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Forest Conversion News

WWF's newsletter on forest conversion focusing on the expansion of palm oil and soy

Mato Grosso a hot spot of soy expansion – and deforestation



The boom in soybean cultivation is rushing across South American forests and savannahs. Driven by constantly increasing demand on the world market, soybean cultivation is expanding by 1.7 million hectares per year. The rapid spread of soy fields and its consequences are particularly obvious in the Brazilian state of Mato Grosso. Twenty years ago, practically no soy was cultivated in Mato Grosso; today one-fourth of Brazilian soy comes from this state. Soybean fields cover an area of 4.5 million hectares – about 80 times more than in 1980.

Mato Grosso also leads in the loss of natural habitats. In the past 20 years, 30 million hectares of forest and savannah, one-third of the state's area, have been converted into land for agricultural purposes. Soy cultivation has been the major force behind this development in recent years; 70 percent of newly created agricultural area is used to grow soybeans. Some cases have been documented of soy farmers who have even intruded into protected areas such as the Xingú national park.

The soy business has completely changed matters relating to ownership in Mato Grosso. In 1980, some 24,000 small farmers each still cultivated areas of less than 10 hectares. Just 16 years later, the number of small farmers had dwindled to about 10,000, whereby the number of large farmers had grown by one-fifth. Large-scale farms cover areas of far more than 10,000 hectares. The use of machines, pesticides and fertilisers greatly reduces the workload. On average, only one farm worker is needed per 200 hectares of farmland. Working conditions are often pitiful. In 2002, 723 cases of slavery on farms were officially exposed in Mato Grosso; the number of unrecorded cases is probably several times higher.

Guiding growth towards sustainability

The expansion of soybean fields in Mato Grosso continues. It is estimated that cultivated area could double to 40 million hectares, an area nearly the size of Sweden. WWF is doing what it can to steer this growth towards sustainable production. But broad consensus is needed to attain this goal. The roundtable for sustainable soy, initiated by WWF, intends to offer a platform for discussion where guidelines for ecological, socially responsible and economically viable soybean cultivation can be defined jointly (see interview on next page). WWF will do all it can in particular to make sure high conservation value areas in forests and bush savannahs (cerrado) will be protected in the future.

Download: ["The Impacts of Soybean Cultivation on Brazilian Ecosystems – Three Case Studies", U. Bickel/ J.M. Dros, 2003, PDF, 4'074 Kb](#)

Soy on its way into the tropics

Soybean is traditionally grown in temperate and subtropical regions around the world and is currently expanding into tropical regions. Brazil is the second largest producer (50 million tons or 26 percent of world production in 2003) after the United States (38 percent). Argentina, Paraguay and Bolivia have respective market shares of 18 percent, two percent and one percent. Other big producers are China and India (eight percent and two percent respectively). Main products derived from soybeans are soy oil (the world's most consumed vegetable oil with a 25 percent market share) and soy meal (the world's main oil meal for animal feed, with a 55 percent market share). As soybeans yield 18 percent oil and 79 percent meal after processing, the market for soybean products is driven mostly by the livestock feed industry.

"A roundtable can shift the soy industry into a more sustainable mode"

A roundtable meeting on sustainable soy offers market players the chance to actively engage in more sustainable soy production before things get out of hand, says Juan Rodrigo Walsh, WWF's soy industry advisor in Latin America.

WWF is suggesting a roundtable meeting on sustainable soy. Why do we need this?

The world's demand for soy is strong. On the one hand, this is good news. For countries such as Argentina, Paraguay and Brazil, the high price of soy has been of key importance, given the financial crises in the region. However, the sheer size and volume of increases in soy production are putting the region's natural resources under a considerable amount of stress. To meet global demand, farmers advance on historically marginal lands or convert natural areas and forests to agricultural use. As these forests and natural areas are likely to have high conservation value, the "soy boom", while economically beneficial to many, also poses the serious risk of becoming environmentally unsustainable.

The increase in soy production is also forcing changes in social structures. Soy agriculture is becoming more and more a global business dominated by large players. Land tenure throughout the soy-producing regions of Latin America is tending to become more and more concentrated and the entire business is becoming more capital-intensive. This increasingly leads to social conflicts.

At WWF we feel that the size of the problem goes beyond the scope of any one stakeholder, be it government, producers or civil society. A roundtable allows all the relevant stakeholders and interested parties to agree on a consensus-based approach to addressing the problem. Our hope is that the roundtable will provide a constructive forum where the "key players in the game" can come forward with proposals for shifting the industry into a more sustainable mode.

How can a roundtable evoke a shift "into a more sustainable mode"?

A roundtable will obviously provide an excellent venue to raise awareness of the problem and draw attention to the fact that in a globalised world no single sector can remain idle in the face of the challenges that the soy boom is raising. If forests or other ecosystems with high conservation value are being lost to a systematic encroachment of agriculture to

meet world demand, market actors have a responsibility to react. Rather than waiting for governments to take action, market actors can develop broadly accepted solutions in a roundtable process. A roundtable is really a way of attempting to work with the market, rather than denounce a state of affairs.

Why should companies engage in the roundtable?

Some of the reasons to join may be altruistic, but most make a lot of business sense. For example, if a major food producer is adopting global guidelines on corporate social responsibility, joining an initiative such as the roundtable makes for consistency. Companies that engage in the roundtable process will have the advantage of ownership. A corporate CEO with strategic foresight would surely want to be part of an initiative taking a proactive look at a problem which could well dominate the environmental and sustainable development agenda in the next few years, rather than wait for the issue to get out of hand and become too politically controversial or conflict driven.



Juan Rodrigo Walsh

"At WWF we feel that the size of the problem goes beyond the scope of any one stakeholder."

But are there incentives enough for soy producers to join?

Soy and sustainability are rapidly gaining a high profile on the political agenda in many developing countries and it makes for enlightened self-interest to address the issues at an early stage. Among farming groups, interest is growing strongly because awareness is increasing of the long-term threats to their way of life.

Let me give you a recent example of this. Bunge is currently expanding its crushing facilities in Uruçui in the northeast of Brazil. A local NGO, Funaguas, has taken the company to court on the grounds that the permitting process and the environmental impact assessment have not taken into account the impact of deforestation caused by soy expansion and the need to meet fuel requirements. As environmental and social concerns about soy expansion are rising, there is a strong chance that many businesses will have to face a hostile regulatory environment and a loss of public goodwill.

Contact: Juan Rodrigo Walsh,
<mailto:rodrigowalsh@arnet.com.ar>
<mailto:soja.conservacion@fibertel.com.ar>

Accommodating soy expansion – a scenario of hope

Demand for soy on world markets continues; prognoses expect it will increase by another 40 percent by 2020. This means the area for soybean cultivation in South America will also continue to expand. The question is simply how and where. If expansion continues at today's rate, conversion will threaten an area of forests and bush savannahs as large as Britain. The Atlantic rainforest and the cerrado, the world's most species-rich savannah, are particularly threatened, according to an assessment by AIDEnvironment, a Dutch consultancy commissioned by WWF. But things could take a different course.

Prerequisites are that existing open spaces are used more rationally, farming methods are improved and a ban on converting valuable natural habitats is enforced. According to an AIDEnvironment scenario, soy production in South America could then double without destroying high conservation value areas. In Brazil alone, grazing land which covers an area as large as Greece is available on which soy could also be alternately cultivated. Crop rotation would not only reduce pressure on natural habitats; it would also improve the quality of grazing land.

Download: ["Accommodating Growth: Two scenarios for soybean production growth", J.M. Dros, AIDEnvironment, 2003, PDF, 63 Kb](#)

Dutch companies attend NGO workshop on soy

A Dutch business and industry workshop on soy was held in Amsterdam in January 2004, arranged jointly by the Dutch consultancy AIDEnvironment and the NGO Both ENDS in cooperation with other NGOs, including WWF Netherlands. Nearly 50 participants attended the event, including representatives of industry, government and NGOs. The workshop informed participants about the impact of large-scale soy production in Brazil and highlighted the effort to find ways to sustainably produce soy in the future. WWF presented its vision of the forthcoming roundtable on sustainable soy. Working group sessions encouraged the sharing of ideas and supported mutual understanding.

Contact: Patrick Cooper, <mailto:pcooper@wwf.org.uk>

Dozens of companies are committed to sustainable palm oil

Institutions, NGOs and 33 companies signed a statement of intent by the end of January to support the roundtable on sustainable palm oil, thereby acknowledging that not all palm oil is being produced sustainably and that there must be a guarantee that the expansion of oil palm plantations will take place on lands that do not have high conservation value.

Signatories come from a wide range of sectors around the world, including banks, producers, traders and retailers. By signing the statement, companies commit themselves to developing and implementing

plans of action to promote sustainable palm oil production, procurement and consumption. They are called upon to operate in a transparent way and regularly report on their activities and results.

Link: [List of signatories to the SOI](#)

New governance structure for the roundtable on sustainable palm oil

Stakeholders will get equal voting power in the new governance structure for the international roundtable on sustainable palm oil. The organising committee has decided to install a governance model in which members form a general assembly and a board is named with the following stakeholders: plantation companies, traders and processors, consumer goods producers, retailers, investors, and social and environmental NGOs. The organisation will be legally founded in Zurich in March according to Swiss law. A secretariat will be established in Kuala Lumpur. The next roundtable meeting is scheduled for early autumn 2004.

Link: www.sustainable-palmoil.org

Migros criteria used to audit Malaysian producer

The United Plantations oil palm plantation in Malaysia has been successfully audited according to criteria for sustainable palm oil production developed by Migros, a Swiss retailer. The audit was commissioned by Spychiger Oil Trading, a Swiss oil trader offering commercial quantities of sustainably produced palm oil on the European market.

Contact: Ernst Spychiger, Spychiger Oil Trading <mailto:e.spychiger@spychiger-oil-trading.ch>

Download: [Migros criteria for environmental and social best practices for Oil Palm Plantations 2001, PDF, 23 Kb](#)

Coop Switzerland bakes with sustainable palm oil

Swiss retailer Coop announced it will use sustainably produced palm oil in its bakery products. Coop stated that it understood its commitment to be a clear sign against the destruction of tropical forests. Coop sources palm oil produced according to the Migros criteria for sustainable palm oil (see above).

Publications

Companies Know Too Little About Palm Oil Supply Chains

A new ISIS Asset Management report on palm oil supply chains revealed that companies have insufficient knowledge of what they are sourcing and where it comes from. To prepare its report on "New Risks in Old Supply Chains. Where does your Palm Oil Come From?", ISIS surveyed 27 companies involved in food retailing and manufacturing, general retailing, cosmetic manufacturing, chemicals, and the hotel and leisure sectors.

All companies acknowledged the potential risk associated with ecological issues in supply chains. However, only two-thirds stated they had systems that provided adequate protection. Eighty-three percent of companies had little or no knowledge of where their palm oil came from. Twenty-one percent are developing or considering developing supply chain policies specifically related to palm oil. The report concluded that some of these companies are at risk of contravening their policies on quality, labour standards and the environment.

Download: [Where does your Palm Oil come from? December 2003, PDF, Kb 233](#)

Link: [ISIS press release, 18 December 2003](#)

How oil palm and soybeans contribute to critical habitat loss

Increasing global demand for oil palm and soybean by-products has stimulated dramatic area growth in the last decade. In a review paper, Anne Casson, a Visiting Scientist at the World Agroforestry Centre (ICRAF), draws upon existing data to explore the relationship between oil palm and soybean expansion and critical habitat loss in Brazil and Indonesia. In both countries, expansion has been concentrated in a number of areas known to have high conservation values – and is expected to continue in these areas, supported by government policies. As both crops are established as monocultures, biodiversity is significantly reduced, and large-scale fires caused by land-clearing practices pose a serious threat to valuable habitats.

Download: [Oil Palm, Soybeans & Critical Habitat Loss \(678.21 KB\)](#)

It's possible: Growth without negative impacts

Palm oil production may well triple in Malaysia and Indonesia by the year 2020 without scarifying any forests of high conservation value: According to a quick scan scenario elaborated by the Dutch consultancy AIDEnvironment, this requires the implementation of better management practices, the rational use of idle land and a ban on the conversion on forest conversion. Better practices may increase the yield per hectare thereby reducing the need for additional land.

Download: ["Accommodating Growth: Two scenarios for oil palm production growth", J.M. Dros, AIDEnvironment, PDF 71Kb](#)

Facts on Palm Oil and Soy

WWF-Indonesia, WWF-Malaysia and WWF-Switzerland produced a series of factsheets on oil palm, soy and better management practices:

- [Oil Palm and Soy: The Expanding Threat to Forests \(PDF, 296 KB\)](#)
- [Soy Expansion – Losing Forests to Fields \(PDF, 270 KB\)](#)
- [Better Management Practices: The Way Forward to a Sustainable Future for the Oil Palm Industry \(PDF, 117 KB\)](#)
- [High Conservation Value Forests \(PDF, 172 KB\)](#)
- [Valuing Forests on the Ground – an example from High Conservation Value Forests \(HCVFs\) assessment in Riau, Sumatra, Indonesia \(PDF, 1'778 KB\)](#)
- [Wetlands Restoration in the Lower Kinabatangan Floodplain – Fitting the Pieces Together \(PDF, 140 KB\)](#)

Media review

Indonesia needs to strengthen its Forest Restoration Initiative

The President of the Republic of Indonesia, Megawati Sukarnoputri, launched the Forest and Land Restoration Initiative (GNRHL) aiming at restoring 300,000 ha of forest and land areas in 2004. WWF-Indonesia appealed to the Indonesian Government to learn lessons from ineffective forest rehabilitation programmes in the past. WWF believes the new Initiative needs transparency in administration, financial management, and the appropriate choice of locations and species.

Download: [WWF Press Release](#)

Soybeans - relentless foe of the Amazon jungle

Experts are unanimous in warning that as soybean farming continues to spread through the adjacent southern Amazon states of Mato Grosso and Pará, the threat to the Amazon ecological system is likely to worsen in the next few years.

Source: New York Times, 17 September 2003