



Soy Fast Track Fund

Towards mainstream responsibility
in the soy sector

January 2012

1. Introduction

Soy is the most important source of vegetable protein and the most important vegetable oil in the world after palm oil. About 60% of all consumer goods we buy in the supermarket contain soy.

Worldwide over 100 million of hectares arable land are used for the cultivation of approximately 250 million tons of soy. The United States, Brazil and Argentina account for 80% of the global production and 90% of the global exports - 100 million tons in total with a value of 40 billion euro. Considerable amounts of soy are also grown in Paraguay, China and India.

Soy is an essential raw material for the feed and food industry. Soy oil is also one of the most widely used raw materials for producing biodiesel, along with palm oil and rapeseed.

China is the largest importer of soy in the world with 35 million tons in 2009. Followed by the EU which imports 34 million tons. The Netherlands, based on it's logistical distribution function, imports 9 million tons of soy products every year, making the Dutch the largest soy importers in the EU.

The soy supply chain is characterized by large numbers of producers (large and small) and large numbers of users in animal feed (farmers) and in final product (consumers). Between both ends of the supply chain is very concentrated, particularly among the international traders and crushers and in retail.

Worldwide soy cultivation has challenges concerning social and environmental impacts. Issues vary amongst different producing areas. The main environmental challenges are deforestation, loss of biodiversity, toxicity and water pollution through excessive and/or incorrect use of pesticides. Social issues linked to soy production are labor rights, land disputes and small holder inclusion.

The Soy Fast Track Fund aims to decrease the social and environmental impacts of soy cultivation. The goal of the Soy Fast Track Fund is to help soy producers to become compliant to international accepted norms for responsible soy production.

This document will give you more information about the challenges in soy cultivation, the criteria for responsible soy farming, the Soy Fast Track Fund and it's most important partners.

2. Responsible Soy

The growth in the world population and in global wealth is expected to create more demand for animal protein in the near future. The key players in the soy industry: soy producers, processors, traders and buyers will need to source soy responsibly if they want to feed the world in the future. This makes responsible cultivation and trade strategically important to the soy sector

Already for some years responsible production of soy is on the agenda of the European soy industry. Several key players have joined sustainability initiatives or have made public commitments to sourcing responsible soy.

Round Table for Responsible Soy

In 2005 major players from the soy industry and non-governmental organizations like WWF and Solidaridad, took the initiative to start - together with farmers organizations and other key players from soy producing countries - a forum to formulate worldwide criteria for responsible soy cultivation. This forum is called the Round Table for Responsible Soy (RTRS).

‘Only through a multi-stakeholder initiative you get credibility, a valid process and the buy-in of the entire sector.’

Jeroen Douglas
Board member, RTRS

Players from all the links in the supply chain as well as societal organizations from different continents are represented in the RTRS. Governments, financial and knowledge institutions provide active support. In 2010 this process based upon broad multistakeholder consensus resulted in the RTRS standard for responsible soy production.

Responsible soy cultivation

The RTRS standard for responsible soy production includes requirements to:



halt conversion of areas with high conservation value;
promote best management practices (including responsible pesticides and water management);
ensure fair working conditions (including abolishment of bonded and/or child labor and use of protective clothing);
respect land tenure claims.

RTRS standards (or standards with comparable criteria) will help farmers to grow soy in a way that has minimal social and environmental impacts. That will be beneficial for the conservation of nature and the well being of people. It will also be beneficial for the economical future and credibility of the whole soy sector.

The European soy sector is determined to make the RTRS a success, illustrated in the Netherlands, Belgium and other European countries by their public commitment to work towards 100% sustainable, RTRS-certified soy consumption by 2015.

3. Challenges

To transform the mainstream soy sector towards more responsibility is a huge task with several challenges. Two major challenges are producers support and market development.

Producers support

Most Latin American, Indian and Chinese soy farmers are not familiar with the RTRS and proof of compliance can only be organized by means of certification. To understand the difference between farmers practices now and the RTRS standards, IDH initiated a research amongst soy farmers in Brazil (Mato Grosso and Parana state) and Argentina (Buenos Aires, Cordoba, Santa Fé and Salta) in collaboration with IFC.

Some of main outcomes of research on bottlenecks soy farmers in Brazil and Argentina face to certify for RTRS

Environmental challenges:

- Integrated pest management
- Documented control over agricultural chemicals use at small and medium farms.
- 'Forest debts' of farmers and incompliance to the Brazilian Forest Conservation Code.
- Deforestation of savanna in MAPITOBA states (Brazil) to legal limits, potentially HCVA's.
- Waste disposal, especially in Argentina.

Social challenges

- Health and safety procedures for workers in medium and small farms.
- Compliance to labor legislation on working hours in the planting and harvesting season in Brazil.
- In case work is outsourced to service companies there is little information on contract and working conditions

Certification

- Generalized lack of knowledge on soy certification in general, including RTRS, whereas farmers expect incentives.

Market development

RTRS standards are now for a year on the market and the first RTRS certified soy was produced in Brazil and Argentina. Although Dutch, Belgian, English and Scandinavian traders are committed to buying RTRS certified soy, and the Dutch and Belgian feed industry bought the first RTRS certified soy from Brazil in mid 2011, there is still some hesitance from the industry to buy RTRS certified soy.

All stakeholders engaged with responsible soy are convinced that a broadening of the demand in Europe is crucial for the RTRS to become successful in terms of cost efficiency, meaningful large scale change on producers level. It is also important to be able to create a higher demand and to enable a level playing field in Europe. Both industry and governments (with laws and regulations) can play a role in creating more market demand.

Harnessing the system

It is important to help building a supportive system around the soy producing farmers. Farmers will need service providers to help them to reach compliance. There must be a clear guidance of what High Conservation Value Areas are, for example. The government needs to be agile to help farmers with regulation requirement, farmers could be helped by preferential financial services once they are in compliance with RTRS standards, and the market pull needs to be in place. And the RTRS organization must be sufficiently strong to deliver support to its members and guarantee a broad membership.

'We want to engage in an open dialogue with all supply chain partners, governments and societal organizations. To find ways to become more responsible. For us, demands from society and a healthy future of the sector are leading.'

**Henk Flipse,
Director Nevedi**

4. Solutions

Increasing awareness

To accelerate production and trade, increasing the number of RTRS soy producers is essential. One of the instruments is raising awareness and broadening public support for the RTRS in Europe, South America, India and China.

The Soy Fast Track Fund

The Soy Fast Track Fund will leverage investments of producers, processors and/or buyers to increase volumes of responsible soy in the coming years. The driving mechanism is co-funding private investments, to a maximum of 40%. Those private investments can also be extra buying costs and or investments in (e.g.) good agricultural practices training.

Projects will be proposed by producers, processors and/or buyers. The Solidaridad Latin America has been identified to be the project manager of the fund. The Fund project manager will help supply chain actors to define relevant projects. The Fund will co-fund future investments in RTRS production that help close the gap between current cultivation practices and the RTRS criteria.

Financial and agricultural services

To create more incentives for soy producers IDH is aligning with international and local banks and local producer organizations. Together they work to enhance preferential access to (better) finance and agricultural services that will be improved for farmers who are legally compliant and certified.

Harnessing activities

To legally protect tropical rainforest or other High Conservation Value Areas (HCVA's) they need to be mapped out first. IDH will actively support RTRS, WWF and others in the mapping of HCVA's. The Fund will finally also give support to the outreach program of RTRS.

Soy Fast Track Fund Essentials

The SFTF will last 5 years and is open to complimentary finance by other donors.

The co-funding that the fund provides is expected to leverage a minimum of 10 million euro of investments. investments can consist of premiums, certification costs and costs of traders and producer associations to develop producer support programs.

Solidaridad will be the secretariat and manager of the fund

Projects should comply with the following criteria:

- ✓ Producer support projects must focus on 'Improvement through producer improvement'
- ✓ Programs must support producers and traders that deliver RTRS soy to buyers in Europe.
- ✓ Involved supply chain actors must deliver a minimum of 60% of the project costs themselves
- ✓ Field support projects will be proposed by supply chain players.
- ✓ Organizational commitment to the RTRS and long-term plan to work towards 100% RTRS in 2015.
- ✓ Projects address strategic roadblocks as identified by the IDH/IFC gap analysis.
- ✓ Demand-driven: supply chain players in the lead. Commitment to procure the certified soy from the projects into Europe.
- ✓ SMART result targets and measurement (# farmers and hectares certified, procurement volumes, impact indicators, etc.)
- ✓ Sharing of project information and lessons, and participation in M&E, impact assessment, strategic reflection sessions and learning events. Open book budgeting and collaboration in audits.

'The Soy Fast Track Fund will co-finance producer support projects, developed by supply chain actors itself.'

5. The business case



For farmers

Compliance to RTRS will give you better agricultural practices and better water, waste and pest management that will reduce costs. Compliance to the RTRS will provide you with preferential access to governmental support and financial services and secure access to EU markets



For processors

You buy and process RTRS certified soy that is responsible. The RTRS certificate will give or secure you access to trustworthy long term contracts with the EU soy market.



For traders

You buy and sell RTRS certified soy that is responsible. The EU food and feed industry demands 100% RTRS soy in 2015. You can become a preferred supplier.



For food and feed industry

As an industry you're committed to responsible soy. Society is asking that commitment. Growing competition for soy on the world market makes responsible soy necessary for a healthy future of the sector



For retailers and brands

Over 60% of your consumers goods contain soy. Despite the fact that soy is a commodity that goes anonymously into most of your products. Responsible soy will help to meet the expectations of your customers



For funders, NGOs and consumers

Soy is often associated with negative social and environmental impacts. Supporting responsible solutions means you help solving this issues and engage with a global network that shares your vision

For everybody

You are all part of the global soy supply chain. The future of the soy industry is your future. RTRS means we can reduce the negative impacts of soy cultivation and secure it's long term perspective

5. FAQ

Q: What is responsible soy?

The Round Table on Responsible Soy (RTRS) has developed a set of principles and criteria to define responsible production of soy. They ensure that fundamental rights of previous land owners, local communities, workers, small farmers and their families are respected and fully taken into account and that no new land of native habitat or high conservation value areas (forests) have been cleared for soy cultivation since May 2009. Farmers also need to minimize their environmental footprint by adopting best management practices. A full listing of principles and criteria is available at www.responsiblesoy.org

Q: Why do we need responsible soy?

Soy is an important source of vegetable fat and protein for humans and animals and is an important source for bio fuels. Soy production generates income and foreign currency in producing countries. But the production of soy can also have negative side effects on local communities and the environment. Worldwide demand for soy will continue to increase and consequently the soy production will grow. This can lead to expansion of agricultural frontiers. Environmental issues related to that expansion range from water pollution to deforestation and to soil erosion and loss of biodiversity. Expansion has in some cases also led to social conflicts and tension between producers and local communities, concerning, for example, land rights, labor rights and rural migration. Responsible soy is produced without these negative social and environmental side effects.

Q: What is the Round Table on Responsible Soy?

Established in 2006 in Switzerland, the RTRS is a multi-stakeholder initiative which aims to facilitate a global dialogue on soy production that is economically viable, socially equitable and environmentally sound. The RTRS has more than 150 members including soybean growers, crushers, traders, food and feed manufacturers and civil society organizations. They work together to put on the market certified soybeans that are produced in a responsible way and to maximize the amount of soybeans that can be RTRS certified.

Q: Who has developed the RTRS Standard for responsible soy production?

The RTRS Standard was developed through an open and intensive dialogue between producers, supply chain actors including crushers, traders food & feed manufacturers, financial institutions and civil society organizations. The draft standard was field tested in several producer countries and public consultation rounds were held to gain additional input.

Q: Which environmental problems are addressed by the RTRS?

The environmental criteria are directed at preventing further loss to primary forests and other high conservation value areas, reducing negative impact on soil, habitats of endangered species and overall biodiversity, and to reduce the overall use of agrochemicals. Important examples of environmental criteria are:

Expansion for soy cultivation is not to take place on land cleared of native forests or high conservation value areas after 2009. Responsible use and disposal of chemicals, use of low toxicity products and the overall reduction of use of chemicals.

Q: Which social problems are addressed by the RTRS?

The social criteria have been established in order to strengthen the livelihoods of local populations, through the prevention of conflicts relating to the right to use the land, protection of health and living environment, respect of human and labor rights, freedom of association, the provision of fair salaries and the adequate handling of health and safety issues. It is also inspired by the main ILO conventions.

Q: Who is IDH

The Sustainable Trade Initiative (IDH) accelerates and up-scales sustainable trade by forming impact oriented coalitions of front running multinationals, civil society organizations, governments and other stakeholders. By convening the interests and strengths of different actors in the supply chain, IDH creates shared value for all partners. This will help make sustainability the new norm and will deliver impact on the Millennium Development goals. IDH has programs in (e.g.) coffee, tea, cotton, soy, palm oil, cocoa, aquaculture and timber.

How to get support from SFTF?

If you are an end buyer interested to source RTRS soy, and you wish your suppliers to be able to provide you with certified soy, or if you are a trader/crusher willing to organize and enable suppliers to provide your clients with RTRS soy, or if you are a producer or producer group with interest in RTRS soy, you can apply for a grant of SFTF. SFTF can co-fund your (collective) investments in compliance and certification, and help you funding concrete producer awareness, capacity building and other support in the field. The projects in support of your suppliers base can be build with your partners in the field. You can design the projects yourself and hand in (pre)proposals to the Fund project manager (see address below). The project manager is also willing to provide you with guidance and/or directly support you to build such a project, if you wish.

Who will manage the SFTF and who to contact?

The SFTF projects will be managed by Solidaridad Latin America, the 'SFTF Project Manager'. Please contact at Solidaridad:

Mr. Pieter Sijbrandij Pieter.Sijbrandij@solidaridad.nl, general coordinator of SFTF;

Mr. Harry van der Vliet Harry.vanderVliet@solidaridadnetwork.org, for SFTF in Brazil;

Mr. Miguel Hernandez, miguel.hernandez@solidaridadnetwork.org, for SFTF in Argentina, Paraguay, Bolivia, Uruguay;

General questions: solidaridad@IDHsoyfasttrackfund.org, tel. + 54 11 47750741.

End buyers in Europe can also approach IDH for a first orientation, with Jan Gilhuis, tel. +31 619414370, at gilhuis@dutchsustainabletrade.com.



Soy Fast Track Fund

Co-financers:

Dutch Foundation ' Supply chain Transition to Responsible Soy'

(Dutch Feed Industry Association Nevedi, Dutch Animal Processing Industry (meat, poultry, dairy industries), Retail, Product Board MVO).

BEMEFA Belgian Feed Industry

Lantmännen, Sweden

Arla, Denmark

Amaggi, Fapcen, Viluco, Kumagro, Los Grobo/Ceagro, Cefetra, Kiñewen, Aapresid, Technocampo, Nidera, Aliança da Terra, a.o.

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