



How can the chinese market contribute to the transition to sustainable cattle farming in Brazil?

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Photo: Rick Oliveira

Key messages:

1 China is Brazil's main trading partner and the largest destination for Brazilian beef. In addition, the Asian country seeks to zero its emissions by 2060. By adopting the Beef on Track Protocol, which aims to promote and guarantee compliance with social and environmental commitments by meatpacking plants operating in Brazil, China can become a great ally in the fight against the climate crisis, by influencing and generating major changes, not only in the market, but in the productive sector as a whole.

2 The Beef on Track Protocol has been widely adopted by beef trading entities in Brazil and around the world. In addition to focusing on compliance and being supported by the robustness of an Monitoring, Report and Verification system, Beef on Track has the support of the Federal Public Prosecutor's Office and brings together different players involved in the meat and leather value chain.



A BRIEF CONTEXT

It is estimated (ZU ERMGASSEN et al., 2020) that China's adoption of socio-environmental requirements in its trade relationship with Brazil has the potential to mitigate between 21.7% and 31.1% of all deforestation associated with the country's beef exports.

According to data from the Brazilian Association of Meat Exporting Industries (ABIEC, 2023), in 2022, the Asian country was the largest importer of Brazilian beef, being responsible for almost US\$ 8 billion in revenue, absorbing 54.7% of the exported volume. In comparison, the United States, the second largest importer, generated almost US\$ 900 million in revenues, representing 5.93% of the exported volume. These figures highlight and reinforce the influence of the Chinese market in the sector.

Since 2010, China has enabled meatpacking plants in Brazil to sell beef. In March 2024, 24 new slaughter units were approved. This was the largest number of qualifications granted at once, which today corresponds to sixty-seven units, positioning Brazil as a reliable trading partner. Evaluating the social and environmental performance of these plants presents a relevant opportunity to stimulate the engagement of meatpackers in monitoring and verifying their supply chains. Consequently, it gives us a chance to understand to what extent the Chinese market can influence the advancement of the socioenvironmental and climatic agenda of cattle ranching in the Amazon and other Brazilian biomes.

Beef on Track is an initiative of the Federal Public Prosecutor's Office (MPF) and Imafloira, in dialogue with all actors involved in the chain (industry, producers, retail, financial sector, civil society), that defines a MRV (monitoring, reporting and verification) protocol for assessing the socio-environmental performance of meatpacking plants in the Amazon in relation to the Brazilian legislation. This convention is called the Amazon Cattle Suppliers Monitoring Protocol (IMAFLOIRA, 2021).

This protocol evaluates the following criteria: deforestation, overlap with Indigenous lands and conservation units, work analogous to slave labor.

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How have the slaughterhouses authorized by china responded to the commitments made within the beef on track initiative?

Of the total number of meatpacking plants authorized to trade with China, 43% are in the Amazon, 31% in the Cerrado, 18% in the Atlantic Forest, and 8% in the Pampa (Figure 1).

Allowed meatpackers per biome

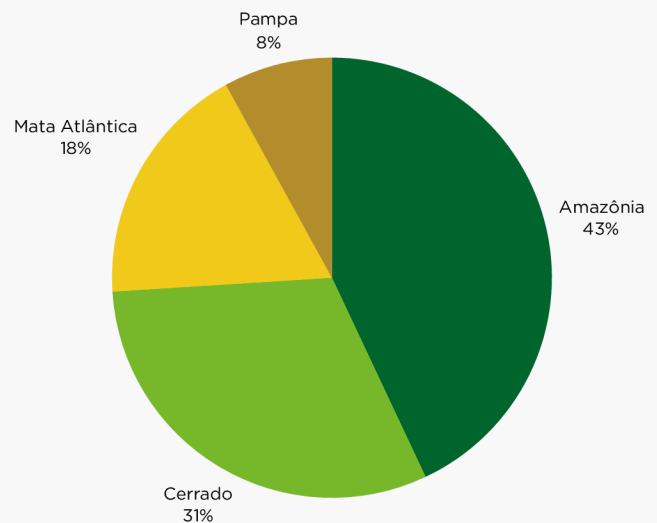


Figure 1: Meatpacking plants licensed to export to China by biome

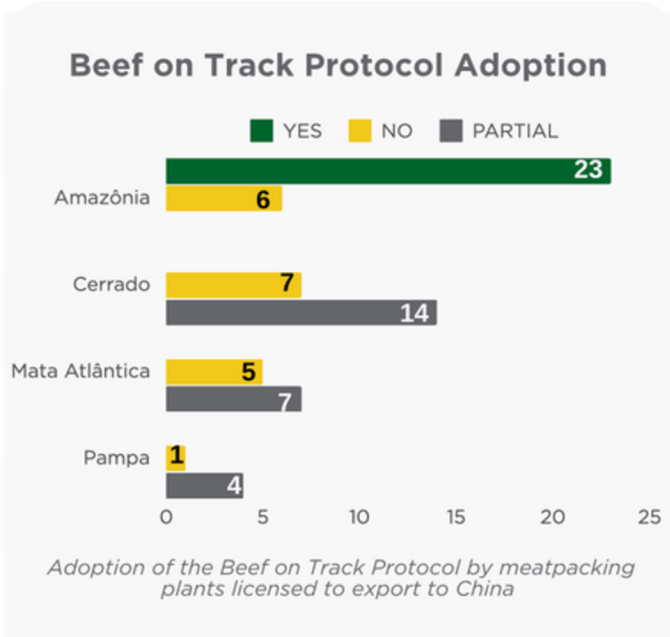
Of the twenty-nine units operating in the Legal Amazon[1], twenty-three have signed commitments to monitor their direct suppliers with the Federal Prosecutor's Office, via a document called Conduct Adjustment Term[2] (TAC), and follow the Beef on Track Protocol in its entirety.

[1] The Legal Amazon is the territory that covers the states of the Northern Region, the state of Mato Grosso and part of Maranhão. All these states have areas of the Amazon biome, but some also include areas of Cerrado and Pantanal.

[2] This mandatory commitment, which is monitored by the Federal Public Prosecutor's Office (MPF), requires the meatpacking company to implement monitoring systems and conduct annual audits to check that the commitment is being met.



Six of the plants authorized in the Legal Amazon and thirty-eight of those operating in other biomes still do not follow (or do so only partially) the MRV protocol for assessing compliance with socioenvironmental legality in their direct purchases (Figure 2).



It is worth pointing out that meatpacking plants outside the Legal Amazon do not have a legal element that obliges them to adopt the Beef on Track Protocol, such as the Adjustment Conduct Term, but some of them adopt the protocol voluntarily and partially (not including the reporting and verification elements). This is the case of some plants that are part of the same groups that have Adjustment Conduct Term (TAC) with the Federal Prosecutor Office in the Amazon.

This is a clear sign that the market is interfering in the actions and strategies of companies operating in the beef chain. The adoption of commitments on a voluntary basis has grown in the sector, and the expectation is that, despite being mandatory only in the Amazon, the Beef on Track initiative will be adopted, and cover other biomes in Brazil.

An example is the recently launched Voluntary Protocol for Monitoring Cattle Suppliers in the Cerrado[1] and the Technical Cooperation Agreement signed between Imaflora and Abiec to establish Beef on Track as a minimum commitment criterion for its members throughout Brazil.

[3] Developed by Proforest and Imaflora, in dialog with the sector and interested parties.

Thus, when negotiating with meatpacking plants in Brazil, whether in the Legal Amazon or in other biomes, China’s demand for adherence to the Beef on Track MRV protocol could be a major lever for advancing the sector’s socio-environmental performance in Brazil and dissociating its activities from deforestation and human rights violations.

HOW CAN COMPLIANCE WITH THE BEEF ON TRACK PROTOCOL BE VERIFIED BY THE CHINESE MARKET?

It is through independent audits – known as third-party audits – that meatpackers can demonstrate the results of monitoring their direct suppliers, ensuring that their purchases are not linked to illegal deforestation, or human rights violations, such as slave-like labor.



Foto: Rick Oliveira



In 2023, the 1st Unified Audit Cycle took place, in which the states of the Legal Amazon were for the first time evaluated based on common schedules and procedures, ensuring a better evaluation process on the performance of meatpacking plants.

The purchases of the meatpacking plants that signed the TAC for the period from July 2020 to December 2021 were evaluated, and the results of the audits were disclosed. According to the results presented by the Federal Prosecutors in October 2023, of the total number of meatpacking plants operating in the Legal Amazon qualified to export to China and within the socio-environmental commitment, twenty-one units were audited (Figure 3). The five companies that were not audited, even despite the obligation, may suffer sanctions such as fines and legal liabilities.

Thus, China's demand for qualified plants to adhere to the full Beef on Track MRV protocol could also be a driver for progress for plants that have theoretically already made the commitment but are not yet undergoing third-party assessments.



When we evaluate the type of non-conformities identified in the audits, what we see is that illegal deforestation is the most recurrent in the cattle supply properties, present in almost 87% of the cases analyzed.



WE NEED TO WORK TOGETHER

The complexity of the beef production chain in Brazil is widely known. It is therefore necessary to combine efforts led by different governmental and private entities so that all actors involved in this production chain are at the same level of compliance with legislation, boosting the environmental regularization of rural properties that will inform the responsibility of all the links in the chain going forward, from meatpackers to importers.

There is an expectation that the demand from Chinese buyers for qualified and verified information will promote a significant adherence by these companies to commitments, generating a movement among other organizations in the productive sector, impacting the reduction of deforestation and, consequently, emissions into the atmosphere.

Therefore, the immediate adoption of the Beef on Track Protocol as a starting point by the Chinese private market, in its commercial relationship with Brazil, could be a great transforming agent of socio-environmental performance throughout the chain.

Meatpacking plants allowed to export to China audited last year

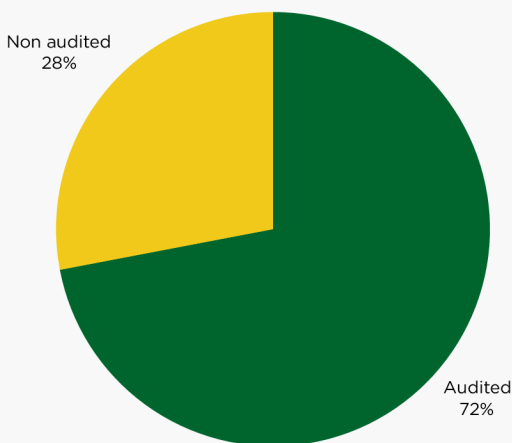


Figure 3: Meatpackers plants able to export to China, which operate in the Legal Amazon and have been audited

Regarding the performance of the companies qualified for China and assessed, the result shows a performance between 93 and 100% compliance.



HOW CAN THE BEEF ON TRACK PROTOCOL GO BEYOND PRIVATE AGREEMENTS AND INFORM TRADE AGREEMENTS BETWEEN COUNTRIES?

The experience of the Beef on Track initiative is being used to discuss and build public policies related to the sector, at a state and national levels. From the establishment of a Technical Cooperation Agreement with the Ministry of Agriculture and Cattle (MAPA) and Imaflorea, we are working together with other organizations from the public and private sectors and civil society in the development of a public policy for traceability and monitoring of agricultural chains.

The Beef on Track initiative is a technical and methodological reference for the development of the AgroBrasil + Sustentável Platform, a tool developed by Ministry of Agriculture in Brazil, which will provide organized, traceable and reliable information on sustainable agricultural production.

It is expected that, once active, the Platform will expand the adoption and standardization of the criteria already established by the Beef on Track Protocol throughout the Brazilian agricultural

chain. It will also be able to meet responsible international trade ambitions, such as declared in 2023 when the Brazilian commission visited China, to eliminate illegal deforestation, through the effective application of their respective laws prohibiting illegal imports and exports.

By looking at the data and results presented and observing the potential that the Chinese market must influence decision-makers along the cattle chain in Brazil, it is clear this is an opportunity for cooperation between China and Brazil to promote cattle ranching free of illegalities, safe from a sanitary point of view and that actually contributes to the achievement of emission reduction goals and food security. It is necessary to cooperate and act together leveraging initiatives such as Beef on Track in China and other countries that import products from the cattle chain, promoting cattle farming in Brazil in a legal, responsible, inclusive and sustainable way.





BEEF ON TRACK

Created in 2019 by Imaflora in partnership with the Federal Public Prosecutor's Office, Beef on Track guides and qualifies actors in the meat and leather value chain to promote transparent livestock farming free from deforestation, slave labour and invasion of protected areas.

With a priority focus on the Legal Amazon and Cerrado, the program seeks to demonstrate the social, economic and environmental advantages of acting within the law and with socioenvironmental responsibility.



Since 1995, Imaflora has worked to promote sustainable and inclusive use of natural resources. Their projects balance environmental conservation and economic development, addressing forestry, agriculture, sociobiodiversity and climate needs. They conduct fieldwork, provide technical assistance, ESG services and certifications, as well as research and data development. (www.imaflora.org)

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