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Hearing on
**Neo-liberal Politics and European Transnational Corporations in
Latin America and the Caribbean**
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Case: The Brazilian-EU soy chain

Sector(s) in which it works: Agrifood chain

Name(s) of the Association(s) presenting the case: Milieudefensie / Friends of the Earth (The Netherlands)

Synthesis

Soy in Brazil - an introduction

Soy is the fourth agricultural crop of the world after rice, wheat and maize. The largest part (87%) of the worldwide yield is crushed which results in soy oil (18%) and soy meal (79%). Although soy oil covers a quarter of the world-wide demand for edible oils, it is in fact only a by-product. The main product is soy meal. This is rich in protein and therefore much sought-after as animal food. The growing demand for meat therefore drives the production of soybean. With a production of 51 million tons in 2004 Brazil is the second largest producer after the U.S. Between 1996 and 2004 Brazilian production rose with 114%. The driving forces behind this are the exports to Europe and Asia, mainly China. Half of Brazil's soy production comes from the Cerrado. This is the savannah with the greatest biodiversity in the world. The past few years the expansion is spreading rapidly into the Amazon.

The Brazil-EU soy chain

The Brazil-EU soy chain starts with soy farmers. The soybean is an annual crop, and it is grown on family farms as well as on plantations. However to profit from soy production as a global cash crop, farming must be done on a large scale, in Brazil soy plantations reach up to 10,000 hectares in size. After the harvest, the soybeans are bought, collected and transported to crushing plants or exported. Worldwide these stages in the production chain are dominated by a small number of global commodity traders who also often control other aspects of the food chain: ADM, Bunge, Louis and Cargill (all U.S.) and Louis Dreyfus (France). Using loans provided by (mainly European) private financial institutions this cartel assumes the role of the banks in providing resources to farmers. Instead of offering loans they provide farmers with seed, fertiliser and chemicals in return for soy at harvest: Bunge alone provided the equivalent of nearly US\$1 billion worth of inputs to Brazilian farmers in 2004. This gives the companies indirect control over huge swathes of land. Together, the three American multinationals are responsible for 60% of the total financing of soy production in Brazil and control around 80% of the EU's soy crushing capacity for meal and oil. Such integrated production – the ownership of many parts of the supply chain – means that they have a virtual monopoly on supply. The EU as a whole is the largest importer of Brazilian soy beans (47%) and soy meal (73%). The Netherlands imports almost a third of the total EU soybean imports from Brazil. France imports more than a quarter of Brazil's soy meal exports. By far the largest share of the imported soy is processed to animal feed, mainly pigs, poultry and cows. In the Netherlands 93% of consumption is for the feed sector. The feed industry either buys imported soy meal or meal from European crushing plants. These animal feed producers supply feed processed with crude soy materials to farmers, particularly broiler and pig farmers. In turn, these farmers supply broilers and pigs to abattoirs. In The Netherlands there often is close collaboration (an integration) between the animal feed producers, the farmers and the abattoirs. Dutch multinationals who are involved in the soy chain are Rabobank and ABN-AMRO (finance of primary production and traders), Nutreco and Provimi (feed production), Vion Food Group (slaughterhouse) and Ahold (retail).

Main impacts

Land conflicts and illegal land acquisition - In Brazil as a whole the number of land conflicts increased with 12 percent between 1997 and 2002. In Mato Grosso where the expansion of soy cultivation is the highest, the number of conflicts grew with 139 percent. The number of violent incidences increased even stronger from 39 in 1997 to 149 in 2003

Violation of human and labour rights / slavery - The clearing of natural vegetation for soy is one of the few activities in the soy production chain that requires manual labour. Labour conditions are often extremely poor, often paying less than minimum wages. Many cases of slavery have been observed.

Land concentration and (forced) rural exodus - Small scale farmers and other local inhabitants are being pushed off their lands by large scale soy producers. In many cases they sell their land for extremely low prices (below US\$ 10 per hectare). There have been many reports of peasants being threatened if they don't sell their land. These developments have led to a massive depopulation of agricultural frontier areas. Large numbers of rural inhabitants have ended up in big city slums.

Food security - Industrial soybean cultivation is expanding at the expense of small scale, labour intensive family farming of staple foods. As a result large numbers of people are experiencing reduced diversity in food supply and food self sufficiency. It is extra cynical that millions of children are underfed while Brazil is one of the largest exporters of animal fodder in the world.

Socio-economic impacts - Large scale mechanised soy production is very labour extensive. Labour requirement is only one job per 100-500 hectares. The added value of the soy production chain benefits external stakeholders (landowners, banks, trade houses, transport companies) most; little value is added inside the production areas.

Agro-industrial model - Abovementioned concerns do not only relate to soy cultivation. Many of these problems also exist with the agro-industrial production of other commodities. These production methods involve large scale monocultures and use high amounts of chemical fertilizers, pesticides and fossil fuels. The continuous stream of nutrients from South America towards Europe causes a problematic surplus of manure in Europe which results in pollution of the air, soil and water. In South America the soils get exhausted and eroded. Only a massive use of chemical fertilizers and new deforestation keeps this process going.

(Illegal) deforestation of Amazon forests and Cerrado savanna - Expansion of soy production is one of the main threats to the Amazon forests. Besides deforestation in the Amazon also the conversion of the Cerrado biome and the impacts on the Pantanal wetland ecosystem are highly problematic.

Pesticides - High use of pesticides leading to environmental pollution, poisoning of neighbouring peasants and indigenous peoples and destruction of crops.

Erosion / silting - The deforestation of Cerrado for soy expansion results in extensive sedimentation buildup in the waterways of the lowland areas of the Pantanal. The Environment Program of the UN considers expansion of soybean cultivation as one of the biggest threats for this unique ecosystem.

Forest fires - The use of fire for land clearing is common practice in both forest areas and savannahs. In Mato Grosso, Brazil's main soy producing region, there were more than 32,000 illegal forest fires in 2004, up from 28,000 in 2003.

Expansion of GMO (Roundup Ready) soybeans - Adoption of genetically modified soy increases the dependence on a limited number of multinationals and limits the choice of varieties. Direct planting and lower labour requirements for weeding greatly reduce the number of rural jobs.

The case of Cargill

Cargill Inc. in Minneapolis (Minnesota, USA) is probably the largest privately-owned business in the world. The company has 124,000 employees in 59 countries and sells agricultural and non-agricultural crude materials worldwide. In 2004/2005 Cargill achieved a turnover of US\$71.1 billion, resulting in net earnings of US\$1.5 billion. Cargill B.V., the Dutch subsidiary of Cargill Inc., has 2,000 employees and ranks as one of the 20 largest companies in the Netherlands. Cargill is the second largest trader and crusher of soy beans in Brazil. In the European soybean crushing sector the company has a market share of approximately 30%. Cargill plays a crucial role in the recent expansion of soy production in the Amazon biome. The company has built 13 soy storage facilities inside the Amazon region, among which an illegally built export terminal in Amazon river port of Santarem which lies in the heart of the Amazon forest. There is strong evidence which proves the company has been buying soy from farms which are involved in land grabbing, the use of slave labour and illegal deforestation.