

# Linking Supply & Demand for Sustainable Paraguayan Cattle Products



*Supply Change* Presentation  
@ Sustainable Beef Vision Summit 2019  
Sao Paulo, Brazil

## COLLABORATORS



## SUPPORTERS



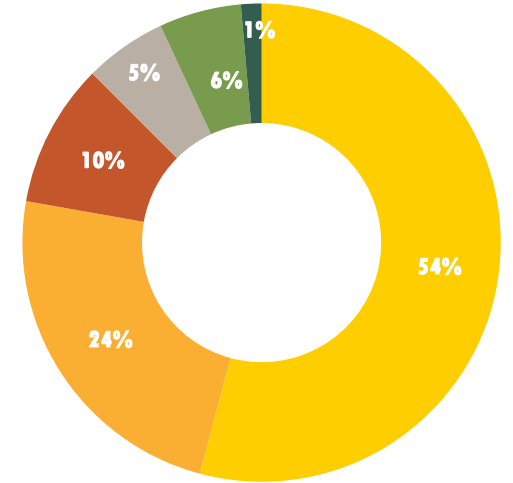
# Global Ambition

## Companies with Commitments to Sustainable Cattle Supply Chains

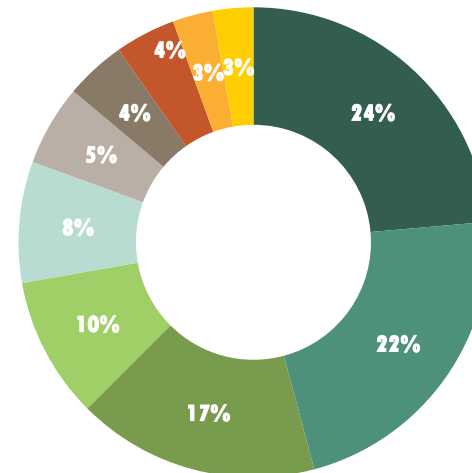
### Key Global Research Insights

- ➔ *Supply Change* identified 56 companies that have set sustainability commitments for their cattle supply chains out of 484 companies (with cattle exposure) researched
- ➔ More than half of the companies with commitments are publicly traded (34/56) and the median annual revenue is \$5.9 billion

### CATTLE COMMITMENTS BY REGION



### COMMITMENTS BY SECTOR



# Gaining an Edge in Beef Export Markets

## An Opportunity for the Paraguayan Government and Beef Industry





# Introduction to *Supply Change*

## Corporate Supply Chains & Commodity-Driven Deforestation

**Commercial agriculture drives at least two-thirds of tropical deforestation.**

**As companies commit to reduce the ecological impacts of their commodity supply chains, Supply Change provides transparency to their progress – and tracks commitments that count.**





**SUPPLY  
CHANGE**  
An Initiative of Forest Trends

# Tapping into *Supply Change's* Insights on Tracked Companies

## Free-to-Access Web Platform

### Change is good. So is information.

Businesses, investors, and governments are committing to reverse their role in degrading the world's critical ecosystems. But until recently, market information that best supports these efforts has been scarce. Supply-Change.org exists to fill this data gap by providing a platform for news, data, and analysis that catalogs and contextualizes global progress toward environmental targets.



LEARN MORE AT  
SUPPLY-CHANGE.ORG

### Profiles \*

Which entities are stepping up - and how do they measure up?

Filter By ↓

Sort By ↓

SEARCH HERE...



**A.S. Watson Group**  
A member of CK Hutchison Holdings



**ABENGOA**

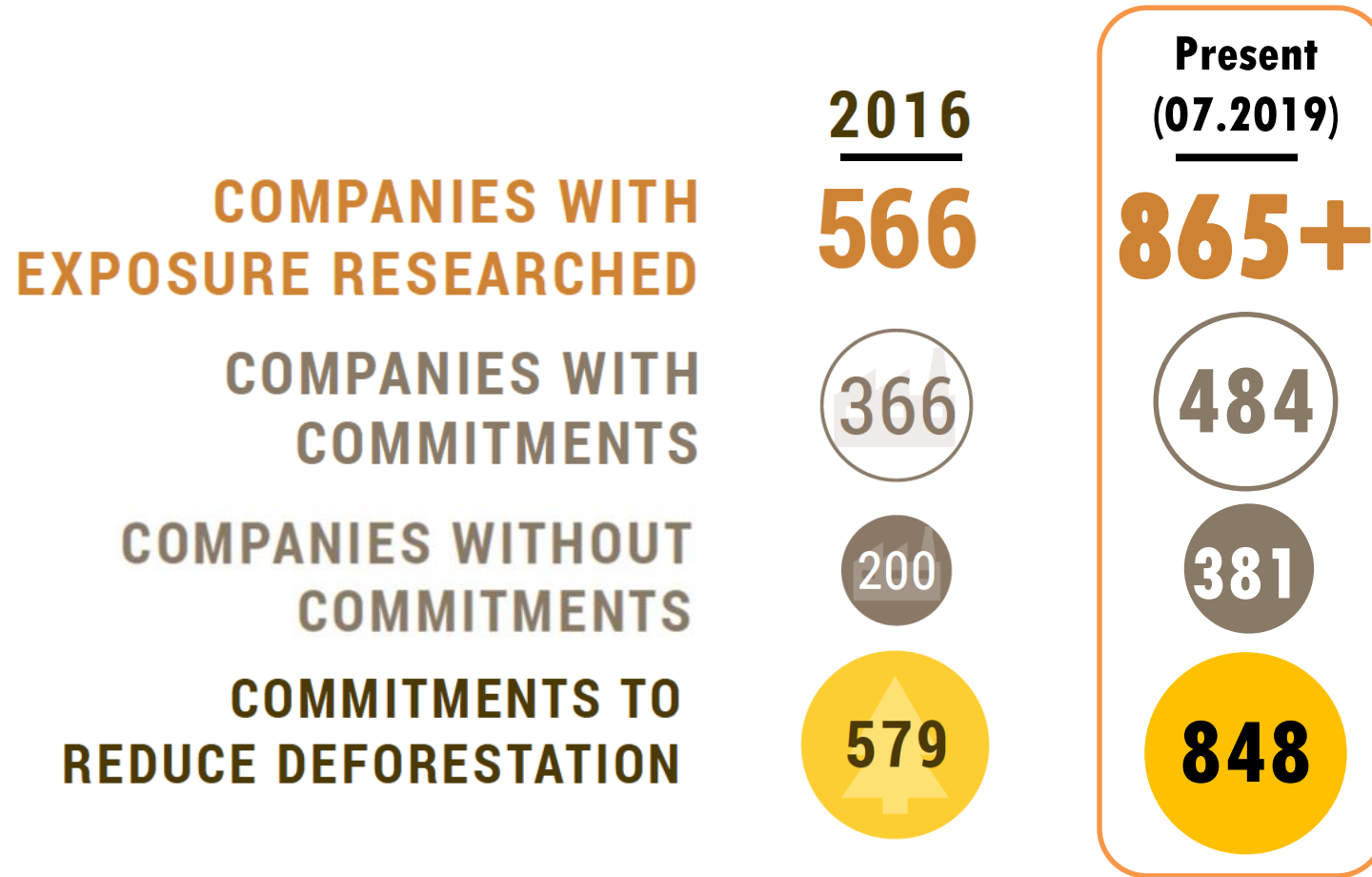
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## Supply Change Research Stats

Monitoring a growing number of companies committed to ending deforestation



*Supply Change* draws from already available but disaggregated data to track companies, their commitments to address commodity-driven deforestation, and progress towards commitments, over time.



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## Companies we Research

*Supply Change* Tracks Companies Across  
Commodity Supply Chains



**sinarmas**

*Minerva Foods*



**Walmart** 

**Cargill**<sup>TM</sup>

  
**COLGATE-PALMOLIVE**



UPSTREAM

DOWNSTREAM



**PRODUCER**



**PROCESSOR**



**TRADER**



**MANUFACTURER**



**RETAILER**

\*Note: Some companies are vertically integrated, so the position of the logos do not necessarily cover all of their supply chain roles.

# Why are Global Commodity Buyers Under Pressure to Improve Sustainability?

## Multi-stakeholder Groups

### 1) Multi-stakeholder groups

- ➔ Pressure companies to deliver on collective commitments;
- ➔ Track member progress toward collective commitments; and/or
- ➔ Offer space for precompetitive collaboration and innovation around sustainability





# Why are Global Commodity Buyers Under Pressure to Improve Sustainability?

## Environmental Groups

## 2) Environmental groups

- ➔ Verify company sustainability claims;
- ➔ Publish scorecards on company sustainability performance within their supply chains;
- ➔ Critique companies in media exposés and organize protests at operations; and/or
- ➔ Pressure companies to act through multi-stakeholder groups



# Why are Global Commodity Buyers Under Pressure to Improve Sustainability?

## Investors and Banks

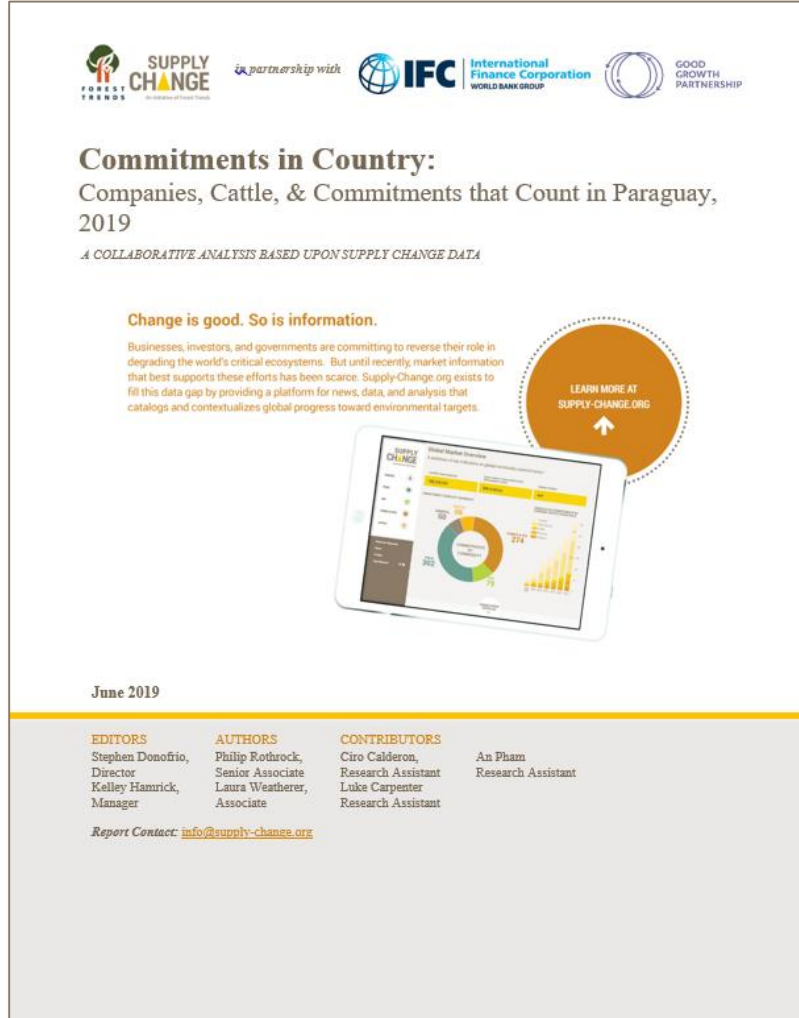
### 3) Investors and banks

- Form coalitions of investors demanding improvements in transparency and/or performance;
- CDP and Ceres investor networks managing \$100 and \$26 trillion in assets respectively
- Organize shareholder resolutions; and/or
- Integrate sustainability criteria within loan requirements



# Supply Change and International Finance Corporation Report

## Spotlight on Paraguayan Cattle Industry



Forest Trends' *Supply Change* Initiative teamed up with the International Finance Corporation to analyze the state of corporate reporting on commitments addressing deforestation related to cattle production in Paraguay in our **new** report.

### Report objectives:

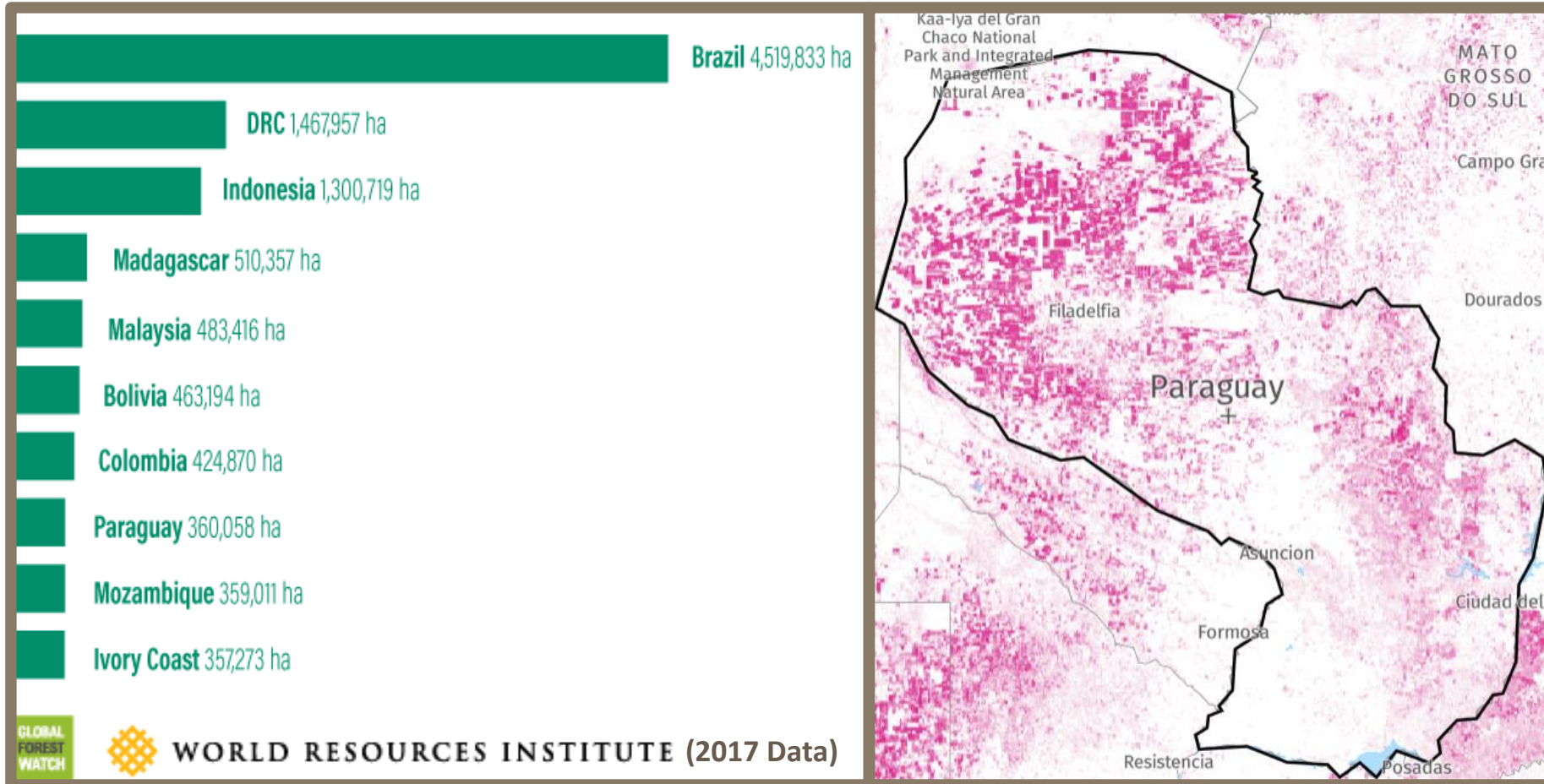
- ➔ Inform decision making among slaughterhouse operators, investors, subnational governments, and national government agencies looking to expand production of Paraguayan cattle products.
- ➔ Anticipate growing demands for higher environmental and social standards.



# Spotlight on Paraguay

## Deforestation in 2017

Top 10 Tropical Countries for Tree Cover Loss and Map of Tree Cover Loss in Paraguay



# Paraguayan Trade of Cattle Products in 2017

## Markets with Low Environmental and Health Standards

### Box 2: Summary of Paraguayan Exports (2017)

- ➔ \$1.1 billion (B) worth of beef products
- ➔ The majority of frozen, boneless cuts (\$575M) were sold into Russia (39%), Israel (10%), and Vietnam (8%);
- ➔ The majority fresh or chilled, boneless cuts (\$571M) were sold to Chile (73%), Brazil (16%), and Lebanon (2%).

(SENACSA 2017; ITC 2017)

# Paraguayan Trade

## Emerging Market Demands for Sustainability

### Chinese Sustainable Meat Declaration



### Box 3: Chinese Sustainable Meat Companies

- ➔ In 2017, the China Meat Association and 64 Chinese member companies signed the Chinese Sustainable Meat Declaration, committing to promote sustainable meat production, consumption, and trade.
- ➔ Paraguayan commodities are exported to China via other countries (e.g. Uruguay, Argentina, and Hong Kong) because the countries have no formal relationship (it recognizes Taiwan only). - (WWF 2017)



# Paraguayan Trade Demand Implications for Sustainability



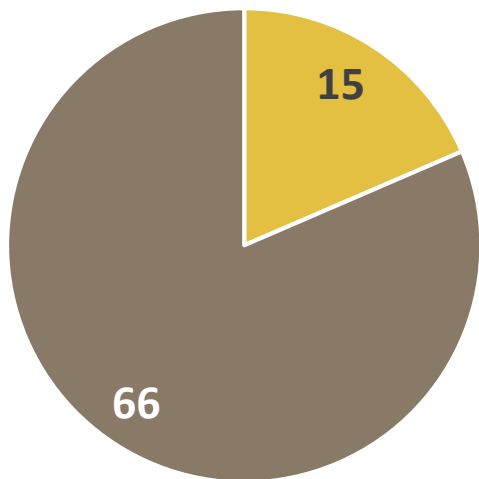
## Challenges and Opportunities

- ➔ Many countries Paraguay currently exports large volumes to do not have strict environmental or traceability standards.
- ➔ Access to a number of other key export markets may increasingly be restricted unless supplies can be traced back within supply chains to prove adherence to health standards.
- ➔ The same traceability systems can support tracking for environmental compliance.

# Paraguay-Specific Commitment Findings

## Market for Sustainable Cattle Products

Companies with cattle commitments believed to produce/supply in Paraguay



■ With Commitments

■ Without Commitments

Most companies with commitments were based in



and were









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# What are Companies Committing to?

## Sample Commitment Text

COMPANY	COMMITMENT TEXT
General Commitments	
	<i>"We are committed to sustainably sourcing 100 percent of our 10 priority ingredients by 2020, representing more than 50 percent of our annual raw material purchases"</i>
	<i>"[We] seek to sustainably source our non-direct major agricultural raw material ingredients by 2025"</i>
 NorgesGruppen	<i>"[Target:] Prevent deforestation, with particular focus on soya, palm oil, beef and paper"</i>
Cattle-Specific Commitments	
	<i>"Cattle sourced from direct suppliers operating in the Amazon biome will be deforestation-free."</i>
	<i>"For both direct and indirect suppliers, cattle and by-products shall only be supplied by farms or groups who have formally committed to adopting a trustworthy tracking system which [...] also includes clear environmental criteria aimed at putting an end to deforestation."</i>
Cattle-Specific Commitments with Specific Geographic Reference to Paraguay	
	<i>"[We are] committed to eliminating deforestation from our beef supply chain by 2020, focusing on the countries with identified deforestation risks*"</i>



# Paraguay's New Forest Atlas Opens Doors

## How Government Leadership can Support Private Sector Sustainability



How can Paraguay become a export market with low risks and high rewards?

### Paraguayan Government

- ➔ Streamlines forest protection laws, land use planning, and continues development of Forest Atlas for whole country
- ➔ Ensures widespread use by slaughterhouses of nation-wide traceability system for tracking individual cattle and documenting adherence to higher health *and* land use standards (e.g. Traceability System of Paraguay (SITRAP))
- ➔ Pursues international funding for sustainability
- ➔ Leverages domestic resources to support regional roundtables, satellite monitoring systems, enforcement, and regional initiatives like the Roundtable on Sustainable Finance

# Paraguay's New Forest Atlas Opens Doors

## How Private Sector Leadership can Meet Sustainability Commitments



Photo Credit: [Vivalavida](#), WikiCommons

**How can Paraguay become a data-rich market with low risks and high rewards?**

### Slaughterhouse Operators

- ➔ Establish and report on measurable, verifiable commitments to address deforestation by drawing on guidance from the Accountability Framework initiatives (AFi) and expertise of local initiatives
- ➔ Register and map all suppliers expeditiously within nationwide traceability system whether or not companies have long-term supplier contracts or engage in spot market deals
- ➔ Ensure effective commitment implementation and meaningful impacts among suppliers through satellite monitoring and pursuit of on-the-ground engagement



# High Deforestation Attracts Attention and Drives Action

## Lessons from Brazil

### Amazon



### Cerrado



### Chaco



#### Potential Factors in Building Momentum for Biome Protection

- ➔ High deforestation
- ➔ Media attention
- ➔ Collective buyer commitments
- ➔ Pressure and encouragement from financial sector
- ➔ Pressure from buyers



# Help is There when you Want it

## Relevant Resources on Cattle Production in Paraguay

### Commitment Development



GOOD  
GROWTH  
PARTNERSHIP



Accountability  
Framework

### Commercial Network and Institutional Planning



Plataforma Nacional  
de Commodities  
Sostenibles



MPCS



Mesa de Finanzas  
Sostenibles

### Land Restoration



WWF

### Traceability and Monitoring



SITRAP  
SISTEMA DE TRACABILIDAD DEL PARAGUAY



GLOBAL  
FOREST  
WATCH  
PRO

### Breed Sustainability



Braford  
Paraguay



Brahman  
ASOCIACIÓN PRODUCTORES CARIQUES



BRANGUS  
La raza

# Learn More and Collaborate with us!

## Thank you.

*Supply Change* has the largest regularly updated database tracking company performance on deforestation with:

- 850+ companies
- 700+ commitments
- 200+ metrics (60% not on our website)

Partnerships make research like this possible. Reach out if you have ideas.

Website & Newsletter :

[www.supply-change.org](http://www.supply-change.org)

 : @supply\_change

 : [info@supply-change.org](mailto:info@supply-change.org)

### COLLABORATORS



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## Appendix

# List of Companies with Key Commitment Goals and Procurement Policies (Part 1 of 2)



**Table: Key Commitment Goals and Procurement Policies of Companies Believed to be Sourcing or Producing Cattle Products in or from Paraguay\***

FIRM	PROTECT AND/OR PRESERVE				IMPROVE SITES OF PRODUCTION								COMPLY				IMPLEMENT				SUPP ORT
	HCV AREAS	HIGH CARBON STOCK AREAS	PEATLAND	WILDLIFE, BIODIVERSITY	GHG EMISSIONS MANAGEMENT	WATER MANAGEMENT	WASTE MANAGEMENT	SOIL MANAGEMENT	RESPONSIBLE FERTILIZER USE	RESPONSIBLE PESTICIDE USE	ANIMAL WELFARE	IMPROVE YIELDS	LEGALITY**	FPIC	HUMAN RIGHTS	ZERO/ZERO NET DEFORESTATION	FIRE PREVENTION / CONTROL	GRIEVANCE MECHANISM	TRACEABILITY	TRANSPARENCY	SUPPORTING SMALLHOLDERS
Danone				Y	Y	Y	Y	Y	Y	Y	Y		Y		Y	Y		Y			Y
Domino's											Y				Y	Y			Y		
General Mills					Y	Y							Y		Y			Y		Y	
Ikea						Y	Y	Y		Y	Y		Y		Y	Y			Y	Y	
Marfrig													Y		Y	Y		Y	Y	Y	Y
Marks & Spencer						Y				Y	Y				Y			Y	Y		Y
McDonald's	Y	Y	Y	Y	Y	Y					Y		Y	Y	Y	Y		Y	Y	Y	Y
Minerva											Y		Y		Y	Y		Y		Y	

\*Due to limited publicly-available information, *Supply Change* was only able to confirm which companies produce or source cattle, and if they source *any* of the four commodities tracked (cattle, palm oil, soy, timber) from Paraguay.

\*\* Companies promised to adhere to all environmental laws within their supply chains, but these statements did not typically differentiate between different regions.

Source: 2019 Report by Forest Trends' Supply Change Initiative and International Finance Corporation

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Nike										Y						Y		Y	Y		
Norges Gruppen				Y	Y	Y	Y				Y				Y	Y			Y	Y	
Pentland Group										Y	Y		Y		Y			Y	Y	Y	
PepsiCo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y
Tesco	Y	Y	Y												Y	Y					
Unilever	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y		Y	Y
Walmart					Y	Y		Y		Y	Y	Y	Y		Y	Y		Y	Y	Y	Y

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