

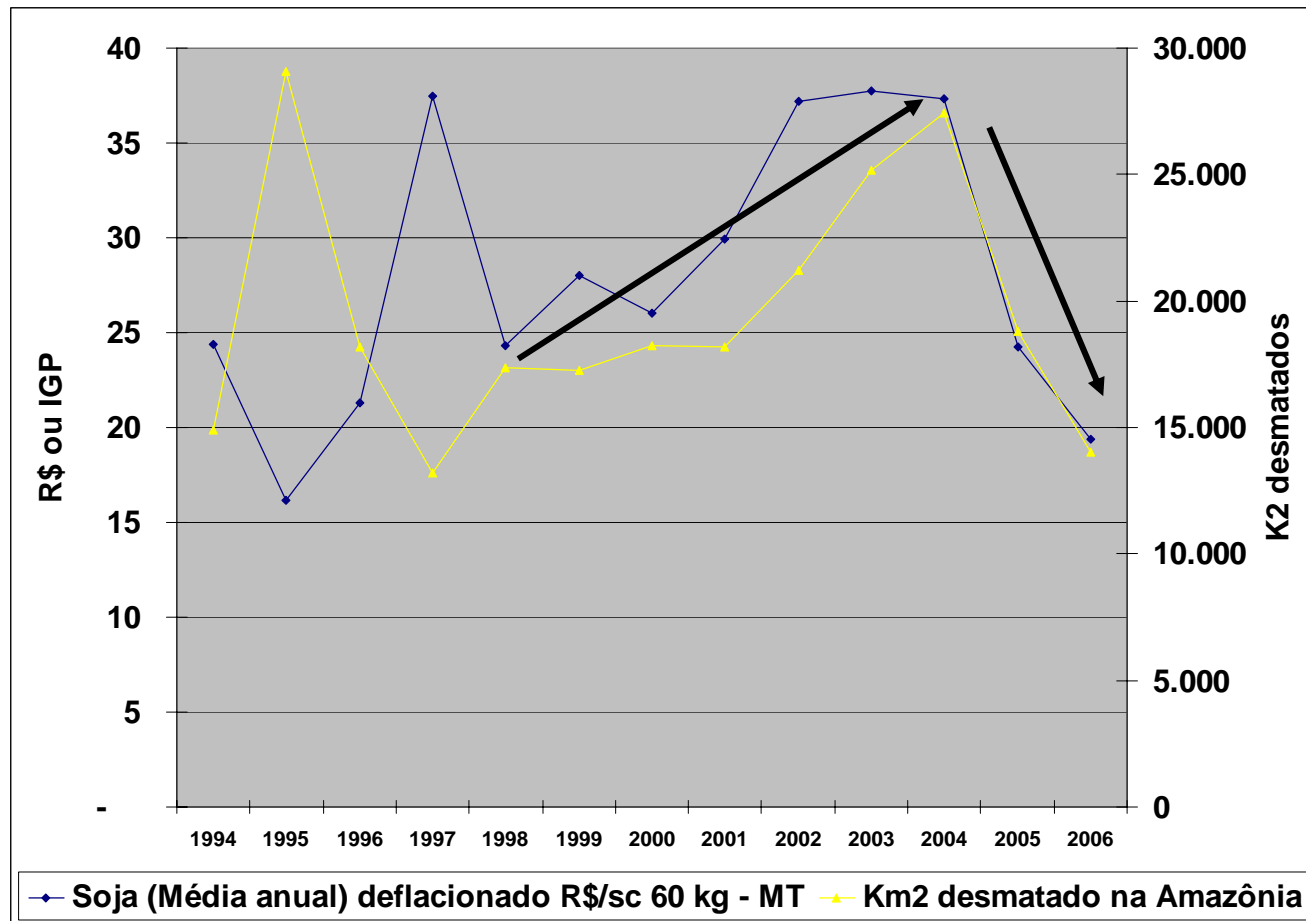
Agribusiness in the Brazilian Amazon

Threat or Opportunity ?

Why Agribusiness matter

- Major economic activity of the Amazon region
- Cattle ranching and soy are significant causes of deforestation
- Growing world demand for commodities
- Increased agricultural production results in demand for additional infrastructure
- Additional infrastructure results in increased agricultural production by opening markets
- Technological advances allow farming in challenging soils/climate

Correlation between rate of deforestation and price of soy



Issues related to Agribusiness

- Most products are commodities
 - Prices are set by the market based on quality not origin
 - Companies operate in an internationally competitive market (soy, meat, corn, sugar)
 - Growing world demand
- Environmental and social compliance of the supply chain
 - Often (in Brazil) most issues regulated by law (example: legal reserve; labor laws)
 - No economic rationale for legal reserve (80% set aside in any Amazon forest area)
 - Failure of the government to enforce legislation
 - No traceability at the farm level (example: Sisbov)
- Low technology farming/ranching
 - Deforesting the next hectare provides cash flow (wood) and fertile land
 - Cattle is an investment, low maintenance, can be “harvested” at will, and moves by itself (low demand on infrastructure)
- Land ownership
 - Serious issues related to land titling (lack of georeferencing)
- High level of “illegality”
 - Brazilian Amazon => 200 slaughterhouses, only 87 registered at SIF (27 in 2004)
 - “Frontier” mentality

Opportunities

- Increased investments by large export-oriented companies
 - Publicly traded or issue international bonds and are subject to higher degree of scrutiny
 - Increased importance to corporate/social responsibility issues
 - EU is a large market and demands high standards (sustainability not yet a major one !)
 - More power to require standards from its supply chain
- Increased concern by civil society of the link supply chain / deforestation
 - Greenpeace “eating the Amazon” campaign => soy moratorium
 - EU consumers sensitive to the issue
- Federal Government attempting to extend trader’s responsibility to its supply chain
 - Decree 6321 of December, 21st, 2007
- Better use of farming techniques will increase productivity and reclaim degraded areas
 - Higher returns allow farmers to invest in conservation and maintaining the legal reserve
- Monetization of carbon credits and ecosystem services could have substantial impact
- IFC/WB currently designing an Amazon Partnership Framework to support economic development and conservation in the Amazon