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## Brazil

### Oilseeds and Products

## Two-year Moratorium on Soybeans from Deforested Areas of Amazon

**2006**

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**Report Highlights:**

Major soybean traders declared a two-year moratorium of purchasing soybeans from newly deforested areas in the Amazon. The agreement also includes an element to ensure traceability of soybeans and to avoid sourcing from farms that are involved in deforestation. Farmers owning land cleared after July 24, 2006 in the Amazon forest zone will not, according to this agreement, be able to sell their soybeans to these companies.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brasilia [BR1]  
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In reaction to pressure from European food industry, major soybean traders including Cargill, Bunge, ADM, Dreyfus and the Maggi group have declared a two-year moratorium of purchasing soybeans from newly deforested areas in the Amazon. The agreement also includes an element to ensure traceability of soybeans and to avoid sourcing from farms that are involved in deforestation. This measure does not affect production on areas previously cleared. Farmers owning land cleared after July 24, 2006 in the Amazon forest zone (which excludes the Cerrado and transitional forest zones) will not, according to this agreement, be able to sell their soybeans to these companies.

The remarkable aspect is that even legal clearing of land (according to Brazilian Government standards) will trigger action by these major grain traders to stop the purchase of soybeans. Current Brazilian law states that farmers may indeed clear 20 percent of their land in these areas, but the moratorium makes soybeans even from the 20 legal percent to be unmarketable. The moratorium is in effect for two years, after which the effectiveness of the measure will be evaluated. The announcement took many government and industry leaders by surprise, and the plan does not yet identify agencies or organizations with independent monitoring capability to be able to track deforestation on a property-by-property basis. Without the appropriate enforcement measures in place, concern exists that a situation similar to that of illegal Amazon timber may be created with illegal soybeans, where legal transport and shipping documents are used to trade illegally sourced material. In addition, the ease of mixing and processing illegal soybeans is potentially greater than timber.

In spite of the unexpected nature of the agreement, the Brazilian Vegetable Oil Industry Association (ABIOVE) and the National Grain Exporters Association (ANEC) both agreed upon the moratorium. Repeated charges from Greenpeace and other environmental groups that their industry sponsored rainforest destruction motivated the groups to try and recover the image of the Brazilian soybean exporters in the European market.

In a press statement released July 24, ABIOVE affirmed their commitment to work together with Brazilian authorities and NGOs to contain the commercialization of illegal soybeans, elaborate and implement an effective plan to mapping and monitoring the Amazon Biome, and to develop new strategies to encourage soybean producers to comply with the Brazilian Forest Code. Although NGOs such as Greenpeace have declared being pleased with this decision, the Brazilian Ministry of Agriculture (MAPA) is concerned that the measure may become another non-tariff barrier to Brazilian exports.

Market analysts predict that these measures will not impact grain production estimates. For the first time in seven years, Brazilian soybean area is being projected to decline, due to farmers' indebtedness and the generally adverse agricultural situation. Post estimates that this year's planted area was down 4 percent and that next year's area will be down another 2 percent. The current crisis experienced by soybean producers is due to low international prices, rising costs of inputs and transportation, and the strong Real, which negatively affects Brazilian exports and has continued to cut away at farmers' profit margins. Last quarter the Dollar reached a low of 2.0, its lowest exchange rate against the Brazilian Real in five years, intensifying the bad news for Brazilian soybean farmers.

Pressure on Cargill in particular has been building over the past year with environmentalists claiming the illegality of the Cargill grain port in the Amazon region of Santarém, Pará. According to Brazilian federal prosecutors, Cargill failed to comply with federal regulations by not presenting surveys indicating the environmental impact on the region. In February, the Brazilian Superior Court, the second highest court in the country, gave Cargill six months to carry out the environmental study.