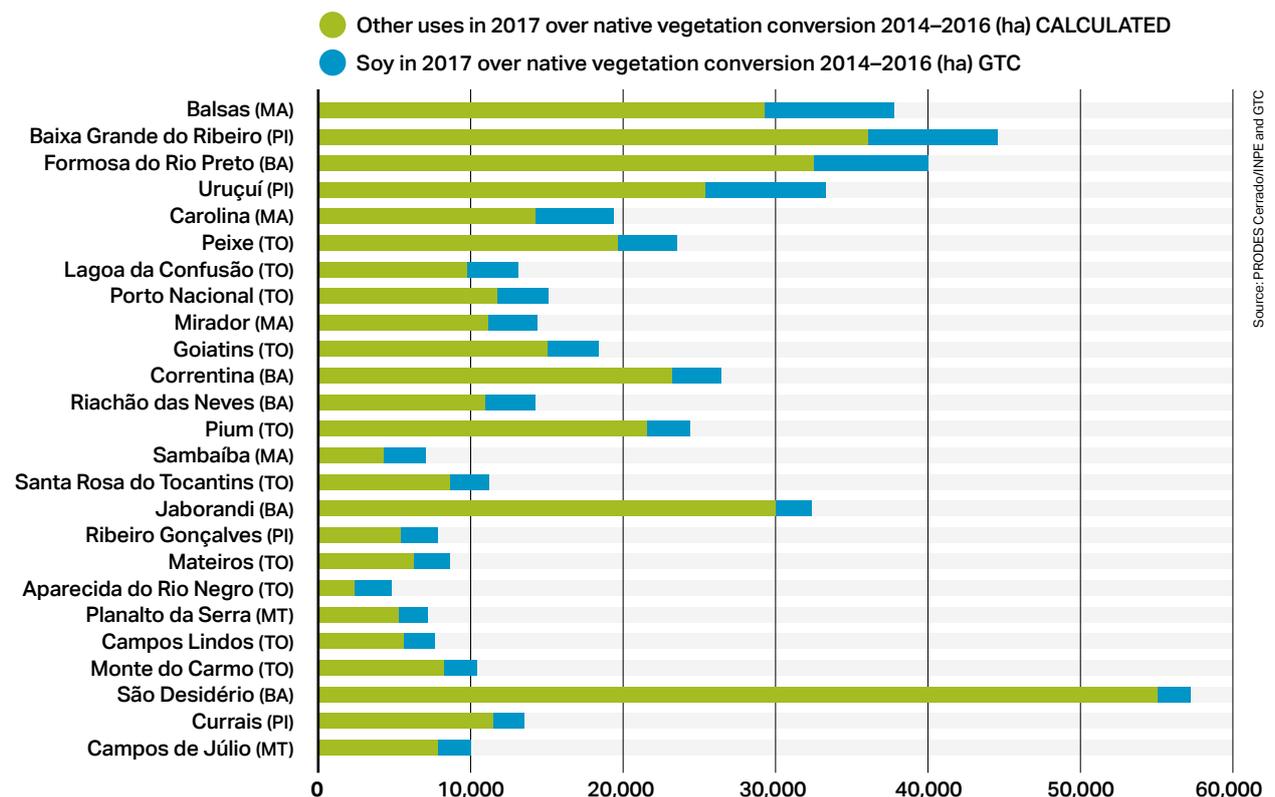


Figure 4: Native vegetation conversion to soy and to other uses (PMs ordered from high to low NVC to soy area)



Source: PRODES Cerrado/INPE and GTC

5 Soy production in the 25 PMs

Despite these positive trends, SCF members acknowledge that NVC to soy is an urgent issue best tackled with targeted and positive action. Over 90,000 hectares of soy were planted on recently converted native vegetation areas in 2017 in the 25 PMs.⁵ From the 104,645 hectares converted in 2018,⁶ a proportion could have been planted with soy in 2019 or may be planted in the future.

A number of factors make reducing and eventually eliminating NVC challenging. First, conversion of native vegetation in the Cerrado is legally allowed by the Forest Code, providing that Permanent Preservation Areas and Legal Reserves are maintained and legal permits for conversion are obtained.

Protecting native vegetation beyond the Forest Code demands sectoral and jurisdictional collaboration, developing incentives for farmers to go beyond legal requirements. Also, the implementation of the Forest Code still requires collaboration with farmers and government to ensure an effective mechanism that integrates legal permits into the CAR system.

In addition, native vegetation is often cleared by actors who are outside of conventional supply chains, for example by companies speculating on land. Soy may take years to reach these converted areas, and the soy producers are not those who converted it in the first place. This means that bringing the right players into the conversation is not always easy, or possible.

In this complex system, to effectively promote sustainable soy production and land-use, multi-industry, multi-stakeholder and multi-commodity solutions are required.

While the SCF focus will remain across all of the 25 PMs, the analysis described in this chapter was needed to develop a more targeted approach to test the best ways to address NVC in those producing areas with the highest conversion risks, as well as the highest opportunities for expansion into available cleared areas. The next chapter details the SCF landscape-level approach to collective action, and how the group plans to engage, collaborate and invest to drive impact.



of the total area of native vegetation converted between 2014 and 2016 was planted with soy in 2017



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Working together

Impactful collective action



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Working together Impactful collective action

Any effective approach taken to reduce and eventually eliminate NVC in the Cerrado needs to begin by engaging producers. Understanding their current practices, challenges and motivations will be essential to develop tailored plans that work for them in each specific production region.

The Forest Code requires landowners in the Cerrado to keep between 20 and 35% of their property under legal reserve.

The Forest Code requires landowners in the Cerrado to keep between 20 and 35% of their property under legal reserve, allowing conversion of valuable natural habitats. Therefore, getting producers to go above and beyond legal compliance is a key success factor and requires a combination of market signals and incentives. Most importantly, any approach needs to balance economic profitability with environmental conservation, demonstrating that producers in the Cerrado do not face a zero-sum choice between economic development and environmental considerations. Producing soy sustainably is possible.

In 2020 the SCF will develop and implement a phased approach through a series of landscape level initiatives, in partnerships with stakeholders who share the same goals. The shared objective is to promote sustainable soy production through approaches specific to each PM. Approaches may include: financial incentives for protection of surplus of native vegetation, intensification of production (increase soy productivity, livestock farming integration, livestock intensification), enabling soy expansion over degraded areas and supporting Forest Code implementation.

The SCF is taking a 3-phased approach to collective action as shown in Figure 5.

Figure 5: Phased-approach to develop collective action



The SCF will not be able to implement this approach alone, which is why working with partners and leveraging existing approaches is so important. Any solution that ignores the linkages between value chains on the ground will not succeed.

In addition to landscape-level partnerships across the 25 PMs, the SCF members remain committed and aligned to the Grupo do Trabalho do Cerrado (GTC). They will support engagement with producers through better land-use practices and the development of voluntary incentives for sustainable production.

Boxes 1, 2 and 3 provide insights on some of the planned actions for 2020

Box 1 Action in Bahia

Restoring degraded pasture and promote intensification in Bahia

Across the 25 PMs there are still approximately over 1 million hectares of cleared areas suitable to soy and potentially available for soy expansion. Almost half of this cleared land is concentrated in Bahia state. Improving land-use practices in a way that encourages the expansion of soy to these available areas and their restoration to improve productivity will reduce the risk of NVC, without impacting the economic development of soy and cattle production for Brazil. In 2020, the SCF will begin pilot projects across Bahia to engage lead farmers across focus municipalities, assess current practices, and provide technical assistance to further increase productivity and promote expansion to available cleared areas.

Box 2 Action in Mato Grosso

Support existing and emerging jurisdictional approaches to encourage legal compliance and provide access to market for sustainable soy

The SCF will focus on identifying local drivers for NVC in Mato Grosso and work with local stakeholders to enforce legal compliance, invest in the restoration of degraded land and forest, and link farmers with financial incentives.

Box 3 Action in Tocantins

Promoting adoption of sustainable management practices and better land-use planning

In Tocantins, the SCF will engage producers in order to build partnerships for sustainable soy production through climate smart agriculture and better land-use planning.

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Next steps



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Next steps

2020 will be a critical year for environmental conservation for Brazil and other regions affected by unsustainable land-use practices. There is a compelling mandate for companies – especially those in the agricultural value chain – to do more, but a lot of uncertainty remains around the most effective way to do so.



95%

The minimum soy volume the SCF commits to report as traceable to farm by end of 2020

The role of producers and the communities they live and work in, in achieving NVC-free soy production cannot be underestimated. Tackling NVC in the Cerrado urgently requires producers, private sector and government to collaborate and drive positive change, but it should not be portrayed as a zero-sum game between economic development and environmental conservation. The two can and must coexist for any lasting solution to work.

2020 will be an important year for the SCF to fine tune common goals and individual commitments, test what works and what does not and to scale up project scope.

In June 2020 SCF members will report progress towards their collective traceability target and how this is supporting engagement with producers.

The SCF will also share an update on the implementation of landscape-level initiatives across the 25 PMs. The objective is to develop bespoke roadmaps for each of the PMs and linked to specific KPIs to measure progress over time.

Balancing Brazil's right for economic growth and the environmental imperative to conserve native vegetation is not simple. Companies in the agricultural value chain have a responsibility to contribute to the economies where they operate without jeopardizing the environmental, social and human rights of the local communities.

Despite these challenges the SCF members remain committed to scaling their individual as well as collective action towards sustainable soy production in the Cerrado and making a measurable difference.

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Appendix 1

Data and sources used in analysis of 25 PMs in Cerrado

Data name	Local Authority	Data source
Soy planted on recently converted areas	Total area (ha) planted with soy in 2017 on areas of native vegetation converted between 2014 and 2016	GTC, using PRODES/INPE
Soy area	Total area (ha) planted with soy in 2014, 2015, 2016, 2017	PAM ⁷ /IBGE
Native vegetation conversion area	Total area (ha) of native vegetation converted in 2014, 2015, 2016, 2017	PRODES/INPE
Land-use classes area	Total area (ha) covered with native vegetation, pasture, agriculture and other uses in 2017	Mapbiomas
Protected areas	Total area (ha) within Protected Areas ⁸ in 2018	GTC, using IBGE
Suitable native vegetation area	Total area (ha) suitable to soy covered with native vegetation outside Protected Areas in 2019	GTC/ABIOVE, ⁹ using TerraClass ¹⁰ /INPE and PRODES
Suitable cleared area	Total area (ha) cleared ¹¹ and suitable to soy outside Protected Areas in 2014	GTC/ABIOVE, using TerraClass
CAR coverage	Proportion (%) of total area eligible ¹² for CAR ¹³ in the municipality that was registered in 2018	Agroideal, ¹⁴ using SICAR ¹⁵ /SFB ¹⁶
CAR validation	Proportion (%) of validated ¹⁷ CAR out of total number of CAR entries in 2019	SICAR/SFB
PRA adherence	Proportion (%) of PRA ¹⁸ out of total number of CAR entries in 2019	SICAR/SFB

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Endnotes

- 1 Mapbiomas. Brazilian Annual Land Use and Land Cover Mapping Project. Available at: <http://mapbiomas.org/>
- 2 Brazilian Ministry of Industry, Foreign Trade and Services Available at: <http://www.mdic.gov.br/index.php/comercio-exterior/estatisticas-de-comercio-exterior/series-historicas>
- 3 Agricultural Census, 2017. IBGE. Brazilian Institute of Geography and Statistics (acronym in Portuguese). Available at: https://censoagro2017.ibge.gov.br/templates/censo_agro/resultadosagro/agricultura.html?localidade=0&tema=76517
- 4 Agrosatélite Geotecnologia Aplicada Análise geoespacial da dinâmica da soja no bioma Cerrado: 2014 a 2017. Florianópolis, 2018. <https://agrosatelite.com.br/cases/#expansao-agricola>
- 5 Soy planted in 2017 in areas of native vegetation converted between 2014 and 2016 in Cerrado biome, shapefile, developed by Agrosatelite. Data per Priority Municipality was obtained through GTC (Cerrado Working Group) via SCF members that have access to the database. The dataset used was dated April 2019.
- 6 Area of native vegetation converted (ha) per municipality in 2018, PRODES Cerrado, INPE – National Institute for Space Research. <http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/cerrado/increments>
- 7 PAM. Municipal Agricultural Production/ IBGE. Brazilian Institute of Geography and Statistics (acronyms in Portuguese). Available at: <https://sidra.ibge.gov.br/home/ipca/brasil>
- 8 Protected Areas in this case included Indigenous Territories & Conservation Units, except for APA (Area for Environmental Protection).
- 9 ABIOVE. Brazilian Association of Vegetable Oil Industries (acronym in Portuguese)
- 10 TerraClass. Mapping of Use and Vegetation Cover in Cerrado. Available at: <http://www.dpi.inpe.br/tccerrado/>
- 11 Cleared areas include urban areas, mining, agriculture, reforestation, extrativism, pastures and other uses.
- 12 Area eligible was calculated by deducting area of Quilombola and Indigenous territories and Conservation Units from total municipality area.
- 13 CAR. Environmental Rural Registry
- 14 Agroideal. Online territorial intelligence system for soy in Cerrado and Amazon biomes. Available at: <https://agroideal.org/>
- 15 SICAR. National System for Environmental Rural Registry. Available at: <http://www.car.gov.br/#/>
- 16 SFB. Brazilian Forestry System
- 17 Validated CAR. CAR is a self-declaration system made by farmers. Once declared, information is validated by environmental agency in relation to quantity of native vegetation and overlaps with Protected Areas and other properties.
- 18 PRA. Environmental Regularization Programme.

Acknowledgements

In 2019, the SCF connected with several organizations sharing the same goals and ambitions. The SCF would like to thank its current and future partners for making this possible.

This report, and the work of the SCF in addressing native vegetation conversion could not take place without the support from Proforest, our key Technical Partner and the generous funding of the Gordon and Betty Moore Foundation.

Disclaimer

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About WBCSD

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability: united by our vision of a world where more than 9 billion people are all living well and within the boundaries of our planet, by 2050.

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About Proforest

Proforest is a leading non-profit group that supports companies, governments and other organizations to implement their commitments to the responsible production and sourcing of agricultural commodities and forest products, such as palm oil, soy, sugar, beef, timber, and others. Five offices in four continents form the group (UK, Malaysia, Brazil, Ghana, and Colombia). Through a combination of programs and consultancy services, Proforest provides technical support, capacity building, solution development and process facilitation.

As technical partners of the Soft Commodities Forum, Proforest is providing advisory support and technical inputs for the development of a common monitoring and reporting framework, also ensuring there are links to wider sustainability and deforestation discussions. As part of this process, Proforest is part of a confidentiality agreement to maintain compliance with antitrust laws

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