Incentivising deforestation for livestock products:

How support for the livestock sector in the EU and Mercosur countries is subsidising forest destruction
Incentivising deforestation for livestock products

• Increased discussions at MEAs on perverse subsidies, i.e. Aichi Target 3 of the (CBD) states that subsidies and incentives that are harmful to biodiversity must be phased out or reformed by 2020.

• Four key commodities are the key drivers of deforestation: beef, soybeans, palm oil, and wood pulp.
Incentivising deforestation for livestock products

- Cattle grazing has the largest role in forest loss but feed crops (mainly soybeans) are an essential part of the global livestock trade: 70-75% of soy is converted to animal feed, only about 6% used in products for direct human consumption.

- Soy production favors external markets, where it is exported to feed livestock and displaces food crops that would otherwise be contributing to local food security.

- Between 1990-2008 the EU imported more than one quarter of the global embodied deforestation in ruminant livestock products.

- The EU Common Agricultural Policy contributes directly to the number of animals that EU farmers rear, since larger farms with greater purchasing power are prioritized.
Incentivising deforestation for livestock products

• Global biodiversity and sustainability agreements heavily focus on the importance of protecting forests, ie. SDG-15.2 aimed at halting deforestation by 2020. But at the same time, drivers of deforestation are still receiving perverse subsidies and incentives contradicting the aims of the SDGs and other globally-agreed targets.

• UNEA-4: Cluster 3- Resolution 3.5 “Deforestation and agricultural commodity supply chains” – despite recognizing depletion of forests fails to directly address agricultural commodities’ influence deforestation.
Subsidies and other perverse incentives for the livestock and feedstock sectors in:

Argentina

Corporate Control

Open for business:
4 multinationals control 35% of soybean exports.

Seed laws put intellectual property into the hands of corporations, granting exclusive control to seed producers at the expense of small-scale farmers.

No requirement for agriculture sector to contribute towards payments to IMF despite the economic recession.

Tax Cuts

Current government ended the "Fondo Soja" corporate tax, which saw 35% of Argentina's grain export profits channeled to supporting improved sanitation, education, hospitals, housing, and infrastructure.

Presidential decree to reduce taxes on agricultural exports by a further 0.5% this year.

Direct Subsidies

Government granted ARG$ 1 billion to soy giants representing 12% of global soy production on 2.5 million hectares of cleared forest lands. Recipients included:

- Former national deputy of the province of Salta
  - Alfredo Olmedo
  - Owner of Inversora Juramento Inc., and previously chief exec. of Argentina's largest private bank

- Formerly chief exec. of Argentina's largest private bank
  - Jorge Brito
  - Adecoagro, owned by US billionaire George Soros
    - with 260,000 hectares in Argentina
  - Eduardo Elsztain
    - and Cresud, with more than 400,000 hectares, owned by

Global Forest Coalition
Subsidies and other perverse incentives for the livestock and feedstock sectors in:

**Brazil**

**Wealth inequality amplified by livestock policy**

In Brazil, the wealthiest 5% hold the same wealth...

...as the remaining 95% combined.

68% of the total average wealth is rooted in non-financial assets such as agricultural land. The inequality in its distribution is getting more extreme, with fewer landholders.

**Heavy investment in the livestock industry**

Between 2005 and 2015, the Brazilian government invested US $3.18 billion in the livestock industry. Just three companies received 90% of the support.

(JBS) received more than half.

In 2017 the Agricultural & Livestock Plan directed US $48 billion to agribusiness...

...while US $7.5 billion went to "family farming" (although some of this also supported large-scale livestock & soybean production).

**Agribusiness at the expense of forest protection**

In 2017...

US $84.3 billion in rural credit agreements were awarded for livestock & soy

US $31.9 billion of this was subsidised by government

Compared to government funding to counteract deforestation and forest degradation: $115.6 million
Subsidies and other **perverse incentives** for the livestock and feedstock sectors in: **Paraguay**

Agriculture accounts for **25%** of Paraguay's GDP but contributes just **2.2%** of total tax collections. Between Jan-Sept 2018 $68m in taxes were collected from the livestock sector, but $129m was refunded through tax credits.

- Ranchers pay **less than $0.02 per hectare** in the Chaco.
- In the Alto Paraná, soybean companies pay **less than $3/ha**

**Cheap refrigeration costs attract the livestock industry**

- Brazil $20.4
- Chile $10.5
- Paraguay $6.2

**Legal minimum wage in Paraguay (per month, USD)**

- $364
- $178
- $129

8.7 million hectares, an area roughly the size of Portugal, has been granted by the state to agribusiness under irregular conditions.

- With support from the **Green Climate Fund** the government will subsidise **commercial tree plantations**, including eucalyptus, to produce charcoal for agribusiness to dry soybeans.

**Illegal landgrabbing**

**Low taxes**

**Climate finance**

**Costs of pollution transferred to society**

**Cheap electricity**

**Low wages**

In 2017, an average of **1,000 hectares was deforested every day** in the Chaco region.

The consequences of the **clean-up and impacts of the high levels of pollution** from slaughterhouses and other infrastructure are left to the state and individuals to deal with.
The Chaco under Attack
Recipe for positive CAP reform:

- Eliminate remaining direct payments that incentivise the intensification of livestock production.
- At the same time, incentivise and/or provide safety nets for livestock farmers to raise fewer animals, and in better conditions.
- Align measures so that environmental efforts aren't compromised by investments in unsustainable practices or machinery.
Conclusions

- Dangers of corporate capture in decision-making: governments cease to prioritise the public good, only respond to the interests of elites.
- Both direct and indirect incentives and subsidies to the livestock sector have a direct effect on deforestation.
- As per Brazil’s example top exporters sourced mostly from the Paraguayan Chaco and Brazilian Cerrado regions, places with highest deforestation rates.
- Good opportunities for attracting investment such as lower taxes on agricultural exports are at the expense of social welfare and the public good. In fact, they increase inequality, land grabbing, loss of livelihoods, environmental damage
- FTAs only aggravate this situation
- A lower demand in meat and soy production is desired both in consumer and producing countries, with a shift to plant based diets
- Support for small-scale, localized food production.
- Protection of biodiversity, animal welfare and the rights and practices of peasant farmers, Indigenous Peoples and local communities should form the basis of agricultural policy.
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