



Responsible Sourcing in the Amazon: *A partnership between Cargill and The Nature Conservancy* *Pilot Project Status Report - February 2006*

Background

Covering an area larger than the continental United States and containing the largest tropical forest in the world, the Amazon River Basin harbors nearly one-third of the world's plants and animals and contains one-quarter of the earth's fresh water. In addition to its wealth of discovered and undiscovered flora and fauna, it is home to culturally diverse traditional and indigenous people. Although the Amazon has ecological value of local, regional and international importance, it is undergoing rapid change.

Brazil is now the world's largest exporter of soybeans in the world, with exports destined primarily to the European Union and China. Rapid soy expansion and agricultural migration in the Amazon is creating a number of complex challenges in the region, making the need for conservation an increasing priority.

Cargill and The Nature Conservancy

Cargill and The Nature Conservancy (TNC) have a long-standing relationship dating back to the 1980s. Cargill and TNC share a mutual interest in developing science-based, improved agricultural management practices that guarantee the productivity and enduring health of the ecosystem and landscape.

In April 2004, Cargill awarded a two-year, \$1 million grant to support a global TNC-Cargill initiative to support conservation and sustainable agriculture projects in three, priority-designated Conservancy sites, including China's northwest Yunnan province, Brazil's Amazon region, and along the Mississippi River in the United States. Cargill's support is aimed at helping the Conservancy develop further capabilities and expertise in its work to protect some of the most biologically diverse ecosystems in the world and promote best practices around sustainable agriculture and economic development. The expanded global relationship represents an entirely new level of support from Cargill and enables the company to be seen more visibly as a champion of prudent conservation practices around the world that are simple, actionable and measurable.

The Cargill-TNC Project in Brazil

Cargill's soy export facility in Santarém, in the Brazilian state of Para, is the primary purchaser of soybeans cultivated in the area, which has a long history of agricultural and economic boom and bust cycles over the last 100 years. Today, the region is vitally in need of sustainable economic development. Cargill, with its long-standing presence in Brazil, believes that agricultural, social and economic development can go hand-in-hand with conservation in the area.

The Nature Conservancy, created in 1951 and present in Brazil since 1988, also has the objective of making economic and social development compatible with the conservation of natural ecosystems. The Conservancy feels helping soy farmers comply with environmental legislation is one step in achieving this objective.

Together, Cargill and TNC, have launched a "responsible sourcing" demonstration project for soy that seeks to be a catalyst for protecting valuable environmental resources in and around the Santarém region. The long-term objective of the project is to establish tools and put in place appropriate incentives and rewards for farmers, at the field level, who implement sound agricultural and land management practices. The project is a first step in addressing the complex challenges surrounding agricultural expansion in the region.

To date, Cargill has committed \$240,000 to the project. The Conservancy has assigned two full-time staff: a field manager based in Belém and a policy specialist in Brasília. Along with Conservancy staff, Cargill managers in Brazil, the United States and Europe are part of the team coordinating the collaboration with TNC across geographies.

In late 2004 and early 2005, Conservancy scientists and partners analyzed 108 satellite images and conducted field visits with nearly 300 soy farmers to prepare a baseline environmental assessment encompassing nearly 495,000 acres of the region. Utilizing this assessment, the Conservancy and Cargill began a pilot project working with farmers of 40 properties to help assist them to comply with environmental legislation. Over three years, The Nature Conservancy, Cargill and local soy farmers will implement an innovative approach for reducing deforestation near the city of Santarém, in the east-central Brazilian Amazon near the BR-163 highway.

Farmers participating in the pilot demonstration project share a mutual commitment, along with Cargill and TNC, to define and develop acceptable strategies for helping all farmers in the region come into full compliance with Brazilian environmental laws.

Through extensive field visits and consultative meetings, the Conservancy is assisting farmers to legally comply with the Brazilian Forest Code. This code specifies that eighty percent of forested property in the Amazon must be set-aside as a legal reserve. In addition, riparian areas and other areas of ecological importance must be left intact as areas of permanent protection (APPs). The Conservancy has been assisting the farmers to come into compliance with the forest code by drafting a legal document called a TAC, a

Terms of Conduct. This TAC is being elaborated and negotiated by the farmers and the Brazilian environmental agency- IBAMA, the federal land titling agency- INCRA, and Public Ministry with the assistance of the Conservancy. By signing the TAC, farmers and Brazilian agencies will outline the steps for compliance with the forest code and will officially recognize a collective compensation mechanism for land cleared for soy cultivation.

To date, a representative sample of 16 producers and 40 properties has been defined for the demonstration project and the project is working on three fronts:

- 1) Negotiating a Termo de Ajuste de Conduta (TAC), a legally binding contract between signatories which is enforced by the Santarém office of the Brazilian equivalent of the Attorney General's office, the Ministério Público Federal (MPF). The TAC is between the producers, TNC, Cargill, IBAMA, the federal environment agency and INCRA, the federal land title agency. It will specify what each party commits to and will get out of the agreement, and revolves around an agreement by producers as a group to end illegal deforestation and compensate for environmental damage already done, in return for recognition of legal compliance by the government agencies.
- 2) Setting up a pilot project where costs of compliance are quantified on a representative sample of producer properties
- 3) Reforestation consultants have been contracted and will be working with the pilot study properties to examine degraded "areas of permanent preservation" and help the proprietors to produce a written plan for their restoration,

Progress Towards the Future

By early 2006, producers associated with project have agreed to a moratorium on deforestation in primary forest. A map completed by TNC identifies both primary forest around Santarém allowing parties to identify areas off-limits to future soy cultivation and other already-cleared land available and appropriate for expansion of soy hectareage.

A specialist in reforestation and recuperation of degraded areas from the Escola de Agricultura Luis Queiroz in Sao Paulo has been retained by TNC for the project. The specialist will be giving weeklong courses over the next six months training all producers from the pilot project, staff from the municipalities of Santarém and Belterra, and technicians from the federal government's rural extension service to begin the restoration of degraded areas of permanent protection.

As the pilot project progresses, it has the potential to expand to encompass neighboring municipalities. As an outcome of the TAC and the collective set-aside reserve for these properties, it is anticipated by the end of 2006 that a protected area of perhaps as large as 300,000 acres may be created along the BR-163.