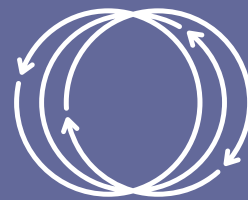




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COVID-19 and Soy in Brazil

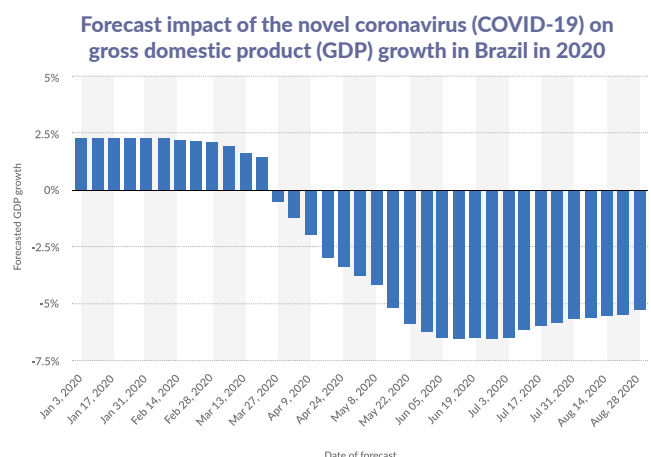
Adding value to sustainable soy

COVID-19 in Brazil – some facts and figures

The virus was confirmed to have spread to Brazil on 25 February 2020. On 17 July 2020, the country reported its 2 millionth case, with 1 million new cases in one month only. By the end of July 2020, Brazil reports more than 2.5 million COVID-19 cases and 90 000 death, and the curve is still rising with record high new infections every day. The forecast for the Brazil GDP is presenting decreasing numbers since end of February 2020. As of July 24, 2020, GDP of Brazil was forecasted to decrease by 5.77 percent, linked to the impact of COVID-19.

The World Bank is concerned about new emerging risks regarding deforestation, as they see the attention of environmental agencies and civil society shifting to short-term pressing needs over the longer-term climate change agenda.

“This is likely to weaken the enforcement of environmental preservation policies and increase incentives for deforestation,” the World Bank report [COVID-19 in Brazil: Impact and Policy Responses](#) states.



Source: Banco Central do Brasil, Statista 2020

COVID-19 and the Soy Supply Chain in Brazil

Brazil produces 34 percent of the world's soy, and its production is expected to increase in 2020. The soy season of 2020 will exceed all expectations. [Instituto Brasileiro de Geografia e Estatística - IBGE](#) estimates that around 120 million tons were harvested in the first half of 2020, this is 5.6 percent beyond the 2019 production.

In each season, almost 40 percent of soybeans are exported in the second quarter of the year, so in 2020 COVID-19 was expanding during the time of year when the bulk of soybean exports take place. Brazilian shipments of soybeans were delayed in March and April due to a combination of heavy rains and reduced staff as COVID-19 containment measures took effect, leading to a plunge in Chinese soy inventories to record lows. To fill up the inventories, China started grain stockpiling which in combination with a 34 percent devaluation of the Brazilian Real in 2020 led to astronomic sales of Brazilian soy in May and June. Brazil's soy exports to China rose 37% from January to June 2020, compared with 2019. Farmers had sold more than 90 percent of their 2019/20 soybean production in the beginning of July 2020, a huge increase to 2019, where at the same time less than 75 percent was sold. Also, sales for the next soy harvest are already quite advanced. In July 2020, between 50

to 55 million tons of soy have been sold to trading companies.

China's fear of further interruptions in the supply chain as a result of COVID-19 is leading to an increase in Brazilian soy sales for the time being. However, many market actors are unsure how this increased demand for soy will affect the business and its sustainability priorities. As Brazil breaks records in soybean exports to meet Chinese demand, the potential for deforestation is equally increasing, both legal and illegal. The Chain Reaction Research is analyzing the high demands in the soy supply chain as a [driver for deforestation and land insecurity in the Cerrado](#). [Brazilian soy lands are expected to expand by 12 million hectares](#) between 2021 and 2050, with more than 11 million hectares newly planted in the Cerrado alone, allowing a national grain production increase of 27 percent, as [confirmed by the Minister of Agriculture](#) on 28 July 2020. Most of this soy expansion is supposed to be achieved within the next ten years. The Ministry of Agriculture underlines that the additional need for soy areas can be met by replacing crops, reducing pastures and no-till systems, but with little enforcement on forest protection policies and increasing global demands, the risk for soy expansion through deforestation is very high.

Key COVID-19 support measures in Brazil

The government of Brazil adopted multi-sectoral policies, with the Ministry of Economy leading 12 strategic task forces to address the economic impact of the coronavirus pandemic. The Banco do Brasil announced a US\$20 billion increase in its credit lines, aimed at working capital, investments, prepayment of receivables, agribusiness and credit to individuals. On 9 June 2020, the Minister of Economy, Paulo Guedes, confirmed that the government will extend the payment of emergency aid for another two months. Brazil's emergency payments to low-paid, informal workers hit hard by the COVID-19 crisis stand at around US\$48 billion.

On 29 June 2020, in a joint virtual seminar with the Federal Senate of Brazil, the Economic Commission for Latin America and the Caribbean's (ECLAC's) Executive Secretary, Alicia Bárcena, emphasized that a [new and sustainable development model](#) will be needed in the country to recover from the COVID-19 pandemic and support the human development of the country.

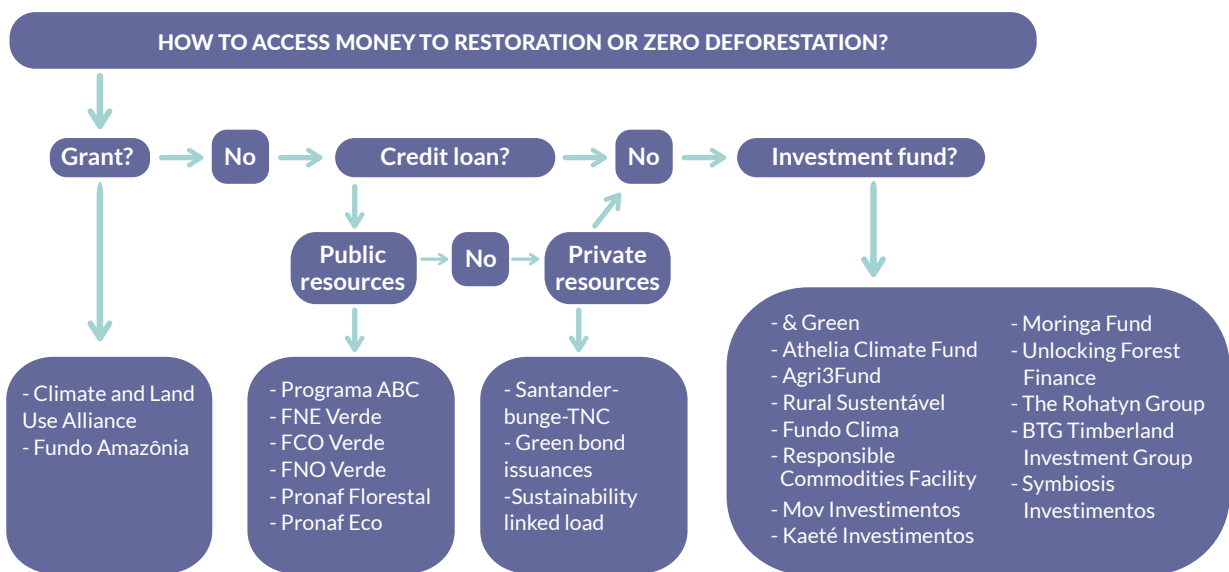
How the Good Growth Partnership can support a resilient, sustainable and green recovery in Brazil

The Good Growth Partnership with other institutions can pave the way to ultimately building a more resilient, sustainable and green future. In the emerging risk of increased deforestation for short term economic gains, this pathway must include the protection of important forest landscapes through investments in sustainable supply chains.

Monitoring sustainable models for land-use and environmental policies. Good Growth partners are focusing on sustainable soy, by analyzing and validating the [Rural Environmental Registry \(CAR\)](#) areas. Under the Forest Code, farmers must submit information about their properties as an important step towards improving transparency around production activities. The CAR integrates information on rural property boundaries and their conservation areas (i.e. Legal Reserves, Permanent Protected Areas) to improve monitoring of environmental compliance and environmental and economic planning, and to control illegal deforestation. Also, indigenous peoples and communities require that their cultural and territorial specificities are inclusively considered in the CAR system, so that their land rights are secured. This makes CAR an essential instrument for conflict

prevention and long-term sustainable development.

Creating resilience in the financial system by reviewing financial products and providing training to financial institutions. [The Programa ABC](#) is the main credit line for financing low-carbon agricultural development in Brazil. There are seven different types of activities that are financed by this product, which include no-till agriculture, the restoration of degraded pasture, the planting of commercial forests, biological nitrogen fixation, treatment of animal wastes and the integration of crops, livestock and forest. Good Growth partners are working on interlinking different financial instruments and their use in low-carbon agriculture. (see figure below)



Good Growth partners are also developing a training to the Brazilian financial institutions. During the training, participants will learn basic concepts for managing deforestation risks and opportunities. The Brazilian context and the possible effects of deforestation risks on the productive and financial sectors are explained and ways in which financial institutions can reduce risks and take advantage of the associated opportunities are detailed. Participating financial institutions are expected to reflect on the concepts presented and apply them later in their careers to facilitate the transition to a greener economy as part of the COVID-19 recovery.

and civil society to protect natural landscapes, using good governance and land planning policies.

Facilitating commitments of traders towards no deforestation and zero conversion. The partnership along with [Cerrado Manifesto](#) has established a direct mailing campaign for soy traders in Brazil, asking for a commitment to zero deforestation and conversion. The signatories of the Cerrado Manifesto are more than 160 fast-moving consumer good companies, including some institutional investors, committed to halting forest loss associated with agricultural commodity production. They work within an industry framework, including producers, governments

Taking deforestation out of the soy supply chain through sustainable intensification on existing agricultural land. The Good Growth Partnership is working together with the [Cerrado Funding Coalition](#) to find innovative solutions for zero-deforestation in the soy production of the Cerrado. The funding is used to provide the financial incentives necessary for such a solution and supports farmers in the Cerrado to transition to producing soy only on existing agricultural land, once again aligned with a green COVID-19 economic recovery.

Supporting companies in international markets in the responsible sourcing of soy. Good Growth partners are promoting the [Soy Toolkit](#) which is designed to support companies in the responsible sourcing of soy. The guide is accessible to many initiatives which aim to decouple soy production and trading from deforestation, conversion of native vegetation and human rights violations.

¹Source: Raquel Costa, UNEP FI Brazil, Good Growth Partnership (GGP) Team, July 2020.



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Increasing transparency of Brazilian supply chains. The Good Growth Partnership is working to create transparent soy supply chains, aiming to reduce the exposure of global soy markets to illegal deforestation. The Good Growth partnership works together with governments, traders, buyers and investors in taking action to end illegal deforestation in the soy supply-chain, by using the [Trase](#) monitoring system as a way to achieve this.

Assessing the use of sustainable soy in animal products. Good Growth partners are facilitating the use of [Soy Scorecard](#), an assessment tool for 133 leading European retailers, food service companies, consumer goods manufacturers, dairy

companies, meat, egg and feed companies on actions related to sourcing responsible soy and eliminating deforestation from the animal products they sell.

[Successful multi-stakeholder management](#) in the COVID-19 crisis has made it clear that concerted action is possible and necessary to prevent disasters. The Good Growth Partnership is committed to continue working within its multi-stakeholder collaboration approach in Brazil, linking government, indigenous communities, civil society, finance institutions and the private sector to reach long-term systemic change.

Read more at: www.goodgrowthpartnership.com

Contact

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