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## **Social Responsibility Criteria for Companies that Purchase Soy and Soy Products**

### **Farming with fewer environmental and social impacts**

Outcome of a discussion among Brazilian environmental and social movements, February-May 2004

#### **I- Executive Summary**

In order to reduce the negative social and environmental impacts of high-volume production of soy for international markets and to establish standards — and the means to enforce them through market mechanisms — the network known as the "Articulação Soja—Brasil" has promoted nationwide debates involving NGOs and environmental and social movements to set criteria to be met in the production of this commodity. The results have created an agenda to be negotiated between our organizations and agribusiness, to adopt purchasing criteria for its supply chain that may lead such production into paths with less negative environmental and social impacts. One basic assumption behind this proposal is that agribusiness will assume its Corporate Social Responsibilities.

We sought to design these standards in a way that would avoid significant extra production and marketing costs, by basing them on trust amongst the variety of participating social actors, who will be fundamental in making the process work. In the short term, controls can be implemented with additional costs restricted to organizational procedures, making copies of documents and getting signatures on declarations to be signed by growers.

The main short-term objective of this process is to rein in the drive to deforest the *cerrado* biome and its transition areas towards the Amazon forest and the semi-arid *caatinga*, as well as some threatened areas in the Amazon itself. To this end, buyers are called upon to only accept suppliers who plant in areas that were legally cleared before December 2003 (or, for the Amazon region, before October 1999), while areas that have already been cleared and abandoned, or are now covered with degraded pastures, must be re-converted into production.

Medium- and long-term criteria are also suggested, but will require more study and discussion to be established. We therefore propose the creation of a fund to promote those studies and to establish a monitoring system that can give assurances to buyers. The fund would be financed by a small percentage of international soy sales and managed in a parity arrangement.

Support



The **Articulação Soja–Brasil** is an initiative of the Brazilian Forum of NGOs and Social Movements for the Environment (FBOMS), the *Cerrado* Network, the Amazon Working Group (GTA) and the Southern Brazil Family Farmworkers' Federation (FETRAF-Sul), along with the CEBRAC Foundation. This Foundation will provide the executive secretariat for the *Articulação*. The work through which these criteria were discussed and set was financially supported by the DOEN Foundation, Cordaid and Solidaridad (Dutch organizations), by the FETRAF-Sul, CEBRAC and member organizations of the FBOMS who are part of the Forestry Working Group.

The Brazilian Forum (FBOMS) is an organization that directly or indirectly brings together over 1,200 Brazilian civil-society organizations dealing with environmental and social issues throughout the country. Nearly half of them are located in the Amazon Region, under the GTA umbrella.

## II- Debate

The Debate Forum created by the *Articulação Soja-Brasil* was active from February to June in 2004, through two thematic meetings and one virtual forum on the internet. 121 people signed up, and 82 of them from 61 Brazilian NGOs and environmental and social movements participated actively through the physical and virtual discussion process.

The debate was aimed at finding a **common denominator** amongst the organizations active in it. The criteria presented as follows may undergo changes in the medium to long term, from new and enhanced information that further studies are likely to provide. To promote this essential dynamic as an effective and living process, we propose the creation of a specific fund, as part of the recommendations that precede the criteria.

## III- Concepts

The main objective of consolidating the outcome of that debate was to incorporate the participants' qualitative contributions into simple, clear and effective proposals that would be operationally feasible.

Another reference point permeating the process was the construction of an agenda around which to dialog with social actors in the soy production system, including in specific and immediate terms the major international soy purchasers. We also present, as guidelines for the negotiations, indications and suggestions of criteria that should be adopted around the world.

- 1- The first result of the debate was to set aside the expression "sustainable production" in favor of "**production with fewer negative impacts**" or similar to that. The use of the word "sustainable" generates an expectation that no doubt will be difficult to achieve with large-scale soy plantations. This decision makes it clearer to all that what we intend to achieve is a reduction in the environmental and social costs of producing significant volumes (on a global scale) of soy;
- 2- Corporate Social Responsibility: the criteria are intended to provide a basis for a process of negotiation that will lead

major importing and consuming companies to adopt them as their **corporate social responsibilities**. An "**upstream effect**" on the chain of suppliers will re-orient the process of soy production through the adoption of the proposed criteria;

- 3- Considerations for the future: the idea here is not to punish growers for their actions but rather to give the sector's actions a **forward-looking** orientation, based on the agreements. The minimum starting point for the required behavior is compliance with the country's laws;
- 4- Local issues: specific criteria will be enough to handle local strategic problems;
- 5- Reference dates: criteria compliance was tied down to dates as much as possible;
- 6- Global benchmarks: buyers must adopt the general criteria **for all their purchases, whatever the country of soy origin** (not only for Brazil and other South American countries);
- 7- Non-discrimination: the adoption of the main proposed criteria only for production from our country or from neighboring countries would generate a politically, economically and ethically unacceptable "penalization." It would be to no avail to reduce deforestation in our country if we were indirectly encouraging it in other countries. The same principle applies to social considerations. Since soy is an undifferentiated commodity on global markets, then to be coherent with our principles these must be applied globally as well. If any country or region is left out, it will certainly see an increase of production due to the economic "advantage" of externalizing environmental and social costs and we would be promoting a senseless "export" of those problems.

#### **IV- Purchasing Criteria**

Negotiating agenda to be presented to major soy buyers and consumers in the private financial sector

##### **a) Short-term**

Striving to achieve an **immediate** reduction in impacts, we propose that major soy buyers/consumers, beginning in the 2004/2005 season, adopt the following criteria to produce soy with **fewer social and environmental impacts**:

##### **1- Reduction of the Drive to Deforest** (our **priority** short-term objective)

- Only purchase soy produced on **land that was legally cleared before December 31, 2003.**

*Verifier for Brazil: An authorization for clearing provided by the State environmental authority or by IBAMA will be the grower's certification, to be presented to the buyer.*

Should be negotiated to have world-wide application.

- In the **Amazon biome**, as defined by the IBGE, soybeans must only be purchased from **land that was legally cleared before October 1999.**

*Verifier: Satellite images and a certificate of authorization for clearing issued by State environmental agencies or by IBAMA.*

- For small family farmers **an exception will be opened** to these criteria for fields planted in areas cleared on **farms smaller than 04 (four) "fiscal modules"** (in Brazil), **up to a limit of 25% of their arable area** (thus excluding the legal reserve and permanent protection areas);

*Verifier: copy of Rural Land Tax ("ITR") returns.*

##### **2- Social Protection for small farmers:** (reduce pressure to sell farms and create preferential markets for their crops)

- The soy farm **cannot be composed of or expanded through the addition of lots smaller than 200 hectares**, which have been acquired after 1999, particularly if they were purchased from agrarian-reform settlements.

*Verifiers: purchase documents from proprietors; local land deed office, INCRA registry, local farmworkers' unions.*

- Total transparency regarding sale throughout the soy production chain, with the production and publication by

buyers of a **yearly statement** of their activities in this area. It must specify the volume of purchases from Brazilian small farmers.

*Verifier: yearly statements published by the companies.*

- **At least 20%** of total annual purchases of this grain must come preferably from **family farms** (as defined by Brazilian legislation) and be marketed through their local cooperatives.

*Verifier: purchasing companies' annual social statements as specified in the previous item.*

- The only farmers qualifying to be included in the above-mentioned quota are those whose **soy-growing fields on family farms cover less than 2/3 (two thirds) of the total area that can be legally planted on the farm**, thus avoiding monocrops, which would disqualify it as a family farm.

*Verifier: use of the same declaratory process by the supplier as mentioned in the previous item. If the declaration proves to be false, the supplier will be held responsible and sued for damages to the purchaser's corporate image. Copies of rural land tax (ITR) returns must also be used.*

- No purchase is allowed from growers in areas where **there is or has been a land-tenure conflict, not yet resolved to the satisfaction of the weaker party**. Growers/suppliers who have **expelled traditional populations occupying un-deeded land inherited from their ancestors** must be avoided.

*Verifier: use of the same declaratory process by the supplier as mentioned in the previous item. If the declaration proves to be false, the supplier will be held responsible and sued for damages to the purchaser's corporate image.*

### **3- Compliance with laws:**

- Soy suppliers **must sign a declaration that they obey their country's environmental and labor-relations laws**. If the declaration proves to be false, the **supplier** will be held responsible and sued for damages to the purchaser's corporate image.

*Verifiers, in case of inspection: all employees (including those of corporate or individual subcontractors) must have formal working papers and enjoy all rights assured by labor legislation (the CLT, in Brazil, and the ILO as a global benchmark) and treaties to which the country is a party.*

Local environmental regulations must be observed. In Brazil, this refers particularly to those regarding legal reserves, riparian strips and headwaters.

Other items to be verified include:

- **The legal origin of farmers' land deeds. Grain must not be purchased from public land or land which has**

**been fraudulently "grabbed" (*grilada*) from others. Land leasers must present their leases together with the proprietor's ownership documentation.**

*Verifiers: official affidavits ("certidões negativas") attesting the absence of other private or public deeds, documents from local notaries, registry in the INCRA and/or State land agency, lease contracts.*

- **Official registration and maintenance of the farm's legal reserve and, under Brazilian legislation, respect for permanent protection areas.**

*Verifiers: notarized document and "conduct adjustment agreement" with the public prosecutor to recover any degraded land.*

Should be negotiated to have world-wide application.

#### **4- Environment**

- **The production cannot come from wetlands, swamps and floodplains that have been drained after December 2003 to allow them to be farmed.**

*Verifier in Brazil: use of the same declaratory process by the supplier as mentioned in the previous item. If the declaration proves to be false, the supplier will be held responsible and sued for damages to the purchaser's corporate image. Copies of rural land tax (ITR) returns must also be used.*

Should be negotiated to have world-wide application.

- **Only conventional soy (not genetically modified) or organic soy must be purchased.**

*Verifier in Brazil: use of the same declaratory process by the supplier as mentioned in the previous item. If the declaration proves to be false, the supplier will be held responsible and sued for damages to the purchaser's corporate image. Copies of rural land tax (ITR) returns must also be used.*

#### **5- Unacceptable production conversion conditions:**

- **Grain must not be purchased from land where there were perennial crops that were removed after December 31, 2003.**

*Verifier in Brazil: use of the same declaratory process by the supplier as mentioned in the previous item. If the declaration proves to be false, the supplier will be held responsible and sued for damages to the purchaser's corporate image. Copies of rural land tax (ITR) returns must also be used.*

Should be negotiated to have world-wide application.

## **II- Medium and long term conditions**

Precisely because there is time for further research, studies and debates, all the medium- and long-term criteria are generic suggestions to be better defined as appropriate. During the ongoing negotiations, they must be agreed upon by the parties in order to further study and debate these issues together, and to come to more clearly-defined consensus criteria.

Beginning in the **2005-2006** planting season, we propose a scaling up of criteria that will take time for farmers to adapt and adopt, as well as a process or mechanism to be created for satellite monitoring and certification, using more refined control methods and others that are closer to the farmers, involving farmworkers' unions, State environmental agencies and social and environmental organizations. The creation of the above-mentioned Fund is essential for the monitoring and certification costs not to be a burden for farmers. A more precise definition of those criteria will be achieved over time in the process of on-going negotiations, and the following list will essentially be a preliminary indication of issues to be included. The medium- and long-term criteria are:

### **A- Reduction of Environmental Impacts, with Higher Yields**

- Farmers must adopt so-called "**good agricultural practices**," following FAO and other region-specific standards to be defined.

*Verifiers: technical certificates issued by accredited organizations.*

Should be negotiated to have world-wide application.

### **B- Biodiversity Protection:**

- **Soy must be planted on fields no larger than 200 hectares.**

*Verifiers: technical certificates issued by accredited organizations and or assessments from satellite images.*

If a farm has contiguous fields over this size, the farmer must divide them into fields of no more than 200 hectares each, separated by at least a 50-meter-wide strip of recovered native plant cover (openings/pathways will be allowed to move machinery from one field to the other). In Brazil, significantly, **the area covered by these separation strips between fields may not be considered to be part of the compulsory legal reserve area.**

Should be negotiated to have world-wide application.

- **Widening of riparian strips**, in order to preserve biodiversity by making them shelters for birds and creating ecological corridors.

*Verifiers: technical certificates issued by accredited organizations and or assessments from satellite images.*

**The area covered by such widening may not be considered to be part of the compulsory legal reserve area.**

Should be negotiated to have world-wide application.

### **C- Better Distribution of Farm-generated Income**

- **No hired farm labourers may earn less than four (04) times the monthly minimum wage**, which in Brazil today would amount to approximately 250 euros/month.

*Verifiers: technical certificates issued by accredited organizations.*

Should be negotiated to have world-wide application.

- **Hired farm labourers must share in profits**, with 2% (two percent) of turnover distributed to them through participation and incentive mechanisms (for productivity, seniority, etc.).

*Verifiers: technical certificates issued by accredited organizations and annual statements by producing companies.*

Should be negotiated to have world-wide application.

### **D- Criteria for Loan Making**

- **All companies providing credit** (whether financial institutions or in the form of suppliers credit for inputs) and the companies that will pass credit directly to farmers **must adopt the criteria stipulated in this document** in their analysis of loan applications, and incorporate such criteria into the loan contracts.

*Verifier: Credit and social-environmental policy document published by the institutions and yearly social declarations by business companies/groups.*

Should be negotiated to have world-wide application.

- **Private financial institutions.** In addition to the criteria described above, as applicable, the following recommendations should be added:

- Lower interest rates to promote the use of already cleared and abandoned areas; and



- Establishment of **special credit lines at favorable interests rates** for plantations in fields smaller than 200 hectares, **in order to establish corridors with native plant species.**

*Verifier: Credit and social-environmental policy document published by the institutions and yearly social declarations by business companies/groups.*

Should be negotiated to have world-wide application.

- **Neither public nor private financial institutions** should make loans for soy plantations in areas that do not comply with economic and ecological zoning guidelines, where these exist.

*Verifier: Credit and social-environmental policy document published by the institutions and yearly social declarations by business companies/groups.*

#### **Organizations signing this document:**

- **Grupo de Trabalho Floresta do Forum Brasileiro de ONGs e Movimentos Sociais pelo Meio Ambiente e Desenvolvimento –FBOMS**
- **Grupo de Trabalho Amazônico –GTA**
- **Federação dos Trabalhadores na Agricultura Familiar do Sul –FETRAF-Sul**
- **Fundação Centro Brasileiro de Referência e Apoio Cultural – CEBRAC**
- Agência de Desenvolvimento da Capetinga,
- Amigos da Terra –Amazônia Brasileira,
- Animação Pastoral e Social no Meio Rural – APR,
- Argonautas Ambientalistas da Amazônia,
- Assessoria e Serviço a Projetos em Agricultura Alternativa - AS-PTA,
- Associação de Educação e Assistência Social N<sup>a</sup> S<sup>a</sup> da Assunção,
- Associação de Mulheres Trabalhadoras do Baixo Amazonas –AOMTBAM/Pará,
- Associação dos Chacareiros do Córrego Coqueiros,
- Associação Maranhense para Conservação da Natureza -AMAVIDA,
- Associação Mineira de Defesa do Ambiente – AMDA,
- Associação para o desenvolvimento da Agroecologia - AOPA (PR),
- Cáritas Brasileira Região Norte II,
- Centro de Apoio aos Projetos de Ação Comunitária –CEAPAC/Pará,
- Centro de Educação Popular - CEPO (RS).
- Centro Ecológico de Ipê - CAIPE (RS),
- Centro Vianeis de Educação Popular (SC),
- Comunicação e Cultura,
- Departamento de Estudo Sócio-Econômico Rurais - DESER (PR),
- Ecodata,
- Ecologia e Ação – ECOA,

- Federação de Órgãos para a Assistência Social e Educacional-FASE FASE,
- Fundação Águas do Piauí – FUNAGUAS, ,
- Fundação O Boticário de Proteção à Natureza,
- Fundação Pró-Natureza – FUNATURA,
- Instituto Ambiental Ratonas,
- Instituto Centro de Vida – ICV,
- Instituto de Estudos Socioeconomicos – INESC,
- Instituto de Formação e Assessoria Sindical Rural – IFAS,
- Instituto de Pesquisa Ambiental da Amazônia – IPAM,
- Instituto de Pesquisa e Desenvolvimento Amazônico,
- Instituto Goyá,
- Instituto para o Desenvolvimento Ambiental – IDA,
- Instituto Sociedade População e Natureza – ISPN,
- Instituto Socioambiental – ISA,
- Núcleo Amigos da Terra/Brasil,
- Organização de Cidadania Cultura e Ambiente – OCCA,
- Semapi-Sindicato,
- Sindicato dos Trabalhadores Rurais de Sarandi,
- Sociedade de Proteção e Utilização do Meio Ambiente –PUMA.

## Appendix I – Glossary

- **Family farm:** a family living on a rural property that makes its living from farming the land, making it produce enough for sustenance and to generate income, with occasional recourse to hired labor.
- **Wetlands, swamps and floodplains:** areas covered or soaked by water, either seasonally or permanently.
- **Amazônia:** see map in Appendix II.
- **Permanent Protection Area (APP):** Described on articles 5th and 6th of Brazilian Law 12,596/95 and on Decree 4,593/95 – both referring to areas that, due to their characteristics and location are extremely necessary to environmental balance and present rigid use restrictions. Permanent protection areas are:
  - a) Native vegetation strip along rivers or any other course of water, from 30 to 500 m, depending on the river's width.
  - b) A 30 m wide strip around natural or artificial lagoons in urban areas and 100 for the ones located in rural area.
  - c) Minimum 50 m area around fountainheads.
  - d) Tops of hills, mounts and mountains.
  - e) Slopes of inclination over 45°.
  - f) Minimum extension of 100m from the edges of plateaus and tablelands.
  - g) Islands surrounding area.
  - h) Swampy plains between hills and rivers.
  - i) Areas located at altitudes higher than 1,200m.
  - j) Migratory birds landing spots.

[<http://www.lead.org.br/article/view/335/1/81>]
- **Official registration (averbação):** registration by a notary public.
- **Good Agricultural Practices (GAP):** a collection of principles to apply for on-farm production and post-production processes, resulting in safe and healthy

food and non-food agricultural products, while taking into account economical, social and environmental sustainability.

[<http://encyclopedia.thefreedictionary.com/Good%20Agricultural%20Practice>]

- **Caatinga:** see map in Appendix II.
- **Cerrado:** see map in Appendix II.
- **CLT:** Brazil's consolidated code of labour laws (*Consolidação das Leis do Trabalho*).
- **Commodity:** a globally-marketed, uniform good.
- **Purchase criteria:** procedures and guidelines to be adopted in choosing raw-material suppliers.
- **Perennial crops:** cash crops with a long cycle between the planting (when planted) and the marketing of native forest products.
- **Short term:** implementation during the planting season beginning immediately after acceptance of the criteria.
- **Legal clearing:** clearing of forest land with the previous authorization of the State of federal agency, limited to the area set out in that authorization.
- **Drainage:** process of removal of surface water and, in some cases, lowering of shallow water tables.
- **"Upstream" Effect:** changes which arise towards the beginning of the production chain, towards the raw-material suppliers, which here means soy growers.
- **Sustainable use:** use of the environment in a way that will assure the long-term presence of renewable environmental resources and of ecological processes, maintaining biodiversity and other ecological attributes, in a socially just and economically viable fashion.
- **FAO:** Food and Agricultural Organization – UN;
- **Turnover:** total value of invoiced sales.
- **Suppliers:** individuals or companies that supply raw material and other products used in production.
- **Hectare (ha):** 10,000 square meters, equal to 2.471 acres.
- **IBGE:** *Instituto Brasileiro de Geografia e Estatística* (Brazil's official federal statistical institute).
- **Corporate image:** the impression held by the public and the market on a company's practices.
- **INCRA:** *Instituto Nacional da Reforma Agrária* (Brazil's federal land-reform institute).
- **ITR:** *Imposto Territorial Rural* (Rural Land Tax);
- **Riparian strip:** bushy and forest vegetation along the sides of water courses, headwaters and lakes.
- **Medium and long terms:** adoption in crops planted more than one year after acceptance of the criteria.
- **Public Prosecutor's Office (*Ministério Público*):** in Brazil, a permanent public institution that is essential to the operations of the state, responsible for defending the legal order, the democratic regime and fundamental social and individual rights.
- **Fiscal Module:** In Brazil, this is a regionalized unit of land area, ranging from 5 hectares to 110 hectares, depending on the average size of family farms in each municipality.
- **NGO:** Non-Governmental Organization.
- **Small Farmer (*Pequeno Produtor Rural*):** a rural resident who possesses an area of rural land not exceeding four fiscal modules (MF), and who farms it personally and with family labor, with no more than occasional recourse to temporary hired labor, as well as collectively-held land where each

individual's share does not exceed four MFs, and at least 80% of whose gross income comes from farming, forestry, livestock or rural extractive activities.

- **Traditional Population:** a population that lives in a close relationship with their natural environment and depends on its natural resources for their social and cultural reproduction, through activities with low environmental impact.
- **Rural producers:** In Brazil, farmers, i.e., economic agents, physical or legal persons who organize the production process and supply products to the market.
- **Legal reserve:** an area of a farm that cannot be converted for the planting of commercial species, the percentage of which varies depending on legal provisions for the particular biome where it is located.
- **Corporate Social Responsibility:** a socially responsible company is capable of hearing the interests of many stake-holders (share-holders, employees, service providers, suppliers, consumers, community, government and environmental NGOs) and incorporating them into the planning of its activities, seeking to respond to the demands of all rather than only to those of share-holders or owners.
- **Minimum wage:** the value of the minimum remuneration for formal employment, as defined by the government.
- **Conventional soy:** grain that contains no modifications arising from the use of biotechnology for the insertion of genes.
- **Organic soy:** soy produced under required standards and certified as such.
- **Supplier's credit:** loans granted mainly in the form of goods and services.
- **Conduct Adjustment Agreement (*Termo de Ajustamento de Conduta/TAC*):** a commitment signed between the parties with the participation of a Public Prosecutor, with the objective of correcting illegal behavior.
- **Land "grabbing" fraud (*grilagem*):** Land grabbing thrives in the absence of any surveillance or control over public land-deed registries. Often it is done with the connivance of employees in public land-deed offices who record overlapping areas of land or simply register fictitious deeds, often leading to mistaken court decisions. After obtaining an irregular registration, the land grabber uses the illegitimate deed to register land in the State Land Institute, the INCRA and the Internal Revenue Service, thus gaining the right to public and private credit facilities, as well as to illegal real estate operations, causing losses to third parties.
- **Recovered native plant cover:** the natural regeneration of a deforested area or the planting of native species to reclaim something like the original plant cover.
- **Economic and Ecological Zoning:** the process of identifying and territorially organizing land areas that are more appropriate for certain uses or for preservation and conservation, in a way that reconciles economic development and environmental protection.

## Appendix II- Map of Biomes



Map Source: Prof. Enrique Ortega & Cássio Martins. DEA/FEA/Unicamp