



DIALOGUE ON SUSTAINABILITY AND TRACEABILITY OF THE BEEF AND LEATHER CHAIN

Second Technical Dialogue:

Access to technology for sustainability in the beef and leather chain.

April 20, 2022

CONTEXT

The EU-Brazil Beef & Leather Value Chain Dialogue is gathering around the same table the main stakeholders in the European Union and in Brazil (importers, retailers, meatpackers, tanneries, exporters, ranchers, researchers, relevant associations and civil society organizations, etc.) to discuss the sustainability of beef and leather value chains in Brazil and Mercosur – in particular with regards to deforestation – and to identify relevant best practices or future initiatives, focusing in particular on these supply chains to the EU. The initiative is promoted by the European Union through the AL INVEST Verde Programme in collaboration with Amazon Environmental Research Institute (IPAM).

The opening roundtable took place on the **2nd and 3rd December** of 2021. The first technical dialogue carried out on **9th March** focused on the role of due diligence in the regularization of the meat and leather value chain in Brazil.

On 20 April, the second technical dialogue discussed the access to technology for sustainability in the beef and leather chain. The dialogue was structured in 3 blocks: the first block provided an overview and challenges of cattle ranching in the Amazon and the importance of access to technology to improve sustainability in the chain. The second block discussed existing technologies that can help improve productivity, sustainability, and transparency. The third block underlined actions to increase access to technologies to improve productivity, sustainability, transparency, and traceability in the chain. Below are the main conclusions of the dialogue.

CONCLUSIONS

The following are the main conclusions from the discussion in the second dialogue:

Block 1. Cattle ranching in the Brazilian Amazon

Low livestock productivity characterizes 80% of the deforested area in the Amazon. Low productivity is often related to the production and management practices adopted in family farming – i.e., one that relies primarily on family members for labour and management. However, better pasture and cattle management practices could potentially alter this scenario. Improvements in land management would be achievable if farmers had access to existing technologies and finance. Technical assistance together with access to credit are essential to implement resource-efficient practices and generate a balance between profitability and sustainability.

There is no one-size-fits-all approach to managing public policy for productivity improvement. Due to the heterogeneity of the Amazon lands, different types of products and management practices are in place; as a result, territorial approaches should find tailor-made solutions. For



instance, an essential issue for productivity differential among Brazilian states is using nitrogenous fertilizers. Some states need to use them more than others to increase efficiency and productive capacity.

As a general recommendation, some experts underlined the necessity to improve governance and develop a policy framework to create monetary and economic incentives towards sustainability in the supply chain. However, others argued that the policy framework reflects the market. National regulation and legal obligations are challenging to implement in many cases, and private standards not often recognize this. Data on recent global trends show a renewed consumer preference for more sustainable products and the willingness to pay a premium price for sustainable products, in mature and wealthy markets. The combination of higher demand and premium prices represents a good business case to improve sustainability and adopt better technology. Yet, small and medium farmers need credit and innovative financing, alongside technical assistance, to take advantage of the new global opportunities.

In contrast, representatives of the leather sector mention the difficulty of increasing the use of better technology by paying a premium price as farmers are paid for the meat, not for the quality of the leather, as it is a by-product. It would be challenging to establish a quality parameter for skin for calculating a premium price.

Block 2. Existing technologies that can help improve productivity, sustainability, and transparency

There are technologies available. However, producers do not adopt them due to a lack of knowledge or means of implementing them. Some of the technologies mentioned were:

- Improving **animal feeding efficiency** – through better management of pastures and use of leguminous plants. This will reduce the need to nitrogen fertilizers in the field, and will contribute to a better diet for the animal.
- Using electric fences (most farmers do not use it, due to lack of energy and scepticism of implementing these fences). They cost less than a barb wire fence since fewer materials are required (i.e., posts, staples, and wire), and they take less time to install. However power outages are frequent and animals must be trained from an early age.
- **Intensification of production** is necessary because it makes it more productive and more profitable. This is a combination of improving pasture and nutritional management, improving access to water, and genetics, allowing for more cattle to be produced in less land.
- **The professionalization of management** should focus on achieving long term returns by bringing new technology which makes sense for the region. Professionalization makes business more efficient, dynamic, and socially/environmentally responsible
- The lack of access to technology in Amazonia starts with **land registration**. Indeed, the lack of land tenure (rights) among small farmers is one of the main issues that need to be solved.

Technology should focus on improving productivity (intensification, integration of Crop Livestock systems), Farm management, and data collection to know what is the challenge and be able to quantify the improvements, lastly there should be technology to promote the access to market and incentives for better products (meat and leather). Environmental stewardship is also a good business (i.e. access to clean water instead of water from rivers). Participants also highlighted the importance of focusing on improving the efficiency of use of natural resources.



Several participants raised the point that, in the Amazon region, technical assistance to small and medium producers is needed to implement the above points. Technical assistance to producers should allow them to become more professional in producing.

Some players also argued about the “myth of technology”. Indeed, the best tech technology is not the latest but the one that farmers can use - the most feasible in the territory. Policymakers should avoid conceiving the access to technology as a problem of big vs. small producers. Certain technologies are good to some producers but not good to others, even though they might have the same size.

Stakeholders recognized the crucial role for technologies to improve chain transparency. Indeed, traceability allows the understanding of which producers conform to the rules. However, from the dialogue emerged that the accuracy of information through the value chain link is vital for traceability systems no matter the technology used.

Traceability could be particularly challenging for the leather sector. Brazilian beef and leather value chains are not well integrated, and critical players need networking to develop effective traceability systems. Actors from the tannery industry mentioned three main technological challenges:

1. Tracing animals from their origin as meatpackers are not required to transfer information from the animal to the skin - only a few companies in Europe are doing it.
2. Ensuring that the information remains during tanning, a process that heavily relies on acids and chemicals.
3. Transferring the information on the animal's skin in every cut.

Block 3. Actions to increase access to technologies to improve productivity, sustainability, transparency, and traceability in the chain.

This block reinforced the idea that technical assistance to small farmers has been shown to increase access to the existing technology. All commentators agreed on the vital role of rural credit and implementing technical assistance programs. The Brazilian government should provide credit lines for farmers to contract private assistance from those companies that can transfer technology to small producers.

Technical assistance is rising in the Amazon region; however, it only covers around 8% of farmers. Considerable distances between farms make the assistance expensive. Still, to reduce costs, public-private partnerships and virtual exchanges are seen as feasible alternatives to reach more farmers.

Improving an appropriate technological environment to exchange information, for instance, through apps, is highly recommended. Sharing reliable information benefits traceability. Indeed, public-private partnerships should develop an architecture to guarantee a systematic approach for recollecting the information exchanged at each link. This architecture should consider that the recollection may occur manually on paper for some farmers.