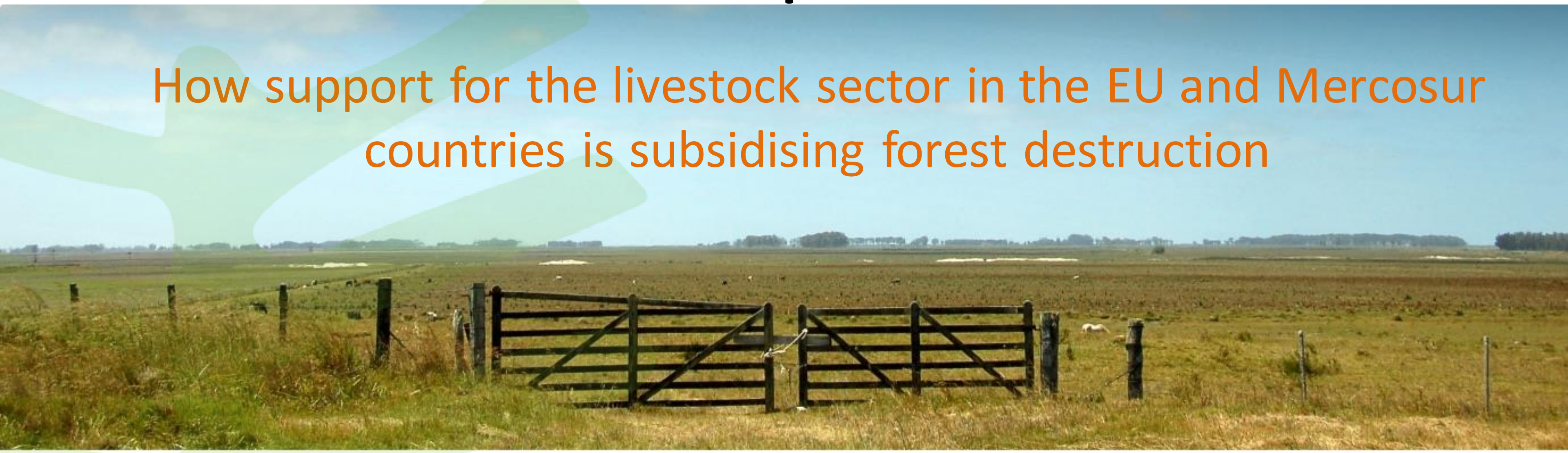
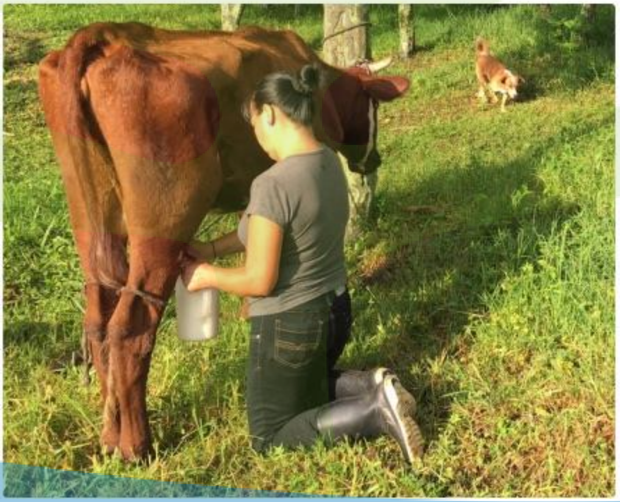
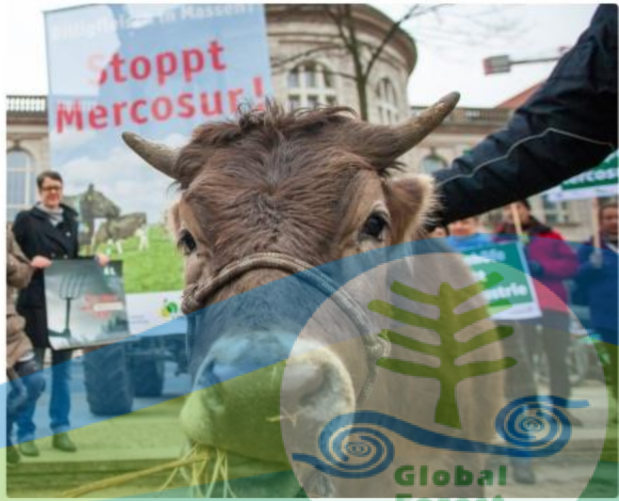
Incentivising deforestation for livestock products:

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







Global Forest Coalition

Incentivising deforestation for livestock products

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

- 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.

Global Forest Coalition

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**

Jorge Brito — owner of Inversora Juramento Inc., and formerly chief exec. of Argentina's largest private bank

Adecoagro, owned by US billionaire **George Soros** with 260,000 hectares in Argentina

and Cresud, with more than 400,000 hectares, owned by **Eduardo Elsztain**

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 Brazillian 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**

Global Forest Coalition

Subsidies and other **perverse incentives** for the livestock and feedstock sectors in:

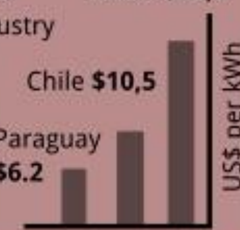
Paraguay

Ranchers pay **less than $0.02 per hectare** in the Chaco

In the Alto Paraná, soybean companies pay **less than $3/ha**

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.

Cheap refrigeration costs attract the livestock industry



Illegal landgrabbing

Low taxes

Costs of pollution transferred to society

Cheap electricity

Climate finance

Low wages

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

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

Legal minimum wage in Paraguay (per month, USD)

$364

$178
For ranches with more than 4000 cattle

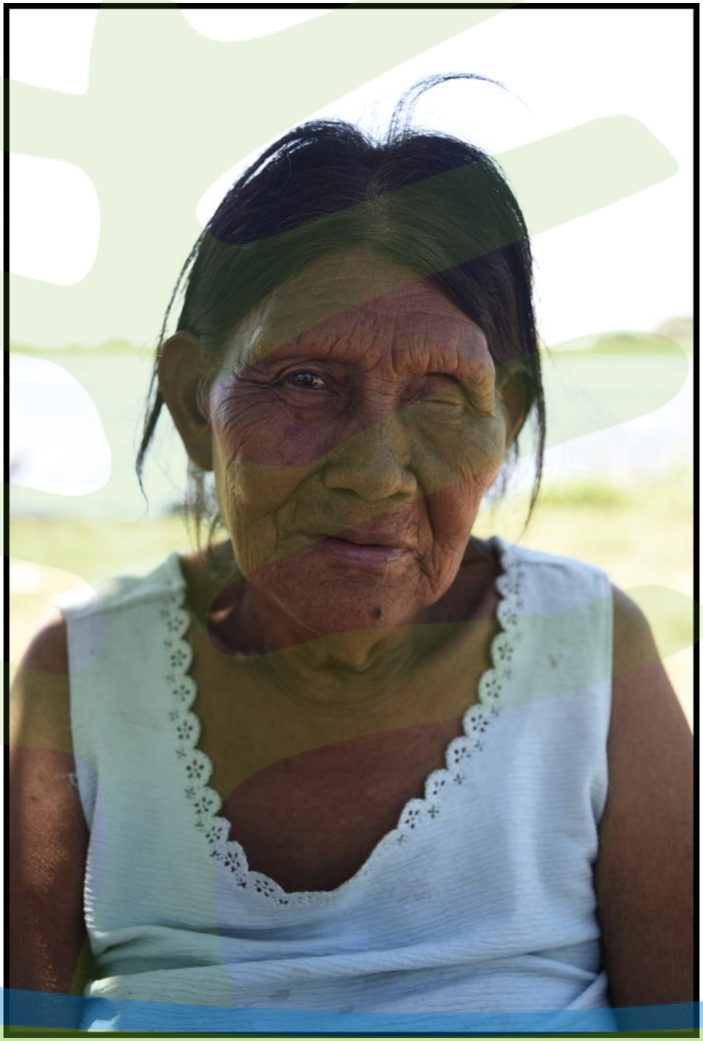
$129
For ranches with less than 4000 cattle

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

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.

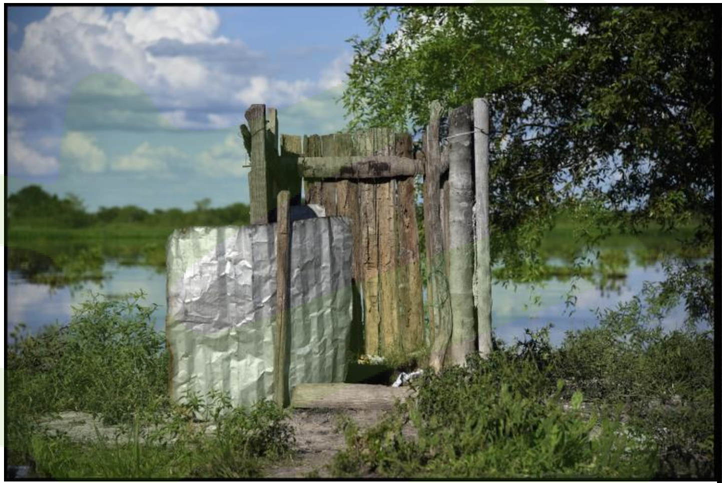
Global Forest Coalition

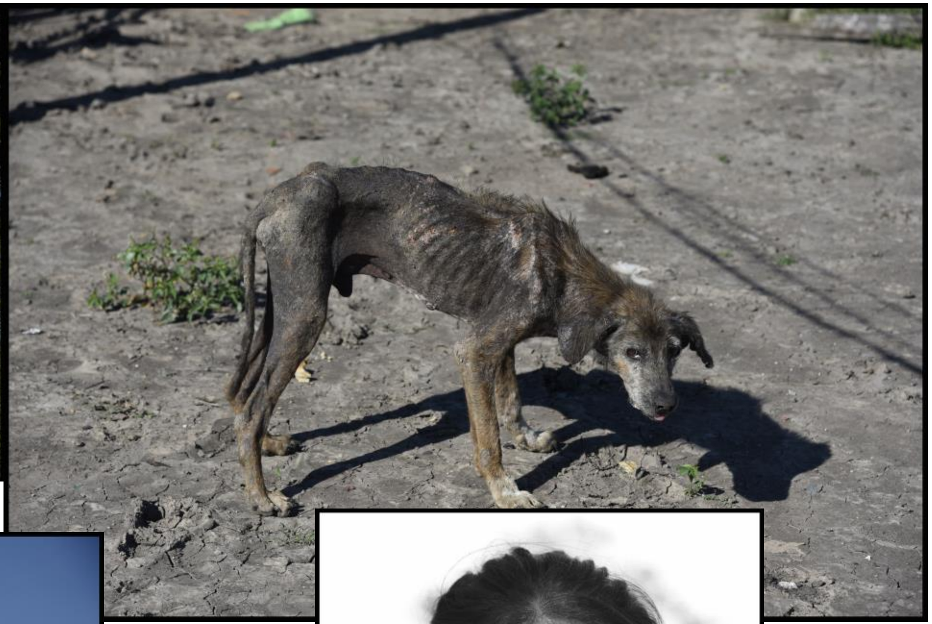
The Chaco under Attack

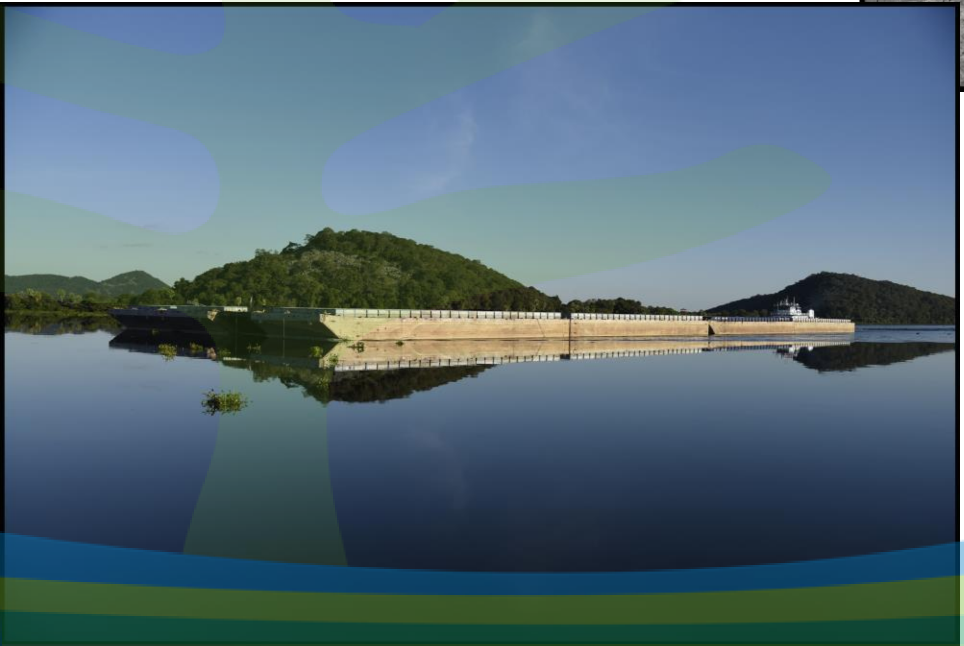


Global Forest Coalition

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.

Global Forest Coalition

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.

Global Forest Coalition

- Fore more information, visit our website

www.globalforestcoalition.org

See full paper via
https://globalforestcoalition.org/wp-content/uploads/2018/11/incentivising-deforestation-for-livestock-products.pdf

You can also follow us on **twitter: @gfc123**

Or like us on **Facebook: Global Forest Coalition**

Or email us: *gfc@globalforestcoalition.org)*