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Task Force 04
TRADE AND INVESTMENT FOR SUSTAINABLE AND INCLUSIVE GROWTH

Seven Trade Policy Options for More Inclusive and Sustainable Food Systems in Matopiba

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Abstract

Amidst escalating global crises in climate, biodiversity, and food security, the focus on resilient food systems intensifies. The G20, alongside other global fora, can address the complexities of trade, sustainability, and food security. The expansion of the soy-meat complex in Brazil's Matopiba region epitomizes these challenges. With accelerating deforestation rates in Cerrado, urgent action is imperative to prevent biome collapse. Trade-related policies have been increasingly called to complement environmental protection tools focused on land conservation in an attempt to "govern" the expansion of food systems.

To better understand how trade can contribute to more inclusive and sustainable food systems in Matopiba, Instituto Cerrados and Making Agriculture Trade Sustainable analyzed seven policy options related to trade, investigating their timeliness, potential impact and political viability. Eradication of illegal deforestation, the revision of the deforestation-free emerging legislations, and the adoption of standards by emerging markets were identified as the most strategic measures at the current time. Other measures with potential impacts were found not to be politically feasible.

The recommendations encompass both national and global levels. At the national level, integration with Brazil's PPCerrado plan is vital, aligning trade measures with environmental objectives and enhancing traceability. Meanwhile, at the global level, cooperation on land-use monitoring, trade standards, and traceability systems is crucial. Collaboration on emerging "deforestation-free" trade standards could limit the risk of inconsistent standards and trade disputes. These measures can catalyze the transformation of food systems towards sustainability and inclusivity, with the G20 serving as a key platform for complementary dialogue and action.

Keywords: Trade Policy, Deforestation, Sustainable Trade, Global Governance, Food Security, Food System Resilience

Diagnosis

An accelerated series of climatic, biodiversity, and food security crises have been putting global food systems into increased scrutiny (UN, 2023, 2-6). Discussions about the future resilience of global food systems have been increasingly associated with its dependency on specialized and globally traded value-chains, continued expansion of monocultures by converting native vegetation, and the consistent difficulties in achieving diversified and nutritious diets for all, despite growth of commodities production and trade (Wood et al., 2023, 23).

Alongside other important global fora, the G20 has been called to address these challenges, and debates on trade, sustainability, and food security have grown on its agenda in the past years. The expansion of the soy-meat complex in Matopiba, northern Cerrado region in Brazil, serves as an insightful case to understand the interaction of these issues.

In Matopiba and elsewhere, trade policy measures have been increasingly called to complement environmental protection tools focused on land conservation in an attempt to "govern" this expansion (De Maria et al., 2020). We are experiencing a critical and decisive moment in the Brazilian Cerrado, where only 47% of its native vegetation remains (Mapbiomas, 2024). Deforestation has significantly accelerated in the past 5 years, surpassing the rate of the Amazon in 2023 (INPE, 2024). Currently, existing legislation is not sufficient to ensure effective protection of its preserved areas. In the long term, the biome may be pushed to collapse, even if illegal deforestation is eradicated.

The Matopiba region stands out as the epicenter of native vegetation conversion, accounting for 75% of Cerrado deforestation in 2023 (IPAM, 2023). In addition to increased global demand, the agriculture frontier in Matopiba experiences significant

'leakage' of grain production from the Amazon, mainly soy, due to legislation allowing deforestation of up to 80% of properties in the Cerrado (Villoria et al., 2022, 2-6).

This expansion has been questioned for being based on a homogeneous and highly specialized sector, with strong yet extremely unequal economic dynamism (Lopes et al., 2021, 5-13; Favareto et al., 2019, 363-374), and for having profound impacts on water resources (Salmona et al., 2023, 8-17), Cerrado biodiversity, and carbon stocks (Rajão et al., 2020, 247-248). Furthermore, socio-environmental conflicts are being increasingly documented (Aguiar et al., 2021, 5-32) related to land and water grabbing, as well as 'green grabbing' (da Silva et al., 2023, 89-94; Korting et al., 2023, 75-83).

The continuous expansion of soy production in Matopiba is projected in response to a growing international demand, related to the Asian dietary transition and the use of soy as an input for animal production (Matricardi et al., 2018, 202-204; Rausch et al., 2019, 2-4). Thus, it is necessary to continue exploring possible leverage points in agricultural trade policies that could "govern" this expansion, promote positive outcomes, and reduce the negative impacts of trade on sustainable development, inclusion and human rights.

Through a collaboration between Instituto Cerrados (IC) and Making Agriculture Trade Sustainable (MATS), we identified and analyzed seven trade policy options that can make food systems in Matopiba more inclusive and sustainable. This carries implications both for national levels in Brazil and the G20 agenda on food systems.

At the national level, these measures can be integrated into a set of articulated and integrated interventions in support of the implementation of the Action Plan for Prevention and Control of Deforestation and Fires in the Cerrado Biome - PPCerrado, updated by the Brazilian government in 2023. At the global level, it suggests intervention points for trade measures in food systems, recommending a set of agenda topics that could be further explored in G20 and other global food governance debates.

Recommendations

Through field research and interviews with over 30 actors including farmers, researchers, environmental groups, and public officials in Matopiba and Brasília, Brazil, we identified seven trade options with potential to influence food system pathways in the region. These are:

#1	Expand the Amazon Soy Moratorium to the Cerrado
#2	Include "Other Wooded Land" and "Natural Grassland" in the European Union Deforestation-free Regulation (EUDR)
#3	Substantially increase private sustainability certification, e.g., Round Table on Responsible Soy
#4	Require strong socio and environmental measures to implement the MERCOSUR-EU trade agreement
#5	Eradicate all illegal deforestation
#6	Develop multi-actor territorial agreements
#7	Apply similar standards by China as those currently being formulated by the EUDR

These potential trade measures were evaluated by Brazilian stakeholders in terms of their timeliness, potential impacts, and political viability of implementation. The table below summarizes the results of the literature review, more than 30 interviews and two workshops organized within the framework of the IC-MATS project in Brazil:

	Timeliness	Potential Impact	Political Viability
#1 Cerrado Moratorium	+	+, lower than in the Amazon	- - -
#2 EUDR Revision	++	+++	+
#3 Private Certification	-	-	+
#4 EUMS Trade Agreement Safeguards	?	+	- -
#5 Eradication of Illegal Deforestation	+++	+	++
#6 Multi-actor Agreements	?	+ at local level	++ at local level
#7 China increases standards	++	+++ effectiveness?	+ in the medium run

+ weak positive   - weak negative

++ medium positive   - - medium negative

+++ strong positive   - - - strong negative

? imprecise and/or variable upon specific circumstances

In summary, the eradication of illegal deforestation (#5), the revision of the EUDR (#2), and the adoption of standards by China (#7) were identified as the most strategic measures at the current time. The measures of revising the EUDR (#2) and the adoption of standards by China (#7) point to the greatest expected impacts. Some other measures with potential impacts, such as the Soy Moratorium in the Cerrado (#1) and the adoption of socio-environmental safeguards in the MERCOSUR-EU trade agreement (#4) were found not to be politically feasible. Just as export opportunities have contributed to deforestation, clear rules on those supply chains could contribute to better outcomes for Brazilian stakeholders.

Key recommendations were generated through this research. These were divided into two groups: i) specific recommendations applicable to national decision-makers in Brazil and its trade partners, and ii) global-level general recommendations that the G20 and other international global food governance fora could advance:

BRAZIL AND TRADE PARTNERS IN THE SOY-MEAT VALUE CHAIN COULD:
#1 **Eradicate illegal deforestation as the timeliest and politically viable measure**
Noting that the potential impact is limited in Matopiba, both due to the predominance of private land ownership and the loopholes in legislation that allow for the "legalization" of deforestation.
#2 **Build a credible national public system for socio-environmental traceability of key commodities**
After many years of investments and engagement in private certification schemes, the systemic impact is marginal and limited. This suggests a needed

strategy change towards investments in public traceability systems.

#3 Adopt gradual and integrated trade-related measures that align with PPCerrado

Policy coherence can be strengthened if trade and environmental policies are better aligned. There are evident synergies between trade measures and the axes of economic instrument and land regularization of PPCerrado that should be better explored.

#4 Better understand the trajectories of emerging market policy in future soy and meat imports

Emerging market demands are now one of the driving factors of soy-meat expansion in South America. Measures linked to environmental and social performance will have a significant impact in the region, yet little is known about the interests and motivations for more sustainable trade standards in emerging markets, compared to traditional Northern markets.

#5 Include *other wooded lands* and *natural grasslands* in the upcoming revision of the EUDR

The EUDR has the potential to influence other trade standards. Effective protection of the Cerrado requires the recognition of these two categories. In addition to being a timely measure with high potential impact, the distinction between "forest" and "savannah" makes no ecological sense given the symbiotic nature of these two biomes.

THE G20 AND OTHER GLOBAL FOOD SYSTEMS FORA COULD FOSTER COOPERATION ON:

#1 Land-use monitoring and command and control policies

As illegal deforestation continues to present a key challenge in the expansion of food and non-food commodities, cooperation (in particular South-South and Triangular Cooperation) on land-use monitoring and command and control policies could support countries in ensuring the rule of law in areas where state presence is limited.

#2 Emerging "deforestation-free" trade standards

The G20 and other global governance bodies have been calling for more transparency in food markets as an effort to control price volatility. Similarly, more cooperation on sustainable trade standards among G20 members - in particular the emerging "deforestation-free" legislative proposals - could limit the risk of inconsistent standards and trade disputes. It could also potentially discuss mitigation measures for improving access of smallholder farmers to verification systems.

#3 Development and mutual recognition of national public traceability systems

As private certification schemes have proven viable, yet not sufficient to influence overall market behavior, national public traceability schemes are being called as potentially more impactful and comprehensive. The G20 could promote cooperation in both the development and mutual recognition of national public traceability systems, also an effort to limit the risk of unilateral measures.

| #4	**Synergies between trade policies and national environmental policies**

Policy research investments by G20 members could strengthen the synergies between trade and national environmental policies. Above all, there is still much to learn on how to ensure that trade policies support national commitments with impacts on food system transformation, such as the National Food System Pathways, Nationally Determined Contributions (NDCs), National Biodiversity Strategies and Actions Plans (NBSAPs), among others.

Impact scenarios were mapped using Causal Loop Diagrams (CLDs). CLDs are graphical descriptions of the casual relationships, effects, and feedback loops that indicate the direction and nature of expected changes in a qualitative way. These tools help to identify the intervention points of trade measures within regional food systems.

The graphic below indicates the relationships between trade options (orange), an economic, market, and land use model (black), conservation policies (green), credit policies (pink), and policies associated with traditional Cerrado communities (blue).

GRAPHIC 1. Causal Loop Diagram of Soy-Meat complex in Matopiba
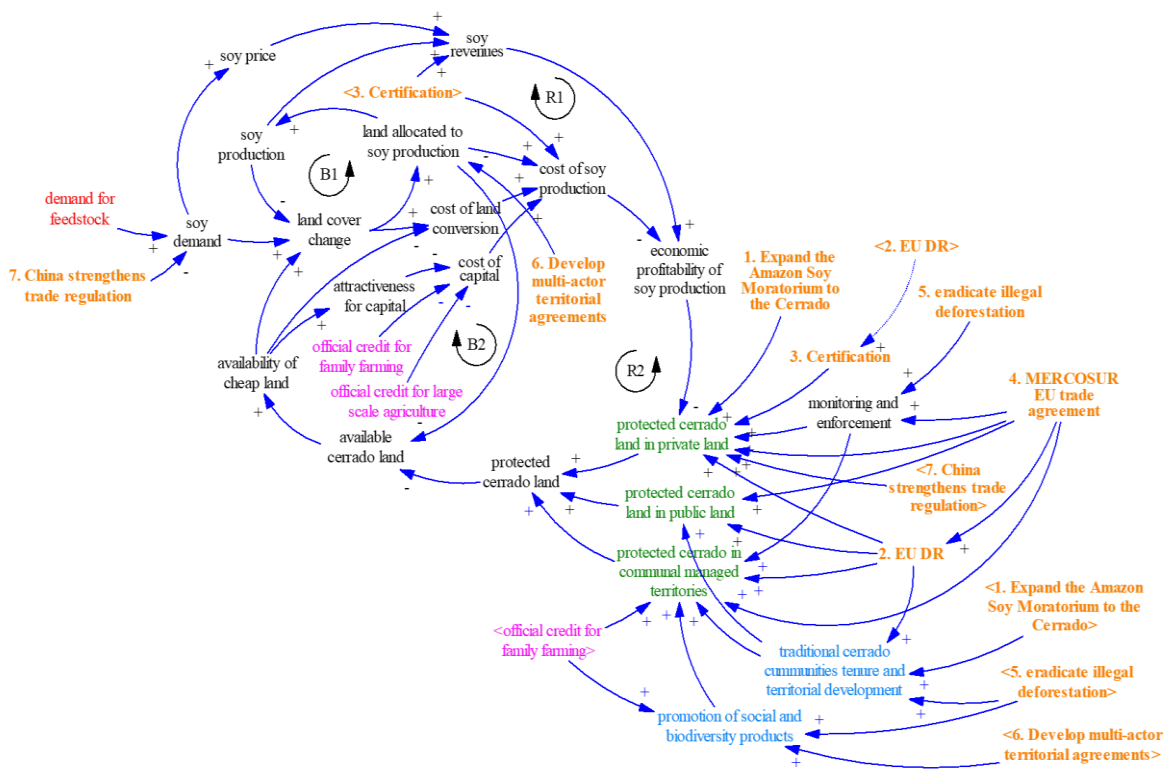
Source: authors.

The CLD showed that the main levers of change of current trade options in Brazil are more directly related to conservation policies and, to a lesser extent, to support for traditional Cerrado communities. The effects on other dimensions, such as the economics of soy production and credit policies, are essentially indirect.

The eradication of illegal deforestation (#5), the revision of the EUDR (#2) - that is, two of the three more strategic measures for Brazil and its trade partners - mostly influence monitoring and enforcement policies directly, while they only indirectly affect alternative value chains where small family farmers and traditional communities are involved. As indicated in the recommendations, land-use monitoring and emerging "deforestation-free" trade standards would play key roles on how these measures would impact the food system pathways. It is also noted that policies such as the EUDR signify additional compliance systems and related costs, which could ultimately exclude smallholder farmers who regularly face difficulties in accessing and maintaining verification systems. Mitigating these could also be possible areas of cooperation for the G20.

Few options directly influence the profitability of soy, for example, by affecting soy prices, revenues or cost of production. One possibility is through the adoption of standards by China (#7), which would significantly influence global demand for sustainably traded commodities, and ultimately push for more protected Cerrado areas within private land. This reinforces the recommendation that there is a need to better understand the tendencies in emerging markets in terms of future soy and meat imports, particularly those associated with more sustainable standards.

In conclusion, the Soy-Meat complex in Brazilian Cerrado urgently needs to address long-standing challenges of commodities expansion in agriculture frontiers, such as full compliance with national environmental laws, as well as using trade policy in alignment

with national plans that could transform food systems towards more sustainable and inclusive outcomes. G20 discussions on trade, sustainability and inclusivity in food systems could support these transformations, particularly if it offers a dialogue platform on "deforestation-free" trade standards and national public traceability systems that could reduce the risk of unilateral measures.

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