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### **Brazilian Amazon Facing New Threats from Beef**

*Ranchers say deforestation-free operations double their production costs*

(Washington, DC—October 8, 2014) After years of decline in Amazon deforestation, a reversal could be underway, according to a new study released today by global economic research firm Datu Research. Commissioned by the [Environmental Defense Fund](#), the study found that ranchers' costs to implement pasture management systems can be more than twice the cost of clearing land.

[“Deforestation and the Brazilian Beef Value Chain”](#) concludes that implementing a pasture management system on 145 hectares costs R\$412,000 (US\$167,000), nearly double the R\$217,500 cost to clear forest for beef production. Further, while newly deforested land can sustain cattle for at least five years without additional cost, pasture management systems require fertilizers, costing an added R\$50,544 per year.

“Inputs have become increasingly expensive recently, especially costs to improve productivity. Ranching is not a good business nowadays,” said a Pará rancher interviewed for the study. “Some smaller ranchers still consider deforestation the best way to expand production without having to invest in land.”

Ranchers also face new regulatory expenses. The costs of various state and federal licenses are disproportionately high for smaller operations, costing ranchers with fewer than 500 hectares R\$12.6 per hectare, compared to just R\$1.7 per hectare for ranchers with more than 10,000 hectares.

Citing bureaucratic inefficiencies, many ranchers now hire contractors to shepherd applications through the bottlenecks of state and federal agencies. Ranchers who are in compliance are further frustrated by the ease with which the system allows illicit cattle operations to enter the supply chain with impunity.

As costs have increased, revenues have not kept pace, due in part to the rapid consolidation of Brazilian beef processors. From 2011 to 2013, the combined market share of JBS, Marfrig, and Minerva grew from 24% to 37%. In some states, such as Mato Grosso, the three top firms' share is 68%. With fewer options for selling their cattle, ranchers have diminishing bargaining power.

Faced with falling profits, ranchers have two options—revert to deforestation or dedicate some of their land to producing other commodities. Several Pará ranchers interviewed for the study plan to grow oil palm, taking advantage of at least three public incentive programs designed to promote oil palm. As a result of these programs, Brazilian oil palm production is expected to more than double by 2020, to 459,000 hectares.

To prevent an increase in beef-driven deforestation, the study suggests ways ranchers with deforestation-free operations could earn more for protecting forests. For example, streamlined regulations could reduce costs and improved land tenure could make it easier for ranchers to access credit.

Another opportunity is to certify entire jurisdictions as deforestation-free. As more ranchers grow oil palm or other crops, it will be more difficult to attribute deforestation to a specific commodity, making commodity-specific enforcement methods less effective. Complementing future efforts with a jurisdictional approach would establish groundwork for economic incentive programs, such as the United Nations Reducing Emissions from Deforestation and Forest Degradation (REDD+) program, which pays operators to protect forests. ###

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