



PROMOTING A “DEFORESTATION-FREE” SOY

DATE: MAY 12, 2014

GRUPE DANONE SOY POLICY

Recognizing that the preservation of forests and biodiversity-rich ecosystems is critical for the planet requires the action of all parties involved, Danone has engaged in a strategy to “eliminate deforestation impacts from its supply-chain” ([link: forest footprint policy](#)). This ambition also covers soy products which could have a potential negative impact.

Although Danone does not purchase directly the vast majority of soy volumes entering its supply-chain (99% of volumes are used through animal feeding), these indirect volumes are estimated at around 900kt less than 0,3% of world production. Danone direct purchases **are derivatives** like lecithin, oil, proteins and fibres for a total volume of 6kt. **Soy meal** (a by-product of soy production) can be used in the daily feed ration of dairy cows, estimated today at a global average of less than 5% of feed ration for Danone dairy cows and potentially could trace from countries like Brazil and Argentina out of an estimated 22 million tons of grass and grain feeding 1.6 million cows, Danone is currently involved in direct feed purchase only with a limited number of farms.

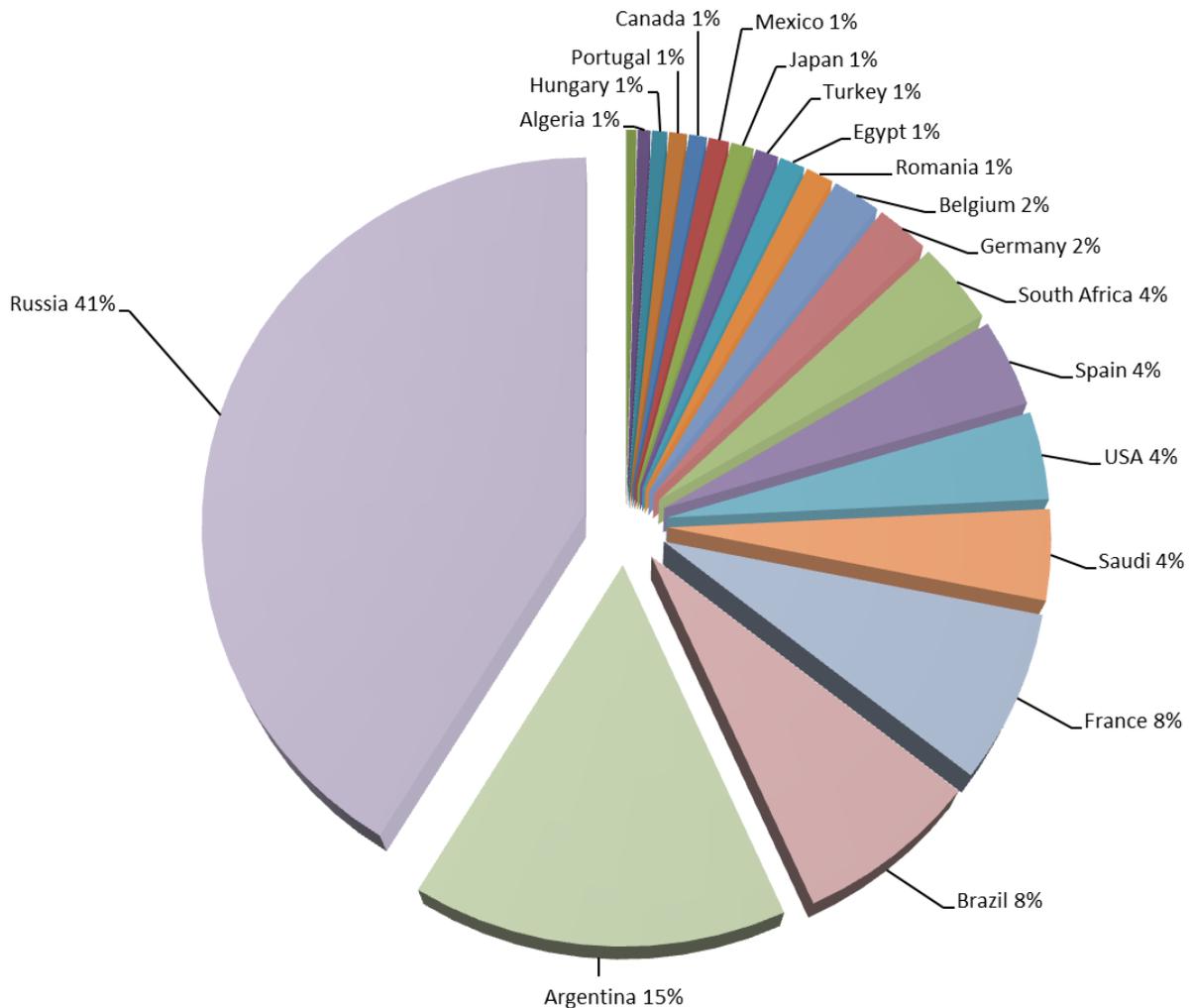
There is no “silver bullet” to eliminate deforestation risks linked with soy production as each region at risk faces a different set of challenges and the supply-chain involves multiple players. Rather, a spectrum of solutions should be explored simultaneously. Danone is committed to overcome the complexity of the supply-chain by engaging with main actors from farmers to animal feed producers to the main soy trading companies, to help build a more responsible soy industry.

Not forgetting the role of the public authorities and their influence on trade tariffs and barriers, this ambition is split in **five main strategic goals** that can only be met with the full collaboration of the entire supply-chain and taking into account the economic balance of the actors from upstream growers in South America to dairy farmers or derivatives end-users. This ambition will be focused on **8 priority countries** representing 90% of total



estimated volumes used in feeding: Russia, Argentina, Brazil, France, USA, Spain, Saudi and South Africa.

Danone indirect soy volumes in feed (estimated, 2011)



1. **Seek full transparency** throughout the supply-chain, from animal feed to field.
2. **Encourage the local protein rich crops alternatives versus imported soy**, when possible, seeking to promote farmers autonomy of feed production.
3. **Promote sourcing from deforestation-risk-free countries** (India, USA...). To achieve this, transparency on the supply-chain is needed. Danone will actively seek to establish traceability all the way to countries of origin.



4. If soy can originate from high-deforestation risk countries in South America, **ensure traceability from deforestation-free areas:**
 - Soy originating from the Amazon Moratorium region may be considered as deforestation-free. Danone will support the Moratorium renewal in 2015 and promote the implementation of the Brazilian forest code (registry) to fight against “illegal” deforestation.
 - Certification standards: if originating from any other high-deforestation-risk-location but the Amazon, for example Cerrado or Grand Chaco areas, Danone will promote the use of standards when they are endorsed by independent and competent stakeholders and ensure reliable responsible sources with a clear priority to ProTerra or RTRS standards.
5. **Help drive change at a global scale** through the Consumer Goods Forum, the Sustainable Agriculture Initiative or any global initiatives that can help achieve Danone goals.

This is the immediate work plan to be implemented in the coming months, consistent with Danone’s Forest Footprint Policy and Danone Nature 2020 plan. Danone will continue to be engaged in an on-going dialogue with expert stakeholders on these issues. Find details on Sustainability Report 2013 in danone.com.



CONTEXT

Forests cover 30% of the world's land surface and provide 1.6 billion people with wood products (energy source for heat and cooking, source of income, etc.) and non-wood products (food, health). Worldwide, 300 million people live in forests, including 60 million indigenous people for whom forests are vital to their survival, faith and traditions.

Forests are also associated with precious ecosystem services like carbon sequestration (40% of world sequestered carbon) that help tackling climate change, water sequestration that provides populations with clean water and protection against natural disasters (floods, desertification, etc.). Further, Forests play a key role in the preservation of vegetal and animal biodiversity. Not to mention its economic and cultural impact on people who depend on forest.

From 2000 to 2010, Forests declined by 13 million hectares a year, for a net deforestation estimated at 5.2 million hectares per year which represents an annual forest loss equivalent of two times the surface of Belgium, a threat to major life-supporting services and significant contributor to Greenhouse Gas emissions (estimated 20% of world GHG, source Greenpeace).

Over recent decades, soy has undergone the greatest expansion of any global crop, threatening forests and other important natural ecosystems. Its growth has converted millions of hectares of forests, grassland and savannah to agriculture. In the last 50 years, the production of soy has grown from 27 to 269 million tons (source: WWF report 2014 "the growth of soy"). The total area of soy now covers over 1 million square kilometers – the total combined area of France, Germany, Belgium and Netherlands. The fastest growth has been in South America. The FAO suggests soy production will almost double by 2050.

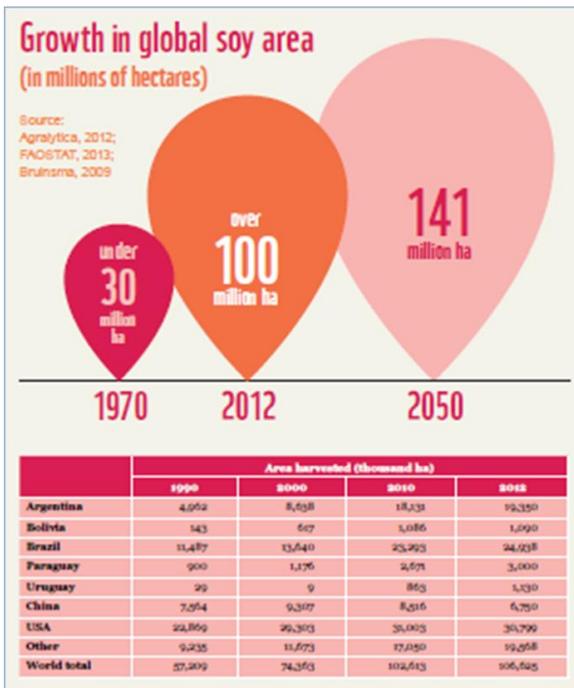
High in protein and energy, soy is a key part of the global food supply. Soy produces more protein per hectare than any other major crop. While soybeans can be eaten directly by humans, most are crushed to produce protein-rich soy meal, along with vegetable oil and by-products such as lecithin, a natural emulsifier. Around three-quarters of soy worldwide is used for animal feed, especially for poultry and pork (source: WWF report 2014 "the



growth of soy”) which also show the highest soy intensity per kilo of end-use product. Between 1967 and 2007 pork production rose by 294 per cent, egg production by 353 per cent and poultry meat by 711 per cent.



It is also one of the most efficient and profitable agricultural products. Around 270 million tons were produced in 2012, of which 93 percent came from just 6 countries: the United States (35%), Brazil (27%), Argentina (19%), China (6%) and India (4%) and Paraguay (3%) but deforestation risks are to be found mainly in Brazil & Argentina.

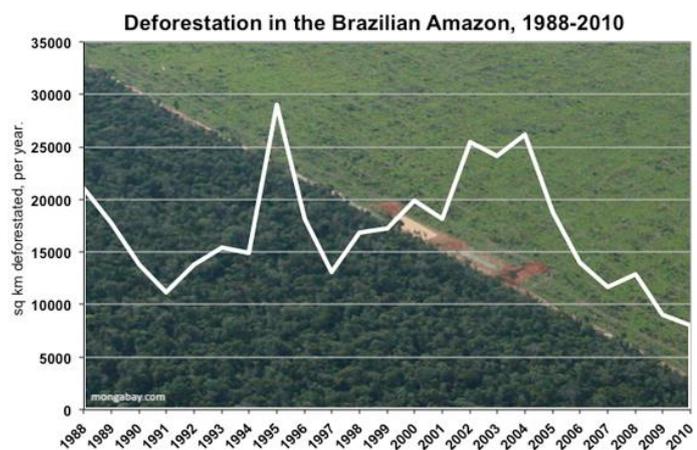


Source: WWF Soy Report 2014



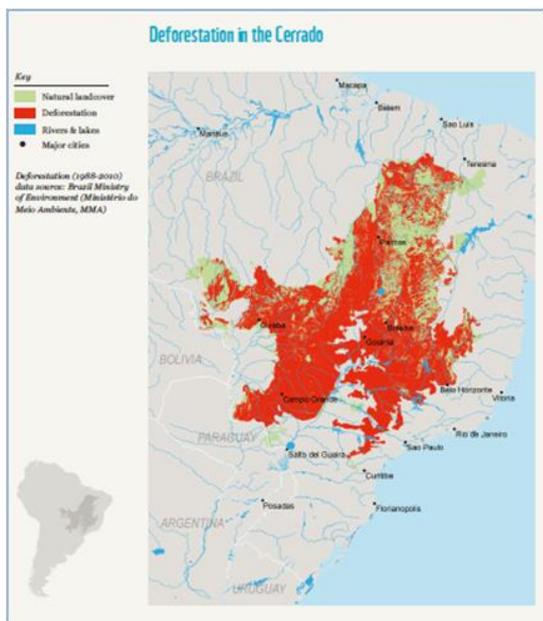
In Brazil, Matto Grosso is the country's capital region for soy. The regions showing the highest deforestation risks are the Amazon, the Atlantic Forest and the Cerrado areas:

- **The Amazon** is home to one in every 10 animals on Earth, and plays a vital role in regulating the global climate. Soy has contributed to deforestation in the Brazilian and Bolivian Amazon, both through direct conversion and in some cases by displacing cattle production to the forest frontier. The **Soy Moratorium**, signed on July 24, 2006 renewed until December 31, 2014 was announced by the GTS (Soy Working Group), made up of ABIOVE's and ANEC's member companies, the Ministry of the Environment, the Bank of Brazil and civil society organizations (International Conservation, Greenpeace, IPAM, TNC and WWF-Brasil). By announcing an extension to the Moratorium, the GTS, based on the results of the 2011 monitoring program, recognizes that Brazilian soybean production is a controlled deforestation vector in the Amazon Biome. The 2010/2011 crop monitoring identified the presence of this oilseed on 11,698 hectares that were deforested after July 2006. This corresponds to 0.39% of the total area cleared in the states of Mato Grosso, Pará and Rondônia since that date. Soybean growing represents less than 0.3 percent of land use in the Amazon biome. Today, expert NGOs suggest that land grabbing is the main deforestation risk in the Amazon region, not directly soy production. Forests are being cleared to increase access to land, cattle are being pushed into the newly deforested areas to occupy land. **Over the six years of the Moratorium, deforestation of the Amazon has fallen.** It is now necessary to strengthen the commitment and create permanent governance basis to provide the market with a guarantee that its demand for zero deforestation in the chain is met.





- **The Atlantic Forest** has been reduced to a fraction of its original extent, it remains rich in biodiversity, with over 8000 endemic species. Soy has been a leading driver of deforestation.
- **The Cerrado** holds around 5 per cent of the world's biodiversity and is one of South America's most important water sources. The Cerrado feeds three of the major water basins in South America: the Amazon, Paraguay and São Francisco Rivers. Covering more than 20% of Brazil, Cerrado is a vast tropical savanna eco-region, mainly in the states of Goiás and Minas Gerais. It has over 10,000 species of plants, of which 45% are exclusive to the Cerrado, and it stretches across nearly 500 million acres of Brazil — an area nearly three times the size of Texas. **The Cerrado is one of the most threatened and over-exploited regions in Brazil, second only to the Atlantic Forests in vegetation loss and deforestation.** Today the region contributes more than 70% of the beef cattle production in the country and it is also an important production center of grains, mainly soy but also beans, maize and rice. Soy cultivation now takes up around 7 per cent of the Cerrado biome, or an area the size of England. Yet in Cerrado, 1.5 million hectares (approximately 1% of surface) will be allowed for legal deforestation under the new Brazilian Forest Code.



Under the new **Brazilian Forest Code**, farmers are obliged to preserve at least 80 percent of the land in forest areas and 35 percent in the Cerrado grasslands without receiving any government subsidy. While the legal obligations are clear, around 40 percent of the legal Amazon is public land under dispute which results in areas being deforested to claim land possession. Poorly defined property rights mean it is difficult to identify and penalize offenders across a vast area of over 400 million hectares.

In Argentina, agricultural expansion, largely driven by soy, is the biggest threat to the **Gran Chaco**, a species-rich plain that stretches across Argentina, Paraguay and Bolivia. The region is undergoing one of the fastest rates



of conversion in the world, with half a million ha of native vegetation cleared between 2010 and 2012.

In Paraguay, Soy represents 50% of the country GDP and is led by two large trading companies.

Demand for soy will continue to rise over the coming decade, at the time when the world's population and consumption of natural resources is growing.