

# Incentivising deforestation for livestock products:

## livestock products:

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



# Incentivising deforestation for livestock products

- Aichi Target 3 of the (CBD) states that subsidies and incentives that are harmful to biodiversity must be phased out or reformed by 2020.
- Four key commodities are the key drivers of deforestation: beef, soybeans, palm oil, and wood pulp.
- Main sourcing areas are also the areas with highest deforestation rates (Brazil's Cerrado & Paraguayan Chaco)



# 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.



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

# Argentina

Corporate Control

Tax Cuts

Direct Subsidies

### 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.

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.

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**

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

**Jorge Brito**

Adecoagro, owned by US billionaire

**George Soros**

with 260,000 hectares in Argentina

and Cresud, with more than 400,000 hectares, owned by

**Eduardo Elzstain**



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



## Wealth inequality amplified by livestock policy


In Brazil, the wealthiest 5% hold the same wealth...



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 Brazilian government invested **US \$3.18 billion** in the livestock industry. Just **three companies** received **90% of the support**.

 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**



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

# Paraguay

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.

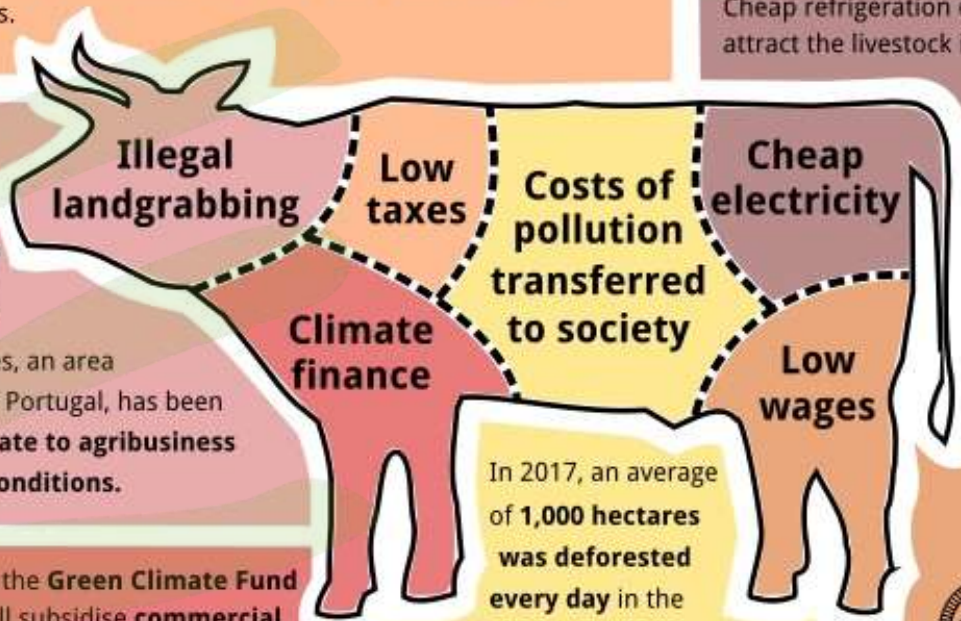


Ranchers pay **less than \$0.02 per hectare** in the Chaco

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



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



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



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

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.

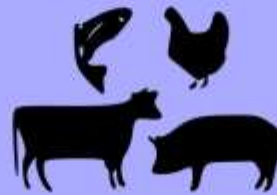




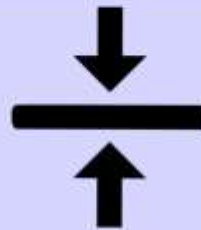
**Recipe for  
positive CAP  
reform:**



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.

# Conclusions

- Transparency 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.
- Good opportunities for attracting investment such as lower taxes on agricultural exports CAN'T come at the expense of social welfare and the public good.
- FTAs only aggravate this situation ----> Support for small-scale, localized food production.
- Lower demand in meat and soy production both in consumer and producing countries, with a shift to plant based diets
- **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.**
- **Food Security -----> Food Sovereignty**





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<https://globalforestcoalition.org/wp-content/uploads/2018/11/incentivising-deforestation-for-livestock-products.pdf>

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