

MONITOR

DECEMBER 2020



REPÓRTER
BRASIL

“THE MONEY THAT FEEDS THE CATTLE”



Monitor's seventh issue, a bulletin that disseminates Repórter Brasil sector and production chain studies, analyzes the environmental impacts of livestock and the connections that link the sector to national and international investors.

MONITOR #7

STAFF

EDITOR

Marcel Gomes

"The Money that Feeds the Cattle"

RESEARCH AND TEXT

André Campos (Coordination)

Piero Locatelli

PHOTOS

João Laet (capa, p.16 e p.17)

Avener Prado (p.03 e p.04)

Sidney Oliveira (p.06)

<https://pt.wikipedia.org/wiki/Ficheiro:Black-rock-hq.jpg> (p.07)

<https://br.freepik.com/fotos/fundo'>Fundo> foto criado por mindandi (p.08)

Alvaro Rezende (p.10 e p.21)

Redes sociais (p.11)

Bruno Cecim (p.15)

GRAPHIC DESIGN AND LAYOUT

Elaine Almeida

This publication was supported by Global Witness

REPÓRTER BRASIL

ORGANIZATION OF COMMUNICATION AND SOCIAL PROJECTS

GENERAL COORDINATOR

Leonardo Sakamoto

EXECUTIVE SECRETARY

Marcel Gomes

FINANCIAL COORDINATOR

Marta Santana

ASSISTANT COORDINATOR

Marília Ramos

ADDRESS

Rua Bruxelas, 169.

São Paulo - SP - Brasil

Postal Code 01259-020



**REPÓRTER
BRASIL**

CONTACTS



biobr@reporterbrasil.org.br



ONGReporterBrasil



@reporterb

(55 11) 2506-6570

(55 11) 2506-6562

(55 11) 2506-6576

(55 11) 2506-6574

INTRODUCTION

This report addresses the environmental impacts of the livestock industry in Brazil – especially in terms of deforestation – as well as the sector’s connections to Brazilian and foreign investors. It includes five case studies conducted in the state of Mato Grosso and related to the supply chains of Brazil’s three largest meatpacking companies – JBS, Marfrig and Minerva.

Currently, two of its main shareholders are major international financial groups: fund manager BlackRock and investment bank Morgan Stanley, both based in the United States.

The report provides details of their financial inputs to the beef segment as well as the companies’ – meatpackers and investors – stances on the environmental challenges faced by the industry.

LIVESTOCK AND DEFORESTATION

Deforestation is a major driver of global warming and accounts for about 20 percent of greenhouse gas emissions worldwide¹. Protecting and restoring forests, in turn, could mitigate global carbon emissions by 25 percent, according to data from the UN Intergovernmental Panel on Climate Change.

In Brazil, the consequences of deforestation for the climate emergency are even more important. Agriculture and livestock provide the largest contribution to climate change in the country – it accounted for 80 percent of greenhouse gas emissions between 1990 and 2018².

That percentage includes both direct and indirect emissions. Livestock farming is the main source of direct emissions due to the high amounts of

methane (CH₄) produced by fermentation in the animals' rumen. But its indirect impact – resulting mainly from forest conversion into farms – accounts for most of those emissions.

Bovine cattle also play an important role in this context. The segment is now considered the main cause of Amazon deforestation. About 65 percent of the area deforested in the biome is covered by pastures, according to the most recent official data on land use change mapped by the Brazilian government³. The situation reflects the vertiginous expansion of bovine cattle in the world's largest tropical forest in the last 40 years. The number of oxen and cows grazing in the states of the so-called Legal Amazon has increased tenfold in the period. They went from

8.4 million head in 1978 – then equivalent to 8 percent of Brazil's total – to 87 million in 2018. This figure now accounts for 41 percent of all cattle raised in Brazil⁴.

According to the most recent data provided by the Brazilian government, the state of Mato Grosso has more than 30 million head of cattle. It is the state with the largest number – 7 percent of the country's total⁵. – and the scene for important agriculture and livestock expansion fronts in three of the Brazilian biomes affected by deforestation in recent decades: the Amazon, the Cerrado and the Pantanal.



THE FINANCIAL SECTOR AND LIVESTOCK

PUBLIC INVESTMENTS

The three largest companies in Brazil's livestock industry went public on the stock market in the 2000s, in a context of economic growth and expansion of credit in the country. JBS, Minerva and Marfrig – the three largest Brazilian meatpackers – started offering shares on the São Paulo Stock Exchange in 2007.

Much of these companies' growth took place in the Legal Amazon region. In Mato Grosso, the three companies together gained a market share of two thirds of the total slaughters during the last decade⁶.

Brazilian state-owned banks were essential for their growth in the period by granting them credit or acquiring their shares. The federal government's policy of creating international players, which led to higher concentration in the industry, played a central role in state financing for livestock.

At the same time, no policies were adopted that could mitigate the environmental damage caused by livestock farming. Federal Government-controlled Banco do Brasil remains the largest funder of commodity companies at risk of deforestation in Brazil. This is mainly a result of its role as an operator of subsidized rural credit for rural producers⁷.

Federal investment bank BNDES plays a prominent role in corporate investments linked to the risk of deforestation – mainly due to its relations to the beef industry. Through BNDESPAR, the bank is now JBS's second largest shareholder, with 21.82 percent of the company⁸. Until 2019, it also had significant shareholding in Marfrig.

Over the past 20 years, the financial sector, especially its private segment, had modest participation in discussions on combating deforestation in Brazil. Even so, specific measures were taken, with different degrees of success.

A 2008 resolution of the National Monetary Council of Brazil's Central

Bank⁹, conditioned all loans to farm owners in the Amazon biome to statements that "there are no current economic interdictions for illegally deforested areas on [their properties]." The measure applied to all banks operating in the country, but focused only on landowners, without considering the supply chain in which they were included.

In the following year, BNDES announced that it would condition its support to individual tracking of all bovines¹⁰. The measure would help control the so-called indirect suppliers, which are still the main bottleneck in combating deforestation in the livestock industry. According to the guidelines, all animals slaughtered by meatpackers that received financial support from the bank should be traced from birth to slaughter by January 2016. The deadline, however, was never met, as the bank itself admits¹¹.

THE INVISIBILITY OF INDIRECT SUPPLIERS



Livestock involves several stages in animal development. 'Breeding' covers the calf's growth until it is weaned. 'Rearing', in turn, goes from weaning to the beginning of reproduction for females or fattening for males. This last stage – 'fattening' – aims to prepare animals for slaughter. That is when their weight gain is stimulated to increase production volume.



Some farms carry out all these stages, but many focus on one or two of them. Several factors are taken into account when deciding that. For example, capacity to invest in infrastructure and food, proximity to slaughter plants, and pasture quality in different areas.



This situation results in intense trade in pre-slaughter animals. Many farms dedicated only to fattening buy cattle for slaughter from other areas and producers. This creates a traceability gap that makes it difficult to monitor the deforestation associated with indirect suppliers.

PRIVATE INVESTMENTS

Regarding private investments, despite all the problems, the Brazilian beef industry continues to benefit from financial funds supposedly linked to sustainable practices.

The chief examples are the Environmental, Social & Governance (ESG) funds, whose criteria in Brazil are disseminated mainly by the Brazilian Association of Financial and Capital Market Entities (Anbima). ESG funds announce that they are based on social, environmental and management responsibility parameters. But in several cases, their portfolios distort these concepts to include Brazilian meatpacking companies¹².

Investments linked to the Carbon Efficient Index (ICO2) are an example of that. That is one of the main sustainability indexes of B3 – Brazil's official stock exchange. It was created by B3 in partnership with BNDES.

ICO2 is advertised as a fund that “favors companies with lower emissions of greenhouse gases” and provides a “low-cost, socially responsible investment solution.” The main criterion

for being listed is the presentation of an inventory of greenhouse gas emissions. JBS – Brazil's leading meatpacker – is one of 25 companies with shares traded through the index.

But the inventory that validates companies' listing in the index focuses only on their direct operations. Emissions associated with their supply chains are not considered.

This is a relevant gap, out of step with the reality of emissions in the Brazilian case. As already explained, the agricultural sector – that is, supply of raw materials – is the largest source of greenhouse gases in Brazil.

INTERNATIONAL LEGISLATION

Internationally, a number of countries have been discussing legislation that would make due diligence on environmental issues mandatory to importers, including the issue of deforestation. This would compel companies to check their suppliers' chains in order to prevent, mitigate and inform about deforestation risks.

The United Kingdom is currently consulting on whether or not to adopt

legislation to prevent products linked to deforestation from being imported¹³. The European Union, meanwhile, conducts consultation on how to address deforestation in its legal framework, after a report on the subject was published earlier this year¹⁴.

In both cases, several civil society organizations have been pushing for the financial sector not to be excluded from this process. Voluntary agreements signed by companies and banks have repeatedly failed to provide solutions to deforestation in commodities' supply chains. And legislation aimed only at product importers, leaving out funders and investors, would not be able to contain the problem¹⁵.

Distinctions between agricultural and financial companies are not always clear, as the former may be fully controlled by the latter or even fund their producers and suppliers. Thus, if due diligence legislation excludes the financial sector, it may result in scenarios where a company is prevented from engaging in harmful practices that drive deforestation while a separate arm of the same company is able to fund itself and profit from the same activities¹⁶.



MAJOR INVESTORS

Two of the leading global asset managers – BlackRock and Morgan Stanley – currently have a prominent position as shareholders of large Brazilian meatpackers. Details about their participation in the sector are provided below.

BLACKROCK

As the world's largest investment fund manager, BlackRock is also among the largest shareholders of JBS – Brazil's largest beef meatpacker.

While its shareholding fluctuates, BlackRock became JBS's third largest shareholder in May this year – behind J&F Investimentos, controlled by the company's founding family, and the Brazilian state bank BNDES.

In July 2020, BlackRock announced a broad policy to combat global warming¹⁷. Its main point was the sanction of 53 companies that had not

achieved the progress expected in reducing their environmental impacts.

None of them, however, belonged to the livestock industry. BlackRock's investments in Brazilian agribusiness were completely ignored in the announcement. The words 'livestock' and 'deforestation' were not even mentioned¹⁸.

Before its announcement about the climate crisis, BlackRock published a new sustainability policy for agribusiness. Livestock is not addressed even in its policy for the sector, and deforestation is only mentioned twice. In one of these mentions, it asks that "companies

disclose any initiatives" to achieve deforestation-free supply chains. It also asks that results be disclosed "ideally with some degree of independent audit¹⁹".

Some of BlackRock's investments in Brazilian companies are made precisely through the Carbon Efficient Index (ICO2), whose portfolio includes JBS shares. The fund manager operates strongly by providing various investment funds to allocate resources made available by clients.

A photograph of the BlackRock building facade at night. Two American flags are flying on tall poles in front of the building. The BlackRock logo is visible on the building's exterior.

BLACKROCK

MORGAN STANLEY

Morgan Stanley has shares of two of Brazil's three largest beef industries. The US-based bank owns 3.4 percent of Marfrig²⁰, the second largest in the sector, and 4.94 percent of Minerva, the third in this ranking.

In addition to being a shareholder, the bank also has a history of providing financial services to Marfrig. Between 2014 and 2017, it subscribed to a series of securities issues for the company, worth an estimated US\$ 947 million. To Global Witness, a spokeswoman confirmed that the bank had also financed the meatpacker, stressing that the risks of deforestation were carefully analyzed²².

Morgan Stanley published an update to its environmental policies in August 2019²³. It states: "We mobilize capital to scale sustainability solutions, drive private capital into sustainable investments, and address environmental and social risks across the firm." The company's sustainability policy, however, does not include clear parameters and criteria for investing in the beef industry. There are specific guidelines for some sectors related to agribusiness, such as palm oil, but not for livestock.

The company that owns the shares of the two meatpacking companies in Brazil is Morgan Stanley Administradora de Carteiros – one of the bank's subsidiaries in the country. In a document

provided to Brazil's Securities and Exchange Commission (CVM) in March this year, Morgan Stanley Administradora de Carteiros says that "currently, it does not exercise asset management activity for third parties²⁴".

According to the company's policy posted on its Brazilian website, "the funds and portfolios managed by MSAC [the company's Brazilian subsidiary] come from resources exclusively owned by companies of the Morgan Stanley conglomerate. The management of third-party resources is not part of its scope, nor the distribution of securities²⁵."



EXAMPLES OF DEFORESTATION

Below are five cases investigated by Repórter Brasil in 2020²⁶. They show how illegal deforestation is associated with the raw material chains of the three main Brazilian meatpackers.

In particular, the examples reveal lack of traceability beyond the last supplier farm – that is, it also encompasses indirect suppliers. The monitoring bottleneck leads to the risk of contaminating purchases and consequently challenges the environmental sustainability of investments in the sector.

BRASÍLIA FARM

PROBLEMS

Illegal deforestation and cattle 'triangulation'.

THE RANCHER

José Carlos Ramos Rodrigues has one of the largest environmental liabi-

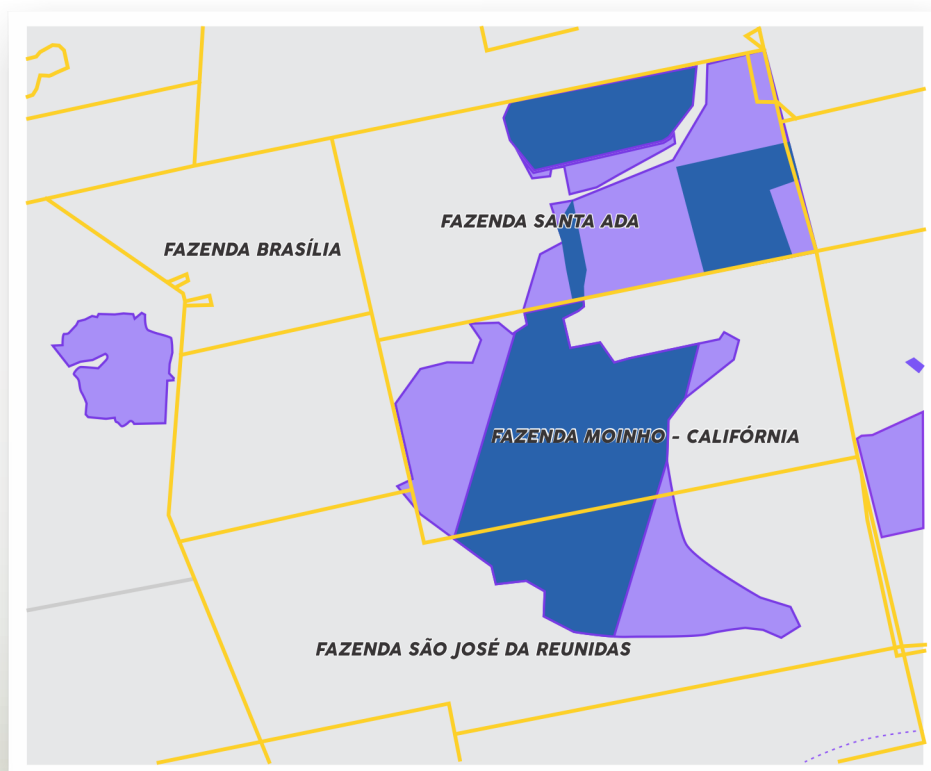
lities in the Brazilian Amazon." A recent report published by The Intercept Brasil listed him as the 11th largest deforester in the Amazon in the last 25 years²⁷.

THE CASE

Rodrigues and other members of his family control a contiguous area of 85,000 acres in São José do Xingu, northeastern Mato Grosso. This large area of Amazonian land was divided as four separate farms on the Rural

Environmental Register (Cadastro Ambiental Rural, CAR) – the Brazilian government's land register designed to enforce environmental laws on rural properties.

The properties are registered to his own name, to family members and to two companies owned by the family. All of them – except for the smallest one, the Brasília Farm – included areas where livestock farming is officially banned because illegal deforestation has been found (see map below).



Purple areas indicate the sections of the farm that were closed due to illegal deforestation (Source: MPF, Amazônia Protege, <http://www.amazoniaprotege.mpf.mp.br/>)

Rodrigues was fined for environmental issues at least 13 times between 2007 and 2016, totaling about R\$ 104 million in debts. In addition to deforestation, illegal fires were also found on his farms.

In such cases, Brazilian law provides for the interdiction of areas illegally exploited, in order to stop agricultural activities and thus allow native vegetation to regenerate. Because of this, inspectors interdicted about 37 acres of Rodrigues' farms in São José do Xingu – explicitly banning, therefore, the continuity of livestock farming.

Even so, federal inspectors repeatedly found animals in the interdicted areas – the last time was in January this year. Before that, in 2016, Rodrigues had already been fined R\$ 28 million for preventing forest regeneration and for keeping livestock in a 15,000-acre

area illegally deforested at the Califórnia farm.

In addition to environmental crimes, the rancher was also charged with employing slave-like labor in 2008²⁸. The crime was also found in São José do Xingu. At the time, Rodrigues' lawyer claimed that he had not been to the property in eight months and that he had not authorized the hiring of the workers rescued.

SUPPLY CHAIN

As stated above, of all contiguous properties, only the Brasília farm has no records of illegal deforestation. And it was precisely that farm that has

sold hundreds of animals to Marfrig and JBS in the past two years.

However, before selling cattle for slaughter, the farm received animals transferred from another neighboring property belonging to the family – the Moinho/Califórnia farm, which does have hundreds of acres interdicted as a result of illegal deforestation and where inspections found livestock.

Both meatpacking companies are signatories to agreements in which they undertake not to purchase cattle from interdicted areas. However, the lack of total traceability prevents effective enforcement, even in clear situations like this – in which the division of a huge rural property into several smaller farms helps to mask, on paper, the real origin of cattle.



ESTRELA DO ARIPUANÃ FARM

PROBLEM

Indirect supplier with illegal deforestation.

THE RANCHER

In addition to raising cattle for slaughter, Ronaldo Venceslau Rodrigues da Cunha owns a company focused on bovine genetics. His family's brand in this business – Aliança – is well known in the market of bulls for breeding.

THE CASE

In 2012, Cunha was fined R\$ 2.2 million by Ibama, Brazil's federal environmental agency. The reason was the illegal deforestation of 3,700 acres of

Amazon rainforest in the Estrela do Aripuanã farm, located in Aripuanã, northwest Mato Grosso.

The Estrela do Aripuanã farm is a 9,000-acre property with only about 13 percent of native vegetation left and 39 percent of its area interdicted. The area controlled by Cunha in the region, however, is much larger. As in the previous case, he also owns contiguous land – the Estrela do Aripuanã I and II farms – which are registered in the Rural Environmental Register (CAR). Together with the Estrela do Aripuanã farm, they cover a 23,500-acre estate.

SUPPLY CHAIN

In 2028 and 2019, Ronaldo Venceslau Rodrigues da Cunha transferred thousands of animals from Estrela do Aripuanã for fattening and breeding at another of his properties in Mato Grosso – the Estrela do Sangue farm, in Brasnorte (MT).

Estrela do Sangue, in turn, sent animals during the same period to be slaughtered at JBS's meatpacking plants in the towns of Juína and Juara.

This is a typical example of the risk of supply chain contamination through indirect supplier farms. However, there is another relevant peculiarity in the case.

Information published on social media indicates that JBS itself transferred animals from Estrela do Aripuanã to Estrela do Sangue in 2019. The case was originally reported in July, in a joint investigation involving The Bureau of Investigative Journalism, The Guardian and Repórter Brasil²⁹.

JBS has a subsidiary that provides livestock truck services, including transfers between farms. In July 2019, a truck driver from the company posted photos and information on social media about transfers between the two properties mentioned. The animals were transported in JBS's own trucks.

A JBS truck arriving at Estrela do Aripuanã Farm



THE TRÊS RIOS FARM

PROBLEMS

Illegal deforestation and encroachment on indigenous lands.

THE RANCHER

Aldo Pedreschi Filho.

THE CASE

In August 2019, Ibama found cattle linked to the Três Rios farm in Canarana, MT, being raised in an indigenous territory neighboring the farm.

The Pedreschi family raises cattle in a large area of that municipality, located in the transition between the Cerrado and the Amazon rainforest. According to official records, they own four contiguous farms, totaling 8,500 acres. The properties border the Naruvôtu

Pequizal Indigenous Land, sanctioned by presidential decree in 2016.

But a July 2019 Ibama inspection showed that the area occupied by pastures was in fact much larger. The inspectors found that Aldo Pedreschi Filho was raising thousands of animals within the neighboring indigenous land.

The damage caused by the activity reached an area of 5,390 acres – almost 10 percent of the total area of the Pequizal do Naruvôtu Indigenous Land. As a result, Aldo Pedreschi Filho was fined R\$ 10.9 million.

In addition, 84 percent of one of the family's four properties in the area – the Três Rios farm – was interdicted for illegal deforestation. Since 2006, the family has received at least seven fines for that reason in this group of properties, totaling more than R\$ 20 million. In 2009, the Ministry of the Environment listed Aldo Pedreschi Filho and his father Aldo Pedreschi among the 75 largest deforesters in Mato Grosso.

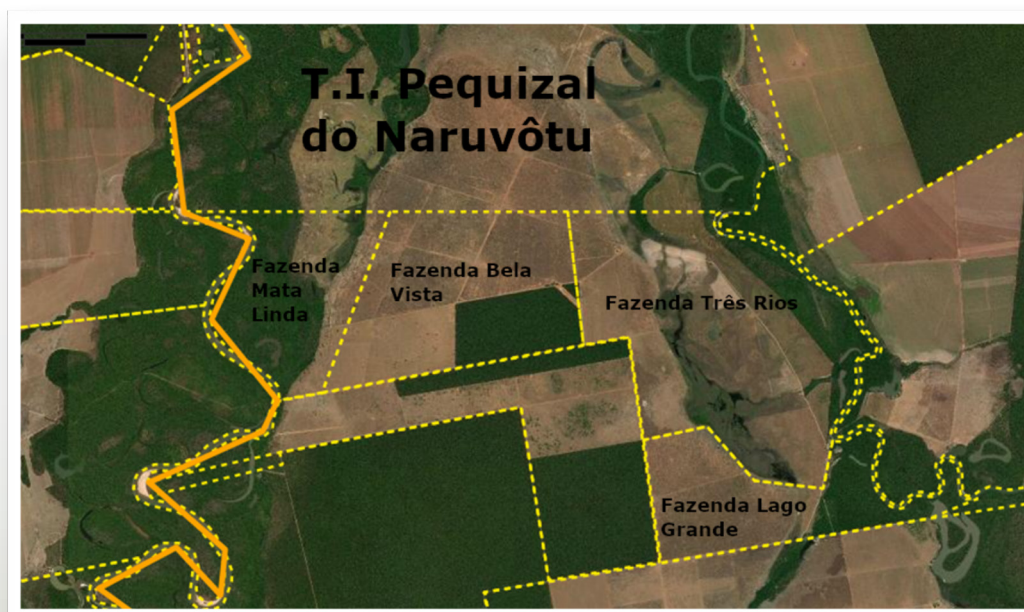
In addition to environmental issues, the Três Rios farm has a history of using slave labor. Eight workers in such condi-

tions were rescued in 2003 by federal government's labor inspectors.

SUPPLY CHAIN

During the first half of 2019, Aldo Pedreschi Filho sent animals for slaughter several times at the JBS unit in Barra do Garças, MT. In the same year, he also sent cattle for fattening to another farm in Água Boa, MT – a JBS supplier.

The animals sold were registered to the Boa Vista farm, one of the properties bordering the Três Rios farm and the Pequizal do Naruvôtu Indigenous Land. There is no environmental interdiction within the property's perimeter. But considering the history of illegalities found in its surroundings, added to the traceability gaps in the bovine chain, the possibility that animals that grazed in indigenous lands or in illegally cleared areas are being sold through the Boa Vista farm cannot be ruled out.



Satellite image of properties belonging to the Pedreschi family – the Mata Linda, Bela Vista, Três Rios and Lago Grande farms – bordering the Indigenous Land

AMOR DO ARIPUANÃ FARM

PROBLEMS

Illegal deforestation and indirect supply relations.

RANCHER

Sidney Gasques Bordone.

THE CASE

Sidney Gasques Bordone raises cattle on several farms located in seven municipalities in the state of Mato Grosso. One of them is the Amor do Aripuanã farm, in Aripuanã, MT, with 2,167 acres interdicted by Ibama.

Bordone has already been fined R\$ 1.8 million due to illegal deforestation of the Amazon rainforest in Aripuanã – first in 2005 and again in 2013.

SUPPLY CHAIN

The Amor do Aripuanã Farm is a typical example of property that indirectly supplies the industry.

In August 2019, Sidney Gasques Bordone transferred 190 animals from that farm to be fattened on another of his properties – the Rio Azul farm, in Vila Bela da Santíssima Trindade, (MT).

After that, in September 2019, Rio Azul sold animals to Marfrig's slaughterhouse in Várzea Grande, MT. During the second half of that year, it also supplied Minerva's unit in Mirassol D'Oeste, (MT).



Fazenda Amor do Aripuanã: in red, the area interdicted as a result of illegal deforestation (Source: Ibama)

BIANCHIN FARM/ AGROPECUÁRIA GPC

ISSUES

Illegal deforestation, direct and indirect supply relations.

THE RANCHER

Gustavo Vigano Piccoli.

THE CASE

Ibama has already fined the Bianchin farm, in Nova Ubiratã, MT, R\$ 29 million

for various environmental violations. The problems found include unauthorized deforestation and non-compliance with environmental interdictions. Between 2012 and 2017, about 3,000 acres of Amazon rainforest were cleared on the farm according to satellite monitoring by the Prodes/INPE system³⁰.

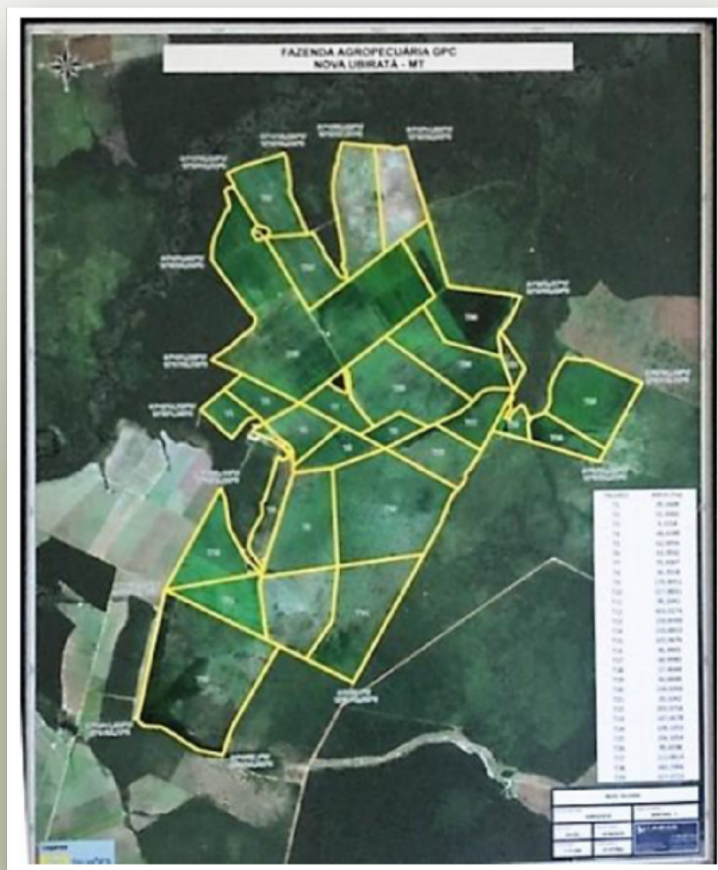
The fines were given to the farm's original owner. But in 2017, the property was leased by another large rural producer – Gustavo Vigano Piccoli, former president of the Mato Grosso Association of Cotton Producers (Ampa).

It was then renamed as Agropecuária GPC. The lease is described in a technical report on livestock management on the farm, published by the Federal University of Paraná (UFPR), to which Repórter Brasil had access.

SUPPLY CHAIN

Under a new name and management, the property started to supply animals to JBS's slaughterhouse in Diamantino, MT. Cattle from the leased area were also sent to another of Piccoli's properties, the Da Pedra farm, which, in turn, supplies cattle to two JBS units.

It is important to note that the change in management does not annul environmental interdictions. As already explained, cattle are banned from those areas in order for the native vegetation to recover.



Map of Agropecuária GPC
(Source: UFPR)

THE OTHER SIDE

The cases listed above were disclosed in a series of reports published by Repórter Brasil over the past few months³¹. Repórter Brasil contacted the owners and three meatpacking companies mentioned, as well as BlackRock and Morgan Stanley. In addition to the specific cases addressed in this report, questions were sent about the policies for monitoring suppliers and the investment criteria adopted for the sector. **Their answers are presented below.**

MEATPACKING COMPANIES

JBS

JBS did not comment on any of the specific cases but stated that “it is fully committed to eradicating deforestation across its supply chain.” The company said, however, that data on indirect suppliers is difficult to obtain.

According to the company, “while the traceability of the entire meat supply chain is a complex task, it can be achieved in the medium term.” The

company says that, in order to improve monitoring, it has discussed the creation of a new procedure for issuing Animal Transit Guides (GTAs) with the Ministry of Agriculture, Livestock and Supply (MAPA).

GTAs are sanitary documents. According to Brazilian legislation, they must accompany any transfer of cattle between farms – or even from farms to slaughterhouses. But there are no public mechanisms guaranteeing the transparency of these guides in order to allow tracing indirect suppliers.

“JBS believes that the idea of ‘Green GTAs’ is very promising because

their implementation is simple and mainly because there is no risk of weakening the GTA-based health control system of Brazilian cattle.”

Recently, in September, the company announced a new program called ‘Together for the Amazon.’ It intends to develop technologies for tracking 100 percent of its production chain by 2025 – from birth to slaughter³². The meatpacker has not yet presented a detailed plan of how it intends to achieve this goal.



MARFRIG

Regarding the Brasília farm, the company stated that “one of its commitments is to not purchase animals from areas interdicted by Ibama. For this purpose, it checks the CPF or CNPJ (Brazilian taxpayers’ registration for individuals and companies, respectively) of suppliers and, if there is any Ibama restriction, a report is generated to assure that the property that will supply the animals is not the interdicted farm. The Brasília farm does not have any type of socio-environmental restriction under Marfrig’s criteria.”

With regard to animal triangulation between farms, the company stated that “today there are no effective tools that allow systematic control of this type of event.”

Marfrig said the same regarding Sidney Gasques Bordone’s farms. According to the company, “all slaughtering at the Rio Azul farm was regular. There is no socio-environmental restriction on the property under the company’s criteria.”

The company also stressed that, “as of today, there are no tools for systematically controlling animal triangulation between farms.” Its measures to address the issue included participating in negotiation tables with other stakeholders to find solutions. It also said that it was preparing a “Risk Mitigation Map.” It intends to cross-check information on areas with the highest rates of breeding and recreating and those regions most vulnerable and exposed to deforestation.

In particular, the company also announced its goal of tracking indirect suppliers a few months before JBS did. Its target is zero deforestation in the bovine supply chain by 2030³³, but the company has not disclosed any concrete measures to reach it.

to our Mirassol D’Oeste unit, appropriate measures will be taken.”

At the same time, the company stated that “the data that are legally available for official use do not allow the company to find irregularities in the cattle supply process.”

The company says: “Neither Minerva Foods nor any other industry have effective means for unrestricted access to the GTA system; therefore, they cannot fully monitor the animal transit chain in Brazilian territory for more than 2.6 million ranchers.”

The company points out that monitoring carried out from animals’ birth would demand an individual traceability system – “something that should be conducted and supervised by the competent health authorities.”

MINERVA FOODS

The company stated that it would “look into the facts using data legally available for this analysis,” stressing that “if any irregularity is found with cattle supplied by the Rio Azul farm



INVESTORS

BLACKROCK³⁴

A BlackRock spokeswoman informed Repórter Brasil that, in 2019, the company contacted large agribusiness companies operating in Brazil – including JBS – to discuss their specific practices and issues related to the Amazon region, including supplier chain management.

“Since those engagements last year (2019), we have continued to closely monitor these companies to assess their operational standards and progress,” the spokeswoman wrote in an email. “In recent engagements, we discussed JBS’s efforts to eradicate deforestation throughout its supply chain after the company provided an update on these efforts and progress of its advanced monitoring capabilities of supplier farms in the Amazon. We are closely monitoring progress and disclosures.” BlackRock also stated: “It’s important to note that the ownership structure of many of the companies in the sector, which have a single or small group of affiliated shareholders that

control a majority of the shares, also limits the impact of proxy voting by a minority shareholder like BlackRock.”

Finally, the company claims that its ETF funds follow the investment results of indexes set by third parties, through which its customers are the ones choosing how to allocate resources.

MORGAN STANLEY³⁵

The cases were brought to Morgan Stanley, but the company has not commented on any of them. Without providing details, it stated that Marfrig’s and Minerva’s shares are held on behalf of clients. “These shares are held on behalf of clients or are attributable to other client-related activities in the ordinary course of trading activity and are not held as a strategic or proprietary investment on behalf of Morgan Stanley”.

RANCHERS

All five ranchers were contacted directly or through their companies. Aldo Pedreschi Filho was the only one who commented on the cases.

He said that “the partial interdiction of the Três Rios and Mata Linda Farms bordering the Bela Vista farm did not preclude livestock farming in the area that is not interdicted and, consequently, the sale of cattle to the JBS meatpacking plant.” He says he does not agree with Ibama’s penalties “since the presence of cattle in the Pequiza do Naruvôtu Indigenous Land has not been proven.”

Pedreschi Filho also stated that “the indigenous reserve has never been delimited by the federal Government – an issue he solved by installing a wire fence around the areas to avoid new conflict with the environmental agency. Besides, the area interdicted by IBAMA is larger than that of the indigenous reserve – that is why an appeal was filed with the agency to challenge all these points.”

NOTES

LIVESTOCK AND DEFORESTATION

- 1** IFAO, “The State of the World’s Forests 2018”: <http://www.fao.org/documents/card/en/c/19535EN/> (accessed on September 28, 2020)
- 2** SEEG Brasil, “Análise das Emissões Brasileira de Gases de Efeito Estufa e suas implicações para as metas do Brasil 1970 – 2018”: <https://seeg-br.s3.amazonaws.com/2019-v7.0/documentos-analiticos/SEEG-Relatorio-Analitico-2019.pdf> (accessed on September 28, 2020)
- 3** Project Terra Class 2014: http://www.inpe.br/cra/projetos_pesquisas/terraclass2014.php (accessed on September 28, 2020)
- 4** IBGE, Municipal Livestock Farming Survey: <https://sidra.ibge.gov.br/tabela/3939> (accessed on September 28, 2020)
- 5** IBGE, Cattle figures by type: <https://sidra.ibge.gov.br/tabela/3939#resultado> (accessed on September 28, 2020)

THE FINANCIAL SECTOR AND LIVESTOCK

- 6** Folha de São Paulo, “Crise da carne recai sobre o bolso do pecuarista, e arroba despenca”: <https://www1.folha.uol.com.br/colunas/vaivem/2017/06/1890822- crise-da-carne-recai-sobre-o-bolso-do-pecuarista-e-arroba-despenca.shtml> (accessed on September 28, 2020)
- 7** Forests & Finance, “Seu dinheiro está destruindo florestas tropicais ou violando direitos humanos?”: http://forestsandfinance.org/wp-content/uploads/2020/08/FF_Briefing_Sep_2020-PT.pdf (accessed on September 28, 2020)
- 8** JBS, Shareholders and Partners: <https://ri.jbs.com.br/investidores-esg/governanca-corporativa/composicao-acionaria-e-societaria/> (accessed on September 28, 2020)
- 9** Resolution 3545, Brazil’s Central Bank: https://www.bcb.gov.br/pre/normativos/res/2008/pdf/res_3545_v1_O.pdf (accessed on September 28, 2020)
- 10** BNDES, “BNDES amplia exigências para apoio à cadeia produtiva da pecuária bovina”: <https://archive.is/wip/ueZU4> (accessed on September 28, 2020)
- 11** O Eco, “BNDES: combate à pecuária insustentável em ponto morto”: <https://www.oeco.org.br/reportagens/bndes-combate-a-pecuaria-insustentavel-em-ponto-morto/> (accessed on September 28, 2020)

PRIVATE INVESTMENTS

12 O ECO, “Chancela da bolsa de valores atrai investimentos milionários para empresas com risco de desmatamento”:

<https://www.oeco.org.br/reportagens/chancela-da-bolsa-de-valores-atrai-investimentos-milionarios-para-empresas-com-risco-de-desmatamento/> (accessed on September 28, 2020)

13 UK, Department for Environment, Food and Rural Affairs: <https://consult.defra.gov.uk/eu/due-diligence-on-forest-risk-commodities/> (accessed on September 28, 2020)

14 European Parliament, REPORT on the EU’s role in protecting and restoring the world’s forests: https://www.europarl.europa.eu/doceo/document/A-9-2020-0143_EN.html (accessed on September 28, 2020)

15 Global Witness, “Why Eu Action To Tackle Deforestation Should Not Let Finance Off The Hook”:

https://www.globalwitness.org/documents/19859/30012020_Forest_Finance_DD_Briefing_Lay_out_FINAL.pdf (accessed on September 28, 2020)

16 Ibid

MAJOR INVESTORS

17 BlackRock, “Our approach to sustainability”: <https://www.blackrock.com/corporate/literature/publication/our-commitment-to-sustainability-full-report.pdf?stream=top> (accessed on September 28, 2020)

18 Ibid

19 BlackRock, “Investment Stewardship's approach to engagement with agribusiness companies on sustainable business practices”: <https://www.blackrock.com/corporate/literature/publication/blk-commentary-engaging-on-sustainable-agriculture.pdf> (accessed on September 28, 2020)

20 WSJ, Marfrig Global Foods S/A: <https://www.wsj.com/market-data/quotes/BR/MRFG3/company-people> (accessed on September 28, 2020)

21 WSJ, Minerva S/A: <https://www.wsj.com/market-data/quotes/BR/BVMF/BEEF3/company-people> (accessed on September 28, 2020)

22 Global Witness, “Money to Burn”: <https://www.globalwitness.org/en/campaigns/forests/money-to-burn-how-iconic-banks-and-investors-fund-the-destruction-of-the-worlds-largest-rainforests/> (accessed on September 28, 2020)

23 Morgan Stanley, “Environmental and Social Policy Statement”: https://www.morganstanley.com/about-us-governance/pdf/Environmental_Policy.pdf (accessed on September 28, 2020)

24 Morgan Stanley, “Formulário De Referência 2020”:

http://www.morganstanley.com.br/prospectos/Morgan_St Stanley_Formulario_de_Referencia_ICVM_558_Marco_2020.pdf (accessed on September 28, 2020)

25 Morgan Stanley Administradora de Carteiras, “Manual de Normas e Procedimentos de Compliance, Conduta e Investimentos Pessoais”:

http://www.morganstanley.com.br/prospectos/Manual_de_Compliance_558_Morgan_St Stanley_VF_2020.pdf (accessed on September 28, 2020)

EXAMPLES OF DEFORESTATION

26 <http://www.reporterbrasil.org.br/rotadogado>

27 <https://theintercept.com/2020/01/31/maiores-desmatadores-amazonia/>

28 <https://reporterbrasil.org.br/2008/06/carro-de-equipe-que-resgatou-16-pessoas-e-apedrejado/>

29 The Guardian, “Revealed: new evidence links Brazil meat giant JBS to Amazon deforestation”:

<https://www.theguardian.com/environment/2020/jul/27/revealed-new-evidence-links-brazil-meat-giant-jbs-to-amazon-deforestation> (accessed on September 28, 2020)

30 The Brazilian government’s Official system to verify land use changes

31 They can be consulted at : <https://reporterbrasil.org.br/rotadogado/>

32 JBS, “Juntos pela Amazônia”: <https://jbs.com.br/juntospelaamazonia/> (accessed on September 29, 2020)

33 Marfrig, “Marfrig Commitment”:

https://www.marfrig.com.br/Uploads/Arquivos/Commitments_Marfrig_Vision_10_years.pdf (accessed on September 29, 2020)

34 BlackRock’s full answers to Repórter Brasil are available at:

<https://reporterbrasil.org.br/2020/09/respostas-da-blackrock-sobre-pecuaria-e-investimento-na-jbs/> (accessed on September 29, 2020)

35 Morgan Stanley’s full answers to Repórter Brasil are available at:

<https://reporterbrasil.org.br/2020/09/integra-das-respostas-sobre-a-morgan-stanly-estar-ligada-ao-desmatamento/> (accessed on September 29, 2020)

