

CLIMATE SOLUTION:

Perverse incentives for agri-business and deforestation: a love affair that must end



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Type of action

Removing and redirecting perverse subsidies and incentives for the industrial livestock and feedstock sectors in line with Aichi Target 3 of the Biodiversity Conservation.

Groups and organizations involved

Global Forest Coalition (Netherlands) and Heñoi (Paraguay)

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Location

Mercosur countries of Argentina, Brazil and, in particular, Paraguay

THIS ACTION FOCUSES ON ENDING THE PERVERSE incentives provided to agri-business in the EU and Mercosur countries. Direct and indirect incentives and subsidies in areas with the highest deforestation rates, such as the Paraguayan Chaco, Brazilian Cerrado and Northern Argentina, harm forests, biodiversity and communities, while large agribusinesses receive all of the economic benefits. Such incentives are harmful to biodiversity and contradict the SDGs and other globally-agreed targets. GFC members are working on tackling these incentives in Argentina, Brazil and Paraguay.

A study by the European Commission shows how between 1990 and 2008, EU imports were responsible for more than a quarter of the global deforestation associated with ruminant livestock production. The EU imported 27.8 million tons of soy from Latin America in 2016, sourcing mostly from Paraguay and Brazil, and 250.000 tons of beef from Mercosur countries in 2017. These imports are set to increase with the EU supported EU-Mercosur free trade agreement, which will incentivise further deforestation.

National level incentives in producer and consumer countries must be removed. In 2017, **Argentina** gave USD27 million to the largest landholders, subsidizing monoculture soy in territories traditionally dedicated to small-scale farming in the Northwest region, one of the most deforested areas. The **Brazilian** state provides significant credits for agro-industrial

expansion through the National Development Bank (BNDES) at better rates than commercial banks, with just three major livestock companies receiving 90% of the support. In Paraguay, cattle ranching in the Chaco region is responsible for deforestation rates of 300,000 ha/year. In eastern **Paraguay**, export-oriented soybean production covers 67% of all agricultural land. There are multiple incentives for capital investment in industrial livestock and feedstock production in Paraguay, such as maximum 10% tax rates, fixed for 10 years.

Perverse incentives underpin the unsustainable model of soy and beef production, which results in conflicts with Indigenous Peoples and Local Communities (IPLCs), who are violently dispossessed of their lands and forests. IPLCs in Mercosur countries are demanding the immediate removal of perverse incentives and subsidies for agribusiness, and oppose an EU-Mercosur trade agreement that would incentivize the industry further.

Policy and financial support must shift towards small-scale and localized agro-ecological food production, community-driven restoration of forests and other ecosystems, and the rights and practices of IPLCs and women. Many examples of such initiatives can be found here. There is also a strong need for a global shift towards plant-based diets, in light of the devastating impacts of large-scale livestock and feedstock production.

Impacts of this action on...

Climate resilience

The climate resilience of small-scale farmers is increased by encouraging sustainable farming, conserving forests and other ecosystems, and providing enhanced local livelihoods.

Food security

Food security is increased by preventing land grabbing, directing policy, legislative support and incentives to small scale food and Non-Timber Forest Product producers.

Social and economic factors

This action improves local livelihoods by respecting and protecting the rights, traditional practices, knowledge and wisdom of IPLCs and women, and reducing conflicts.

Greenhouse gas emissions

Greenhouse gas emissions are reduced by halting deforestation and other ecosystem conversion, reducing livestock and feedstock production and consumption and related supply chain activities such as transportation. Small-scale agriculture is favoured over more carbon-intensive industrial-scale agriculture, thus reducing emissions.

Carbon sequestration

Carbon sequestration through natural means is maintained by keeping natural forests intact, and by encouraging community-driven forest restoration with native and indigenous species instead of monoculture plantations (which do not sequester nearly as much carbon as natural forests).

Biodiversity and ecosystem resilience

Biodiversity and ecosystems are protected from deforestation and land use change, and forests are restored where they were previously damaged.

Trade policy

Just and equitable trade policy is ensured by preventing the corporate capture of public policy making and the perverse incentives that result from it.





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This action is transformational because...

Many global sustainability agreements heavily focus on the importance of conserving forests, and provide specific targets, such as SDG 15.2 aimed at halting deforestation by 2020. However, they are in conflict with the massive public support provided to the main drivers of deforestation, in this case unsustainable livestock farming. 'Zero deforestation' must be achieved urgently, but in reality, political and market forces are moving in the opposite direction. Removing public support for agribusiness and implementing positive policy and legislative changes, in consultation with IPLCs and women, will free up resources to preserve forests and other ecosystems, support small-scale sustainable farming, enhance local livelihoods, protect the rights of IPLCs and women and enhance climate resilience. This, in the current context of ecosystem destruction and human rights abuses, would be a truly transformational change which simultaneously tackles a range of environmental and social challenges.

This action could be scaled up through...

Changes to public policy to limit corporate take-overs, currently a major obstacle to removing and redirecting perverse incentives. Public policy-making, including trade policy-making, must effectively involve IPLCs, and must protect and prioritize the empowerment of small farmers, Indigenous Peoples, women and youth. Emphasis must be placed on preserving agro-ecological forms of peasant farming, and conserving and restoring natural forests and other ecosystems.

The CLARA network includes climate justice advocates, faith groups, conservation groups, land-rights campaigners, agroecologists, and representative of peoples movements around the globe. Our commitment to social justice brought us into the climate debate and informs our approaches to climate solutions. For more information about CLARA, visit climatelandambitionrightsalliance.org.

CLARA
Climate Land Ambition and Rights Alliance

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