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Soy Moratorium – Next Steps

1) Soy is not an important factor in the Amazon deforestation

Soy occupies approximately three thousandths (3/1000) of the Amazon Biome, therefore it does not have a relevant role in the Amazon forest deforestation process.

The oleaginous was severely criticized during the last 3 years under the allegation that it was pressuring the forest, however the empirical planting data indicate the contrary: the area planted with soy was reduced by 2 million hectares in relation to the peak of 23.3 million hectares in 2005.

INPE (DETER system) announced recently high deforestation data for the month of April in the State of Mato Grosso, and the new Minister of the Environment imputed the blame for the results to pressures of livestock and soy production.

It is premature to speculate that soy is one of the significant causes of current deforestation. Even with the strong increases in international prices, which is counterbalanced by the increase in production costs and the Brazilian currency appreciation, the area that will be planted in the next 2009 crop is smaller than the acreage registered in 2005.

On May 30, the USDA United States Department of Agriculture estimated an area of 23.2 million hectares and a production of 64.3 million tons. The main publication of the sector - Oil World of Germany – published a lower projection of 22.4 million hectares on May 23 saying that “for Brazil we expect an increase in the soybean crop to 63.4 Mn t in early 2.009 (against 60.8 this year) but it remains to be seen whether our estimate of an increase in the area by 1.1 Mn ha can be reached.”

Area (in thousand hectares)	CONAB						Forecast for 2009	
	2003	2004	2005	2006	2007	2008	USDA	Oilworld
MT	4,420	5,241	6,105	6,197	5,125	5,657	NA	NA
Brazil	18,475	21,376	23,301	22,749	20,687	21,219	23,200	22,400

Production (in thousand tons)	CONAB						Forecast for 2009	
	2003	2004	2005	2006	2007	2008	USDA	Oilworld
MT	12,949	15,009	17,937	16,700	15,359	17,738	NA	NA
Brazil	52,018	49,793	52,305	55,027	58,392	59,503	64,300	63,400

NA – not available

2) Moratorium reached a satisfactory result, except in government actions

On July 24, 2006, the Associação Brasileira das Indústrias de Óleos Vegetais - ABIOVE and the Associação Nacional dos Exportadores de Cereais – ANEC and its members declared a moratorium for a period of two years for the purchase of soy produced in the Amazon Biome that was originated from areas that were deforested from that date onwards.

The corporate sector committed itself to work jointly with the Brazilian government bodies, rural producers and civil society organizations during this emergency period of two years, to improve governance, and seek to harmonize environmental preservation with socioeconomic development, through the responsible and sustainable use of Brazilian natural resources.

Gradually, a relationship of confidence was built in the Soy Workgroup - GTS and a common agenda was developed. The engagement of the sector and of the NGOs was a complete success in relation to the work agenda that was performed and controlled until then independent from the Federal Government and the States.

a) Mapping and Monitoring

The mapping and monitoring system for soy planting in the Biome was implemented with success, using as a base maps and official data on deforestation. One hundred and ninety-three (193) deforested areas selected together by NGOs and companies were inspected, and a pilot project was carried out in three municipalities of Mato Grosso. No soy plantations were found in those areas, and monitoring may have contributed to discourage new deforestation.

b) Education and Awareness

Strategies were developed to encourage and to influence soy growers to meet the Brazilian Forest Code provisions, as the distribution to soy growers, researchers and others booklets on best production practices. The participating companies also dealt with the theme of days in the field. It was noted that the representative entities of rural growers are also developing a proactive agenda to influence their members on environmental issues.

c) Public Policies

The GTS did its part. It assisted and insisted with the Brazilian Government that it define, apply and comply with public policies (Economic-Ecologic Zoning, land regularization and environmental licenses) on the use of the land in that region. But policy improvements depend on the initiatives of the government, which have been slow and insufficient.

There are optimistic expectations in relation to the new Minister of the Environment – Carlos Minc. He defends sustainable production and proposes to expedite the implementation of important tools to guide production development and improve inspection conditions, measures that arrive at a good time, since private monitoring efficiency is not totally efficient and it is greatly reduced over time.

3) Industries and trading companies will extend the moratorium for another year

ABIOVE and ANEC and its members decided to extend the Soy Moratorium. Minister Carlos Minc suggested that a joint event with the corporate sector and NGOs should be held in Brasilia soon, with the objective of jointly announcing that the Moratorium will be extended in its original conditions for an additional term of one year, period that the Minister of the Environment established to implement the Economic-Ecologic Zoning - ZEE. It was an agreeable surprise to learn that the Minister is interested in the Soy Moratorium and his determination to expedite the approval and adoption of the ZEE.

Zoning corresponds to a very important evolution in environmental management of the Amazon Biome, This tool is going to put in order the correct use of the land in the region, providing guidance to productive investments according to their environmental, social and economic characteristics and how they fit in relation to each state. Currently, there is no specific official guidance on where to produce soy.

The Forest Code established for the whole Amazon Biome (419 million hectares or 101 times the area of the Netherlands) a single percentage of Legal Reserves of 80 percent per property. It occurs that 50 million hectares of the Biome were never

forests, and that all the vegetation diversity, from fields to forests, is being treated exactly the same way.

4) Getting closer to growers will improve controls and sustainability

We must discuss the ways to attract soy growers to take part in the discussion and management of the moratorium, without giving up on the combat of illegal deforestation. Bearing in mind that by the Forest Code growers must preserve four hectares for each deforested hectare with legal authorization, the possibility that the moratorium recognizes this situation in the future should be evaluated, allowing the purchase of soy from the new legally deforested areas. The initiative promotes good examples, rewarding the responsible soy grower that maintains legal reserve areas and permanent preservation areas (APP). In addition, it has the objective of providing for the economic feasibility of the productive activity, generating resources to cover expenses with the obligation of conserving the property. Only with the participation of soy growers will it be possible to establish an effective control of the deforestation.

5) Brazilian environmental legislation is more rigid and all-inclusive

Brazilian agricultural production is submitted to the most rigid and complete environmental legislation in the world. In addition to being mandatory to preserve riparian vegetation at the margins of rivers and waterbeds, the Forest Code establishes the obligation of rural growers located in the Amazon Biome maintaining 80 percent of their properties as legal reserves. There is no financial support from the government to compensate growers for this mandatory environmental service. The burden means to obtain no income from 4/5 of their property and to have expenses to conserve it, and that is why the Brazilian law created as a consideration the right of the owners to explore productively the remaining 20 percent.

6) Incentives to Maintain the Standing Forest

There is no type of payment for the deforestation prevented by maintaining the vegetation in 80 percent of the legal reserve and since it is mandatory, it is not eligible for the Clean Development Mechanism (CDM), created by the Kyoto Protocol. Furthermore, there still does not exist in place any system that compensates rural growers for the opportunity cost of renouncing to the legal right of deforesting 20 percent of their properties to use economically.

7) Compliance to Brazilian Environmental Legislation establishes Governance

The main problem of the Amazon Biome is the difficulty, and in many cases, the impossibility of identifying the owner of the land that was illegally deforested to enforce the penalties provided in the Law. An expressive part of the region does not have well-defined property rights and is the target of predatory exploitation.

In the future, the commercialization of soy produced in legally deforested areas after the moratorium was announced can be an instrument to improve sustainability, since it is going to guarantee environmental preservation of an area four times larger than the one that has been deforested. It is important that the Moratorium encourage compliance to the Law, that it differentiates the treatment extended to growers that deforest legally from growers that deforest illegally. Only rural growers that have property environmental licenses will receive authorization to deforest legally, after the property is geo-referenced, growers proves that they are complying with the environmental legislation now described and submit their land ownership documents.

The licensed farm will then be monitored on line by the government satellite system (INPE) and if growers deforest illegally, they will be easily penalized, including with the embargo of their economic activities and the sale of their real estate. The governance of agricultural properties is what we wish the most. Is there any governance system more transparent and efficient in the world?

8) Without economic sustainability growers that provide environmental services will become deforesters.

The balance of the three pillars of sustainability to produce in a socially fair, economically prosper and environmentally correct way must always be pursued.

Brazilian rural growers must produce according to the law and obtain income, or else they will be pushed to clandestineness to survive, and then they will not respect the environment.

Daniel Nepstad of IPAM, in an interview to the Financial Times published on May 27, stressed the importance of creating economic rewards when he commented on a proposal to reduce the legal reserves from 80 percent to 50 percent: “if there were clear economic benefits to those who comply at the 50 per cent level, the result would be a decline in deforestation.”

9) Preconditions to extend the Moratorium

- a) Extending the moratorium for an additional one-year period only makes sense if there is a firm attitude of the GTS in the sense of insisting with governments to implement structuring public policies that effectively improve the Amazon Biome governance and provide guidance to corporate sector activities. A firm commitment is required from the Brazilian government in the sense of giving priority to implementing the Economic-Ecologic Zoning. The lack of significant progress in public policies and in inspection actions discourages the participation of companies and associations in the moratorium.**

Monitoring is an emergency and temporary measure, which does not attach the root of the problem, and that places in risk the credibility of the moratorium, especially that of the participant companies, on which the whole responsibility falls back. It is well known that the monitoring suffers from operational complexity and that its efficient is not complete.

- b) The development of remuneration mechanisms for providing environmental services has to be a priority of the GTS work, including in international forums.**
- c) NGOs must recognize and promote the efforts made by the Soy Workgroup (GTS) and the results obtained. The development of a joint plan for communications must be included in the work agenda of the GTS.**

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