

DISCLAIMER

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Workshop on Soy Transparency in Brazil

Meeting Report and Key Messages

Date 27 October 2022, 9h00 – 14h00

Location Residence of The Netherlands Embassy in Brasília

Introduction

The Embassy of the Netherlands, on behalf of the [Amsterdam Declarations Partnership](#) (ADP), organized a workshop with a selected group of active experts working on transparency in the soy supply chain on the 27th of October 2022. The aim of this workshop was to foster a ‘pressure-cooker’ discussion between different stakeholders on the future of Brazilian soy, specifically on opportunities and challenges regarding transparency in this supply chain, in order to address deforestation and the upcoming EU legislation on deforestation-free commodities.

Brazil’s soy production is one of the largest in the world and still growing. The 2022/2023 harvest is expected to set a record for the country. As deforestation is still on an overall negative trend in Brazil, the tensions between buyers (who need 100 % certainty of a product to be deforestation free) and producers (who cannot prevent contamination in a commodity product without high costs) rise.

The ADP, a partnership of nine European countries, aims to enhance the dialogue with major consumer and producer countries and enhance transparency and sustainability of supply chains. This was also at the core of the workshop: unlocking the potential of cooperation, inspiration and action-taking to accelerate the transition in the area of traceable value-chains without deforestation. The workshop was attended by representatives of Brazilian and international organizations who actively shared their experience and ideas on the challenges and opportunities within the soy sector.

In this meeting report, the main content and outcomes of the workshop on soy transparency are summarized.

Part 1: Trends & Opportunities in Brazilian Soy

During the first part of the workshop, two different presentations discussed the trends and opportunities in Brazilian soy, linked to the transparency debate. This was followed by a brief overview on existing initiatives and other approaches that stimulate transparency and traceability.

The first presentation highlighted the important environmental service that soy producers provide for Brazil (maintaining forest on their plots of land (*‘reserva legal’*) and CO₂ sequestration. This should be taken into account more. Also, the importance of sustaining the fertility of Brazilian soy where fertilizers and crop rotations play a role was put forward. Furthermore, the social economic impact of Brazilian soy associated with corn was underlined: it creates about 7 million jobs. In the poorest municipalities around São Paulo, the soy sector has advanced and planned agriculture has made a difference in people’s everyday lives.



The second provided insights into the exports of soybeans, bran, and oil from the main ports in Salvador and Vargem Grande to among others the EU. It is possible to ship soy to the EU that is completely free of deforestation and traced but it comes at a higher cost. A sample shipment of 100% deforestation free soy to France proofed this. However, the additional costs for the traceability of the product will approximately be around 30 USD per ton. In short, the reality of the future EU legislation in relation to the complexity of exports is that prices will rise. The question is who will be willing to pay for this. Overall, the soy deforestation risk threshold is less than 1%.

The third presentation their preliminary findings of a comparison study into transparency initiatives and certifications (technical requirements). Looking at various certification standards, such as RTRS, the Soy Moratorium, SBSRS, the Selo Verde, and Private Standards and compliance with future EU legislation on deforestation-free products, rural producers, and especially small-scale farmers, will have more difficulty with compliance and they tend to avoid participation. This is a gap where the responsibility of the large-scale farmers plays in, and it demands a contribution from investors. In sum, one should also look at the role that banks and other financial institutions play in the supply chain and in transparency/traceability.

1st Break-Out Group Discussion: What is missing in the soy supply chain regarding opportunities for transparency?

Following the presentations on the future of soy, participants were asked to discuss the transparency gaps within the soy supply chain. A summary of the key messages and questions raised during these discussions are presented in the table below:

What is missing?	Explanation
Business model	<ul style="list-style-type: none"> • It is unclear who will finance the traceability and especially the control process. • It is unclear who will bear the external costs. • Sufficient finance for reforestation. • Sufficient environmental services payment systems
Knowledge / Data	<ul style="list-style-type: none"> • Federal platform for integrated data (CAR, NAPA). • Lack of data without bias to explain the relationship of production and conservation. • Lack of clear communication on official data. • Harmonisation of progress reporting on eliminating deforestation.
Small-scale farmers	<ul style="list-style-type: none"> • There are no incentives for the producers, especially not for the small-scale farmers.
Political will	<ul style="list-style-type: none"> • There is no public policy on transparency in Brazil.



Certification	<ul style="list-style-type: none"> • Control of illegal deforestation. • Lack of (simplified) certification mechanisms for consumers. • There is no qualification of understanding about (1) where deforestation occurs and (2) which actors are involved.
Communication & Image	<ul style="list-style-type: none"> • There is not a symbiotic relationship between BR and the EU; communication between EU-BR in general. • There are different stories and perspectives. • Communicating on official data. • Involving local community agencies. • It is fundamental to look at the positive side too. • Acknowledging what is already happening on the ground.

Part 2: Perceptions EU Legislation

The second part of the workshop focused on perceptions from soy sector representatives, civil society and outsiders on the future of soy in relation to the upcoming EU legislation on deforestation-free products.

The first presentation of the second part underlined the importance of filling in the gaps in transparency. Soy is one of the largest drivers of deforestation and Brazilian producers sometimes produce even more than the forest code allows them. Nature conservation is at the core of protecting wildlife habitats and forests to mitigate climate change, and to prevent market loss. When discussing transparency of the soy supply chain, the costs of implementing certain legislations and traceability mechanisms need to be recognized in light of the farmers. In doing so, higher volumes of credit need to become available to the producers as well. However, a bigger agreement that would encompass the entire sector or a large section of the sector could bring the costs of compliance down significantly, for example when looked at the soy moratorium.

The second presentation deliberated that although production of soy removes native vegetation - which challenges ecosystems - soybeans produced in Brazil are one of the most sustainable in the world. The presentation provided insights into sustainable agricultural techniques happening in Brazil, especially Mato Grosso, by discussing the transformations of a farm in less than 17 years. Crop and livestock integration is key to creating sustainable agriculture, and it is imperative to lower the carbon emissions by not using hydrogen, erosion control, ecological corridors, and no-till farming. These are positive developments compared to other farmers in the world. A challenge with sustainable agriculture is the profitability of the farmer. Farmers do not only produce agricultural goods, they also have to protect native vegetation (*'reserva legal'*) on their properties without receiving payment for it. Furthermore, those who deforest ruin it for the ones that are trying to produce in a sustainable way.



The third presentation discussed the coming EU regulation on six commodities which will become applicable for all the European Union’s trade partners. Becoming compliant will require investments, but it also will provide a return on investment as it strengthens competitiveness and sustainability. The demand for sustainable products will probably increase in the coming years. With regards to the implementation, one could think of geolocation data as SPS requirements already use that.

The fourth presentation demonstrated virtually the ways to improve transparency and traceability within the supply chain of soy. Practically, a dummy dashboard is built which will provide sustainability insights of agri-commodity imports. The first step within the creation of this dashboard is to focus on the Netherlands, and then the rest of the world. The dashboard is aimed at allowing every user to get information on the environmental and social impact of the agri-commodity flow. It will demonstrate differences within and between chains so that users can compare the transparency of commodities. Ultimately, the dashboard will distinguish between different regional levels, and insights into the national legislation of each country will become part of it too. In doing so, this is the first phase in the due diligence process as the market requires to become transparent.

2nd Break-Out Group Discussion: What would be opportunities for cooperation – in the next 2-3 years – to improve compliance with the future EU legislation through existing initiatives and through Brazilian legislation?

The second break-out group discussion enabled all participants to explore the opportunities for cooperation to improve compliance with the future EU legislation through existing initiatives and Brazilian legislation. A summary of the key messages and questions raised during these discussions are presented in the table below:

What are opportunities?	Explanation and actions
Brazilian legislation / CAR	<ul style="list-style-type: none"> • Start with dry-run tests and pilots to test social and environmental compliance. • Recognize CAR as a transparency tool in the EU. • Validate CAR for compliance. • Legislation on traceability as a means to lower costs.
Common platform	<ul style="list-style-type: none"> • Create a common platform for sharing information and knowledge. • Create a common platform for discussion and diplomacy between the EU, Brussels, the private sector, NGOs (based on the positive experience of other VPA’s e.g. EU-Indonesia – FLEGT-EUTR).
Private sector	<ul style="list-style-type: none"> • Provide technical assistance. • Share information and knowledge; discuss how to measure. • Refine target group.



	<ul style="list-style-type: none"> • Separate crooks from compliant (separate the wheat from the chaff).
Finance	<ul style="list-style-type: none"> • Compliance costs. • Payment for ecosystem services for active environmental areas.
Dialogue	<ul style="list-style-type: none"> • Identify common incentives and outcomes. • Organize a bilateral dialogue to negotiate. • Continued dialogue between Brazilian production sector, civil society and EU.

Wrap-up and Key Messages

In the wrap-up opportunities for stimulating transparency in the soy supply chain was translated into more action-oriented follow-up that can be undertaken to improve compliance with the upcoming EU legislation and to untap potential collaborations to strengthen transparency within the soy supply chain. The following actions are leading in the pathway towards a future-proof soy supply chain between Brazil and the EU:

- **Explore Common Ground Together**
 - A dialogue between different perspectives needs to be organized because that stands in the way of reaching compliance and satisfaction among all. There are different sides to the challenges within the soy supply chain. Through dialogue, knowledge sharing but also identification of common incentives and outcomes, rapprochement between opposing stakeholders will become easier. It is key to understand what happens at the other side of the ocean. Creating a common platform that organizes and shares knowledge and information is a tool to bring different stakeholders together.
- **Unlock the Potential**
 - There are already various instruments (e.g. CAR, NAPA) that smoothen the transparency of the soy supply chain but sometimes there is a lack of knowing how to disclose these instruments. It is imperative to have in mind what each stakeholder can do in collaboration with different sectors. Also, there are new instruments being developed – such as the agri-commodity dashboard– which could accelerate the transition to a more transparent supply chain.
- **Qualify the Debate**
 - There are different stakeholders involved, and especially different types of farmers. For legislation to be effective, farmers need to have context-specific solutions that enable them to take part in the certification and transparency transition.