

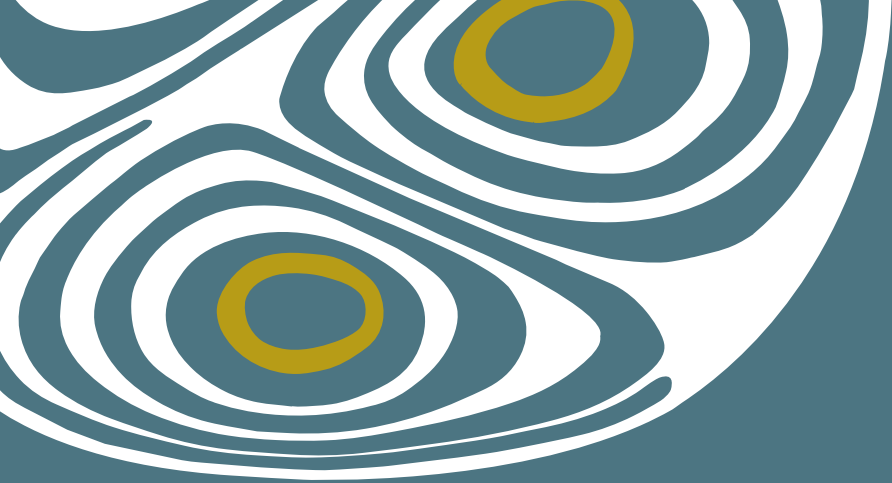


Partnerships for Forests

Strengthening sustainable sourcing commitments:

Early results
on improving
sustainability in
the Brazilian Beef
industry





Cattle ranching remains a key driver of deforestation in the Brazilian Amazon. The beef industry has been working to address the problem by improving sustainability in the value chain. Sector commitments such as the “G4” zero-deforestation agreement and state level “terms of conduct adjustment” (TACs) have been established and are in place as a means to tackle these challenges. There are, however, problems in how effective, comprehensive and impactful these commitments have been. Partnerships for Forests has provided support to a number of initiatives that are working with the Brazilian beef industry to strengthen these commitments and improve the environment for sustainable sourcing of cattle and beef. Whilst there is still much work to be done, important steps have been taken towards a more sustainable beef sector, and tools and resources are now available for those seeking to transition to sustainable, deforestation-free supply chains.

Introduction:

public and private sector efforts to reduce deforestation in the Amazon

At the start of the 21st century, deforestation rates in the Brazilian Amazon reached a record high, driven by global and domestic demand for agriculture and livestock. Under significant pressure from civil society, in 2004 the Brazilian Federal Government initiated Phase 1 of an Action Plan for the Prevention and Control of Deforestation in the Brazilian Amazon (PPCDAm). The initiative drew support from several ministries and included a range of public policies to curb deforestation in the Amazon biome, such as the designation of public unclaimed land as new Protected Areas. These positive changes first landed in the soya industry with the establishment of the Soya Moratorium in 2006. Soon after came the beef industry's turn. Following a Greenpeace report in 2009 on the sector's role in Amazon deforestation, and after good results were achieved in soya, major slaughterhouses in the Brazilian beef sector signed on to a public commitment to stop purchasing

cattle from farms that were noncompliant with national environmental and labour laws (otherwise known as the "G4" zero-deforestation agreement). In parallel, the Brazilian public prosecutors' office also pushed the industry to sign commitments called "terms of conduct adjustment" (TAC, in the Portuguese Acronym) to stop slaughterhouses from buying cattle from farms that were identified as still actively engaging in deforestation.

Under these commitments, slaughterhouses were required to set up cattle sourcing monitoring systems¹ to manage environmental and labour law compliance in their supply chains.

Figure 1. Deforestation in the Amazon (sq.km/year)²



The TAC commitments started in Pará State and after 2013 were extended across the entire Amazon Biome. While between 2004 and 2014 public policies and private commitments helped radically reduce deforestation in the Amazon biome (see Figure 1), in recent years it has been on the rise again.

Ten years after the G4 and TAC commitments started, significant challenges remain in translating these

commitments into changes in practises. These challenges include two key areas: the competitive disadvantage of compliant slaughterhouses that need to set up robust monitoring systems (slaughterhouses without monitoring systems can find suppliers easier because they are not required to conduct social and environmental due diligence when purchasing cattle) and the relative ease in which leakages (cattle from farms engaged in deforestation) in the supply chain of compliant slaughterhouses can occur.

Challenges and competition in the beef supply chain

Brazil is home to 200 million cattle spread over 107 million hectares (80% of which is land that has been converted from Amazon forests). Strong demand for Brazilian beef has created a very crowded market with production remaining uncoordinated and unstructured. As a commodity, beef is traded in a spot market where long-term supply contracts are rare. A history of conflicts and disagreements has created a lack of trust between actors across the supply chain, which poses a significant challenge for restructuring and addressing sector-wide challenges like removing deforestation. Slaughterhouses compete against each other for supply and negotiations are based on which slaughterhouse will pay a higher price compared with the spot price benchmark. At the other end of the supply chain, slaughterhouses' relationships with retailers are differentiated by their ability to supply beef at scale and at a low price, with some retailers more concerned about environmental impacts than others.

Approximately 80% of the demand for Brazilian beef comes from the domestic market. Most Brazilian consumers are not willing to pay premium prices for positive environmental impacts and without price incentives, slaughterhouses have little incentive themselves to change their practices, but are only motivated by international pressure, civil society and legally binding commitments that they have subscribed to. Evidence to date suggests sustainable sourcing commitments can help control deforestation in the beef supply chain³. For example, a recent report has demonstrated that cattle ranchers who engaged in deforestation after 2009 were three times more likely to be located outside the reach of slaughterhouses that are signatories of non-deforestation commitments. While this does not eliminate the possibility

of cattle being sold to uncommitted slaughterhouses, it does indicate that ranchers are less likely to deforest if committed slaughterhouses command a larger share of the market in their region. Targeting the commitment of slaughterhouses should therefore be a priority; however, there remains a significant number of uncommitted slaughterhouses even in 2020. Of the 132 slaughterhouses operating in the Amazon, only 100 are a signatory of any of the commitments. And of these, only 56 have undergone an audit on those commitments.

There are several major challenges in asking all slaughterhouses to commit to zero deforestation in their supply chains. Firstly, there is a competitive disadvantage between committed and non-committed slaughterhouses. In Pará State, for example, of the 45 slaughterhouses registered in the State and Federal Inspection systems, only 32 are signatories of the State TAC⁴ creating an additional burden for them to secure suppliers. Slaughterhouses that are signatories of the Pará State TAC face a competitive disadvantage in their negotiations with suppliers that cannot be mitigated by offering premium prices. Amazon Biome TAC signatories face the same challenge.

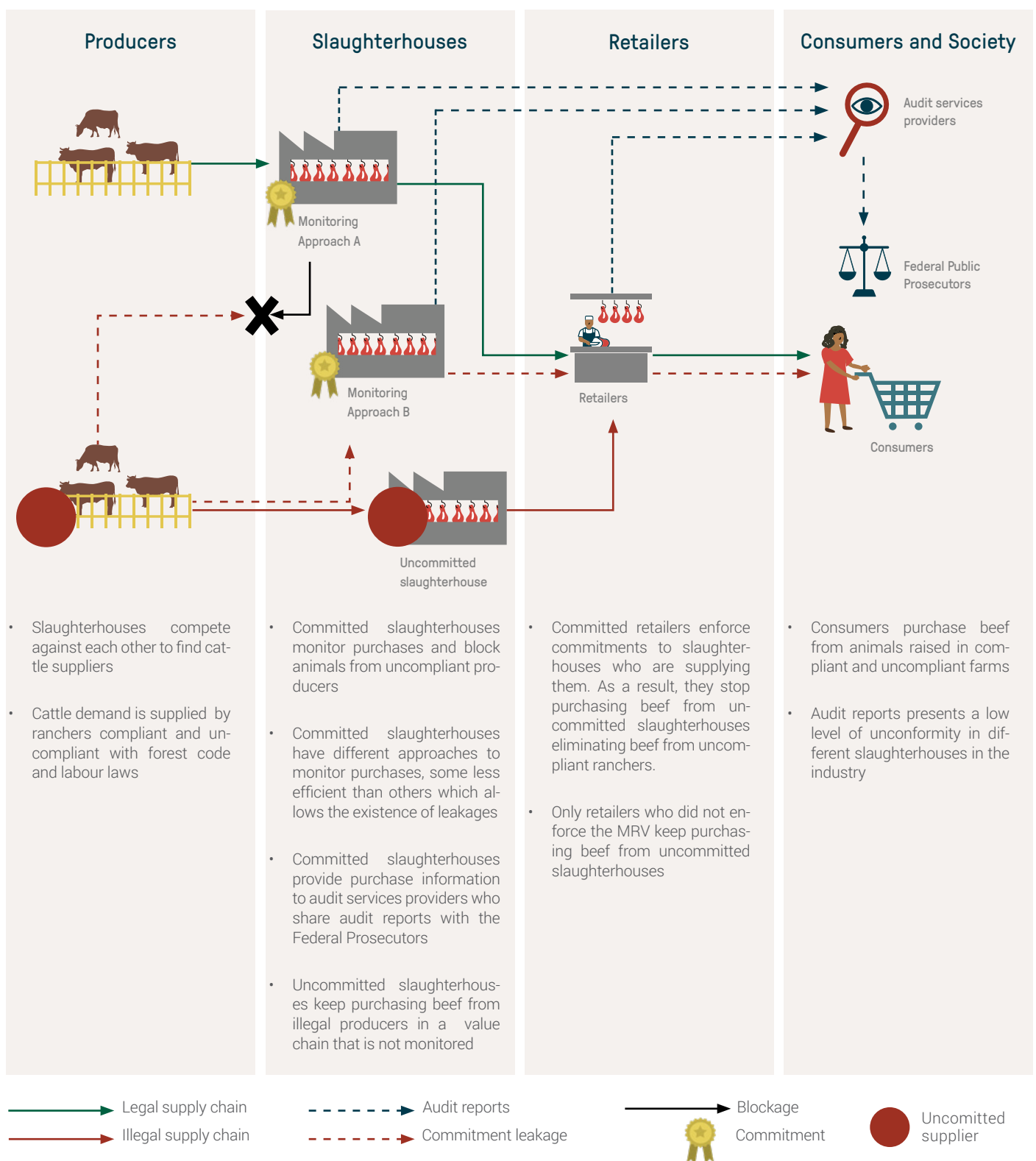
Secondly, there are different levels of compliance among slaughterhouses that are TAC signatories, which can lead to leakages in the sustainable supply chain. As demonstrated in Figure 2, of committed slaughterhouses, those with weaker monitoring approaches (blocking purchases from fewer producers in the same region) are likely to create leakages of deforestation-linked beef. Since there are no widely accepted standards on how to monitor socio-environmental

commitments⁵, slaughterhouses each establish their own approach. The other issue is the disadvantage that committed slaughterhouses have compared with uncommitted ones, with the former having comparatively more difficulties in sourcing cattle than the latter.

As a result, retailers have no assurance that environmental commitments have been strictly followed by slaughterhouses and consumers end up purchasing beef produced by ranchers engaged in deforestation.

As part of Partnerships for Forest's (P4F) support in the beef supply chain, the programme has been focused on addressing these two gaps through its work with the Beef on Track initiative.

Figure 2. Beef Supply Chain with leakages in sustainability commitments



The Beef on Track Initiative

The Beef on Track initiative was developed by Imaflora – a non-profit, non-governmental organisation (NGO) in Brazil – to tackle the challenges in the beef supply chain and strengthen the social and environmental commitments undertaken by actors in that supply chain. Established in 2019, the initiative has worked to achieve this by:

BEEF_{ON} TRACK

1. Working closely with industry stakeholders to develop a single monitoring, reporting and verification (MRV) approach comprising monitoring and audit protocols to reduce leakages in the supply chains of committed slaughterhouses.
2. Providing training and continuous support in implementing unified monitoring and audit protocols and developing a transparency platform where audit reports and information about implementation of the protocols are made openly available for public access.



A unified approach to reduce leakages in sustainable supply chains

With P4F support in stakeholder engagement, Imaflora experts have successfully cooperated with slaughterhouses, public prosecutors, other NGOs and retailers to improve the guidelines and technical instruments needed to monitor and verify the commitments⁶. This support has allowed the initiative to expand its outreach to include federal prosecutors in the states of Amazonas, Rondônia and Acre, increasing the number of stakeholders in the public sector. The involvement of these actors has strengthened enforcement of protocol rules by TAC signatory slaughterhouses and this broadening of stakeholder representation in the initiative has been an important contributor to progress in delivering change by ensuring that public and private sector efforts are better aligned and coordinated.

The adoption of the unified monitoring protocol by federal prosecutors will mean that all committed slaughterhouses will have to adopt it to monitor their cattle purchases. Using geospatial analysis to identify illegal deforestation or activities

on indigenous or embargoed areas, slaughterhouses will need to apply this approach to block purchases.

In other words, if one slaughterhouse blocks a cattle purchase from a noncompliant producer, others will have to follow suit given they will be using the same approach.

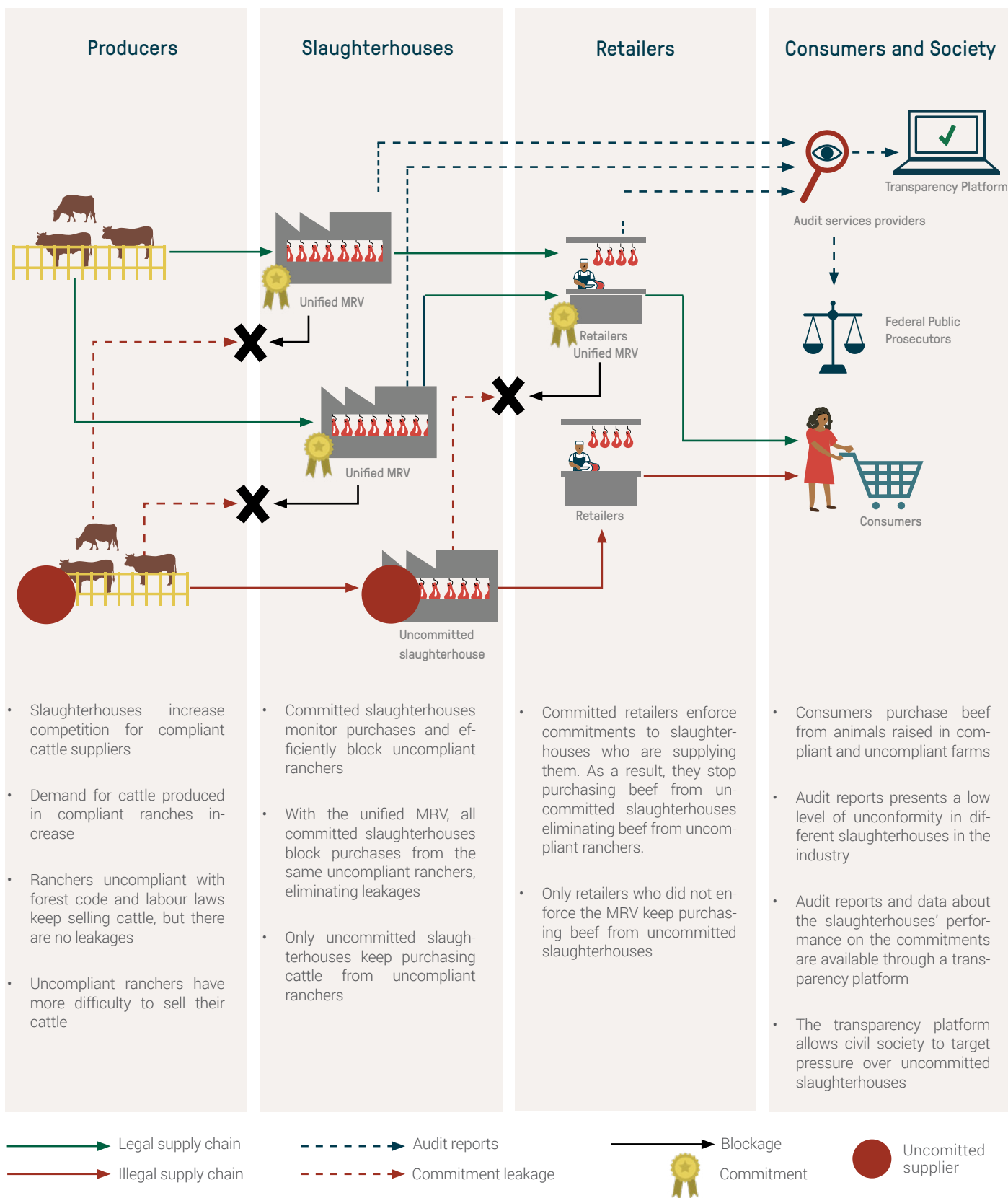
With an online platform to supplement this, these measures are expected to significantly reduce leakages within the individual supply chains of committed stakeholders (see Figure 3). This will also help retailers reduce contamination in their supply chains and improve transparency.

Similarly, the new audit protocol and platform will help ensure standardised audit reports are developed to the same standards,

are publicly available and will assess the results of all committed slaughterhouses. This will help improve accountability and public transparency around which companies are doing better than others. This level of peer pressure is expected to further encourage companies to improve their performance (i.e. by

reducing irregularities in their audit reports). It will also allow civil society to target pressure towards companies who have not adopted any commitment, or who are not effectively monitoring their direct cattle suppliers.

Figure 3. Beef Supply Chain after formalisation of the unified monitoring protocol (Situation after Beef on Track intervention)



A stakeholder engagement approach through training and transparency

P4F provided training and information to 130 people from 77 companies (TAC-committed slaughterhouses, monitoring service providers and audit firms), supporting the implementation of the new monitoring protocol rules in the states of Pará, Mato Grosso, Amazonas and Roraima. This training provided stakeholders with information and practical guidance on the main rules of the monitoring protocol and how to implement it within their own organisational monitoring tools and approaches.

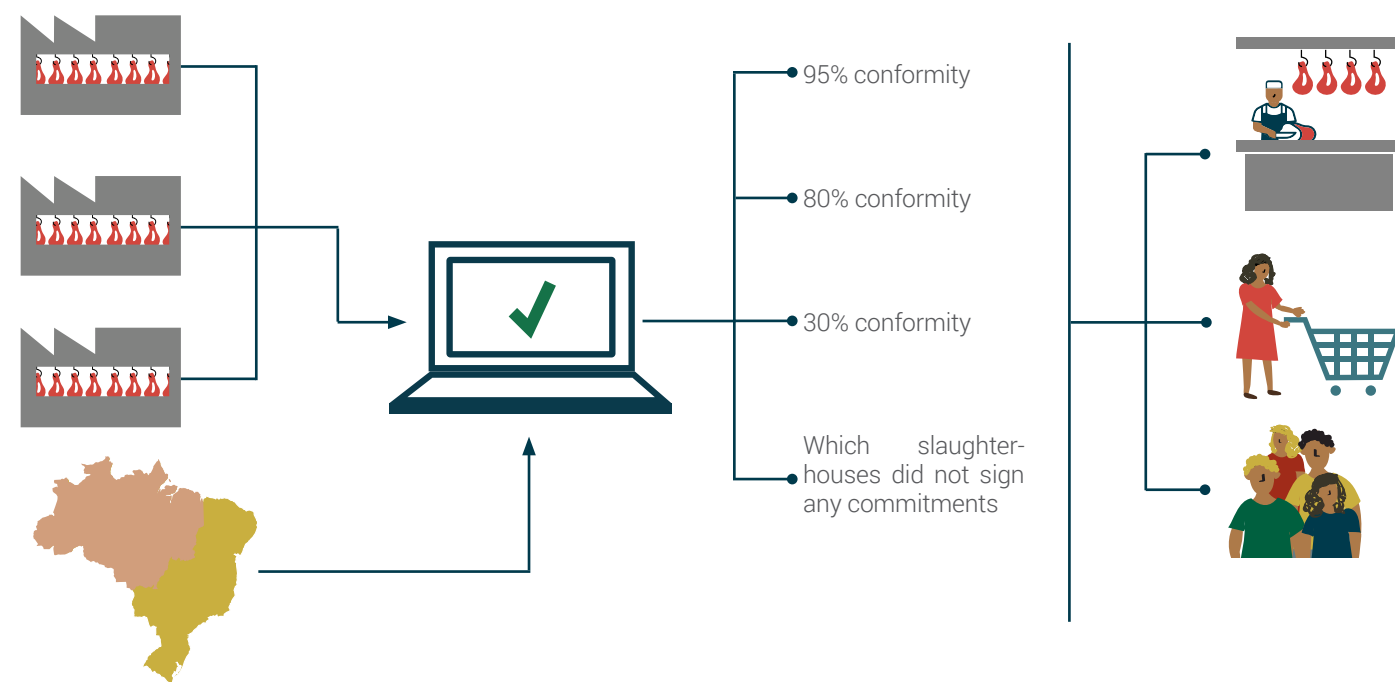
The initiative also established a support help desk and website for slaughterhouses and beef sector stakeholders to support them in implementing the unified monitoring protocol as well as acting as a channel for the delivery of official communications and guidance materials. Five open webinars to engage stakeholders in discussions around the monitoring protocol rules and their implications have been published and are available for wider consumption on Imaflora's YouTube Channel⁷.

"The Beef on Track initiative presented the new rules of the monitoring protocol in an event with wide participation of meatpackers in the state. It was an important aid in the effort to keep us up to date with the latest rules and approaches in monitoring animal purchases."

Jovenino Braga – Executive Secretary – Mato Grosso State Slaughterhouse Union (SINDIFRIGO/MT)

Finally, a transparency platform was launched in October 2020 (figure 3), and the results from audits on the slaughterhouses are now publicly available. Beef on Track's stakeholder engagement approaches work both ways, providing stakeholders and the general public with information on which slaughterhouses need to improve their monitoring of cattle suppliers while offering tools and training to relevant stakeholders to materialise that improvement.

Figure 3 – Beef on Track transparency platform



- The transparency platform developed with support from P4F and managed by Imaflora receives audit reports from committed slaughterhouses
- The platform crosses information from the public prosecutors, with data of the slaughterhouses operating in the Amazon from public databases
- The platform provides updated information about the slaughterhouses' levels of compliance with the commitment
- Retailers, consumers and civil society have updated information about the status of all slaughterhouses operating in the Amazon
- This allows for informed consumption decisions and targeting pressure over slaughterhouses who are not compliant, or not committed.

P4F's support for Beef on Track

Overall, improving stakeholder engagement processes has been the focus of support directly provided by P4F over the last 12 months. This support has delivered more effective engagement processes, increasing the number of stakeholders reached and training and support developed and delivered. Through P4F support, Beef on Track has developed a transparency platform that gives society, consumers and retailers full access to reliable and up-to-date information on the level of compliance of slaughterhouses in the Brazilian beef sector. Consumers and wider society are now able to target pressure at the specific actors in the beef sector that are noncompliant or that are not yet committed to improving sustainability in their operations. These are all significant advances that have strengthened sustainable sourcing commitments in the Brazilian Beef industry.

Going forward, P4F will also provide Imaflora with support for targeted engagement of those stakeholders that are not yet committed to removing deforestation from their operations and supply chains, not only pushing for the

adoption of a commitment, but also providing knowledge, materials, training and webinars to facilitate the changes that are needed to transform the Brazilian Beef industry.

P4F SUPPORT COVERED THREE MAIN OUTPUTS:

- Supporting the engagement of federal prosecutors and beef industry stakeholders in implementing a **unified monitoring protocol** through training and continuous support
- Supporting the engagement of federal prosecutors and beef industry stakeholders in implementing a **unified audit protocol** through training and continuous support
- Achieving enhanced transparency through a robust public database available to all stakeholders in the beef sector



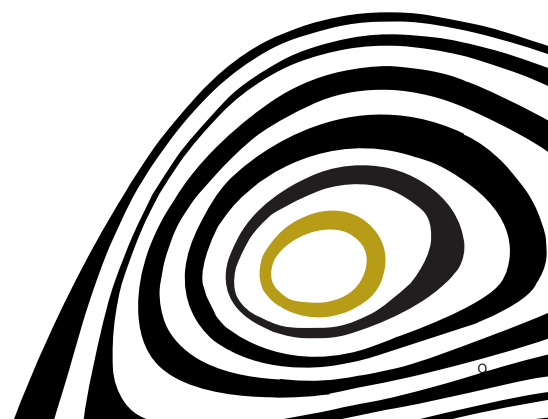
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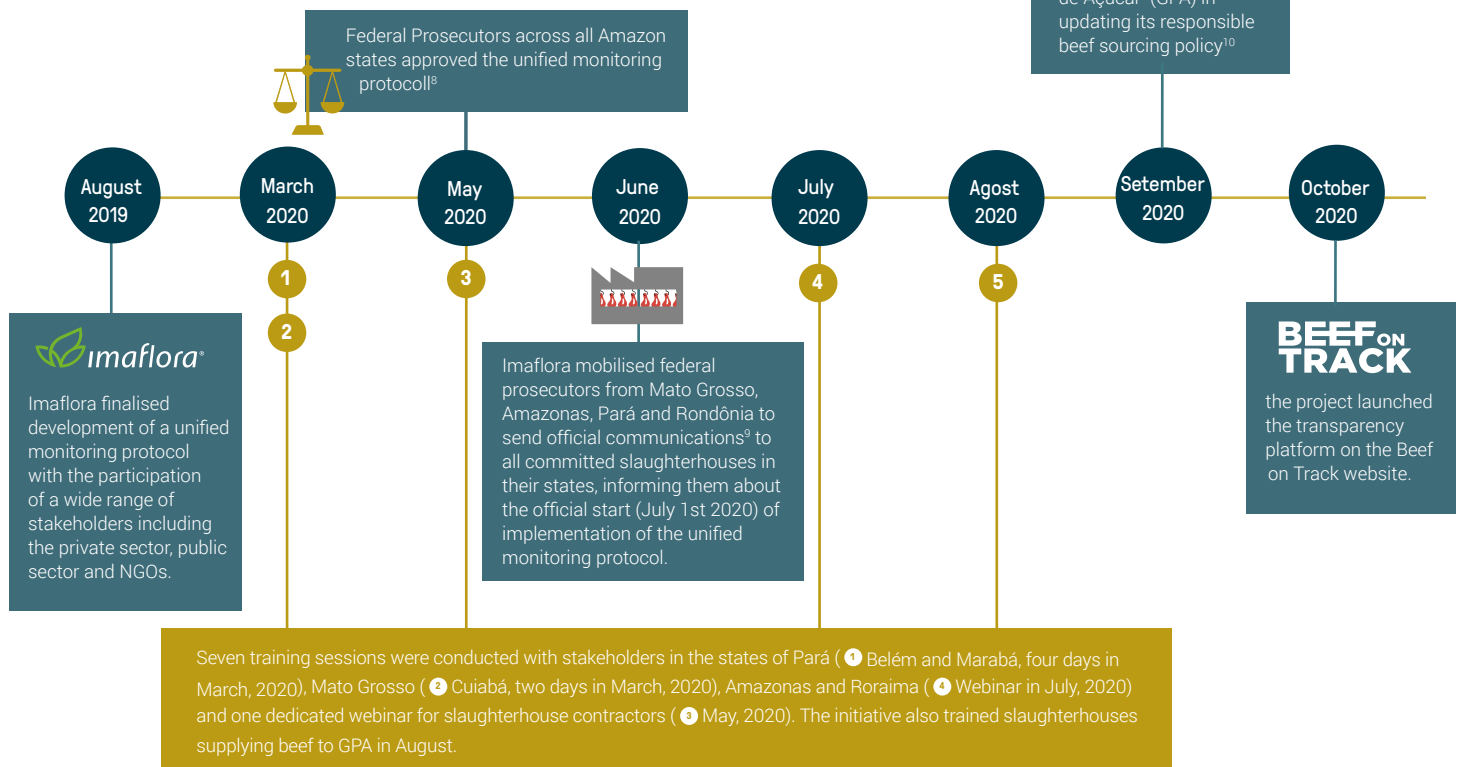
“P4F's financial and strategic support has allowed the Beef on Track Initiative to expand its strategies and activities in terms of the number of events and new locations in the Amazon, including the States of Acre, Amazonas, and Rondônia. New activities have also been introduced, such as training meatpackers and audit firms on the procedures for verifying commitments and producing written and digital materials to support the dissemination of the project to retailers and meatpackers, with an emphasis on the Beef on Track transparency platform. As a result, more stakeholders have been engaged and trained, and the technical content produced has been made available to all stakeholders, directly supporting their engagement.”

“Imaflora and P4F were fundamental in orchestrating and building upon the unsynchronised efforts of stakeholders looking to improve sustainability in the value chain. The initiative acted as a catalyst for this process, facilitating and providing momentum for a transformation that otherwise would never occur.”



Timeline

Beef on Track has achieved significant results since inception. These include engagement of critical stakeholders in the public and private sectors, communicating the monitoring protocols developed so far, developing relevant educational materials in a wide range of formats (including reports, videos and learning materials) and enabling change in private-sector actors' internal policies through training and continuous support to deliver knowledge, skills and further change. A timeline of key milestones is presented in the figure.



Next Steps

In 2021, work will continue to focus on continued stakeholder engagement and on the engagement of uncommitted slaughterhouses to sign onto the TACs. It is expected this will strengthen the transparency in the supply chain and reduce the competitive disadvantages that committed slaughterhouses have, compared to those that are uncommitted.

Additionally, Beef on Track will continue supporting actors to accelerate the implementation of the unified monitoring protocol and provide opportunities for discussion on the unified audit protocol. To this end, discussions are ongoing with the Responsible Beef Partnership project in order to identify synergies and share lessons.

Two upcoming reports will help provide more information on Imaflora's work. The first report, due at the end of 2020, will showcase the project's potential impact in controlling deforestation in the sector and a pathway for future improvements

on the MRV system. The second report due in 2021 will share details of the 10-year history of TAC commitments, showcasing the achievements to date and a comparison between the situation before and after the unified monitoring protocol.

Beef on Track will continue with regular "Quinta do Boi" webinars, engaging private and public sector actors to discuss their challenges and experiences implementing the MRV system. They will also target engaging uncommitted Tier 2 slaughterhouses operating in the Amazon to formalize adoption of these commitments, further reducing the market for unsustainably produced beef. A clear pathway exists for building on these early results in improving sustainability in the Brazilian Beef industry.

Learn more about P4F's strategy for sustainable cattle ranching in the Amazon by accessing our knowledge products.

References

¹ A distinction must be made between supply chain traceability and monitoring. While traceability is an ex-post (i.e. after the fact, in this case the supply of beef) approach to track the origin of a product and the steps it went through before reaching the end consumer, monitoring is an ex-ante (i.e. before the event) and ongoing approach that can halt the sourcing of animals if they fail to meet specific criteria.

² Instituto Nacional de Pesquisas Espaciais – INPE. (2020). Available at: <http://www.inpe.br/noticias/noticia.php?Cod_Noticia=5465>; Accessed August 20, 2020.

³ Skidmore, M. et.al. (2020) "Characterizing compliance in cattle supply chains: What factors encourage deforestation-free production in the Brazilian Amazon?". University of Wisconsin-Madison (Gibbs Land Use and Environment Lab – GLUE). Available at: <https://www.supplychainresearch.eco/effectiveness>; Accessed: August 20, 2020.

⁴ Armelin, M.J.C; Burnier,P.C.; Grossi, N.T.B.R. (2020). "TAC da carne no Pará e Compromisso Público da Pecuária". São Paulo -SP: Amigos da Terra: Amazônia Brasileira. Available at: <https://www.amigosdaterra.org.br/wp-content/uploads/2020/05/Estudo_10_anos_TAC_e_CPP.pdf>; Accessed: August 20, 2020

⁵ Souza, L. I.; Piatto, M; Garcia-Drigo, I. (2020) "Pecuária bovina na Amazônia: a estreita linha entre a legalidade e a ilegalidade". Available at: <https://www.boinalinha.org/publicacoes>; Accessed: August 20, 2020.

⁶ Source: <<https://www.beefontrack.org/about>>

⁷ Available at: <<https://www.youtube.com/channel/UC3ORCV-t8YVyKhq3i4yl27Jg>>

⁸ Available at: <<https://www.beefontrack.org/copia-publicacoes>>

⁹ Available at: <<https://www.beefontrack.org/copia-publicacoes>>

¹⁰ Available at: <<http://www.gpari.com.br/wp-content/uploads/sites/108/2020/09/Politica-de-Compras-de-Carne-Bovina-PT.pdf>>



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