

October 22, 2021

Dear Executive Vice President Frans Timmermans
Dear Executive Vice President Valdis Dombrovskis
Dear Commissioner Virginijus Sinkevičius
Dear Commissioner Thierry Breton
Dear Commissioner Janusz Wojciechowski

Re: EU anti-deforestation regulation would largely fail to address deforestation in Brazil

We would like to bring to your attention our concerns about the upcoming EU legislation on forest and other ecosystem-risk commodities. If the regulation leaves out key high-risk cattle products, such as processed beef and hides, and excludes the Brazilian savannahs of the Cerrado (thereby failing to address most soy from deforestation) from the scope of the regulation, it will fail to minimize the EU's impact on deforestation in Brazil, the tropical country with the largest amount of forest loss.¹

Cattle ranching in the Brazilian Amazon is the world's largest driver of deforestation,² which is rising at an alarming pace. Deforestation of the Amazon reached a 12 year high of 11,088 square kilometres (km²) in 2020.³ This is a major contributor to climate change, as each hectare of lost forest in the Amazon releases an estimated 550 to 740 tonnes of carbon dioxide equivalent (tCO₂e).^{4,5,6,7,8} In fact, deforestation emits more greenhouse gases than all of the EU.⁹

As such, all cattle products should be included in the regulation to ensure that the EU is not driving deforestation by providing a market for the sale of high forest risk cattle products. To not do so would result in arbitrariness where one part of an animal raised on deforested land is allowed into the EU market while another part is not. All products deriving from, or containing, forest and ecosystem-risk commodities such as cattle should be covered by the regulation, an approach taken by United States legislators in recently proposed legislation.¹⁰

Below, we explain why including all cattle products in the proposal, including processed beef and leather, is necessary for the regulation to have an impact on deforestation in the Brazilian Amazon.

Processed beef

While most of the meat from the Brazilian cattle industry is consumed in Brazil, the EU is the 3rd largest importer, importing US\$422 million in 2020.¹¹ Fresh and frozen beef products have been identified by the Commission as key forest-risk commodities. However, processed beef has not,

¹ <https://www.globalforestwatch.org/>

² <https://www.worldwildlife.org/magazine/issues/summer-2018/articles/what-are-the-biggest-drivers-of-tropical-deforestation>

³ PRODES Brasil. <http://www.obt.inpe.br/OBT/assuntos/programas/amazonia/prodes>

⁴ https://ipam.org.br/wp-content/uploads/2008/04/reducing_emissions_from_deforestation_an.pdf

⁵ <https://unfccc.int/resource/docs/2014/tar/bra01.pdf>

⁶ https://rainforests.mongabay.com/amazon/deforestation_calculations.html

⁷ <https://agupubs.onlinelibrary.wiley.com/doi/full/10.1029/2009GL037526>

⁸ <https://onlinelibrary.wiley.com/doi/full/10.1111/gcb.13153>

⁹ <https://globalcanopy.org/insights/explainer/why-nature-matters-at-a-climate-conference/>

¹⁰ <https://www.congress.gov/bills/117th-congress/senate-bill/2950>

¹¹ Comex Stat. <http://comexstat.mdic.gov.br/en/geral/44972>

despite the US\$88 million value of processed beef imported to the EU from Brazil in 2020 being comparable to that of frozen beef (US\$115 million). The EU is the third largest importer of Brazilian processed beef, behind the US and UK.¹² Therefore, if processed beef is excluded from the regulation, the EU will continue to be directly linked to deforestation for cattle production through its meat imports. The study "The impact of EU consumption on deforestation", cited by the Commission itself identifies processed beef as a driver of deforestation associated with livestock production.¹³

Further, fresh and frozen beef supply chains are already subject to SISBOV traceability requirements that make deforestation less likely, making processed beef and hides the primary direct exposure of the EU market to the largest driver of deforestation in the Brazilian Amazon. The failure to include these products in the upcoming EU legislation would represent an enormous missed opportunity to use the leverage of the EU market to reduce deforestation in the Amazon.

Leather

While some claim that leather is just a by-product of beef production, it is in fact a multibillion-dollar global industry, and the Brazilian leather industry alone is estimated at over US\$50 billion. Many meatpackers operate on low profit margins, and non-meat products, of which leather is a key component, can make up to 26% of large meatpackers' incomes.¹⁴ Leather sales can therefore determine whether or not they turn a profit or a loss. The largest meatpackers, such as JBS, also have vertical business structures, refining the leather in their own tanneries and thus increasing the value of the production and sales of leather.

Most of the wet-blue hides exported from Brazil come with a high deforestation risk, since six of the top ten exporting Brazilian wet-blue tanneries are located in the Amazon basin.¹⁵ Official data collected by the Brazilian government indicates that tanneries located in the legal Amazon accounted for 43% of the total raw hide inputs in the leather sector in 2020, a proportion that has increased as cattle ranching has expanded.¹⁶

Around 80% of the leather from Brazilian cattle is exported, and the EU is a key market; In 2021, Italy replaced China as the largest export market for Brazilian leather¹⁷, which makes EU the largest importer of wet-blue leather from Brazil. Over 36% of all wet-blue (chrome-tanned) hides imported to Italy came from Brazil, compared to just 14% from the United States.¹⁸ Thus, Brazilian leather is widely used by the European tanning industry, which accounts for over 20% of the total tanning industry turnover worldwide. Last year, EU countries imported more than 130,000 ton.¹⁹

A recent, unpublished mapping found more than 1.8 million hectares (in the past 12 months) within the buying zones of the Brazilian slaughter houses that supply tanneries exporting leather to Europe. The same study also shows that during this year's fire season, more than 170,000 fire alerts were detected within the same buying zones. Of these, more than 30,000 fire alerts overlap with recently deforested areas, and many others happen in the immediate vicinity of the recently deforested

¹² Comex Stat. <http://comexstat.mdic.gov.br/en/geral/44972>

¹³ The impact of EU consumption on deforestation. https://ec.europa.eu/environment/forests/impact_deforestation.htm

¹⁴ Libera, C. Mirote, S & Horta, A. (2020). Brazil's Path to Sustainable Cattle Farming. <https://www.bain.com/insights/brazils-path-to-sustainable-cattle-farming/>

¹⁵ Rainforest Foundation Norway. (2021). Driving deforestation: The European automotive industry's contribution to deforestation in Brazil. https://d5i6is0eze552.cloudfront.net/documents/Publikasjoner/Andre-rapporter/Driving_Deforestation_16_June-compressed.pdf?mtime=20210617202546

¹⁶ <https://dialogochino.net/en/trade-investment/amazon-leather-industry-expansion-environmental-concerns/>

¹⁷ CICB 2021. <https://cicb.org.br/cicb/dados-do-setor>

¹⁸ UN Comtrade, <https://comtrade.un.org/data/>.

¹⁹ UN Comtrade, <https://comtrade.un.org/data/>.

areas. Fires on recently deforested areas indicate that this is part of a long-term planned activity to deforest land for the purpose of converting the land to pasture or farmland.

Further, previously referenced US legislation that aims to minimise the US's contribution to deforestation would require import declarations for both processed beef (HS code 160250), and hides (HS codes 4104 and 4107). If passed, the US will increasingly reject products linked to deforestation, meaning that these products would be more likely to be exported to the EU, effectively increasing the risk of forest risk leather and beef being placed on the EU market. Moreover, aligned policies by two of the largest markets for Brazilian hides and processed beef would maximise their ability to reduce deforestation in the Amazon.

If the upcoming EU law fails to address cattle-driven deforestation by leaving out the strongest links between European consumption and deforestation in Brazil, leather and processed meat, the EU is giving away the opportunity to have an impact on the major driver of deforestation in the world's largest rainforest country - Brazil.

In addition, savannahs like the Brazilian Cerrado are currently the ecosystems most directly threatened by soy related deforestation in Brazil. If they are not in the scope of the EU's new anti-deforestation regulation, it will hardly have any effect on Brazilian deforestation or minimizing the risk of deforestation on goods placed on the internal market.

Respectfully,

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