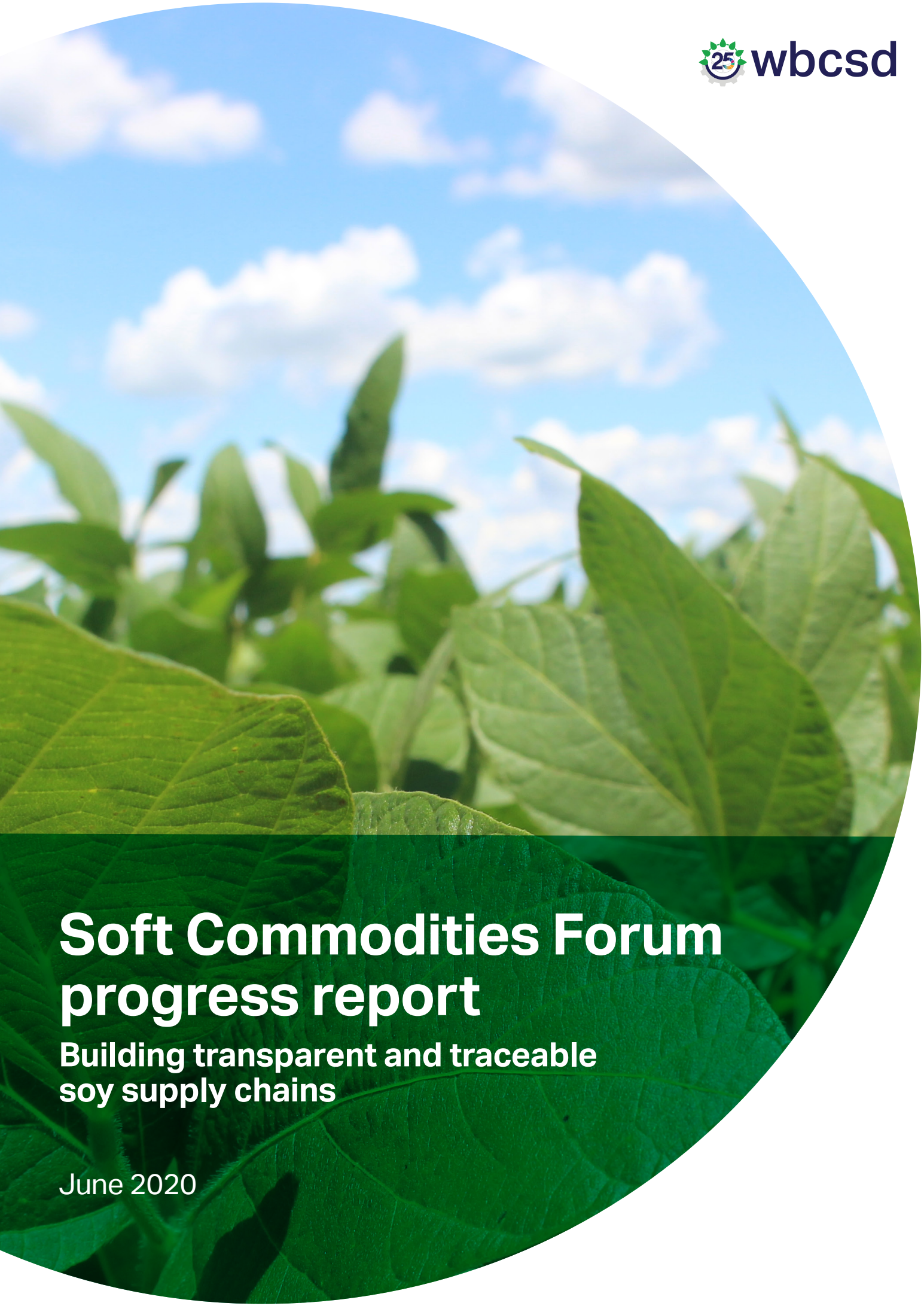


Soft Commodities Forum progress report

Building transparent and traceable soy supply chains

June 2020

Contents

About the Soft Commodities Forum

The Soft Commodities Forum (SCF) of the World Business Council for Sustainable Development (WBCSD) brings together leading agribusinesses to advance collective action around common sustainability challenges.

The SCF is working with its members **to increase transparency across their supply chains, nurture effective collaboration and promote initiatives that balance environmental, social and economic interests.** The focus of the group is currently on the Brazilian Cerrado, given its relevance for soy production and its biodiversity and ecosystem value.

This report provides an update on the SCF's work in the first half of 2020, and our priorities for the rest of this year. The report was produced with the assistance of Proforest, the Soft Commodities Forum's technical partner.

Who is the Soft Commodities Forum?

The SCF is unique in bringing together the leading global soft commodities companies to work pre-competitively in addressing common soy sector sustainability risks which no single company alone can solve.

Members

ADM · BUNGE · 中粮国际 COFCO INTL · Cargill Helping the world thrive · GLENCORE AGRICULTURE · LDC Louis Dreyfus Company

Foreword by the CEOs

As leading global agribusinesses, the COVID-19 pandemic has highlighted our **critical role in ensuring the reliable delivery of healthy and nutritious food to billions of people around the world.** Collectively, as members of the Soft Commodities Forum (SCF) and as key links within our own individual supply chains, we take our responsibility seriously, working with our partners, producers and customers, while **putting the safety and well-being of our combined 275,000 employees first.**

In this context, one thing that certainly has not changed, is our commitment to sustainable soy supply chains, and to working towards a world with no soy-driven conversion of natural habitats. Our goal is to take the lead in ensuring responsible supply chains, from farm to fork, so that soy and other soft commodities can continue being produced sustainably, in support of local livelihoods and food security, and in balance with our environment.

In the six months since our last Progress Report, **we have made significant progress towards our target of full traceability to farm for our direct sources in the SCF 25 priority municipalities by end of 2020.** We are firmly on track to reach that goal, and we are using traceability information to develop and implement actions that support our customers to deliver on their sustainability commitments, ultimately supporting the entire value chain to protect high conservation value natural habitats.

We continue to work closely with partners to understand trends and challenges in soy production and conversion in the Brazilian Cerrado, in order to adapt our priorities and ensure that we focus our efforts where they matter the most. In this context, we continue working closely with Proforest, and have recently signed two partnerships: one with international network organisation Solidaridad, to engage with producers at farm level in the Matopiba region, and another with the Produce, Conserve, Include initiative, to engage at a jurisdictional level in Mato Grosso. These partnerships are good opportunities to give a voice to soy producers in the Cerrado, and to create strong coalitions of like-minded partners committed to promoting sustainable production.

Just as we remain committed to working together within the SCF to achieve our goals, we are fully aware that success hinges deeply on stronger collaboration and alignment across the entire value chain. This is why a key priority for the rest of 2020 and into 2021, will be to engage with critical players up and downstream in the soy value chain, starting with our customers: food and feed companies and retailers. We have already begun this process and will continue to take a leading role in fostering a constructive dialogue that we believe is vital to achieving practical and effective solutions. The support and willingness of our partners and peers to cooperate is critical to strengthening and enabling our ambition. We therefore take the opportunity in this report to thank you for your commitment as we update you on our latest progress.

Juan R. Luciano
Chairman and CEO, ADM

Gregory A. Heckman
Chief Executive Officer, Bunge

David McLennan
Chief Executive Officer, Cargill

Wei Dong
Chief Executive Officer, COFCO International

David Mattiske
Chief Executive Officer, Glencore Agriculture

Ian McIntosh
Chief Executive Officer, Louis Dreyfus Company (LDC)

1 Soy Expansion and Native Vegetation Conversion (NVC) in Brazil's Cerrado

1 Soy Expansion and Native Vegetation Conversion (NVC) in Brazil's Cerrado

Soybeans are a significant engine for the local economy, affecting millions of people who depend directly or indirectly on this agricultural commodity. Partly driven by the domestic market, but more importantly due to the growing demand from key export markets, Brazil has enhanced its position as a key global soybean supplier via improvements in productivity and through expansion in production area. In 2019, Brazil became the world's leading soybean producer, with a total of 119 million metric tons harvested from 35.9 million hectares.[1]

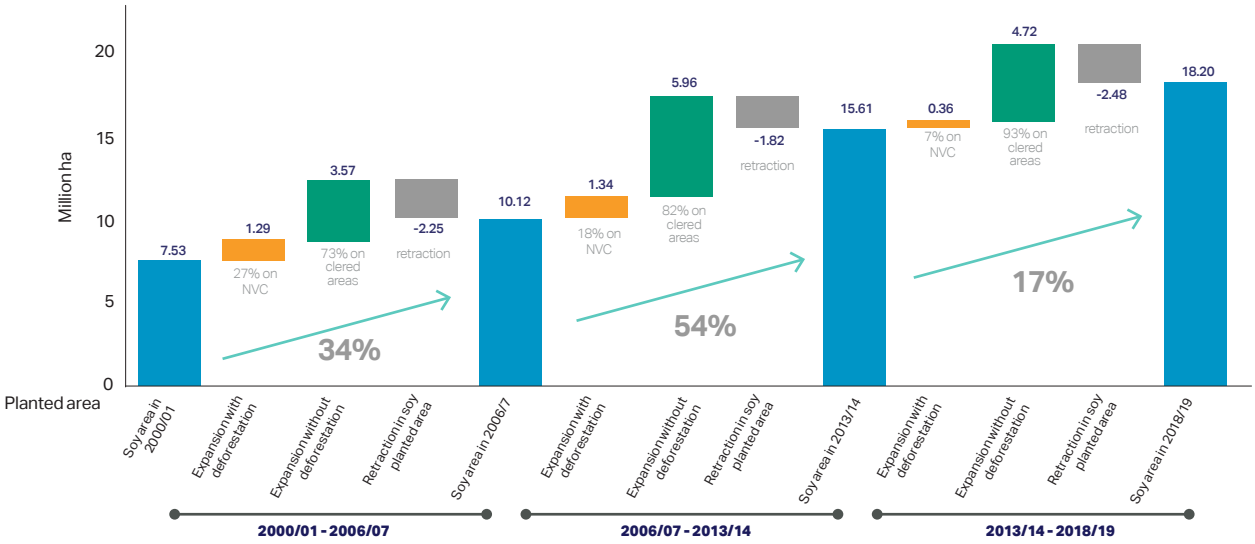
The Cerrado is the second largest biome in South America and covers almost a quarter of Brazil's total area. Half of the biome´s original native vegetation has already been altered by human intervention and is now mainly being used for agricultural activities. Soy occupies more than 8% of the biome, representing half of the total soy acreage in Brazil.

Since 2001, the area planted with soy in the Cerrado has increased by 10.7 million hectares.[2] Most of this soy expansion occurred in already cleared land and the proportion associated with deforestation is decreasing over time. Nevertheless, the fact that over the same time-period, 28 million hectares of the biome's native vegetation have been converted[3] to multiple land uses creates a collective sense of urgency in clarifying and addressing the links between soy and native vegetation conversion.

A study with up to date information showing where soy expansion overlaps with native vegetation conversion (NVC) in the Cerrado was developed in 2020[4] by Agrosatelite. The data compares previous similar studies using the same methodology to measure trends and cycles over the last 20 years.

Soy contribution to native vegetation conversion (NVC) in Cerrado is decreasing over time. Over the last 5 years, 7% of the soy expansion in the Cerrado was linked to native vegetation conversion (Figure 1).

Figure 1: Soy expansion in the cerrado (2000 – 2019)



In addition to an increase in the area planted with soy, the results of the study show a reduction in native vegetation conversion (NVC) to soy in absolute numbers and in proportion to total soy expansion over time. Between 2001 and 2007, 1.29 million hectares of native vegetation were converted to soy, which represented 27% of total soy expansion in the period. Between 2014 and 2019, NVC to soy dropped to 0.36 million hectares, representing 7% of total soy expansion in the period.[5]

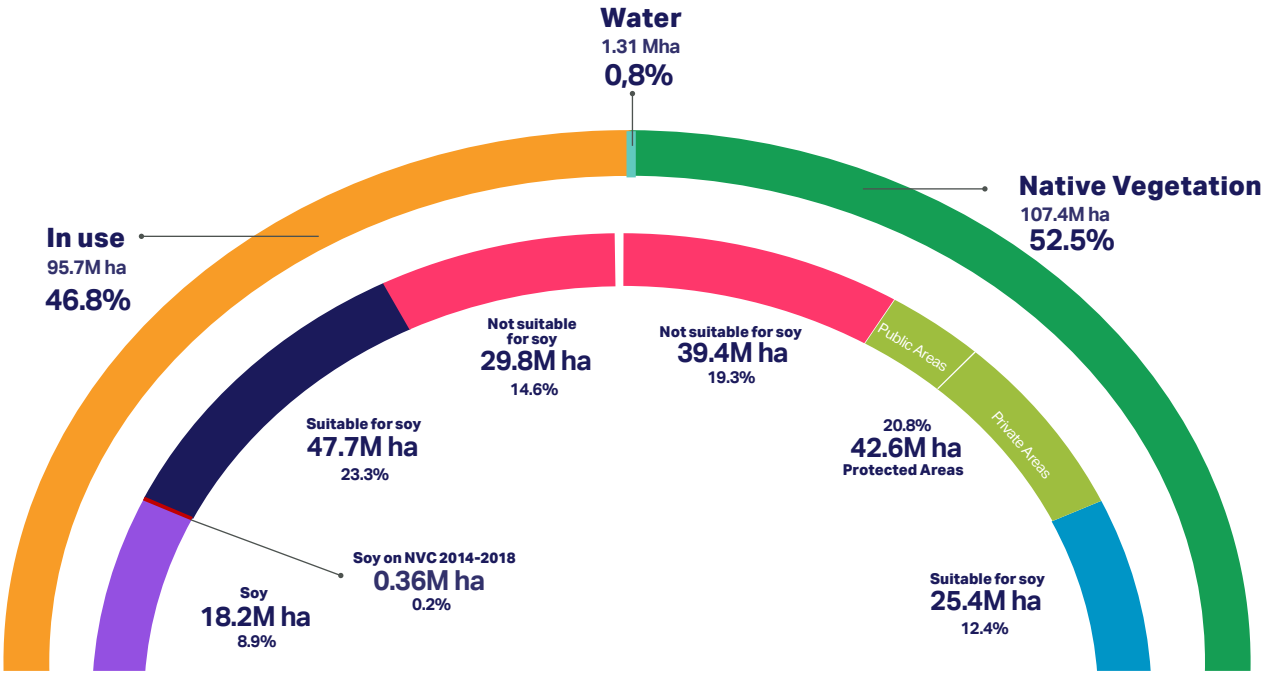
If we were to convert area to volume, 2% of the 62.0 million tons of soy harvested in the Cerrado in the 2018/2019 crop season were linked to NVC.

Soy is expected to expand by more than 7 million hectares in Brazil by 2030. There are almost 50 million hectares of cleared land suitable to soy in the Cerrado biome.

Despite the positive trend of reduced NVC and even lower participation of soy in that conversion, the growing demand for soy means Brazil will still have to increase production by 32% over the next 10 years.[6] As observed in the past, the increase in production will likely come from yield improvements, with an expected increase of 11.6% in productivity, and crop area expansion, with an additional 7 million hectares planted in Brazil by 2028/29.[7]

The Cerrado has between 18 and 48 million hectares of previously-cleared land that is suitable for soy[8,9] as well as between 8 and 26 million hectares of suitable land currently covered by native vegetation that could be legally cleared under the Forest Code[9] (Figure 2). SCF members are therefore targeting actions to ensure that future soy expansion is directed to suitable and already cleared land and that adequate incentives and measures are tested to engage producers to protect remaining native vegetation.

Figure 2: Land use and soy suitability in the Cerrado biome



Source: Agrosatelite, 2020

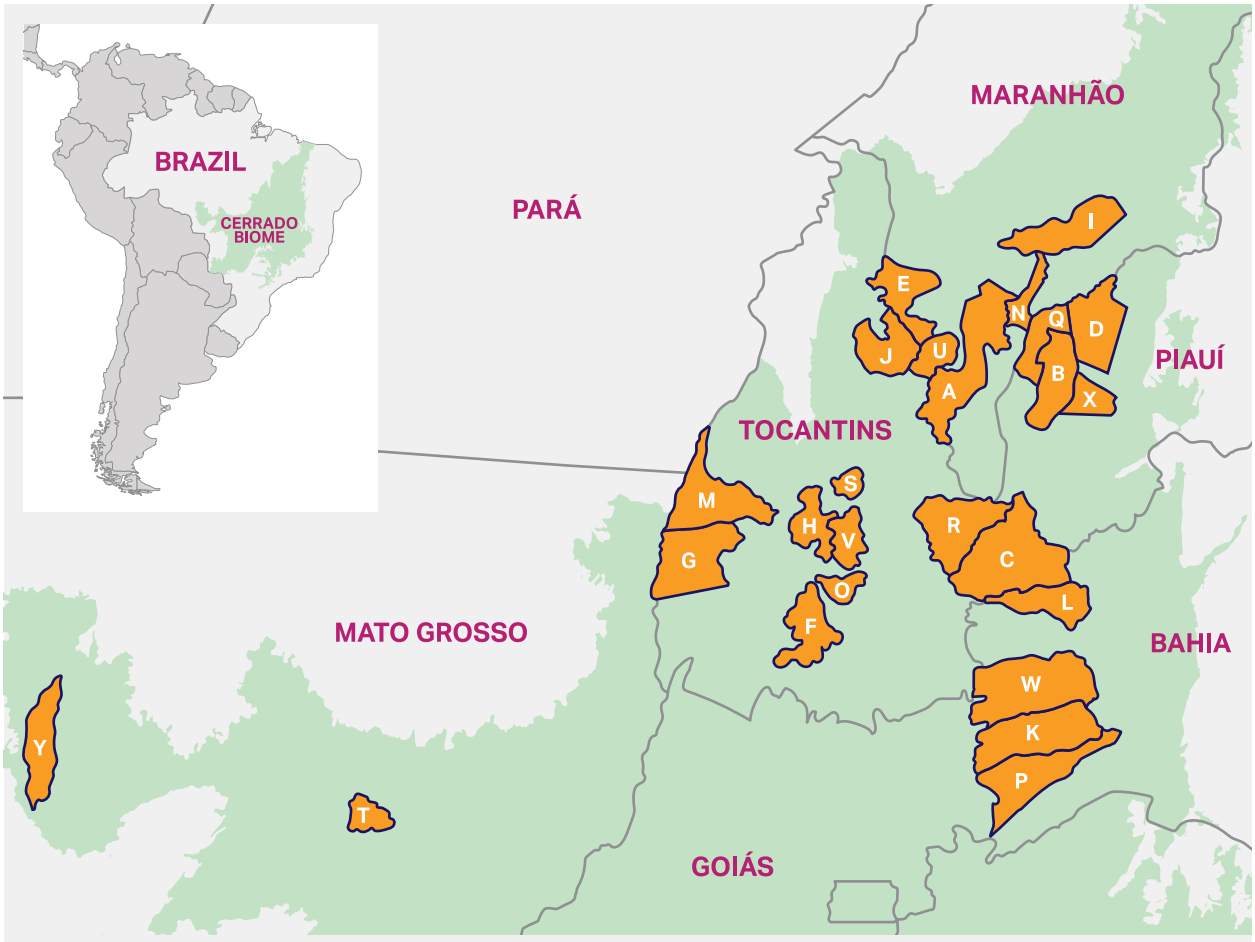
The SCF is focusing action in 25 priority municipalities which concentrate 44% of the total native vegetation conversion to soy in the entire biome.

In 2019, we selected 25 Cerrado municipalities as priorities for collective action, considering: 1) relevance for soy production; 2) the highest conversion of native vegetation to soy and; 3) the most significant common presence of members (Figure 3).[10]

Despite a total area representing only 8.7% of the Cerrado and despite containing 17% of the total NVC area in the Cerrado between 2014 and 2018, the 25 prioritiy municipalities concentrate 44% of the native vegetation area converted to soy in the Cerrado in the last 5 years.

The remaining 56% of NVC to soy in Cerrado biome is spread across hundreds of municipalities, making it more difficult to address via targeted actions.

Figure 3: Location of SCF's 25 Priority Municipalities



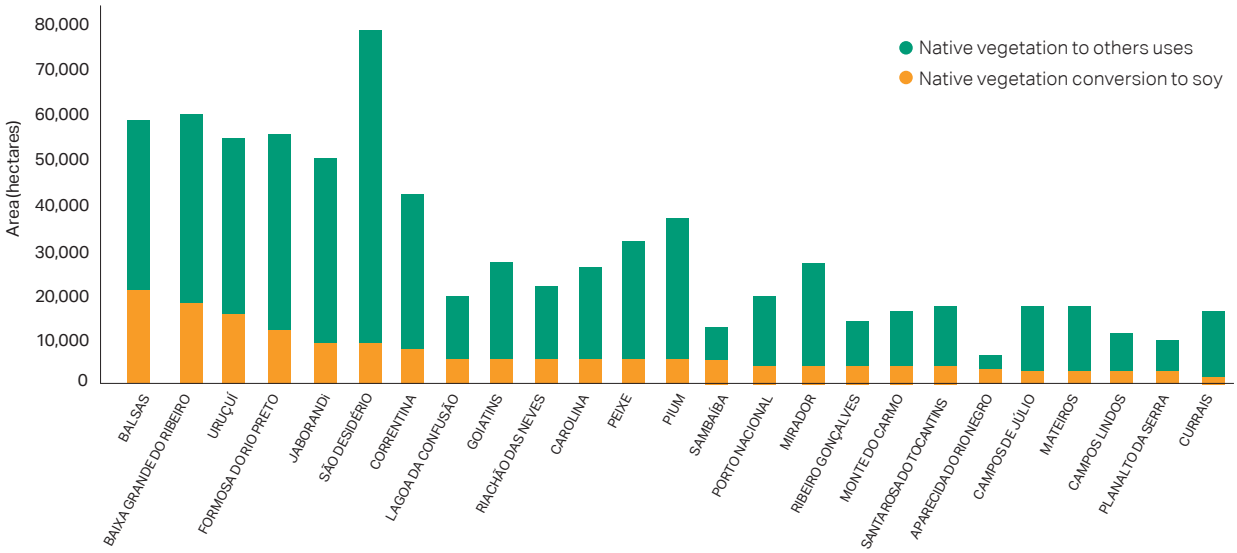
Soy is not the main driver of NVC in the 25 priority municipalities, and this reinforces the need of collaboration to address land use challenges.

It is important to note that while soy participation in NVC is higher in the SCF 25 priority municipalities than in the rest of the Cerrado, only 21% of the total amount of NVC in the 25 municipalities was converted to soy in the last five years, while the other 79% was converted to other uses (Figure 4). This means that efforts to target NVC in these municipalities need to use a wider lens and identify broader dynamics linking agricultural production and other land uses with conversion.

The relationship between soy and other drivers of NVC is another critical point to analyze. A better understanding of how cleared land is used, how production cycles take place, and what dynamics are at play at the landscape level, will enable us to tackle NVC and accelerate the positive trends even further.

To contribute to this agenda, we will reach out to others along the value chain to cooperate in engagement efforts at landscape level in the 25 priority municipalities, and to co-create relevant monitoring approaches to address analytical gaps, with the objective to develop a stronger value chain approach to NVC.

Figure 4: Native vegetation conversion to soy and to other uses (2014-2019) in the 25 PMs



2 Progress in 2020

2 Progress in 2020

TRACEABILITY

Transparency is one of the main pillars of good corporate governance. Achieving supply chain transparency requires clear and credible information on product origin, risk, implementation status and compliance levels. To understand risk and plan actions to implement responsible sourcing commitments, companies need to know where commodities are produced. Thus, traceability is an essential foundation to achieving more transparent and sustainable supply chains, and to building trust across the value chain.

Following a risk-based approach, in 2019, we committed to reporting, individually and on an annual basis, key traceability information for the soy volumes that SCF members source in the 25 priority municipalities.[11]

As part of our reporting strategy, **each member discloses the percentage of total soy volume sourced in the Cerrado that comes from the 25 priority municipalities**. Given the dynamism of the soy supply chain, this information is reported on a yearly basis and may change. Monitoring this information is a useful way for the SCF and its partners to ensure that the focus remains where it is needed the most, and where members have the most leverage, and can contribute to demonstrating credible progress in the 25 priority municipalities.

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.

SCF members have been collecting traceability information coming from direct sources across the 25 priority municipalities. Soy volumes are classified as traceable to farm when there is a CAR (Environmental Rural Registry) number, GPS point, or polygon identifying the location of the farm where the soy was produced. The traceable volumes are then aggregated for all 25 municipalities and **are shown in this report as a percentage of total volume of direct sources.** The latest traceability data and progress against targets for each SCF member are accessible by clicking on the companies' logos on this page.

Companies' individual reports show that, for all members, most of the soy volume sourced in the 25 priority municipalities is sourced directly from farmers. **In 2019, members made significant progress towards their target for full traceability, reporting at least 92% of direct sources in the 25 municipalities as traceable to farm.**

Recognizing their responsibility to raise the bar for the entire sector, SCF members are engaging their partners in Joint-Ventures (JV) in the 25PMs to improve transparency and eliminate deforestation. In this report, companies that are shareholders in JV operating in one or more priority municipality also inform in their individual reports if and how soy volumes sourced by the JV are included in the report. The SCF is developing a methodology to define when and how JV volumes should be included and this will be presented and implemented by members in the next SCF report.

Click on each of the logos below to access individual company performance on traceability to farm

Even when companies source directly from producers, embedding systematic traceability to farm into purchasing practices is not easy. There are limitations in the availability and quality of information on farms locations, in linking individual farms' locations to each soy purchase and in the enforcement of the Forest Code, meaning that most of the self declared CARs were not yet analyzed by the environmental agency.

In order to manage these challenges, we are exploring collaborative ways to align approaches in members' individual supply chains, and establish common strategies to facilitate traceability. This will help us maintain traceability over time and use this information to inform purchases and to report on progress.

ACTION AT LANDSCAPE LEVEL

To promote sustainable soy production across the 25 municipalities, we are also working to identify and support relevant landscape initiatives, collaborating with producers on the ground. As shared in our December 2019 progress report, to achieve this the SCF is implementing a stepwise approach aiming to identify opportunities for engagement, connecting with producers, and co-developing action plans tailored to the specific context of each municipality.

In order to help advance these efforts, **we have signed a partnership agreement with international sustainability organisation Solidaridad**, to engage soy farmers in four municipalities in the state of Bahia: Correntina, Formosa do Rio Preto, Jaborandi, and São Desidério.

The initial phase of the project will focus on interviewing farmers to assess current practices and understand key trends in land use dynamics in the regions. Results from this initial engagement will be used to co-develop landscape level action plans aiming to support good agricultural practices and demonstrate the compatibility of profitable soy production with low-carbon and climate-smart practices.

We are looking forward to partnering with SCF, and especially to working with soy farmers so they can make their needs known to the international community. Soy production and environmental conservation in the Cerrado can be achieved together, but farmers, as the ones working with the land, are the key partners. Our experience of working with producers to help grow soy production over available agricultural lands means we know there is the potential for even more sustainable practices. They give farmers greater profit potential and ensure the maximum survival of the Cerrado biome for future generations.

Joyce Brandao
Conservation and Agriculture Program Manager at Solidaridad Brazil

The SCF has also committed to support the Jurisdictional Approach for Responsible Soy Expansion **Produce, Conserve, Include (PCI) initiative** in Campos de Julio and Planalto da Serra to develop a comprehensive, multi-commodity and multi-stakeholders jurisdictional plan to increase productivity, while maintaining native vegetation cover and reducing deforestation. The PCI initiative lays out an ambitious set of sustainable development targets, as well as the monitoring and implementation strategies to meet those targets. PCI's aggressive goals aim to produce more agricultural commodities, conserve natural resources, and include smallholders and indigenous people in economic development.

The lessons learned in each of these initiatives will support us as we develop a better understanding of production dynamics and incentives that are attractive to farmers. As such, and although aware that changes in the rate of conversion over time might change the ranking of municipalities, we will continue working in the 25 priority municipalities until SCF can deliver and demonstrate meaningful progress. Doing so, will drive bigger impacts in those areas where soft commodities are still driving conversion of valuable natural habitat, and accelerate positive trends of sustainable soy production in the Cerrado biome.

COLLABORATION ACROSS THE VALUE CHAIN

Complex issues require that we move past silver bullet solutions and look to identify and employ a set of diverse actions and approaches. Success in addressing native vegetation conversion depends on strong engagement and compromise, not only from farmers, but also from all stakeholders, including investors, government decision makers and civil society organizations.

A critical area for collaboration is building a shared understanding of the issue and levers for positive change. There is a need to better understand land use drivers, as well as the factors influencing positive and negative trends, across commodities. In this context, as SCF, we are working to engage with others to identify gaps and promote a common approach to monitor and analyze land use dynamics.

As we continue engaging at landscape level in the 25 priority municipalities, opportunities exist to collaborate to test agreed-upon approaches for sustainable soy production, including financial incentives and good agricultural practices for yield improvement and climate resilience. Together, we can accelerate the process to drive positive impact on land conversion.

In alignment with others along the value chain, we also continue to support the Cerrado Working Group (GTC). We commit to promoting, accelerating and leveraging the work of the GTC going forward, as a critical platform to identify and co-develop a variety of solutions tailored to the realities in the biome.

3 Priorities going forward

3 Priorities going forward

As we all learn to operate in the new reality brought about by the global COVID-19 pandemic, one thing is for sure: Our commitment to sustainable soy production remains stronger than ever, and we will continue advancing our collective agenda, while putting in place all relevant measures to protect the health and safety of our employees, producers and all of our partners.

In the next six months, we will continue working towards our traceability target, with the **aim to report full traceability to farm for direct sources in the 25 PMs for all SCF members.**

As we prepare to implement the first phase of our partnership with Solidaridad in Bahia and with PCI in Mato Grosso, we will dedicate the remainder of the year to **developing a detailed action plan and common framework, including targets and KPIs, to guide our work and measure our progress in the 25 priority municipalities.** Progress on our work will be reported in December 2020.

In the area of supply chain collaboration, **we will continue taking relevant steps to build trust and collaboration with key partners, including food and feed companies, retailers and relevant multi-stakeholder groups who share the same ambitions.** We have convened an initial dialogue this year, and plan to engage further to update stakeholders on our progress and identify key areas for cooperation.

We are pleased with the steps we have taken thus far, but we are also conscious of the importance of promoting faster progress towards better land use practices. We look to the next six months, and beyond, as the opportunity to drive this progress where it matters the most, and do so cooperatively to ensure pragmatic and sustainable solutions promoted by the entire value chain, from farm to fork.

ENDNOTES

[1] United States Department of Agriculture Foreign Agricultural. World Agricultural Production. Circular Series. May 2020. Avaliable at: https://www.usda.gov/oce/commodity/wasde/wasde0520.pdf

[2] Geospatial analyses of soy dynamic from 2000 to 2019 in the Cerrado. Agrosatelite, 2020. Presented in May 2020. Using the same methodology, Agrosatelite has presented similar works in the past for The Moore Foundation, the Cerrado Working Group (GTC), and ABIOVE.

[3] PRODES Cerrado Deforestation increments. Available at: http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/cerrado/increments

[4] Rudorff, B.; Risso, J. Geospatial Analysis of Soy Crop in the Cerrado Biome: Expansion Dynamic | Agricultural Suitability | Evaluation System for Financial Compensation - 2001 to 2019. Agrosatélite Applied Geotechnology Ltd. (Study hired by ABIOVE) – Florianópolis-SC, Brazil, 2020 60 p. : il ISBN: 978-65-991465-0-3. Available on: https://agrosatelite.com.br/en/cases/#expansao-agricola

[5] To identify native vegetation conversion to soy, Agrosatelite developed land use maps using satellite images and compared the land use in the first year with the land use in the last year of the period. The area of NVC to soy is given by the sum of all polygons that were identified as native vegetation in the first year and changed to soy in the last year.

[6] Brazil Agribusiness Forecast 2018/19 to 2028/9 (in Portuguese). Ministry of Agriculture, 2019. Available at: https://www.gov.br/agricultura/pt-br/assuntos/politica-agricola/todas-publicacoes-de-politica-agricola/projecoes-do-agronegocio

[7] Projections for Brazilian Agribusiness 2028. FIESP-Federation of Industries of the State of São Paulo, 2018. Available at: http://outlookdeagro.azurewebsites.net/OutLookDeagro/en-US/Publicacao/SojaGrao/Brasil

[8] Incentives for Sustainable Soy in the Cerrado. The Nature Conservancy, 2019. Available at: https://www.nature.org/en-us/what-we-do/our-insights/perspectives/business-case-for-sustainable-soy-brazil-cerrado/

[9] Soy expansion in Brazil's Cerrado. Rausch, L.L., et al. Conservation Letters, 2019. Available at: https://conbio.onlinelibrary.wiley.com/doi/10.1111/conl.12671

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

[11] 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.wbcsd.org/Programs/Food-and-Nature/Food-Land-Use/Soft-Commodities-Forum/Resources/latest-progress-report-increasing-traceability-commitments-for-2020

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 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.

Follow us on Twitter and LinkedIn

www.wbcsd.org

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

World Business Council
for Sustainable Development

Maison de la Paix
Chemin Eugène-Rigot 2B
CP 2075, 1211 Geneva 1
Switzerland

www.wbcsd.org