



Commodities and Forests Agenda 2020:

Ten priorities to remove tropical deforestation from commodity supply chains

September 2017



Executive Summary

To avoid the worst effects of global climate change, it is imperative to halt deforestation. To have a chance of limiting temperature rises, as outlined in the Paris Agreement on climate change, emissions from land use must peak by 2020 and then decline. Eradicating deforestation in tropical regions would represent a crucial step towards that goal. The destruction of forests creates almost as much greenhouse gas emissions as global road travel and yet it continues at an alarming rate, with an area equivalent to the size of South Africa lost between 1990 and 2015.

A movement has emerged to eliminate, by 2020, the deforestation that is embedded in global agricultural supply chains. Commercial agriculture is responsible for well over half of all deforestation, with land cleared to produce commodities that end up in our everyday consumer products. By September 2017, more than 470 leading businesses had made voluntary commitments to reduce or eliminate deforestation in their supply chains, through improvements in production and sourcing practices. Back in 2010, the Consumer Goods Forum pledged to achieve zero net deforestation by 2020 in beef, soy, palm oil, pulp and paper supply chains. In 2014, more than 190 government, non-governmental and corporate entities committed to the elimination of all deforestation driven by agricultural commodities by 2020 by signing the New York Declaration on Forests.

Yet this movement must intensify its efforts, if it is to meet its goals. Despite strong momentum, independent assessments indicate that the international community will miss its target of eliminating commodity-driven deforestation by 2020 if efforts are not increased and accelerated. This report — *the Commodities and Forests Agenda 2020* — lays out 10 priority areas that company executives, policy-makers and civil society leaders should focus on in order to accelerate progress in addressing commodity-driven deforestation. The 10 priorities for action are:

1. Eliminating illegality from supply chains

Businesses have a substantial opportunity to help eradicate deforestation by eliminating illegality from their agricultural supply chains. Illegal forest clearance is responsible for almost half of all tropical deforestation. Compliance with Brazil's Forest Code alone would save 150 million hectares of tropical forest and lead to an increase in forest cover of more than 15% by 2050. Ultimately, strengthened policy, better legal frameworks and effective law enforcement are the responsibility of governments, but companies can support these efforts by improving the way in which legal compliance is monitored in their own supply chains.

2. Growing and strengthening palm oil certification

The expansion and strengthening of palm oil certification is critical to the success of sustainable supply chains. Palm oil is a major cause of deforestation, particularly in South-East Asia and West Africa and substantial effort has gone into the development of sustainable palm oil certification. At present, the Roundtable for Sustainable Palm Oil (RSPO) certifies 21% of the global palm oil market, the highest penetration of any sustainable certification programme. Certification is the primary means by which companies meet their commitments to eliminate deforestation from palm oil supply chains. To further grow certified supply, it is now essential that demand is increased. Consumer countries and companies should commit to the purchase of certified palm oil. At the same time, palm oil certification programmes and their application need to be made stronger in order to improve their integrity and environmental impact.

3. Scaling up pilot programmes of sustainable intensification of cattle grazing

Pilot programmes in South America show that well-managed sustainable intensification methods can improve yields and profitability of livestock systems, while sparing land and reducing deforestation pressures. Demand for beef is growing, and its production causes more deforestation than soy, palm oil, timber, pulp and paper combined. Increased investment is needed to greatly expand existing pilot programmes and roll out intensification on a wider scale. A lack of qualified labour, ingrained habits and behaviours, along with upfront costs, will need to be overcome, but production costs are expected to fall when intensification is scaled up. At the same time, support for law enforcement and forest management and protection is needed to drive out illegal forest clearance and to redirect incentives away from programmes that encourage low-yielding beef production.

4. Sustainably increasing smallholder yields in palm oil and cocoa

Closing the yield gap for smallholder producers of palm oil could spare millions of hectares from deforestation. More than one-third of palm oil is produced by smallholder farmers who often lack access to credit, technology and training. With technical and financial assistance, these operations have great potential to raise their yields to global standards without a detrimental effect on the natural landscape. Managed well, these productivity increases could even free up land for other crops, or reforestation. For that to happen, existing investment barriers that prevent the adoption of best practices must be removed, while greater aggregation, risk management and training can help to boost yields at smallholder plantations. Similar solutions that close yield gaps and support sustainable intensification are also needed to remove pressure placed on forests by cocoa production in West Africa.

5. Achieving sustainable soy production

Multistakeholder initiatives are urgently needed to tackle the problem of soy-driven land conversion in South America. Global demand for soy is rising and production is expanding rapidly, making it one of the main causes for the destruction of natural ecosystems in that region. Between 1990 and 2010, soy was responsible for the loss of approximately 29 million hectares of natural landscapes in the Brazilian Cerrado alone. Collaborative initiatives supported by companies, civil society and governments can help to ensure that production occurs without further landscape conversion.

6. Accelerating the implementation of jurisdictional programmes

Many tropical forest jurisdictions — both national and sub-national — have started to define and implement climate and forest programmes that integrate land planning, sustainable forest management and commodity production in order to achieve sustainable rural development. Collectively, these jurisdictions encompass between 10% (beef) and 40% (soy) of the global production of forest-risk commodities. Early results are encouraging, but these efforts need to be strengthened and accelerated with more public and private sector support. Jurisdictions with more advanced programmes can serve as models for other countries and regions, so that more private sector commodity commitments can be incorporated into government-led programmes.

7. Addressing land conflicts, tenure security and land rights

A correlation exists between clear and uncontested land rights and forest protection. In many tropical forest countries, uncertainty over

land registration and titles hinders investment in more sustainable land practices. Land conflicts and overlapping claims, for example agricultural concessions that have been granted over community land, encourage deforestation. Assigning formal land titles is particularly relevant for land traditionally occupied by indigenous peoples and local communities. Studies in South America have found deforestation rates that are between 6 and 350 times lower in forests legally recognized as belonging to indigenous peoples and local communities. It is, therefore, essential to accelerate land registration efforts and put in place effective and fair conflict resolution mechanisms for competing land claims.

8. Mobilizing demand for deforestation-free commodities in emerging markets

Emerging markets are the largest importers of forest-risk commodities and their engagement is, therefore, critical to the success of zero-deforestation initiatives. China is the world's largest importer of soy, pulp and paper products, the third largest importer of palm oil and is projected to become the world's second-largest importer of beef within the next five years. India is the world's largest importer of palm oil products. An increasing number of initiatives in emerging economies indicates a readiness for engagement and improved coordination and cooperation among stakeholders across consumer and producer countries. Commodity supply chain stakeholders must support greater engagement with Chinese and Indian companies and governments to encourage more sustainable supply chains.

9. Redirecting finance towards deforestation-free supply chains

The amount of finance available for sustainable commodity production today dwarfs the quantity of investment that is deployed into traditional agricultural production. It is, therefore, essential to redirect existing financial flows towards sustainable agricultural production. The shift towards deforestation-free agricultural commodities can create new and profitable investment opportunities, while mitigating reputational and stranded asset risks. Appropriate investment criteria and risk management policies, combined with subsidy reform, especially in agricultural credit, can help. However, investment in sustainable production is often hampered by unfamiliar risks, upfront costs and a limited understanding of regional characteristics. Dedicated public finance and impact investment that covers the costs and risks of transition towards better management and sustainable agricultural practices is needed in order to pilot innovative financing models.

10. Improving the quality and availability of deforestation and supply chain data

The past decade has seen enormous advances in the availability of information on deforestation and forest loss. Yet supply chain companies and other stakeholders are just beginning to develop effective systems to use this information in support of the implementation of zero-deforestation commitments. Similarly, civil society initiatives and improved mapping technology have led to better monitoring in countries such as Brazil and Indonesia, but further advances are needed to fully capture their potential in supporting sustainable land use decisions. More data must be collected and publicly shared so that governments and companies can target and monitor their activities more effectively. An agreement on a common set of definitions, including "forests" and "zero net deforestation" is also needed to ensure comparability and accountability across supply chains.

The *Commodities and Forests Agenda 2020* summarizes the areas in which most urgent action is needed to eliminate deforestation from global agricultural supply chains. Concrete action plans will need to be designed for the local context and incorporate national and regional priorities. Moreover, if long-term sustainability is to be achieved, these areas will need to be supported by efforts to support the broader sustainable development of rural communities that operate at the fringes of tropical forests and by efforts to transform consumption patterns that reduce the global footprint of agricultural supply chains. However, understanding the importance of addressing these long-term concerns should not be a reason to delay action on the commodities and forests agenda.



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