

## Letter from Civil Society Organizations to the members of Consumer Goods Forum – Forest Positive Coalition of Action (CGF-FPC) and to the soy traders, on the “negligible” risk approach of their Guidances

April 18th, 2024

### Background

Soy, cattle, and palm oil are the three main commodities driving greenhouse gas (GHG) emissions within the food sector, which [contributes to one-third of total net anthropogenic GHG](#) emissions. Together, these three commodities are responsible for between one-quarter to over half of all agricultural land-conversion emissions. Eliminating deforestation and conversion from these supply chains, but also globally, is thus urgent and crucial to reduce GHG emissions from the food sector by over 80% by 2050, for a 1.5-degree Celsius future.

Soy is considered one of the main drivers of deforestation and natural ecosystem conversion, which brings serious consequences in terms of climate change through carbon emissions, but also in terms of biodiversity losses, human rights violations and water availability. More than [150 million tons of soybean](#) have been produced in the 2022/23 harvest year in Brazil, the leading producer worldwide, close to 40% of the global soy production. For these reasons, it is crucial to support 100% Deforestation and Conversion Free (DCF) soy supply chain in Brazil and worldwide.

We, the Civil Society organizations signatories of this letter, have grave concerns about some elements of the [Guidance on the Forest Positive Soy Roadmap of the CGF-FPC](#). This guidance proposes that volumes of soy sourced by companies from areas classified as “negligible” risk should be considered DCF, without requiring farm-level traceability.

The criterion proposed for “negligible” risk is the proportion of annual deforestation and conversion associated with soy expansion of given sourcing areas, compared to the annual deforestation and conversion associated with soy expansion globally or over the relevant national territory. When this proportion remains below a specific threshold, the deforestation and conversion in these areas is then considered “negligible”. This means that some level of pristine ecosystem deforestation and conversion would still be tolerated in soy volumes labeled as DCF. This also means that, in theory, as total deforestation increases, the absolute area of destruction falling under the threshold of “negligible” risk may also increase in proportion. This approach also overlooks huge risks related to human rights violations and species extinctions. Finally, it may further induce permanent supply chain spatial segregation to provide market

bifurcation<sup>1</sup>, banning many responsible producers in regions with higher rates of deforestation and conversion from access to more responsible and profitable markets.

This proposed approach is not compatible with the EUDR's requirement to collect the geolocation coordinates of the plots of land where the products originate, which is a universal requirement and independent from any geographic risk benchmarking. It is highly regrettable that the CGF-FPC group is supporting an approach that is inconsistent with and risks undermining the robustness of the EUDR at a time when most companies are preparing for EUDR compliance.

Deforestation and conversion risk analysis at the landscape, regional or national level may well provide relevant information to help prioritize the implementation of traceability systems in the most threatened territories. It may also enable prioritization of engagement towards suppliers with the highest risk levels. However, prioritization should never compromise the need for full traceability to the plots of origin along the supply chain and in all the sourcing territories.

There are four main concerns about the concept and application of the “negligible” risk approach adopted by the CGF-FPC:

1. **Human rights risks** are not taken into consideration and can be drastically overlooked in regions with lower deforestation and conversion rates;
2. **Species extinction risks**, drastically higher in highly fragmented landscapes, are also ignored by the “negligible deforestation and conversion” concept;
3. The use of an **arbitrary threshold** as a unique criterion lacks robustness and can be subject to arbitrary changes, allowing for greater “acceptable” deforestation and conversion;
4. The “negligible” risk approach poses a **significant risk to supply chain transparency**.

Each of these concerns are described further below:

1. **The approach ignores the risks of human rights [violations](#), including land grabbing, forced eviction, armed violence, and even assassinations.**

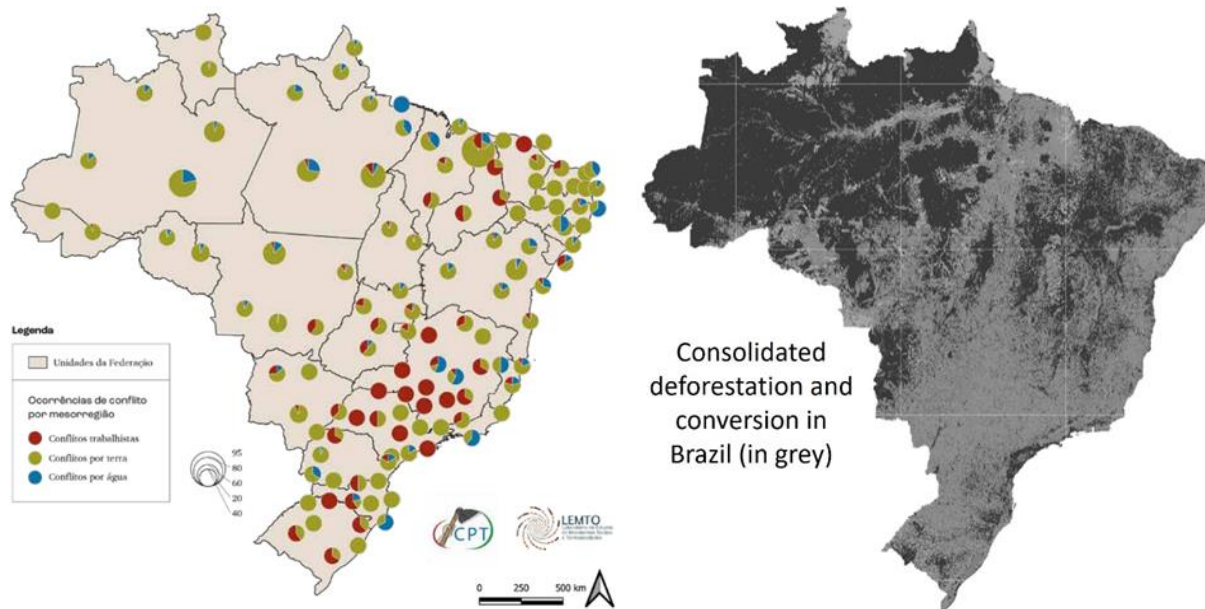
[Human rights violations](#) and [other illegalities](#) are closely related to the expansion of soy and other commodities in Brazil and other producing countries, even after deforestation and conversion have decreased, as damage is irreversible and land conflicts persist.

Slave labour and land encroachment occur almost everywhere in Brazil. These dynamics are associated with commodity production, and can last long after most deforestation and

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<sup>1</sup> Market bifurcation refers to the segmentation of “clean” and “less clean” supply chains, where “negligible” risk jurisdictions would be sourced by more exigent markets with no need for further traceability nor any other due diligence, while regions with high deforestation and conversion rates would be sourced by less requiring, less profitable markets, fueling a vicious circle of destruction from reckless exploitation and exclusion.

conversion occurred. This includes regions where current deforestation and conversion rates are low. For instance, Rio Grande do Sul State had the highest number of land conflicts involving Indigenous Peoples in 2022, despite having one of the lowest deforestation and conversion rates in Brazil.



Maps of land, water and labour conflicts (source [CPT](#)) and consolidated deforestation and conversion in Brazil (source [PRODES](#))

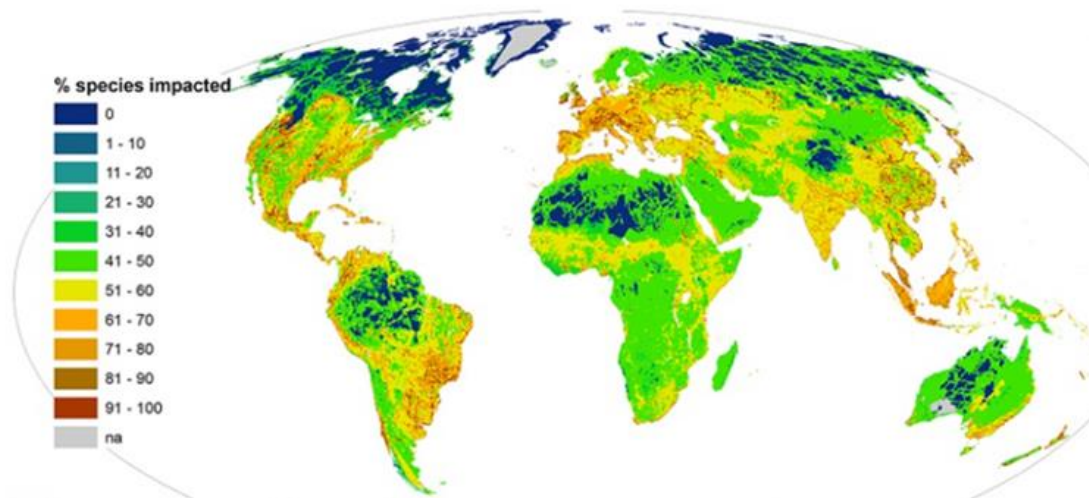
Furthermore, **human rights are an intangible value**, universally defined by the Universal Declaration of Human Rights and protected by [legally binding international treaties](#), declarations and other instruments. There is no, nor can there be any acceptable threshold for human rights violations.

Traceability to the point of origin enables downstream buyers to precisely identify and prevent specific human rights issues on the ground in their supply chains, such as commodity encroachment on traditional lands, even in regions where rates of deforestation and conversion are very low. Requiring the geolocation of farms enables detection of sourcing overlaps with traditional land claims, conflicts and specific abuses, avoiding potential legal and reputational risks to companies down the supply chain.

**The “negligible” risk approach disregards significant risks of human rights abuses** by only using deforestation and conversion thresholds as criterion and not requiring traceability to the plot of land, despite potential conflicts in indigenous territories and with local communities, as well as potential labour rights violation.

**2. The approach ignores huge risks of biodiversity loss, and of sudden expansion of deforestation and conversion in pristine areas.**

Based on the proposed approach, “negligible” risk sourcing areas would often correspond to jurisdictions **where most ecosystems were already destroyed**, and only a few isolated vegetation fragments remain. The [risk of species extinctions is precisely higher in these regions](#), as their survival depends on the few remaining fragments of natural habitat. This is the [case of the poorly preserved Atlantic Forest](#) and Southern Cerrado, which has low deforestation and conversion rates, but where the risk of endemic species extinctions is the highest in Brazil. High extinction risks in areas of highly fragmented or degraded ecosystems are observed on all continents. **The approach therefore overlooks the highest possible threat to biodiversity: irreversible species extinction.**



*Hotspots of human impact on threatened terrestrial vertebrates – [PLOS Biology](#)*

Moreover, some jurisdictions with “negligible” rates of deforestation and conversion could also correspond to the **last few regions with high ecosystem cover**, where any new deforestation or conversion could represent a critical risk of an emerging commodity expansion frontier. The sudden massive spread of deforestation and conversion in wide areas of preserved ecosystems, often starting with a few isolated patches, has consistently occurred throughout history and is already taking place in the last preserved parts of the Cerrado and the Amazon. **So, the approach also overlooks the huge risk of new expansion fronts over the very last pristine ecosystem regions.**

Traceability - and verification - of supply chains to the point of origin would help identify and avoid the destruction of critical remnant ecosystems and support the protection of threatened species, including by helping to detect and prevent new commodity expansion into pristine regions.

### **3. The proposed approach lacks robustness and is vulnerable to influence**

By using an arbitrary percentage threshold as the criterion for what is considered “negligible” conversion, beyond ignoring all the very tangible risks above, has weak technical and objective justification and therefore seems solely dependent on the proponent’s perception, priorities and power of influence. What is considered a “negligible” amount of conversion in any area, regardless of its ecological importance, is therefore a product of national or global conversion rates and the unjustified assertion that an arbitrary level of destruction is always acceptable. Pressure from specific interests, in specific circumstances, could easily change the threshold in order to **reduce the ambitions of the CGF-FPC actions**. A change in the proportion of total soy deforestation and conversion considered as “negligible”, for example from 1% to 5%, would **add thousands of hectares of pristine ecosystem destruction into soy and other commodity volumes labeled as DCF**.

#### 4. The “negligible” risk approach has very high risks. Is it really necessary?

As explained above, there are very significant risks to companies, people and nature even in regions with lower deforestation and conversion rates, either in regions with past or present large-scale deforestation and conversion, or in the few remaining regions with large pristine natural lands. These risks must be identified and detected in the supply base, to enable mitigation and when possible, prevention. **Traceability and supply chain monitoring to the plot of land are essential to identify, mitigate and prevent these risks**. They are also essential to identify safe sources – legally compliant, deforestation and conversion-free and respectful of human rights - in all municipalities, regardless of their actual deforestation and conversion rates. Even if ongoing deforestation and conversion may be a useful criteria for prioritizing due diligence efforts, mitigation investments and supplier engagement, **low rates of deforestation and conversion cannot dispense full traceability to the farm/plot of land** for safe, responsible and ethical sourcing.

The purported benefits of this approach are low, while the risks are very high. The “negligible risk” concept purports to “spare efforts” and resources required for traceability to the farm-level for “negligible” risk sourcing territories. However, traceability costs and technical challenges are not proportionate to the scale of monitoring, but are transitional and become negligible over time. **Full traceability to the plot of land is perfectly feasible**, both technically and economically. Checks are no longer solely dependent on field visits. The main cost of full control of origins lies in establishing a system that is essentially fed by free, public and regularly-updated databases, where geolocalized layers of information are matched to detect inconsistencies, overlaps and conflicts. This is the case of the Soy Moratorium in Brazil, which has been successfully monitoring soy deforestation in the Brazilian Amazon since 2008. Most costs are transitional, corresponding to the establishment of monitoring systems and routines, and insignificant when compared to the overall value of any commodity trade (let alone the value of avoided ecosystem destruction and human rights violations).

Also, one unified monitoring and verification system may be much more efficient and cost-effective than multiple verification standards, depending on variable levels of risk. Multiple



standards may also promote **leakage of risks and impacts between regions**, such as the leakage between the highly monitored Amazon and unchecked Cerrado, recorded in the context of the Amazon Soy Moratorium ([Moffette and Gibbs 2021](#)).

Many systems for control of origin are now in place or under construction for various commodities. Global traders already have very efficient supply base information and monitoring systems. Having a unified traceability requirement for soy or any other commodity in a whole country, region or supply base would lower the risk of market bifurcation, that would imply huge costs from the loss of commercial flexibility and to accommodate duplication of stocking and transport logistics.

This is not at all suitable nor needed. By controlling the origin of the entire supply base, effective DCF sourcing can be made in any region and feed any market. Many companies are already committed to controlling all their direct and indirect supplies to the plot of land to achieve DCF sourcing. But some, unfortunately, seem to maintain harmful, uncontrolled commodity sourcing in much of their operations to supply markets with lower socio-environmental standards.

Most ironically, the “negligible” risk approach gives the misleading impression that companies will be able to reduce their risk of non-compliant sourcing regarding environmental requirements, while **exposing them to extremely serious liabilities**, even in regions with lower deforestation and conversion rates. As seen above, sourcing from these regions may entail very serious human rights issues and high risks of species extinction. Full traceability to each farm of origin is critical to detect, control and mitigate those risks. Any “fast lane” on due diligence from these regions exposes companies to unforeseen human rights and endangered species - related risks in their supply chains.

For all these reasons, we, the Civil Society Organization signatories of this letter, **ask the members of Consumer Goods Forum – Forest Positive Coalition of Action**, who purportedly aim at driving transformative change by removing deforestation, conversion, and degradation from key commodity supply chains, **to require traceability to the farm-level for all soy volumes sourced from the entire Brazilian territory**, and consistently replicate this approach to all commodity supply chains. We also call on the members of Consumer Goods Forum – Forest Positive Coalition of Action **to include respect for and concrete protection of human rights as a fundamental requirement** of their guidance, and all their sourcing and engagement policies. Finally, we ask the agri-commodity traders not to use **any “negligible” risk approach to weaken the sound traceability requirements set in the EUDR or seek to undermine the fundamental responsibilities that it establishes.**

We recommend that traders of soy and other commodities **instead prioritize investment and implementation of robust, unique, and national Monitoring, Reporting and Verification (MRV) systems or sectoral agreements** to achieve supply chains free from deforestation, conversion and human rights violations with transparency, traceability to the farm of origin and throughout all the territory. This control of origin would represent a **great opportunity for traders and members of the Consumer Goods Forum**, as it would effectively reduce the reputational risks associated with socio-environmental issues, represent an economy of scale in

traceability costs compared to traceability reduced to niche markets, allow access to new markets with increasing socio-environmental requirements and **lead to the transformation of the sector towards sustainability, including for smaller economic actors**, like small companies and smallholders.

**Signatories of this letter:**

APIB

Campanha Nacional em Defesa do Cerrado

ClientEarth

CONAQ

Deutsche Umwelthilfe/Environmental Action Germany

Fern

Global Witness

Instituto Centro de Vida

Instituto Cerrados

ISPN

MightyEarth

Rainforest Foundation Norway

Rede Cerrado

WWF Brazil