



Soft Commodities Forum progress report

**Building transparent and sustainable
soy supply chains**

December 2020

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About the Soft Commodities Forum

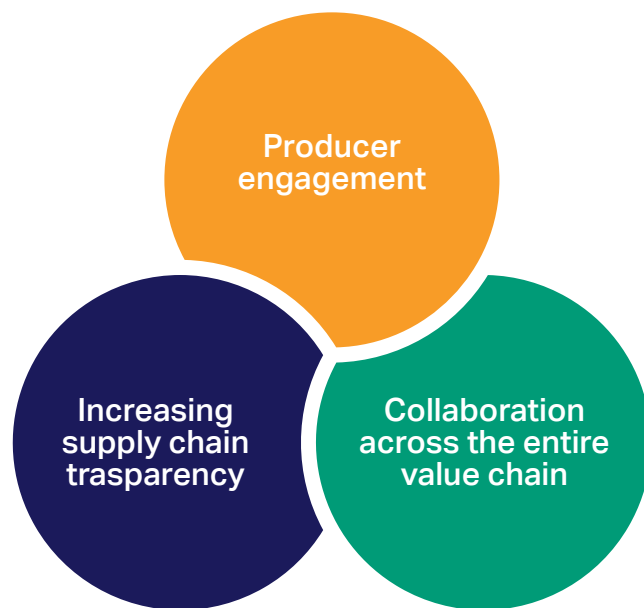
The Soft Commodities Forum (SCF) is a global platform for leading food and agribusiness companies, convened by the World Business Council for Sustainable Development (WBCSD). SCF members come together, pre-competitively, to address shared sustainability challenges that no single company can solve alone.

Addressing environmental challenges in agricultural value chains is critical as we all work toward mitigating the impacts of climate change and preserving vital ecosystems and biodiversity. In this context, SCF member companies have each pledged to eliminate deforestation from their supply chains worldwide, and work together to advance collective action towards deforestation and conversion-free soy supply chains.

To achieve this ambitious goal, the SCF focuses on three key action areas, around which this report is developed: **Increasing transparency across soy supply chains; engaging with producers; and fostering genuine collaboration across the value chain, to identify and implement solutions.**

The group's first area of priority is soybean production in the Cerrado.

This report was produced with the assistance of **Proforest**, the Soft Commodities Forum's technical partner.



Members



2020 in review

By any stretch of the imagination, 2020 has been an unconventional year. It has been a year of challenges shared by all humankind, and a year of opportunities to show our solidarity and resilience and to re-think the way we live and do business.

Amid global efforts to adapt to the new normal, our [June report](#) reaffirmed our commitment to advancing our vital work to achieve conversion-free soy supply chains. Since then, the Soft Commodities Forum has begun engaging with producers, local stakeholders and the broader value chain to identify high-impact opportunities in the Cerrado.

In our journey toward more transparent supply chains, **we set and achieved our traceability to farm target for direct sourcing in priority municipalities**, and we continue to explore ways to improve and standardize the way we map and engage with indirect sources. We also know that transparent supply chains mean more than traceability, and **we are committed to finding ways to measure and monitor our deforestation footprint over time**, and to ensure that the soy flowing into key markets is not linked to deforestation or conversion of natural habitats.

Accordingly, in June we highlighted key findings from the latest geospatial analysis of soy in the Cerrado, developed by Brazilian satellite imagery firm *Agrosatelite*. That study showed that despite a growth in soy cultivation in the Cerrado, **soy contribution to native vegetation conversion in the biome is decreasing over time**. We believe there are significant opportunities to accelerate these positive trends by promoting expansion of soy onto suitable pastureland area available in the Cerrado.

Nevertheless, native vegetation conversion remains an issue concentrated in specific hotspots. The 25 priority municipalities identified by the SCF represent almost half of current conversion of native vegetation to soy in the Cerrado. In order to make sure the group focuses its effort where they matter most, engagement and monitoring continues in these high risk areas, and the group is revising its list of priority municipalities to make sure it adequately captures the evolution of land use change and risk.

In the last 12 months, [the SCF signed two partnerships to engage with producers](#). With *Solidaridad* we are working with soy producers in Bahia to identify current agricultural practices and understand the challenges

they face, as a first step toward implementing more sustainable soy production. In Mato Grosso, we are supporting the *Produce, Conserve and Include Initiative (PCI)* through a similar producer-focused process, with the intention of developing a multi-commodity and multi-stakeholder approach to encourage sustainable and profitable agricultural expansion. **In the initial phase of these two projects we are engaging 130 producers.**

In the next six months, we will use the findings of these valuable engagement efforts to build plans for targeted interventions. We know there is no silver bullet, but the insights we have gained from producers will allow us to develop and begin testing effective solutions.

In addition, we wish to bring other partners on board as these interventions will require value chain coordination and investment.

This report provides more details of our work and achievements in the last 12 months, and outline what is to come, recognizing that every step will require dialogue and collaboration from the SCF and our partners, just as it is required in the global effort to address the unprecedented challenges facing society at large.

① Transparent supply chains



1 Transparent supply chains

In February 2019, the SCF committed to developing a common framework for reporting and monitoring progress on transparent and traceable soy supply chains.¹

IDENTIFY PRIORITY AREAS FOR COLLECTIVE ACTION IN THE CERRADO



Why we do it

The Cerrado biome covers an immense area with more than 800 municipalities. Only 8% of this territory is planted with soy, and from this area, **only 2% is linked to recent conversion of native vegetation.**² In addition, SCF members collectively represent less than 60% of the total soy market in the Cerrado. Identifying key municipalities where conversion of native vegetation to soy is high, and where SCF members are present, was therefore a necessary strategy to optimize impact.



Next steps

Recognizing the need to update risk analysis periodically based on new available information, **the SCF is working to review its methodology to identify additional priority municipalities.** While the group continues to deliver on its existing priorities, this exercise aims to ensure that scope reflects the evolution of land use change, and that impact is delivered in those areas with the highest risk of conversion in the Cerrado.

With the support of our technical partners, we are engaging key stakeholders from civil society and the soy value chain in this exercise, so as to ensure critically needed alignment in the definition of our priorities for action. By June 2021, the new methodology and updated list of priority municipalities will be included and implemented in our progress report.

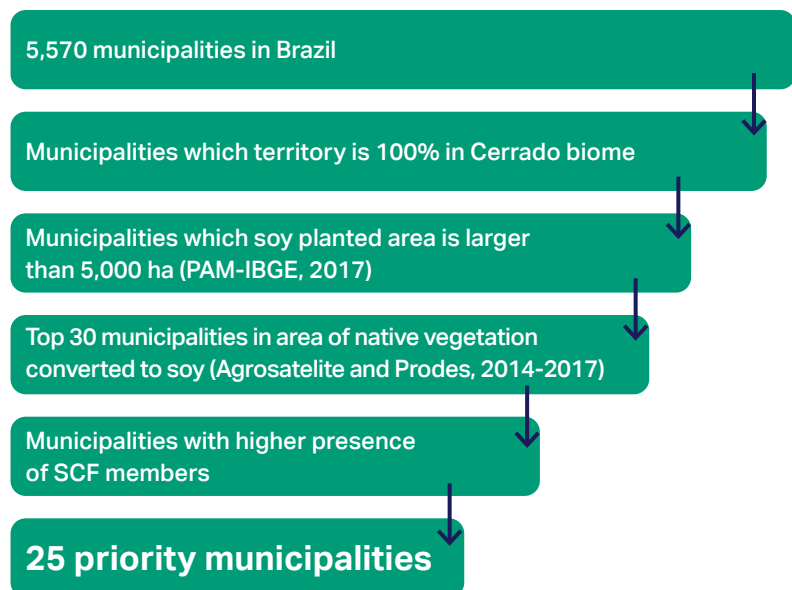


Where we are

In 2019, through an exercise that used the most up-to-date information available at that time, we selected 25 municipalities as priorities for collective action in the Cerrado (Figure 1).³

These 25 municipalities represent 8.7% of the biome, but concentrate 44% of the native vegetation area converted to soy in the Cerrado over the last five years.

Figure 1: Current SCF methodology to identify priority areas



1 Transparent supply chains

DEFINE COMMON KPIs AND TARGETS FOR TRACEABILITY TO FARM



Why we do it

Traceability is an essential foundation to achieving more transparent and sustainable supply chains. Since June 2019, SCF members have reported on traceability of soy volumes sourced in the priority municipalities using a two-step approach. First, members report the percentage of direct and indirect sources, meaning soy sourced from farmers and soy sourced from intermediaries (cooperatives, silo owners and other traders). As the indicator established by companies show that most of the soy is sourced directly, which is the scenario in which members have more access to information, we decided to prioritize reporting on direct sources and improving traceability to farm.⁴

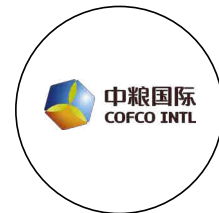


Where we are

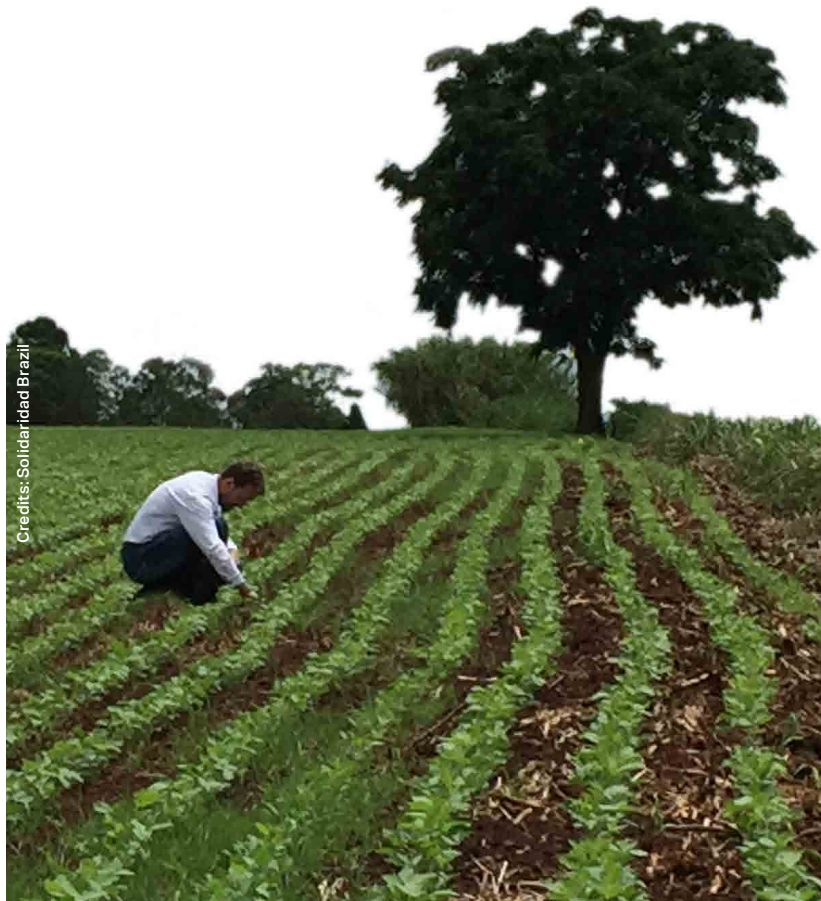
In December 2019, we committed to achieving full traceability to farm for direct sources in the 25 priority municipalities, reaching a minimum of 95% by the end of 2020. The latest traceability data and progress against targets for each SCF member are accessible by clicking on the companies' logos on this page.

These reports show that all members have met our SCF traceability target, with most members reporting 100% of direct sources in the 25 municipalities as traceable to farm.

Click on the logos to view SCF companies' individual reports



Credits: Solidaridad Brazil



1 Transparent supply chains



Next steps

There are still opportunities to further improve traceability for direct sources, and SCF will continue to address them in 2021. Soy volumes are classified as traceable to farm when there is an Environmental Rural Registry (CAR) number, GPS point, or polygon identifying the location of the farm where the soy was produced. The use of GPS points reduces the accuracy of tracking land use change at farm level, so moving from point to polygon is a necessary step.

SCF members will work on improving traceability information towards using only polygons as farm location. Members' progress on this goal will be shared in our next report.

Members who purchase a significant proportion of volumes from intermediaries are already devising individual strategies to increase transparency for that part of the supply chain.

Traceability for indirect sources is a long journey that requires understanding the supply chain, engaging suppliers, assessing their systems and practices, building capacity where needed and enhancing governance where companies may play a minority role.

SCF is developing a common workplan to advance through this process and build a collaborative relationship with suppliers. Progress on this activity will be presented in our next report.

In June, recognizing their responsibility to raise the bar for the entire sector, SCF members started engaging their joint venture (JV) partners and developing a methodology⁵ to include JV volumes in SCF members' reports. As well as continuing to engage their joint ventures' partners to work towards increasing traceability and aligning with the SCF approach and ambition, In June 2021, members engaged in JV will report those volumes as part of their individual company reports.



1 Transparent supply chains

DEFINE A COMMON APPROACH TO REPORT ON DEFORESTATION/CONVERSION-FREE SOY



Why we do it

Traceability is a critical milestone towards transparent supply chains, but it is important to recognize that it is not an end in itself. Rather, it allows companies to map and monitor the origin of the soy, which can then be used to target investments and intervention. To fully deliver on this goal, the SCF works to understand and address important challenges, including enhanced traceability beyond a single GPS point, dynamism in the supply base, and lack of incentive for farmers to go beyond legal compliance. In parallel, members have developed and been engaged in various initiatives to promote sustainable production among soy farmers, for which important progress has been achieved.



Where we are

Recognizing both the progress made and the need for further disclosure to support a shared agenda of progress within the value chain, **SCF members are reinforcing their commitment by developing a framework and baseline to measure and report on conversion-free soy in the SCF priority municipalities.**



Next steps

We expect this increased transparency to help the value chain better inform, target and monitor critical collective action going forward, to eliminate soy-driven conversion at landscape and farm level, and therefore to enable considerable progress towards our ambition.



Credits: Solidaridad Brazil

② Producer engagement



2 Producer engagement

The debate and search for solutions to commodities-driven deforestation in Brazil has grown exponentially in recent years, fueled by the urgency to tackle an issue with repercussions that go well beyond the boundaries of the Cerrado. The goal: to promote sustainable agricultural production that coexist in harmony with native vegetation and supports a thriving rural economy.

Often, this debate has failed to adequately include the stakeholders so intimately affected by its outcomes: producers and ranchers in the Cerrado. As elsewhere in the world, **producers here play a critical role in enabling healthy and sustainable agriculture systems and stand to lose the most from the effects of climate change shocks and disruptions**, like water scarcity, droughts and soil degradation.

Looking closer at the reality on the ground, in the regions of Matopiba and Mato Grosso for example, producers are testing and scaling good agricultural practices, including new approaches to maximize yields on existing hectares, while safeguarding soil health.

STRENGTHENING PRODUCER ENGAGEMENT AT LANDSCAPE LEVEL

In December 2019, the SCF communicated a three-phase approach for collective action: (i) co-develop a roadmap for action with local partners; (ii) engage producers to assess current practices and co-develop solutions; (iii) implement solutions at-scale, measure outcomes and plan scaling-up.

In our effort to contribute to the search and implementation of effective solutions to deforestation and conversion in the Cerrado, **we partnered with Solidaridad Brazil and the Produce, Conserve and Include initiative (PCI), to understand current land use dynamics from soy producers in Bahia and Mato Grosso** respectively, and to identify gaps and opportunities to promote and scale best practices.

In both cases, **this approach begins by giving producers a voice and putting them at the center of possible solutions, favoring an inclusive approach.** Alongside other market-driven measures, and with the collaboration of the entire value chain, the SCF believes this to be the most effective approach to driving tangible progress in this space.



Credits: Solidaridad Brazil

PATHS FOR A MORE EFFICIENT LAND USE IN THE CERRADO

With the team at **Solidaridad Brazil**, we began engaging producers in September 2020 to map local production systems and outline the key enabling factors needed to encourage sustainable soy production and land-use practices. The objective of this collaboration is to **develop a long-term strategy promoting the sustainable production of soy and efficient land use in the biome.**

Based on a jointly developed questionnaire focusing on producers' profiles, production practices, business actions and land management, we are reaching out to producers in the municipalities of **Correntina, Formosa de Rio Preto, Jaborandi and Sao Desiderio**. Preliminary findings highlight several opportunities for sustainable soy production in the region and allow us to get a glimpse of the critical challenges soy producers are facing when considering sustainable practices and expansion in available cleared areas.

While producers in Bahia have, for the most part, good access to credit and finance, attention could be paid to the length and type of payment terms and investments to encourage a higher share of producers to adopt good soil conservation practices, like no tillage, mulching and cover crops, as well as to increase crop-livestock integration, which uptake in the region remain limited.

When focusing on soy productivity, improved use of fertilizers, as well as access to better seed varieties, technologies and best practices, are the critical success factors for increasing soy productivity on existing land. Expansion of soy outside of the current farm boundaries is hindered by limited access to suitable land with sufficient rainfall, as well as the long process of obtaining environmental licenses.

To effectively promote soy expansion into available cleared areas, and protect remaining native vegetation in the region, engaged producers highlighted the role of premiums and financial subsidies, as well as complementary crop insurance. Combined with a differentiated investment portfolio to encourage the transition to climate-smart agriculture, opportunities exist to considerably improve the sustainability of soy production in Bahia, while protecting native vegetation.

Engagement with producers in the four municipalities will be concluded in early 2021, providing a better and more complete picture of existing challenges and opportunities. The outcome will be a jointly developed strategy for efficient land use and low carbon agriculture in Western Bahia, validated by producers and executed with the support of the entire value chain.



2 Producer engagement

SUPPORTING MULTI-STAKEHOLDER JURISDICTIONAL APPROACHES IN MATO GROSSO

The **Produce, Conserve, Include (PCI)** initiative was launched by the state of Mato Grosso in 2015 to promote a sustainable vision for the state's agriculture sector. By 2030, the PCI aims to reduce deforestation of the Amazon and the Cerrado woodland by 90 and 95 percent respectively, regrow natural forests on 6.7 million acres of land, increase the production of soy and cattle, and provide technical assistance to all the state's 104,000 small-scale farmers.

In partnership with **Produzindo Certo**, the **Environmental Defense Fund (EDF)** and the **PCI Institute**, the SCF aims to contribute to the PCI goals with a focus on developing farm level assessment and implementing action plans to reduce deforestation at a landscape level, including all supply chains, such as cattle ranching and family farming.

Phase 1 of the project consists of engaging 50 farms in the municipalities of Campos de Júlio and Planalto da Serra. Each farm will be included in the Producing Right Platform (PPC) and will receive a diagnosis based on legal aspects and good production practices, as well as guidance for building an action plan to address gaps and opportunities. Participating properties will be constantly monitored by the technical team of **Produzindo Certo** to promote a continuous improvement approach under which producers are able to implement the agreed action plans in a realistic timeframe.

To date, critical stakeholders in the two municipalities, including local government and farmers groups, have been contacted to learn about and approve the project plan. 47 producers have so far been engaged as part of the project, with the goal to have all 50 properties engaged and action plans agreed by February 2021.

On top of direct producer engagement, **Produzindo Certo** will also develop a full diagnosis of the 2 municipalities in order to define areas for responsible expansion of soybeans, implementation of the Forest Code and reduction of illegal deforestation.



Credits: Produzindo Certo

2 Producer engagement



The (PCI) initiative considers this partnership with the Soft Commodities Forum companies (SCF) an opportunity to not only address deforestation risks in the municipal level, but also consolidate a governance and finance model to support compliance in the farm level. The engagement of the private sector is a key point of this process and can definitely indicate the pathway for other companies engagement and to upscale the work in the jurisdiction of Mato Grosso state.

Richard Smith

Business Consultant in Brazil and PCI's Corporate Action Group coordinator



DEVELOP A COMMON FRAMEWORK WITH KPIs AND TARGETS TO MEASURE AND DRIVE IMPACT AT LANDSCAPE LEVEL

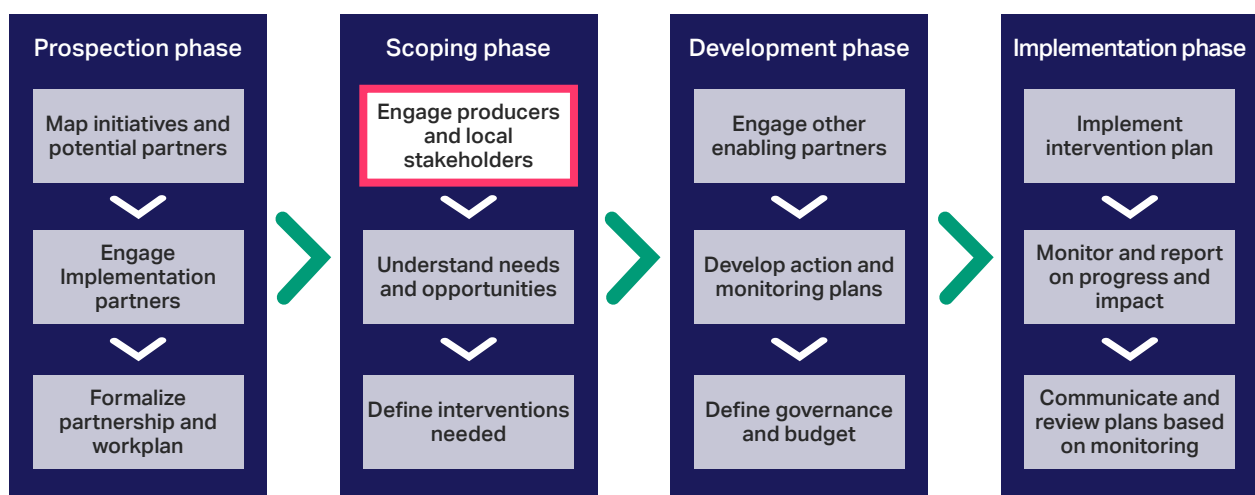
In order to measure progress and demonstrate success at landscape level, it is necessary to understand the progress of each initiative as well as the improvement or change in performance at the farm-level in each priority municipality and in the SCF focus area as a whole. In 2020, SCF members dedicated time and effort to developing an action plan

to guide our work and a common framework to measure our progress in the landscape pilots.

Landscape approaches have great potential to achieve impacts at scale and it is important to have a clear action plan to develop and implement the initiative.

Building on the general approach presented in our 2019 December report, we detailed distinct implementation phases and the activities and milestones for delivery at each stage (Figure 2). This enables the SCF to monitor progress in completing each step, and action plans can be adapted for any SCF initiative.

Figure 2: Framework for monitoring progress of individual landscape initiatives



Status of SCF landscape pilots

② Producer engagement

In order to monitor change and improvement in performance, it is important to define impact goals (the ultimate desired result); the results that contribute to the impact goal and strategies that will deliver them; and the project activities under each strategy. Each of these elements needs well-defined monitoring indicators and processes to collect and share data, including the preparation of a baseline against which to measure progress.

To allow comparisons and transparent progress monitoring, **we will work with our implementation partners and align with external references to develop KPIs that will help us monitor and communicate our progress and level of contribution to addressing sustainability challenges in soy production.**

As we move forward with interventions in 2021, we expect to identify success factors and develop strategies to replicate and scale-up approaches across high priority areas in the Cerrado and beyond.



③ Value chain collaboration



3

Value chain collaboration

Progress in addressing commodities-driven native vegetation conversion and deforestation requires the inclusive, participatory engagement of all critical value chain participants, including producers.

All stakeholders must come together to co-create pragmatic strategies that consider the reality on the ground, the urgency to address risks where they exist, and the necessary actions and investments to make change happen.

In line with our commitment to engage with value chain partners, customers and civil society, in 2020 we put emphasis on identifying and creating opportunities for dialogue with our stakeholders. Through our reports, webinars and other interactions throughout the year, we established the foundations for productive dialogue which we hope will continue into 2021 and beyond.

Going forward, we reaffirm our call for collaboration with the broader value chain, emphasizing the

following focus areas:

- **Aligning on a common approach to monitor and address deforestation and native vegetation conversion, beginning with validation, by the wider value chain, of selected high-risk areas;**
- **Listening to producers' challenges and needs, recognizing existing best practices and identifying opportunities for improvement.**
- **Collaborating to implement and test approaches to address deforestation at farm and landscape level, including financial and non-financial incentives to promote sustainable expansion and production of soft commodities.**

Alongside our implementation partners **Solidaridad** and **Produce, Conserve, Include**, we call for other value chain participants to engage in

landscape initiatives with the objective to work together to identify and implement critical interventions to accelerate the sustainable production of soy and other agricultural commodities.

Aligning approaches and long-term solution across entire value chains, from producers to retailers, will accelerate existing collective approaches to reach deforestation-free supply chains.

We are aware that there needs to be a solid foundation of trust for these types of collaboration to be a success, and in some cases, that foundation may need to be built or rebuilt. We believe that working together with the support of locally trusted partners, capitalizing on input from producers and using science-based evidence on the trends and impacts of commodities on land use, will be a far more effective way to build this trust and, ultimately eliminate the conversion of natural habitats driven by commodities production, protecting the Cerrado and other critically endangered ecosystems.



ENDNOTES

¹ <https://www.wbcasd.org/Programs/Food-and-Nature/Food-Land-Use/Soft-Commodities-Forum/News/members-commit-to-common-framework-supporting-transparent-and-traceable-soy-supply-chains-in-Brazil>

² In our 2020 June report, we presented recent data on Soy Expansion and Native Vegetation Conversion in Brazil's Cerrado, click here for more information: <https://www.wbcasd.org/Programs/Food-and-Nature/Food-Land-Use/Soft-Commodities-Forum/Resources/Soft-Commodities-Forum-progress-report-Building-transparent-and-traceable-soy-supply-chains>

³ For the detailed methodology about how the 25 priority municipalities were selected, please see the SCF 2019 June Report, available at: <https://www.wbcasd.org/Programs/Food-and-Nature/Food-Land-Use/Soft-Commodities-Forum/News/members-publish-first-common-reports-on-soy-supply-chains>

⁴ For more details on the methodology and definitions adopted by the SCF to report on traceability, please see SCF 2019 December report, available at: <https://www.wbcasd.org/Programs/Food-and-Nature/Food-Land-Use/Soft-Commodities-Forum/Resources/latest-progress-report-increasing-traceability-commitments-for-2020>

⁵ If the member **manages soy purchases** done by the Joint-Venture (JV) in the 25 priority municipalities, they should report JV volumes as direct when sourced from farmers, and indirect when sourced from aggregators in % equivalent to their share.

If the member **has access to purchase data but does not manage purchases**, they should report JV volumes as indirect sources and in % equivalent to their shareholding in the JV.

If the member has no access to information on soy purchases (for example, if the member is a minority shareholder), they should report the existence of and public information on the JV in their SCF Report.

In all cases, members that are shareholders of JVs active in the 25 priority municipalities will continue to engage JV partners to work towards increased traceability to farm and encourage them to either join the SCF or to report on traceability information using similar methodology and alternative platforms.

Acknowledgements

In 2020, 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, partly funded by the Global Environmental Facility through the World Wildlife Fund.

Disclaimer

The SCF is fully compliant with laws, including antitrust, which prevent any kind of arrangement or sharing of information that would reduce competition on price or on any other parameter of competition.

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.

Proforest support to the SCF in 2020 is partly covered by the Soy Toolkit, a capacity building programme developed by Proforest on behalf of the Good Growth Partnership, thanks to financial support from the Global Environmental Facility through World Wildlife Fund. For more information, please access:

www.soytoolkit.net

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. Since 1995, WBCSD has been 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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