Re: IFC proposed loans to Louis Dreyfus Company Brazil to support the purchasing of soy and corn: Project 44281

Dear Ms Kaddeche,

Thank you for your June 7, 2022 reply to our letter of May 25 regarding the IFC’s proposed loan of up to $200M to Louis Dreyfus Company Brazil (LDC). We appreciate you addressing our concerns and submit the following in response.

We understand that the IFC “has been very selective with its financing to the agricultural sector in Brazil” and perceives that the bank’s role is “to engage with private companies that can promote sustainable development.” In our view, the further entrenchment of industrial monocropping by LDC and the remaining ABCD corporations in the Cerrado and elsewhere is inconsistent with any coherent notion of sustainable development that, as we document below, puts many SDGs as well as the Paris Agreement out of reach.

Importantly, the fungibility of the proposed loan means the IFC’s investment could either directly or indirectly support activities outside the “ringfenced” scope of this project, including indirect purchases of commodity crops, which are linked to specific deforestation, land conversion and land conflict impacts.

Echoing our letter of May 25, 2022, as well as the letter signed by 235 organizations worldwide, the undersigned organizations continue to urge the IFC to delay the proposed loan to Louis Dreyfus Company Brazil (LDC) for the purchase of soy and corn in the heavily threatened Cerrado biome of Brazil until the IFC can conduct a comprehensive Environmental Impact Assessment (EIA) and stakeholder process that, together, take into account the project’s diverse and potentially permanent environmental impacts and the potential for specific strategies to mitigate them. To summarize:

1.) Given its diverse and potentially permanent environmental and social impacts, this investment should be classified as Category A, requiring a detailed Environmental Impact Assessment and stakeholder consultation prior to a board vote (including field visits to LDC and supplier farms).

2.) We dispute the IFC’s finding that all relevant “risks and impacts that need to be managed under the PSs are adequately described under PS1, PS2, PS6 and the relevant supply chain requirements.” With regard to these PSs, we are concerned that the mitigation strategies presented in the ESRS are insufficient to address the deforestation and GHG emissions-related risks the Summary identifies. We are also concerned that the proposed loan will either directly or indirectly support LDC-linked deforestation outside the loan’s “ringfenced” scope. Finally, we submit that PS3 and PS4 are applicable to this loan. P7 is also potentially applicable if indirect loan impacts are taken into account.

3.) The proposed investment 44281 is neither SDG-nor Paris-aligned and thus is inconsistent with relevant IFC mandates. This 2019 report by the German Federal Ministry for Economic Development details the various ways in which the human health and environmental impacts of industrial monoculture soy production in this region undermine SDGs 1, 2, 3, 6, 8, 12, 13, and 15. Taking into consideration the broader context in which LDC operates—most significantly, industrialized livestock production—additional SDG-related threats accrue.

4.) We submit that LDC’s 2020 revenues of $49.6B (up 47% from 2019) and $11B in available liquidity (including $3.5B in committed undrawn bank lines) indicates that the company should not need additional public support “mobilizing” capital for any purpose.

Details regarding each of these points appears below.
1.) Given its diverse and potentially permanent environmental and social impacts, this investment should be classified as Category A, requiring a detailed Environmental Impact Assessment and stakeholder consultation prior to a board vote.

Despite IFC’s focus on the “ringfenced” nature of the loan, funds are fungible, and the availability of low-cost capital generally— if indirectly— supports the expansion of LDC’s broader operations and activities. Diverse and permanent environmental and social impacts that could occur as a result of these operations and activities within and outside the Cerrado biome include:

**Environmental**

Chemical-intensive monoculture soy and corn production within and outside the “ringfenced” scope of the proposed loan continues to cause irreversible environmental degradation that spans multiple regions.

- **Monoculture cropping** relies on synthetic fertilizers, herbicides, and pesticides that individually and collectively cause soil acidification, exhaustion, and erosion as well as eutrophication and biodiversity loss.
- **Monocropping by LDC suppliers in the Cerrado and other regions** requires high levels of irrigation in an era of intensifying water shortages that, according to a 2022 World Bank report, are disproportionately impacting indigenous and poor communities across Brazil and Latin America. Deforestation and climate change are exacerbating the impacts of industrial irrigation, diminishing the supply of water from aquifers, springs, streams, and rivers on which local communities rely.
- **Soy and corn monocropping in the Cerrado and other regions** (including by LDC suppliers) relies heavily on deforestation and conversion of native vegetation, which are contributing to changes in climate, water availability and weather that “will make crop production in Brazil (including the Cerrado) a risky business, driving crop and revenue losses.” A recent study in Nature identified existing monoculture production in the Cerrado region as a major threat to interregional climate stability, water supplies, and food production, including soy.
- According to this 2021 Chain Reaction report, soy suppliers, including those selling to LDC, were responsible for 28% of the more than 700,000 hectares of the total land deforested in the Cerrado in 2020; according to the same report, LDC is exposed to deforestation risk across more than 20,000 hectares. According to this Rainforest Foundation study, LDC soy supplier SLC Agrícola has been implicated in a $200 million land-grabbing scheme and is connected to more than 11,000 hectares of forest and native vegetation clearance between March 2019 and March 2021, in apparent direct violation of the principles of LDC’s zero deforestation commitment.
- **In the Cerrado, the various negative impacts of monoculture crop production are particularly pernicious, given that the region is a biodiversity hotspot as well as a critical watershed and vitally important carbon stock.** That far fewer environmental protections are in place to protect the Cerrado than the Amazon (only 0.85% of the Cerrado is legally protected) makes the region vulnerable to industrial exploitation and resultant diverse and potentially permanent negative impacts.

**Social**

The concentration of land, wealth, and power into the hands of a small number of industrial commodity producers, including LDC suppliers, has disproportionately negatively impacted indigenous communities and smallholder farmers and continues to involve land grabs, human rights abuses, and environmental impacts that have diverse and potentially irreversible effects on economic and public health.

- **The rise of industrial soy production** in Brazil has concentrated land and power in the hands of a relatively small number of vertically integrated industrial farm operations. Just 10% of the country’s soy production comes from smallholders (less than 50 hectares); in the Cerrado, soy farms average between 1,000 and 2,000 hectares. The ESRS notes that most of the proposed project’s “ringfenced”
production will come from “commercial, highly mechanized, industrial farms” as large as 6,000 hectares that provide little employment opportunity for local farmworkers.

- This Oxfam report details how even “responsible” monoculture cropping in Latin America by LCD and the remaining ABCD producers is displacing communities, undermining smallholder livelihoods and worsening local food security. The same report notes that even “inclusive” business models that vertically integrate smallholders into corporate supply chains have proven financially devastating for farmers across Latin America and other regions.

- This report published in April 2022 by Friends of the Earth United States and Rede Social de Justiça e Direitos Humanos highlights industrial soy producers’ involvement in land-grabbing, including the expropriation of the land of indigenous communities and the forced migration of peasant farmers, in the Cerrado and other regions.

- Numerous public health risks are tied to soy producers’ environmental impacts. Malnutrition, hunger, and disease are all linked to industrial monocropping’s contributions to water shortages and use of herbicides and pesticides. Brazil is the world’s largest purchaser and consumer of pesticides, including several that are banned in other regions; soy production accounts for roughly half the country’s pesticide use. Documented impacts on rural communities include land, air, and water pollution as well as the poisoning of residents, including children.

- To date, according to the Bank’s documents, the IFC has not conducted a site visit to LDC or supplier farms, nor has it engaged in stakeholder consultations. Such consultations should occur and invite community input on the impacts of LDC activities in the Cerrado and neighboring regions that the proposed loan would either directly or indirectly support.

2.) We dispute the IFC’s finding that all relevant “risks and impacts that need to be managed under the PSs are adequately described under PS1, PS2, PS6 and the relevant supply chain requirements,” and submit that PS3 and PS4 are also applicable.

With regard to the IFC’s conclusions regarding PS1, PS2, and PS6: The IFC notes that its review “concluded that the E&S risks and impacts associated with this project are limited, site-specific, and can readily be addressed through generally accepted mitigation measures described in this document.” These include mitigation measures relevant to LDC’s “(i) commitment to eliminate deforestation and conversion of native vegetation of high conservation value (HCV) for agricultural purposes from all its supply chains by the end of 2025 (2022); (ii) Soy Sustainability Policy (last update 2018) for its sourcing operations” as well as project-specific supply chain procedures and the “pursuit of continuous improvements in measuring and reducing greenhouse gas emissions.”

However, as documented in this letter, LDC’s lack of direct and indirect supply chain traceability, its relationship to farms implicated in deforestation, and the company’s meager climate emission reduction targets, call into question the ability of the company to meet its zero deforestation commitment or achieve meaningful climate mitigation. Without more stringent mitigation measures, we believe this loan will lead to further deforestation in the Cerrado and other regions. Furthermore, there exists significant potential that the cumulative impacts of LDC’s activities will have irreversible consequences, particularly on soil, water resources and climate. None of the mitigation measures discuss how these impacts will be effectively mitigated.

Concerns regarding LDC’s lack of supply chain traceability:

- According to LDC’s most recent soy sustainability report, in Brazil, the company has achieved 70% farm-level traceability for direct purchases. While LDC does report on average direct/indirect sourcing percentages by Brazilian biome and state, the company does not disclose purchase volumes or what percentage of farm-level traceability it has achieved for indirect purchases in Brazil or elsewhere.

- Although the ESRS notes that the portion of LDC’s Brazil-based supply chain (inclusive of pre-financed and spot purchases) that is relevant to the “ringfenced” scope of the proposed loan is “fully traceable to producers’ farms,” the ESRS also notes that only pre-financed producers will be subject to visits by LDC’s origination team. At the very least, this raises the question of what “monitoring” of spot producers’ eligibility against LCD’s E&S requirements involves. That LDC does not have full
traceability of even its direct supply chain in the Cerrado raises the question of whether the “screening platform and monitoring system” that is “critical to ensure suppliers meet PS6 supply chain requirements” can actually deliver on the promise that all “ringfenced” purchases will be zero deforestation-compliant. The IFC seems to concede all this, noting that the scope of the proposed loan “includes northern and western Mato Grosso, which present a higher risk of significant habitat conversion.”

- **Fungibility of the proposed loan means the IFC’s investment could either directly or indirectly support activities outside the “ringfenced” scope of this project, including indirect purchases of commodity crops**, which the project explicitly excludes. LDC’s latest sustainability report notes the company indirectly sources roughly half its soy. (In the 61 high deforestation risk municipalities of the Cerrado, the figure is 44%.) As this recent article explains, “middlemen and complexities in the supply chain are hampering traceability efforts, and contributing to deforestation in the biome.”

Concerns regarding LDC’s commitment to zero deforestation:

- Even if LDC could achieve 100% zero deforestation compliance as contemplated in the ESRS, the company’s zero deforestation cut-off date of 2025 does not meet the Cerrado SoS recommendations or Consumer Goods Forum (CGF) or New York Declaration on Forests (NYDF) commitments, and does not align with the cut-off date contemplated in proposed EU regulations on deforestation-free products.
- LDC’s operation of three silos with capacity exceeding 150,000 tons in high risk deforestation regions in the Cerrado also at least appears inconsistent with the company’s Soy Sustainability Policy, which commits the company to “Eliminat[ing] engagement in, or financing of deforestation throughout our supply chain, and conserve biomes proven to be of high ecological value, such as the Cerrado, Brazil, with the intent to discourage and eliminate conversion of native vegetation.”
- The Soft Commodities Forum (SCF), of which LDC is a founding member, has recently come under scrutiny in connection with significant increases in deforestation in the 25 (and then 61) “priority” Cerrado municipalities that the SCF determined were at high risk of deforestation. According to this Rainforest Foundation study, in the 25 priority municipalities, vegetation conversion and deforestation on soy farms increased 61% between 2018 to 2020. In the 61 priority municipalities, 235,917 hectares were deforested between August 2020 and July 2021, rendering soy grown in these areas non-compliant with numerous buyers’ and industry standards’ 2020 cut-off dates.

Here it is important to note that in February of 2022, [IDB Invest canceled a proposed $200 million syndicated loan to Marfrig Global Foods](#). Similar to Project 44281, the ostensible purpose of that loan was supporting Marfrig’s ambitions around zero-deforestation and preserving high-conservation-value natural vegetation. IDB Invest halted discussions with Marfrig after Friends of the Earth and hundreds of other signatories reported on the company’s lack of supply chain transparency, links to deforestation, corruption schemes, and indigenous rights violations in Brazil.

Concerns regarding LDC’s lack of meaningful action to reduce its GHG emissions:

- LDC’s 1% yearly intensity-based reduction targets for its Scope 1 and 2 emissions are woefully inadequate to mitigate their regional and global impact and are insufficient for Paris-alignment.
- **LDC has yet to quantify its Scope 3 emissions, let alone set a verifiable Paris-aligned absolute reduction target.** In line with the industry, LDC’s Scope 3 emissions likely make up the lion’s share of the company’s total. In addition to land conversion and deforestation, soil preparation and the manufacturing of pesticides, fertilizers, and herbicides, soy oil extraction, crude oil refining, biodiesel production, and transport all contribute significant value chain emissions.
- The IFC envisions a portion of the proposed loan “helping LDC quantify its Scope 3 emissions.” LDC’s publicly available financial documents show that the company possesses ample resources to calculate these without the IFC’s support.

With regard to PS3 and PS4, we submit these standards apply, given that:

- LDC relies on chemically-intensive and mechanized monoculture cropping in the Cerrado and elsewhere, which involves the “release of pollutants to air, water, and land…with the potential for local, regional, and transboundary impacts.”
• Although the IFC notes that the “ringfenced” scope of the project will rely on assets that are located “away from the current principal frontiers of agricultural expansion that are causing natural habitat conversion,” LDC’s activities generally imperil biodiversity in the Cerrado and other regions.

• Adverse impacts on the quality, quantity, and availability of freshwater due to extensive irrigation should trigger a requirement that LDC assess, report and address water consumption along its value chain. In this context of the Performance Standards’ applicability, LDC’s stated goal of annually reducing Scope 1 water use 1% on an intensity basis is irrelevant.

• The extensive application of pesticides in all industrial monocropping value chains, including LDC’s. As discussed, Brazil is the leading consumer of pesticides, including several that are banned in other countries. At least within (if not also outside) the “ringfenced” scope of the project, LDC should document how it will implement measures to dramatically reduce the use of pesticides to avoid or control community exposure to pesticides, including via groundwater and runoff. The ESRS notes that 15 supplier farms within the “ringfenced” scope of the investment are certified by the Roundtable on Responsible Soy (RTRS) and (presumably the same) 15 farms are certified by LDC’s Sustainable Agriculture Program. Absent a quantification of volume/% of such sourcing, or clear and independently verified and disclosed sustainable agriculture standards, there is no way to determine whether or to what extent these farmers’ adherence to RTRS or LDC’s Sustainable Agriculture standards can mitigate project impacts relevant to the Performance Standards.

With regard to PS7, we submit this standard could potentially apply if there was a more comprehensive EIA to uncover greater detail on the cumulative and indirect impact of the proposed investment, given:

• Industrial agricultural soy producers’ historical involvement in land-grabbing, including the expropriation of the land of indigenous communities and the forced migration of peasant farmers, in the Cerrado and other regions.

• LDC is a major investor in the development of Ferrogrão, a proposed railway dedicated to agricultural transport that threatens to exacerbate the already tense land conflicts with Indigenous communities, particularly the Munduruku, Apyacá, and Kayabi. While the railway project sits outside the “ringfenced” scope of the proposed loan, the economic justification for its construction is tied to the Cerrado-based soy production the loan supports. Thus, the railway project should be examined as part of a more detailed EIA that assesses the cumulative impacts of this loan.

3.) Project 44281 is neither SDG-nor Paris-aligned.

As noted in this 2019 report by the German Federal Ministry for Economic Development, the human health and environmental impacts of industrial monoculture soy production undermine SDGs 1, 2, 3, 6, 8, 12, 13, and 15. When considering the broader context in which LDC operates—most significantly, industrialized livestock production—additional threats to SDGs and the goals of the Paris Agreement become apparent.

• LDC’s failure to date to account for their Scope 3 emissions or set Paris-aligned GHG reduction targets suggests the company’s lack of commitment to Paris-alignment. Here, we would note the IFC’s stated commitment to Paris-alignment of 85% of Board approved real sector operations by July 1, 2023, and 100% of these operations starting July 1, 2025.

• With regard to our previously stated concerns about “impact of livestock production,” the IFC’s letter of June 7, 2022 noted that the “IFC has developed a specific approach to the sector to help raise standards in the industry.” We assume the letter refers to the WBG Investing in Sustainable Livestock Guide, which includes several points relevant to this discussion. For example, the guide states that feed production for intensive livestock systems is increasingly sourced from “high-input intensity grain and legume monocultures” that “can result in remote impacts on natural resources in feed-exporting regions, as well as competition for resources between the production of livestock feed and human-edible food.”

• The majority of the commodities purchased with the help of this loan will likely be used to feed industrially farmed animals in Brazil and abroad (including in the United Arab Emirates via LDC’s 45% owner, ADQ), exacerbating food insecurity at a time of major grain shortages for direct human consumption and imperiling SDG 2. Globally, livestock consume 77% of soy produced.

• Additional deleterious environmental and social impacts of industrialized livestock production that currently available mitigation measures are insufficient to address at scale include: increasing GHG
emissions, degradation of natural resources and biodiversity loss, antimicrobial resistance, zoonotic pandemics, water consumption and pollution, disenfranchisement of smallholder farmers, and more. As described in greater detail in these civil society letters from 3 November 2020 and 22 February 2021, expanding financing for the industrial livestock sector directly undermines 15 of the 17 Sustainable Development Goals (SDGs) and runs counter to Paris Agreement objectives.

4.) LDC’s 2020 revenues of $49.6B (up 47% from 2019) and $11B in available liquidity (including $3.5B in committed undrawn bank lines) means the company does not need IFC’s assistance “mobilizing” capital for any purpose.

- Given the historical and current negative environmental and social impacts of industrial monocropping in the Cerrado and elsewhere as well as what we take to be the inadequacy of the mitigation measures described in the ESRS, we are concerned by the bank’s classification of the proposed LDC project as an example of IFC 3.0 “engage[ment] with private companies that can promote sustainable development.”
- Should LDC choose to implement legitimate and effective sustainability practices, the company has ample resources to fund such efforts and needs no additional public assistance.

Finally, we believe that the IFC must carefully re-consider the risks and impacts of this loan given the unique circumstances and political climate in Brazil. Brazil’s far-right Bolsonaro regime has gutted funding for environmental enforcement and is rapidly gutting environmental protections and pushing a disastrous legislative agenda that is destroying threatened forests and the rights of Indigenous peoples.

Thank you for carefully considering these points. We would welcome the opportunity to discuss these at greater length with your team.

Yours sincerely,

Mia McDonald, Brighter Green
Peter Stevenson, Compassion in World Farming International
John Peck, Family Farm Defenders
Natasha Hurley, Feedback
Kari Hamerschlag, Friends of the Earth US
Alexandre Andrade Sampaio, International Accountability Project
Maria Luisa Mendonça, Rede Social de Justiça e Direitos Humanos
Merel van der Mark, Sinergia Animal
Jenni Black, World Animal Protection
Lasse Bruun, 50by40
Taylison Santos, Fórum Nacional de Proteção e Defesa Animal

CC.
Mary Porter Peschka, Director, ESG Sustainability Advice & Solutions Department, IFC
Tomasz Telma, Senior Director, Manufacturing, Agribusiness and Services, IFC
Vivek Pathak, Global Head, Climate Business IFC
Adriana Kugler, World Bank Executive Director (US)
Katharine Rechico, World Bank Executive Director (Canada)
Monica Medina, World Bank Executive Director (Chile)
Nigel Ray, World Bank Executive Director (Australia/New Zealand)
Eva Valle Maestro, World Bank Executive Director (Mexico)
Richard Montgomery, World Bank Executive Director (UK)
Arnaud Buissé, World Bank Executive Director (France)
Michael Krake, World Bank Executive Director (Germany)
Hayrettin Demircan, World Bank Executive Director (Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovakia, Slovenia and Turkey)
Koen Davidse, Executive Director, World Bank Group (Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, North Macedonia, Moldova, Montenegro, The Netherlands, Romania, and Ukraine)
Lene Lind, World Bank Executive Director (Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden)
Matteo Bugamelli, World Bank Executive Director (Albania, Greece, Italy, Malta, Portugal, San Marino, and Timor-Leste)
Katarzyna Zajdel-Kurowska, World Bank Executive Director (Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan)
Roman Kachur, Managing Director (Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, North Macedonia, Moldova, Montenegro, The Netherlands, Romania, and Ukraine)

---

i “ABCD” producers Archer Daniels Midland (ADM), Bunge, Cargill, and LDC control ~70% of the global grain industry.
ii “ABCD” producers Archer Daniels Midland (ADM), Bunge, Cargill, and LDC control ~70% of the global grain industry.
iii Via the Soft Commodities Forum and WBCSD, LDC reports on the traceability of its direct and indirect sourcing from the SCF’s 61 “priority” Cerrado municipalities.