

CATTLE SUPPLY CHAINS AND DEFORESTATION OF THE AMAZON

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED EIGHTEENTH CONGRESS FIRST SESSION

JUNE 22, 2023



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CATTLE SUPPLY CHAINS AND DEFORESTATION OF THE AMAZON

THURSDAY, JUNE 22, 2023

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:08 a.m., in Room SD-215, Dirksen Senate Office Building, Hon. Ron Wyden (chairman of the committee) presiding.

Present: Senators Cardin, Whitehouse, Crapo, Grassley, and Johnson.

Also present: Democratic staff: Daniel Goshorn, Chief Investigative Counsel; Joshua Sheinkman, Staff Director; Tiffany Smith, Deputy Staff Director and Chief Counsel; and Ryder Tobin, Investigative Counsel. Republican staff: John O'Hara, Trade Policy Director and Counsel; and Gregg Richard, Staff Director.

The CHAIRMAN. The Finance Committee will come to order. Before we begin this morning, I want to congratulate the committee's own Susanna Segal on reaching 12 years of Senate service, one of the big milestones that we celebrate here in the Congress.

Her career in the Senate began in the office of Senator James Exon of Nebraska, and after some years away she decided to come back to the Senate and join the Finance Committee staff. Without the efforts of Susanna and our entire group of clerks, the committee really would grind to a halt.

So, on behalf of myself and Senator Crapo, the bipartisan alignment of the United States Senate Committee on Finance is just here to give a "congratulations" to Susanna and thank her on behalf of the entire committee. And Senator Crapo and I have a tradition of trying to make sure that people get adequate recognition. So where is—oh there is Susanna. Okay, great. On behalf of both of us, thank you.

Ms. SEGAL. Thank you. Thank you so much.
[Applause.]

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. We are not supposed to clap in the committee room, but we are glad we did it for Susanna.

So, on the subject of today's hearing, the Finance Committee has broad jurisdiction over international trade; a keen interest in fighting for strong environmental protections; and a commitment to

level the playing field for our ranchers, our farmers, and our workers.

Today's hearing is focused on a multinational meat producer turning a blind eye as parts of its supply chain burn down the Amazon, push the world to climate catastrophe, and undercut our American ranchers who play by the international trade rules. This issue has been the focus of a 2-year investigation by the committee. I would wager that most Americans understand that deforestation in the Amazon is a recipe for environmental disaster. When you burn the Amazon, you burn the lungs of the earth.

Huge portions of the Amazon have been clear-cut and burned to create ranchland. The Brazilian Government, foreign governments including ours, and international groups working on anti-corruption and environmental protection have tried to stop it. Yet the rate of deforestation is at a recent high, and cattle produced as a direct result of deforestation are still making their way into global supply chains. Among those major beef producers sourcing that cattle is JBS, the largest meat supplier in the world by sales.

Going back years, JBS has made promises that it would clean up its act when it came to deforestation. Most recently, it said it would eliminate cattle involved in deforestation from supply chains by 2025. The reality is, JBS is nowhere near meeting this commitment. Not even JBS's direct suppliers are totally clean. But the bigger scheme is the cattle ranching shell game that goes on throughout JBS's supply chain. It is what is known as "cattle laundering."

Here is how it works. While JBS looks the other way, ranchers take cattle born and raised on illegally deforested land and ship them to ranches with a clean record. Suddenly, those cattle are no longer considered the product of illegal deforestation.

On buying and processing that cattle, JBS can claim that they are upholding the commitments to protect the Amazon. That beef, folks, might even wind up on a 4th of July picnic table somewhere here in the United States. This process also allows JBS to do some greenwashing when it comes to their reputation, and they can hide their role in the burning of the Amazon in this way.

American ranchers are forced to compete in a rigged game against a corporate giant—get that: our ranchers. We are going to hear from Senator Tester, for example, who is all about farmers and ranchers all the time, and these farmers have to compete against a corporate giant that gets away with flouting the rules. Independent investigations of just a sliver of JBS's supply chain have found that JBS purchased thousands of head of cattle that have been laundered in this manner between 2018 and 2020 alone.

For its part, JBS has taken steps to hide the truth. They hired an auditor to monitor compliance with the 2009 environmental agreement. When the auditor clarified that its assessment focused only on JBS's direct purchases, not its overall supply chain, JBS then went out and misrepresented the results of its work. What they did is, they found a different auditor.

The Finance Committee wrote to JBS and the auditor asking for key records and information, but this multinational was stonewalling. Upon further questioning, JBS said it was impossible to monitor its indirect suppliers. However, outside investigators, who

lacked JBS's considerable resources, were able to analyze the records that proved the existence of deforestation in the company's supply chain.

One of the most important tools for tracking the origin of cattle is a type of cattle shipment record maintained by the Brazilian Government called a Guide of Animal Transport, most commonly known as GTAs. They are essential for independent investigation of Brazil's ranching industry.

Recently, the Brazilian Government has restricted public access to these GTAs. That has got to change. The U.S. Government, and particularly the U.S. Trade Representative, has to work to open the records up.

Finally, I am just going to close with a quick comment about some of the legislation that I think we ought to be looking at. The bottom line here is, American ranchers are not getting a fair shake, and I am very honored Senator Tester is here. Senator Tester is one of the lead sponsors of a very important bipartisan bill, the Cattle Price Discovery and Transparency Act.

Senator Tester and Senator Fischer—and I think Senator Grassley is here, yes—we have been working on this now for a significant length of time to get a fair shake, because the big guys, the big providers, are pushing around the small guys. What we have tried to do on this bipartisan basis—Senator Grassley, Senator Fischer, Senator Tester, and myself—is to come up with a piece of legislation that is bipartisan.

You see the young people here. We are getting the Democrats and Republicans together to help the ranchers, and we ought to level the playing field—and it would bring some much-needed transparency and accountability to the cattle market. Beyond that, I am very interested in working with my colleague, Senator Crapo, the ranking member. And he and I have worked together on so many things over the years.

I think, frankly, we have got to modernize and improve the Customs system, and I think that goes along with pushing for better data collection and information sharing that can shed some real sunlight on the U.S. supply chain.

So we have a lot to talk about today. I thank our witnesses. We are going to introduce you really quickly, and let us hear from Senator Crapo.

[The prepared statement of Chairman Wyden appears in the appendix.]

**OPENING STATEMENT OF HON. MIKE CRAPO,
A U.S. SENATOR FROM IDAHO**

Senator CRAPO. Thank you very much, Mr. Chairman. Over the years, you and I have done a lot of good work on forests in our own backyards, particularly with respect to improvements to forest management and wildfire budgeting. I appreciate the time and effort that you and your staff have put in to assess the root causes of deforestation in the Amazon.

The Amazon Rainforest, with most of it sitting literally in Brazil's backyard, is the largest remaining tropical forest and one of the most biodiverse places on earth. Scientists and governments say that its overall importance to the world cannot even be meas-

ured by just its more than 3 million plant and animal species or over 20 million people who call it home, including 50 remote tribes which have not even made first contact with modern civilization. In fact, the world is still learning about all of the benefits that the Amazon Rainforest may bring to the planet and its people, both natural and as a means to elevate the economy and standard of living of its residents.

In response to an alarming rate of deforestation, Brazil was prompted to construct a legal framework between the 1980s and into the early 2000s to protect half of the Amazon lands either as indigenous territories or conservation units. Through the evolution of its laws, Brazil's goal is to balance its environmental, security, and economic demands for the Amazon.

But the issue is not the number or quality of its laws, so much as it is the lack of enforcement, resources, and personnel required to effectively protect the vast lands of the Amazon. Countless studies spanning a decade chronicle illegal land-grabbing activities of various enterprises as the main accelerators of deforestation.

More specifically, these studies point to the economic success of such enterprises as empowering various illicit actors to burrow into and hide within the complex supply chains and function with near impunity across regions, where accountability is limited by the vagaries of national and local political will against the sheer size of the Amazon, which is itself governed in Brazil by a unique and highly independent constituent state system.

Conservation and progress do not need to be at odds. Measures can respect the rights of legitimate property owners and balance the needs for conservation and community, even one as large as the Amazon. I look forward to our witnesses' testimony today, which will prove particularly useful to the chairman, as he continues his investigation into ways that may abate Brazil's deforestation of the Amazon.

One thing we must all keep in mind before any actions are taken for the purpose of helping Brazil manage its problems in the Amazon, is the potential for unintended consequences that may arise, a concern which was highlighted in a June 15th letter sent to the chairman and me from Minister-Counselor Velloso at the Brazilian Embassy.

Teddy Roosevelt, who provided the impetus early in our country's history for establishing both the U.S. Forest and the National Park Services, had it exactly right: "The Nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased and not impaired in value. Conservation means development as much as it does protection."

If the chairman does not mind, let's proceed with this hearing, and we will—oh, excuse me. I do not think you introduced it. So, there is this letter that I just referenced. Could we introduce that letter into the record?

The CHAIRMAN. Absolutely. So, ordered.

[The letter appears in the appendix beginning on p 34.]

Senator CRAPO. Without objection.

[The prepared statement of Senator Crapo appears in the appendix.]

The CHAIRMAN. Well, you never go wrong around here when you quote Teddy Roosevelt on public lands, and I just want to thank Senator Crapo. We have all been working together on this. I think that is a very constructive kind of statement, and we are going to continue this inquiry and work very closely, just as you say, to go step by step and be careful about unintended consequences. So, I really thank my colleague for all the ongoing cooperation.

Let me just introduce our witnesses. I am going to save an opportunity for Senator Tester to introduce a witness who is important to him.

Mr. Jason Weller is global chief sustainability officer at JBS. He previously held sustainability posts at other companies, and led the Natural Resources Conservation Service at the U.S. Department of Agriculture. Welcome.

Mr. Rick Jacobsen is the manager of commodities policy at the Environmental Investigation Agency. There he leads the work to tackle commodity-driven deforestation in Brazil. Before that job, he had a position at another NGO, Global Witness, for 10 years.

Our next witness will be Dr. Ryan Berg, who is director of the Americas Program at the Center for Strategic and International Studies, where his work includes trade and development issues. Dr. Berg was a Fulbright scholar in Brazil and also lived and worked in the country.

And now we are going to turn it over to Senator Tester to introduce the final witness. And this is a fellow who knows something about land, because he is always getting up at 3 o'clock in the morning to figure out how to get off the farm and back to DC.

Senator Tester, glad you are here.

**STATEMENT OF HON. JON TESTER,
A U.S. SENATOR FROM MONTANA**

Senator TESTER. I am glad to be here, Mr. Chairman. Thank you, Chairman Wyden. Thank you, Ranking Member Crapo. And I also want to say "thank you" to you both for your opening statements. Spot-on.

Senator Grassley—somebody who has been working on antitrust activities my entire life—thank you. It is great to appear before you. Senators Johnson, Cardin, Bennet—it is a first-class outfit, and I hope we can do something on this issue, because it is an important hearing.

Most of you know that I am involved in agriculture, and I am going to tell you something: I am a farmer. The guy to my right is a rancher. He works hard, and he produces top-quality beef that consumers can trust.

Our American ranchers set the gold standard for taking care of their land and bringing safe products to market. Today, I am honored to introduce an American rancher who is going to share his story that embodies the best of the cattle industry. The guy to my right is a guy by the name of Leo McDonnell. He and his wife Sam run McDonnell Angus, which has herds in Montana and in North Dakota.

He knows how to raise fine beef. He knows how important the grass resource is. He received degrees from Texas Tech University and the University of Wyoming in animal nutrition and animal

science, and his work goes far beyond his ranch. He has been a leader in the beef industry, including serving as chair of the Montana Cattle Feeders and director of U.S. Cattlemen's Association.

Leo, it is an incredible honor to introduce you today. Most importantly, you are in front of the Senate Finance Committee.

This committee, I have said—and I serve on Appropriations—but this is the most powerful committee in the United States Senate. These folks can make things happen. Good luck in your testimony. It is on you. Thank you for being here, Leo.

The CHAIRMAN. What an intro. Thank you, Senator Tester. Fly safe.

Mr. Weller, welcome. Why don't you start?

**STATEMENT OF JASON WELLER, GLOBAL CHIEF
SUSTAINABILITY OFFICER, JBS, GREELEY, CO**

Mr. WELLER. Good morning, Mr. Chairman, Ranking Member Crapo, distinguished members of the committee. I am Jason Weller, and I serve as, Mr. Chairman, you indicated, the global sustainability officer for JBS, and as you indicated, I very proudly have dedicated my career, both in public service and in private industry, to helping farmers and ranchers improve the sustainability of their operations.

So I have served proudly at USDA, at the Natural Resources Conservation Service, and also mostly recently with the Land O'Lakes Farmer Cooperative System, helping to establish Truterra, the sustainability business through that farmer coop system.

Now I work at JBS, and JBS is a global diversified food company, creating high-quality beef, pork, poultry, fish, and plant-based products for customers and consumers around the world, employing over 250,000 team members globally in more than 20 countries.

In our view, the key to combating deforestation, both illegal and legal, is eliminating incentives for forest clearing by landowners and providing producers with financial and technical assistance to support sustainable intensification, integrated farming systems, and restorative land practices.

JBS has a four-pronged approach to combating potential deforestation in our supply chains. That includes first a zero-tolerance sourcing policy; second, supply chain monitoring and enforcement; third, technical assistance for producers; and fourth, multistakeholder engagement to accelerate sectoral change.

JBS has a clear deforestation commitment in the Amazon which includes, as Mr. Chairman indicated, zero deforestation by direct suppliers by the end of this year, and a zero-deforestation commitment by indirect suppliers by the end of 2025. To support these commitments, JBS established the "responsible procurement policy" that prohibits the purchase of livestock from farms involved in deforestation, forced labor, invasion of indigenous territories, or embargoed by Brazilian environmental authorities.

JBS has also developed a cattle supplier monitoring system that leverages public data, satellite imagery, and georeference data to verify compliance with socio-environmental standards. In addition, the Transparent Livestock Farming Platform is a digital platform

built and developed by JBS to increase the visibility to the tens of thousands of farms that sell cattle to our direct suppliers.

This free, confidential, open-source online platform uses block-chain technology to extend monitoring over direct suppliers to their suppliers—producers with whom the company does not have a direct business relationship, but who are a critical part of the supply chain.

Simply, blocking farms with deforestation concerns is not enough, because these blocked farms will continue to produce cattle and other ag commodities. They will find a way to enter regional and global food supply chains. As a result, JBS has established a network of 18 Green Offices to provide free technical support and extension services to farmers.

The JBS Green Offices include teams of specialists and consultants who provide free technical support to producers to help them bring their farms into compliance. We also provide free agronomic and business planning services to the farmers through our A+ Farm program, to help enhance the productivity, profitability, and sustainability of their operations.

Finally, we actively participate in global forums, including the UN Climate Change Conference of the Parties, the World Economic Forum, and the Tropical Forest Alliance-supported Roadmap to 1.5 degrees centigrade, to find solutions to the causes of deforestation.

The deforestation challenge in Brazil and the ag commodity supply chains around the world is larger than any one company or even one sector can solve on its own. We must have a strategic, system-wide approach that addresses the root causes of deforestation, improves transparency, and provides incentives and support for farmers to steward their lands and maintain their livelihoods.

In closing, I will also briefly comment on the testimony of some of my fellow panelists, particularly those whose comments call for EU-style regulation, because advocates for such regulation will not stop in the pastures of Brazil.

Some of the policy prescriptions we agree with, particularly the need for increased transparency and traceability in the cattle supply chain. JBS certainly understands this challenge, and has been working collaboratively for many years with the cattle industry, Federal and State Governments, and nongovernmental organizations, to increase transparency.

Other policy proposals, however, strike me as punitive and zero-sum, restrictive, and regulatory. At their core, they are antithetical to the strong heritage in the United States of engagement and collaboration, whether in trade or, particularly, in supporting farmers and ranchers. The policy recommendations do not address the underlying causes of deforestation, or the socioeconomic challenges in the Amazon region, and will not change materially the results, whether slowing deforestation or retarding the growth of the Brazilian cattle sector.

Instead of short-term tactical thrusts, we need strategic leadership and win-win engagement. In the end, the intertwined goal of food production and climate mitigation is our greatest challenge as a global food system. We need both the American and Brazilian rancher to be successful. We are literally all in this together.

In JBS, policymakers, regulators, civil society, farmers, and consumers have a willing partner who is investing in and committed to combating deforestation, and we take our role and responsibility in the global food system very seriously.

I thank you, sir, for the opportunity to testify.

[The prepared statement of Mr. Weller appears in the appendix.]

The CHAIRMAN. Thank you very much.

Mr. Jacobsen?

**STATEMENT OF RICK JACOBSEN, MANAGER, COMMODITIES
POLICY, ENVIRONMENTAL INVESTIGATION AGENCY U.S.,
WASHINGTON, DC**

Mr. JACOBSEN. Mr. Chairman, Ranking Member, and members of the Finance Committee, thank you for inviting me to appear before the committee today for this hearing on cattle supply chains and deforestation of the Amazon. I have investigated natural resource-related crime and its links to global supply chains for the past 15 years, most recently with the Environmental Investigation Agency, a Washington-based nonprofit dedicated to exposing environmental crimes around the world and developing policy solutions.

The investigations I have been involved in have shown, time and again, how opaque, unaccountable global supply chains allow goods linked to some of the worst crimes and abuses to enter international markets, whether this be armed conflict, corruption, forced labor, or the focus of my current work at EIA: illegal deforestation driven by the production of agricultural commodities.

These supply chain risks are particularly prominent in Brazil's cattle sector, the largest driver of deforestation in the Amazon. The Amazon Rainforest is of global importance for the biodiversity it harbors and the billions of tons of carbon dioxide it absorbs and stores. It is also the front line of the struggle of indigenous peoples to protect forests they have occupied and stewarded for centuries from illegal invasions by loggers, miners, ranchers, and wildlife traffickers, often at great personal risk of violence against indigenous leaders and community members.

Deforestation in the Brazilian Amazon, most of it illegal, reached a 15-year high under the Bolsonaro Government. The links between deforestation and cattle supply chains in Brazil have been well documented by government auditors, civil society groups, and investigative journalists in recent years. It is too much to summarize in the time I have today.

This is despite the three largest meat companies in Brazil committing to remove deforestation from their supply chains more than a decade ago. The number of cattle in the Amazon in the meantime has increased by 30 percent since 2004, while the size of the herd in the rest of Brazil remained relatively stable.

Our own recently published investigation used cattle transport permits and other data to track thousands of cattle raised on farms involved in illegal deforestation in the Amazon into the supply chains of Brazilian meat and leather companies, including the world's largest, JBS. We found serious weaknesses in voluntary corporate monitoring systems and government oversight that allowed these cattle to be laundered into company supply chains via intermediaries. Proposed improvements to corporate traceability

systems are years away, and are unlikely to address the problems uncovered by our investigation.

In the absence of full birth-to-slaughter traceability and measures to crack down on fraud and abuse of the government permitting and land registration systems, companies will not be able to ensure that cattle from high-risk regions like the Amazon are free of deforestation and crime.

These problems have not prevented Brazil from becoming the world's largest exporter of cattle products. The U.S. is the second largest destination for beef products from Brazil, valued at over \$1 billion last year. The U.S. is also among the largest importers of Brazilian leather.

I hope we can all agree that the U.S. should not be a destination for illegally produced goods that are driving the destruction of the Amazon Rainforest and undermining the livelihoods of law-abiding ranchers in the U.S. and Brazil alike.

I want to spend my remaining time talking about a piece of legislation designed to ensure this is not the case. The FOREST Act—introduced in the last Congress by Senator Schatz and Representatives Blumenauer and Fitzpatrick and co-sponsors, and expected to be reintroduced soon—would represent a critical step forward in fighting corruption and environmental crime abroad by reducing our footprint on the world's forests. The bill is supported by nearly 50 environmental, human rights, faith-based, and anti-corruption NGOs.

The FOREST Act would, among other things, amend the U.S. Tariff Act to prohibit imports of products containing certain agricultural commodities, including cattle, produced on illegally deforested land, and require companies to carry out and report on risk-based supply chain due diligence and traceability, including birth-to-slaughter traceability in the case of cattle imports.

The bill comes at a time when there is growing momentum and industry support for regulatory approaches to decouple agricultural production from deforestation. The European Union, as has been mentioned, recently passed a regulation requiring agricultural commodities placed on its market to be traceable, legal, and deforestation-free. The UK has also passed legislation along these lines.

The U.S. must take similar action, or risk becoming a dumping ground for products Europe is closing its doors to. The Lula Government recently announced a plan to halt deforestation by 2030, with improved law enforcement, monitoring, and traceability among its key provisions. The U.S. should provide Brazil with the direct financial and technical support it needs to be successful, and swiftly pass the FOREST Act, which would reinforce these efforts by providing a powerful market incentive from the world's largest economy for traceable, legal, and deforestation-free products.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Jacobsen appears in the appendix.]

The CHAIRMAN. Thank you very much.

Dr. Berg, you will be next.

STATEMENT OF RYAN C. BERG, Ph.D., DIRECTOR, AMERICAS PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC

Dr. BERG. Chairman Wyden, Ranking Member Crapo, and distinguished members of the Senate Committee on Finance, thank you very much for this opportunity to testify on this very important topic.

After alarming numbers on deforestation during President Luiz Inácio Lula da Silva's first term from 2002 to 2006, the Brazilian President managed to turn these numbers around to contribute to a decline in deforestation in his second term.

Missing from the story, however, is the concurrent deceleration of Brazil's economy. In Lula's first time, a strong nexus between deforestation rates and Brazil's economic growth was established. After Lula's second term ended, Brazil entered a period of economic stagnation and domestic political instability, and the focus on deforestation faded, with more proximate concerns such as low and negative economic growth, as well as a wide-ranging corruption scandal that ruled much of the political and economic elite, dominating Brazil's domestic debates.

Quite simply, Brazil has never fully managed to sunder deforestation from the drivers of its economic growth. Upon taking office in 2019, Jair Bolsonaro prioritized reform and economic growth, especially for the 30 to 35 million Brazilians who call the Amazon home and live in areas that generally lag in terms of their socioeconomic development.

According to Brazil's National Institute for Space Research, deforestation rose during these years, and cattle ranching was a driver of this deforestation in Brazil's Amazon. The rainforest, especially during the burning season, is often slashed and burned to make spaces for illegal pastures.

Having said this, I do want to broaden the aperture today as well. Simply put, I love Brazil. It is my favorite country in the Western Hemisphere. I have lived there, I have worked there, I have studied there on a Fulbright scholarship, as the chairman mentioned. I have traveled extensively there, and I care deeply about the United States having a productive bilateral relationship with Brazil in order to advance this important conversation, which is a very important component of it. So, in order to broaden the aperture a little bit, I think we must consider the following things as drivers of deforestation in conjunction with cattle ranching.

First, transnational criminal organizations. The Amazon is rife with lawlessness. Rampant criminal activity such as illicit wildlife trade, illegal logging, and illegal gold mining have all had a pernicious role in fomenting deforestation in Brazil, and the increase in the price of gold recently has contributed to a mining boom in the Amazon, leaving a pockmarked landscape of open-air pits.

Second, China and the insatiable demand for soy. The role of Brazil's soy industry is also underappreciated and contributing to Brazil's changing landscape, and its increasing carbon footprint. In addition to having 60 percent of the Amazon, Brazil houses South America's largest savanna, which is called the *cerrado*, representing about 21 percent of the country's land mass.

The *cerrado* is the second largest geographic area in Brazil behind the Amazon, and it is an important carbon sink as well. Driven largely by China's insatiable demand for soy, the *cerrado* has lost an immense amount of its green cover and carbon absorption potential, and I think this should concern us very much.

It is estimated that only about 20 percent of the *cerrado*'s original vegetation remains intact, and a lot of this has to do with Brazil's monoculture of farming, which carries significant implications, and the way China, as a buyer of its products, has reoriented Brazil's domestic economy away from industrial growth and towards commodities-based growth.

Third, the domestic headwinds that I mentioned. The biggest challenge in Brazil is structural and economic, and thus unlikely to change drastically under Lula's tenure. Manufacturing once accounted for 36 percent of Brazil's GDP. It now represents just 13 percent of Brazil's GDP. Yet Brazil remains largely an underdeveloped country.

An economist termed this phenomenon "premature deindustrialization," whereby industry moves to cheaper locales and yet large segments of the society have failed to receive the benefits of any industrialization process. Brazil is suffering from one of the worst cases of premature deindustrialization in the world. So, without a robust manufacturing base, and without bringing Brazil into some of our nearshoring efforts to shore up that manufacturing base, there are few alternative areas for the Lula Government to generate substantial growth outside of agrobusiness.

So quickly, in the time that I have remaining, I would like to move to a couple of policy recommendations. First, a multifaceted challenge requires multifaceted approaches. Cattle ranching, of course, is an important driver of deforestation. Supply chains should be monitored and made transparent.

We have to broaden the aperture and understand how this deindustrialization process has a nexus, Sino-Brazilian relations have a nexus, the criminal regime in Venezuela is doing its part to destroy the Amazon, and the explosion of transnational organized crime.

Second, I would say we should prioritize a cooperative approach over a highly punitive one. Divestment in Brazil—sanctions and tariffs—is something that we often hear about, but I think that this approach will contribute to deterioration in our bilateral relations with Brazil.

The last thing I will mention, Senators, is that I think we need to understand how these dynamics work in Brazilian domestic politics. Too often, policymakers fail to appreciate how the Amazon is seen within Brazil itself, which is to say it is largely seen as a sovereignty issue. The more that we push Brazil on this issue, the greater the risk that we will cause Brazilian diplomats and Brazilians themselves to bristle.

And so, there are studies that I can refer to later which basically show that international climate criticism has increased a domestic political market in Brazil for politicians who resist and defy this criticism, especially when the individuals in question—

The CHAIRMAN. We are just going to have to move on, Dr. Berg. If you will put the rest of it in the record, that would be great.

Dr. BERG. Thank you very much. I will be happy to answer your questions.

[The prepared statement of Dr. Berg appears in the appendix.]

The CHAIRMAN. Okay.

Mr. McDonnell?

STATEMENT OF LEO McDONNELL, OWNER-OPERATOR, McDONNELL ANGUS, COLUMBUS, MT, ON BEHALF OF THE UNITED STATES CATTLEMEN'S ASSOCIATION, WASHINGTON, DC

Mr. McDONNELL. Chairman Wyden, Ranking Member Crapo, members of the Senate Finance Committee, and Senator Grassley—who may not remember me, but we did a lot of work during the cattle trade cases with Senator Daschle, and I was there in 2012 when he stood up for the farm bill in the conference room—and it is great to be here.

On behalf of the U.S. Cattlemen's Association and our fellow cattle producers, thank you for the opportunity to be here today. We are often defined as a small industry, just 1½, 2 percent of the population. But really in my mind, anybody who eats is in agriculture, and consumers are a great part of our industry.

In the last 50 years, Brazil has lost 20 percent of the Amazon Rainforest to illegal deforestation. In the same period, the Brazilian cow herd grew from 79.6 million in the 1970s to 241.6 million head today. Brazil is now the number one exporter of beef, a position that the U.S. and Australia once held.

Last year I think, Brazil was the number three beef importer into the U.S. and this year, as of April 1st, the number two beef importer into the U.S. So they have really grown. Meanwhile, the U.S. cattle herd has shrunk from 130 million head in 1970 to around 90 million the 1st of this year. But even with that shrinkage, we have increased our beef production from 22.2 billion pounds in the 1970s up to 28.4 billion, which is quite a story.

During this same time, our environmental footprint has dropped 34 percent in greenhouse gas emissions per carcass weight produced, and total carcass greenhouse emissions related to beef production have also decreased 21 percent here in the U.S.

As a comparison, just between 2005 and 2019, Brazilian greenhouse gas emissions grew by 19 percent, just for that shorter period. You know, this tells a great story for U.S. cattle producers, producing more with less and improving our environment. That is why we have so many generational farmers and ranchers coming back into the business.

We have been doing a good job with sustainability and our environment for a long time. I will tell you what: we did not do it by degrading our environment through illegal deforestation and poor farming and grazing practices. Nor did we do it by using forced labor, both slave and child labor; or by bribing meat inspectors to improperly launder and dump beef into the international market, and even our own markets, that had fraudulent laboratory checks; or by exporting product that had rampant food safety concerns, including the finding of blood clots, bone chips, abscesses, and I can go on. That has been a chronic problem with Brazil: failing to notify the world communities in a timely manner when they had

FMD outbreaks, foot and mouth disease, or BSE. Granted, the last one they finally did report.

Or by bribing 1,800 government officials to secure loans from Brazilian Government banks and pension plans or, as the Department of Justice reported, violating the Foreign Corrupt Practices Act through a scheme, a JBS scheme, to bribe government officials in Brazil to secure financing and other industry growth benefits. Or paying a \$27-million fine to settle charges brought by the U.S. Securities and Exchange Commission and a \$256-million penalty to FCPA regarding bribery schemes used to eventually purchase U.S. companies, to outbid U.S. companies.

No. The U.S. cattle industry did not go in for those corruptive practices.

And then, after acquiring these U.S. firms, they were just recently found guilty of price fixing, bid rigging, and supply manipulation to inflate prices of U.S. chicken, pork, and beef. No, the U.S. cattle builders did not build our industry that way. We built it through generations of dedication, service to our families, communities, industry, and country. That is how we built it.

But in more recent history, we have seen international companies come in and dominate our U.S. meat industry and marginalize our ranches. Billions and billions of dollars, folks, have been taken out of these ranches since 2015. The very families that built this country, fought and died for it, those very families—and we have lots of companies like JBS and Marfrig steal from them, marginalize them.

You know, agriculture has the highest suicide rate of any occupation, according to the Centers for Disease Control. I am going to leave it there.

If you have any other questions, I would be happy to take them.

[The prepared statement of Mr. McDonnell appears in the appendix.]

The CHAIRMAN. Oh, we will have some questions in a minute, and I am going to try and see if I can cover two or three things, see if we can do it fairly quickly.

Mr. Jacobsen, you have spent a lot of time on the ground in Brazil, doing the dangerous work of observing these cattle industry abuses. And obviously, this is all about trade cheating and how this cattle laundering loophole works, and of direct suppliers, and somehow everybody is being disguised.

Just tell us briefly, how does beef from deforested land enter the supply chain?

Mr. JACOBSEN. Thank you for the question. So, our investigation in Brazil started when we obtained a list of illegal ranchers inside a protected area, one of the most heavily deforested protected areas in the Amazon. We were also able to compile a database of cattle transport permits, millions of them, that allowed us to follow animals from farm to farm.

And what this allowed us to do is track cattle from the protected area to the slaughterhouses in the region. The slaughterhouses in this particular region are largely run by JBS, to a lesser degree Marfrig and Minerva, the other two largest meat companies in Brazil.

What was surprising, or maybe not surprising, is that none of the cows being moved off of the protected area went to these slaughterhouses—virtually none, I should say. We did find a few instances where they went directly to JBS slaughterhouses. But most of them moved to another farm outside of the protected area before they were sold to the slaughterhouse, and in fact the majority of them moved to at least two farms before they reached the slaughterhouse.

So in many cases, this appeared to be a deliberate effort by ranchers to use weaknesses in the oversight of the permitting process in order to create a paper trail that hid where the cattle were coming from.

The CHAIRMAN. Thank you; very helpful.

Mr. McDonnell, just a question for you. You heard Mr. Jacobsen and others talking about JBS essentially being a multinational trade cheat, and you know, we are hearing that this beef competes with ranchers in Montana, my home State of Oregon, and in Wyoming.

What is it like on the ground for a rancher to compete with these behemoths, these multinational giants? What is it like for you?

Mr. McDONNELL. As you know, we have supply standards in this country for beef, which is highly perishable. I don't know how far you want me to go, Senator. How do you even compete when you can't even identify your product in this market? They have taken country-of-origin labeling away from us.

One of the greatest markets we have ever had, and we are letting Brazil come in here. You talk about greenwashing. We have greenwashing in our food supply today to U.S. consumers, because they are allowed to carry USDA inspection stamps, which a lot of consumers think is U.S. product.

But JBS fought us like heck and got us to repeal COOL, right? And now we know why. They get to launder their product to an unsuspecting consumer who thinks it is a U.S. product. It makes us feel pretty hollow, sir, to have to compete with them that way, because we are not competing with them. They are taking our market from us.

The CHAIRMAN. We will have some other questions for you in a moment. I am just so glad that you are here.

I want to wrap up my questioning here, Mr. Jacobsen, with respect to the fact that JBS and these beef companies have been promising to clean up their act for, you know, something like 15 years.

And now Brazil requires ranchers to create records for each cow, called the GTA, and recently the government has restricted, actually restricted public access to these. Are you of the view that increasing access to these GTAs would be a good first step to creating a traceable and transparent supply chain?

Mr. JACOBSEN. The GTAs were essential to the investigation we carried out, and I just wanted to emphasize that we are a very small NGO with limited resources. But using modern computing technology, one data analyst was able to review millions of GTAs and really put together supply chains across an entire Amazon state.

So I think the potential of these permits is remarkable, and as you said, the transparency is actually being rolled back. This is despite public prosecutors in Brazil having made the case that Brazilian law protects the transparency.

The CHAIRMAN. I am going to just ask one more question for you, Mr. Weller. I would really like a “yes” or “no” answer to this question. I would like to know if JBS will use its considerable influence to support making public, records that already exist and that will show whether or not JBS lives up to its promises? That is a “yes” or “no” question.

Mr. WELLER. Yes.

The CHAIRMAN. Okay.

Senator CRAPO?

Senator CRAPO. Thank you very much, Senator Wyden. And actually, I am going to go back to your question about GTAs. It is the first question I had in my mind as well. I would like to ask Dr. Berg, and frankly any of the other witnesses, to jump in on this question.

Is full implementation of these cattle transport permits, such as GTAs, a solution? Now, I also understand that there are items called CARs, which are rural property registrations that may also be a tool that is helpful. Dr. Berg, could you go first, but anybody could jump in on this question.

Dr. BERG. Thank you, Ranking Member Crapo, for this very important question. So you know, I think GTAs certainly give us some level of transparency into the supply chain. What I would say is, the way that things are organized in Brazil, it is a federated republic, which means that states and state Governors and state legislatures do have considerable power over policymaking in the country.

What we have seen in Brazil is, even though Lula da Silva won his election, Bolsonaro had coattails, which is to say he has allies, folks who are more pro-ag industry, in certain Governorships and state legislatures, and there is a diversity—a variegated set of policies—across the states in Brazil on the GTAs.

Some are delivered digitally, some are literally still written in paper form. So, it is really a sort of hodgepodge or patchwork of policies that does not have any sort of common thread through it, and that is a difficult element of this all, using the GTAs to bring greater transparency to the supply chain.

Senator CRAPO. So, I am hearing you say that, in their federal system in Brazil, it is really hard to implement, but also that it would be a good idea if we could. Is that a fair summary of what you say?

Dr. BERG. Senator Crapo, I think it is an important element of getting greater transparency into the supply chain. I think that, as folks on this panel will testify, there are probably still ways to get around the GTA. But I think it is an important part of bringing transparency on where cattle are moving, and what role they might be playing in deforestation. But I would not characterize it as a silver bullet.

Senator CRAPO. All right; thank you.

Mr. Weller, do you want to weigh in on this?

Mr. WELLER. Yes, please, sir. I would just like to add to that, but before I do, I would also just like to add context, for the Senators and for the committee's consideration, in terms of Brazilian exports. So first, just setting the context for total beef production in Brazil and consumption.

Almost three-quarters of all beef produced in Brazil is consumed domestically, okay? So about 25 percent, 26 percent is actually exported. Of that, only 2 percent is exported to the United States. So, I just want to set the context. It is actually less than 2 percent that is actually exported to the United States.

So we are not exporting, competing against American ranchers domestically, and even arguably internationally. And I highly tout and credit the American rancher.

I strongly agree with Mr. McDonnell that they should be lauded, and we are very proud to be working with American ranchers to help them produce their beef and export that beef. But frankly, it is such a high-quality product, it competes in different markets.

To your question on GTAs, sir, yes—and also following up on Chairman Wyden's questions on GTAs—to be clear, Brazilian law has very strong privacy protections. So, while other NGOs had access to—and we are still unable to determine where they get access to—these GTAs, we as a company legally cannot get GTA access, these animal transit permits, past our direct suppliers.

So this gets into the whole challenge of the dark market, the indirect market, where we do not understand where the cattle are inbound from. So we strongly agree, if this was opened up, if we had more robust public access to the GTAs, certainly it would help us as a cattle buyer, but also more broadly across public and private and civil society, to understand where these cattle are moving around.

In addition, the CARs, the rural permits, these are where it essentially creates the place where the cattle are born, right? It is understanding the land, who owns the land and the farm itself. So, when you couple the animal transit permits with the CARs, the rural farming permits, that is where you can start to put together the beginnings of a supply chain transparency.

These are solutions we are trying to get to. Ultimately, what we really need is animal ID, true traceability. This is something that, outside of one state in Brazil, is not really available. So we are trying to find solutions that are not really fit for purpose.

The GTA is really a phytosanitary animal welfare and food safety measure that we are then trying to use essentially to back up and work upstream, to really understand where the cattle are coming from, and it is an enormously complex challenge.

Senator CRAPO. Well, thank you very much.

The CHAIRMAN. I just want to respond to this point about this debate of percentages, because I am going to take a look at all this. But you know, my assessment is that this percentage that is exported still involves a lot of beef (A), and (B), has a lot of effect on Mr. McDonnell and people in my State who are ranchers. Do you disagree?

Mr. WELLER. We were just citing—

The CHAIRMAN. "Yes" or "no"?

Mr. WELLER. Yes, I do disagree.

The CHAIRMAN. You do disagree?

Mr. WELLER. Yes, sir.

The CHAIRMAN. How so? It is a significant amount of beef. It affects our consumers. It affects our ranchers. That is what Mr. McDonnell sitting over here says.

You know what? I will do this, because I am over my time. I would like a written answer to the question of whether this affects American ranchers and American consumers, because I think it is pretty clear it does.

Senator Grassley, you are next.

Senator GRASSLEY. Yes. First off, Mr. Chairman, I want to thank you for—in your opening remarks you mentioned the legislation that Senator Tester, you and I, and Senator Fischer have in, along with 12 Republicans and 10 Democrats, called the Cattle Price Discovery and Transparency Act. It is meant to give individual cattle feeders that want to negotiate a daily price—if they get a market, sometimes they cannot deliver their cattle for 30 days—to undo the monopolistic practice that the three biggest packers in the United States have with the big feed lots of Texas and Kansas and Colorado and, I suppose, Oklahoma, where they eat up 85 percent of the chain capacity every day, so that the independent producers that want to negotiate a price instead of contracting have a hard time delivering their cattle. It is meant to take care of that unfair practice.

Beyond that, before I get to my first question, I think because electric vehicles need rare earth minerals like nickel found in rainforests of the Philippines and Indonesia, and Ford's electric F-150 has aluminum tied to mining in the Amazon, I want to make very clear that it is just not agriculture that is responsible for a lot of elimination of rainforest and the threat that that has to the environment, and the unfair competition that a lot of these bad environmental policies bring to American agriculture.

I am going to start out with Dr. Berg. For decades, we have had issues with the European Union on how they view the use of biotechnology in trade. While Chairman Wyden has good intentions with holding this hearing and having this investigation, I am concerned that our country is looking to increase trade barriers as a result of some of these issues.

As your testimony points out, President Lula has positioned himself as a defender of the Amazon and has a plan to stop illegal deforestation of the Amazon by 2030. Going down that road of trade barriers could at this point be counterproductive.

I am concerned that any trade barriers added will just mean additional tariffs for U.S. products into Brazil. As an example, just this year Brazil instituted a 16-percent tariff rate on U.S. ethanol. They did this while having duty-free access to U.S. markets.

So to you: what are the ways that we can work with Brazil to curb deforestation, so that we can have a cooperative trade relationship without escalating into a tit-for-tat tariff war?

Dr. BERG. Thank you very much, Senator, for that question. I do think that the cooperative approach is the most productive for the bilateral relationship that we have with Brazil. I think we often tend to talk about divestment, imposing tariffs, or sanctions to try to go after Brazil's deforestation.

That is something we have seen the European Union use as well—the size of its market—to limit goods. However, I do worry about some of the good work that is being done in all of the binational institutions that we have with Brazil. The one that I would cite in this case would be the U.S.-Brazil CEO Forum, where you have a lot of companies that are talking about cleaning up practices, bringing more transparency to supply chains, and so on.

That is a very cooperative approach, an example of one that I can give you, where the two countries are having a conversation that is attempting to move the needle, and where that would actually be at risk if we took too punitive of an approach.

In general, I would say the risk with Brazil is that reciprocity is a very important part of their diplomacy. If we do something, they tend to do something back. It exists in the political domain as it does in the economic domain. You mentioned things with ethanol. That does not surprise me at all.

Brazil sees reciprocity as a very serious matter, and so I suspect if we take trade-related measures to curb deforestation in Brazil, we should very much expect there to be some kind of reciprocal action on the part of the Brazilians.

Thank you.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. I thank my colleague, and I just want to tell him, because I noted your comments, that we will work in a bipartisan way, as you and I have tried to do so often, particularly on our Cattle Price Discovery and Transparency Act that both of us mentioned. That came about because we put in a lot of sweat equity to try to find common ground between the parties.

I also want to reference another point my colleague made about other industries, because I think that is a valid point as well. The committee has been conducting an investigation into auto manufacturing supply chains, so I would just say to my colleague that your point about not turning a blind eye to other industries is a very smart one, and we are going to pursue it. I look forward to working with you.

Senator GRASSLEY. Thank you.

The CHAIRMAN. Okay.

Senator Johnson, you are next.

Senator JOHNSON. Thank you, Mr. Chairman. By the way, this is a fascinating hearing—completely nonpartisan hearing—and I think that is what has always puzzled me about the problem here with the deforestation and the rainforest. I think globally, everybody wants to stop the deforestation, correct, except for the individuals that benefit economically.

You know, Professor Berg, I think your testimony was pretty fascinating, because you talked about manufacturing going from, what was it, 25 percent down to 13 percent?

Dr. BERG. It was from 36 to 13.

Senator JOHNSON. Thirty-six to 13. So, it is a third of what it was?

Dr. BERG. Correct.

Senator JOHNSON. You know, Mr. Weller, you strike me as a very sincere individual working for a company that wants to solve this problem that is very difficult to solve.

So that is the crux, you know. How do you solve a problem that—again, I have always defined a problem as something that does not have an easy solution. This is a problem.

I think it has to be done cooperatively. I mean, is it entering into trade agreements where we open up for manufacturing? Borrowing does not seem to be working, so I am just sort of—I really want to talk to Mr. Weller and to Professor Berg, back to what Senator Grassley talked about.

What is the solution here? What is not working, what will not work, and what do we really need to do here?

Mr. WELLER. Sir, if I may lean in on my experience here in the United States, and having spent time in Brazil, Brazilian farmers and ranchers are no different than American farmers and ranchers. They want to make a living. They want to steward their lands. They want to pass on their operations to kin and family. They do not want to pollute the environment. They want to ultimately see their businesses succeed.

Senator JOHNSON. By the way, let me really quickly interject, I have always heard that the land that is reclaimed is not particularly productive.

Mr. WELLER. It is not, and that is a key point, absolutely what you put your finger on, that in our view, it is a two-part component. You have to have strong standards. I do not disagree. We must have very strong standards and enforce those. But then—

Senator JOHNSON. By the way, another injection. Coming from the medical device industry, where traceability was everything, you needed to trace it back to the resin pellet.

I mean, that is something your company—I guess we kind of look to companies like yours to enforce that traceability, whether you can get access to government records or not. I mean, you are the buyer. You can exert an awful lot of pressure.

Mr. WELLER. So we can, and we can get those records from our direct suppliers, but the issue is the hundreds of thousands of ranchers above them that supply cattle to that supply chain. That is what we are investing in: building that capacity to get that traceability.

But the second part here is, then, the incentives. So here in the United States, through the farm bill, my experience working with farmers and ranchers, we have a strong heritage, a century of investment through the extension services, through universities, and through USDA services, to co-invest with the farmer and rancher.

There is a huge opportunity to do the same in Brazil where, before stewardship, you first need to compensate—where landowners can legally clear forest, they need to be compensated for that economic value. And where there is illegal deforestation, absolutely block that.

But the blocking is not enough. So we referenced poor productivity. So in general, in the Amazon region their stocking rates are about one head per hectare. That is about 2½ acres—enormously poor production.

Through basic agronomy—this is what we are working on, and we really need help and additional investment, so this would be an opportunity to have co-investment with the Brazilian Government. Through basic agronomy, nutrient management, livestock manage-

ment, you can double, triple, quadruple that intensification of that pasture without having to then push deeper into the forest, so you are making them more profitable, producing more food on less land, and doing so in a way of both reducing emissions and sequestering more carbon.

Senator JOHNSON. So, Dr. Berg, I would think you would agree with that, and, Mr. McDonnell, I think you would agree with that as well? I mean, let us start with Dr. Berg.

Dr. BERG. Thanks, Senator. I think your question gets to the heart of one of the points I was trying to make in my testimony, which is, if you do not want people to have incentives to go out and deforest, which I do not think any of us want them to have, we need to find ways to help Brazil create more economic opportunities, create incentives for individuals to not go out and deforest.

That 36 to 13 percent number is pretty dramatic for me, right? A lot of it has to do with the Brazil-China relationship, hollowing out Brazil's domestic manufacturing base. Take for example two big cities in the Amazon, Belém and Manaus. These are two cities of both about 2½ million people metro area. They are actually pretty close to the United States, because they sit in the northern parts of Brazil.

We should think about including them somehow in special economic zones and some of our efforts to nearshore supply chains, because without that alternative livelihood, you are going to continue with some of the incentives to deforest. That is what I worry about, what I tried to shed some light on in my testimony.

Senator JOHNSON. Mr. McDonnell, I would just like to hear you comment on that.

Mr. McDONNELL. Working with other people to solve problems is great. But I would like to point out, you know, Norway has donated a lot of money, a lot of money into the Amazon and Brazil, and for deforestation, and it has not gone very well. And I think the U.S. has even kicked more money in.

It does not mean we stop, but I think we need more accountability as we work with them, and we have not had that. I am still very concerned about JBS. I am not here to pick on anybody or degrade them, but you look at their track record, and they act just like we had here in the meat business 50–60 years ago with the meat mafia.

It is terrible, and now we are going to trust these people who bribe government officials down in their own country, to track this? I am sorry, but you know, the facts show that they are not good people. And so far, they need to earn our trust before we give them more.

Senator JOHNSON. Mr. Chairman, again I am concerned about loss of the Amazon, because of the loss to biodiversity, which will never be reclaimed, and others have other concerns. But to me, this is something that, really, we should be working on on a completely nonpartisan basis. And yes, I think around the world we want to preserve the Amazon. So I really appreciate this hearing, and I really want to work with you.

The CHAIRMAN. We are going to work very hard to get a bipartisan coalition for reform here in the committee. Thank you.

Senator Whitehouse, you are next.

Senator WHITEHOUSE. Thank you very much, Mr. Chairman, and thank you for your work and Ranking Member Crapo's in getting this hearing together.

Mr. Jacobsen, your testimony supports the FOREST Act; correct?

Mr. JACOBSEN. That is right.

Senator WHITEHOUSE. Do all of the witnesses support that legislation?

Dr. BERG. Senator, I have to say I have not read it in full, so I cannot give you a full answer. I think what is clear from this hearing is, I also have to go read end to end the Cattle Price Discovery and Transparency Act as well.

Senator WHITEHOUSE. Would you mind taking that as a question for the record, each of you, and get back to me with your views, if you cannot disclose them here today, on the FOREST Act, whether you or your organization supports it or not?

Mr. JACOBSEN. I know ours does.

Mr. McDONNELL. U.S. Cattlemen's supports it.

Senator WHITEHOUSE. All right; great. So, we have "yes" from Mr. McDonnell, "yes" from Mr. Jacobsen. We will get back to me from Mr. Berg and Mr. Weller.

Senator Cassidy and I have a bill on Customs modernization, very cleverly called the Customs Modernization Act. What do you think that Customs and Border Protection needs to attack this supply chain transparency problem? Let's start with you, Mr. Jacobsen.

Mr. JACOBSEN. Well, as I explained in my testimony, critical to keeping things like legal deforestation out of the global supply chains is traceability.

Senator WHITEHOUSE. Yes.

Mr. JACOBSEN. And we—

Senator WHITEHOUSE. How does CBP need to improve itself, so that it can have a better handle on that?

Mr. JACOBSEN. Yes. So, one of the things CBP needs is information, and that is why a key part of the FOREST Act is import declaration requirements, because CBP has limited reach overseas about that part of the supply chain. So that is something that needs to be reported to CBP so they can better monitor.

Senator WHITEHOUSE. Yes.

Mr. JACOBSEN. We have seen how the lack of information has really stymied efforts to enforce other existing legislation around forest labor and also illegal timber.

Senator WHITEHOUSE. Yes. You pointed out, I think quite correctly, that supply chain traceability and transparency are important in dealing with the deforestation of the Amazon, but it is also very important in a whole variety of other areas as well. Care to name any others?

Mr. JACOBSEN. Well, as I mentioned, forced labor is key. We have also seen—I have seen in my investigations how even minerals from armed conflict in Africa find their way into our cellphones and electronic devices. So I think this is a pretty universal need, and part of modernizing trade is that we actually know where the things that we are allowing into our market came from.

Senator WHITEHOUSE. And there are existing areas where American corporations not only require disclosures from their direct sup-

ply chain sellers, but they require those sellers to report on their own supply chains, and in fact even further, as Senator Johnson said, all the way back to the original raw manufacturing materials in some cases.

That is not anything that is unusual or new to ask of an American company, is it?

Mr. JACOBSEN. I think it is pretty straightforward with the technologies that exist. If you want to know where your supplier got their materials, you require them to provide it to you as a matter of terms of business.

Senator WHITEHOUSE. Nothing too complicated about that. You just have to require the information to be presented to you; correct?

Mr. JACOBSEN. Yes, I agree.

Senator WHITEHOUSE. And, Mr. McDonnell, is that what your company does: trace sourcing up the supply chain, so that you know where things come from?

Mr. McDONNELL. Yes. We are in the seedstock business, so we do not process any beef, but we raise a lot of cattle. We are one of the largest sellers of breeding bulls in the U.S. We have actually used these e-IDs for 15–20 years. I just love them, especially the 840 that USDA has us use, the permanent one.

Senator WHITEHOUSE. Yes.

Mr. McDONNELL. So I am very much into that, especially if it is voluntary, not mandated. But yes—very useful tool. There is a lot of good technology for that.

Senator WHITEHOUSE. Good; all right.

Well, my time has expired. Thank you very much. We will continue working on the Customs Modernization Act to try to make sure that CBP has the resources and the tools and the information so that we do not have to be having these hearings, we actually solve the problem right at the very get-go.

Thanks, Mr. Chairman.

The CHAIRMAN. I think my colleagues' point about modernizing what goes on in Customs is certainly one of our priorities, and I look forward to working with him on that.

We are waiting for a couple of colleagues who—we are told that both sides are on their way. So, I would just say to the staffs and my colleagues who are following this that it is a hectic day and we are getting almost to the end.

I think I am not going to filibuster while our colleagues are on their way. But I was just curious about your reaction, Mr. McDonnell. I think we heard Mr. Weller say that, you know, this percentage of beef that is being sent to the United States is, in his view, really small and it is not something that has a lot to do with ranchers and consumers here. And I am curious what you think of that statement, because it looks to me—

Mr. McDONNELL. Well—

The CHAIRMAN [continuing]. It looks to me like you can have the debate about the percentage—and we are going to go through all the records. But it still looks to me like a lot of beef.

Mr. McDONNELL. Well, it is the same records too, and you know, I think we imported around 460 million pounds of beef from Brazil in 2022. If you convert that to live cattle, it is around 640,000 to

650,000. We slaughtered around 28–30 million cattle, so yes, it is 2 percent.

But I think what you've got to remember is, we have a very supply-sensitive industry, right? And we are also very marginalized in agriculture. I know you folks, a lot of you do not get it who do not live in rural America. But you know, a lot of times we are only getting 2, 3, 4 percent on our investments.

That is what we make. Some years we do not make anything. Wouldn't that be tough, huh? But you know farmers and ranchers, we are resilient. So, 2 percent that could impact our price up to 4 percent is very huge when you are only getting a 3- to 4-percent return on your money most years, right?

But it is worse than that, because at times it comes in in surges, and that has been identified by the Department of Commerce and ITC. I mean, do not forget what the ITC said here several years ago about our industry and about cattle and beef. Packers can and do use imports to suppress domestic prices.

That was found, and the Republican Commissioners on the Senate review commission said the same thing. So, it does not take much to manipulate it.

The CHAIRMAN. Okay. I just want to mention—you were talking about urban and rural. I do live in Portland, OR, a city—wish I could have played for the Portland Trailblazers. But I will tell you, I am going to be up Friday morning around 3:00 to get a plane—it is not a nonstop or anything—to Ontario in Oregon, so I can be there talking to farmers and ranchers and the like. So you have a lot of us who are working very hard to kind of bring together the urban areas and the rural areas, and to try to find more common ground. I think that is how I would put it.

Mr. McDONNELL. Yes, sir.

The CHAIRMAN. All right. Let's see. Republicans, no more. Democrats, okay.

We want to thank all of you for your testimony. You have made it clear that huge portions of the Amazon are being cleared out and burned to create ranchland while JBS looks the other way. That is not fair to American ranchers like Mr. McDonnell, like the people I am going to see here in the next 24 hours.

It is not fair to them, and ultimately, we are going to pay a price for this kind of trade cheating. Certainly, if you burn the Amazon, you burn the lungs of the earth. I am of the view that multinational companies and governments have to do more to create sustainable and transparent supply chains.

And, as we so often do here in the Finance Committee, I am going to close by saying that we are going to continue to try to find common ground. Senator Crapo and I have been able to do that, working with our colleagues on a lot of issues, where everybody said it was just impossible. So we are going to focus on that in the days ahead.

Members will have 14 days to submit any questions or statements for the record, and the Finance Committee is now adjourned. [Whereupon, at 11:16 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF RYAN C. BERG, PH.D., DIRECTOR, AMERICAS PROGRAM,
CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

INTRODUCTION AND GENERAL TRENDS IN DEFORESTATION

Chairman Wyden, Ranking Member Crapo, and distinguished members of the Senate Committee on Finance, thank you for the opportunity to testify on this important topic. The views represented in this testimony are my own and should not be taken as representing those of my current or former employers.

During the first term of Brazilian President Luiz Inácio “Lula” da Silva (2002–2006), Lula presided over unprecedented rates of deforestation. Deforestation peaked midway through Lula’s first term, then fell as his administration implemented efforts to curtail the practice. Brazil’s then-environment minister (as well as current environment minister), Marina Silva, established nearly 600,000 square miles of reserves, improved monitoring, strengthened law enforcement, and created a blacklist that showcased municipalities with the highest rates of deforestation. Lula’s administration also established the Amazon Fund, which supports projects aimed at preventing, monitoring, and combating deforestation and at promoting the conservation and sustainable use of the Brazilian Amazon. By 2010, the deforestation rate was about one third of what it was when Lula took office in 2003.

Missing from this story of the deceleration in deforestation, however, is the concurrent deceleration of Brazil’s economy. In Lula’s first term, a strong nexus between deforestation rates and Brazil’s economic growth was established. After Lula’s second term ended, Brazil entered a period of economic stagnation and domestic political instability, which culminated in the impeachment of Lula’s successor, President Dilma Rousseff. During this period—often dubbed Brazil’s “long political crisis”—the focus on deforestation faded and more proximate concerns, such as low and negative economic growth, as well as a wide-ranging corruption scandal that roiled much of the political and economic elite, dominated Brazil’s domestic debates. The turbulence of this period set the stage for anti-establishment candidate Jair Bolsonaro to win Brazil’s presidency, on a platform partly highlighting the impoverishment of areas in Brazil’s *interiorzão*—its large, often neglected interior states.¹ In other words, Brazil has never managed to fully sunder the nexus between deforestation rates and economic growth. The difference is that deforestation no longer figures into official development policy in Brazil.

Upon taking office in 2019, Bolsonaro prioritized reform and economic growth, especially for the 30 to 35 million Brazilians who call the Amazon home and live in areas that lag in terms of socioeconomic development.² The Bolsonaro government was lax on enforcement measures, occasionally clashed with environmental experts, and cut government funding meant to curtail deforestation efforts. Under Bolsonaro, Brazil’s agribusiness industry also expanded its influence. According to Brazil’s National Institute for Space Research (INPE), deforestation rose during the Bolsonaro years. To put these figures into greater context, however, deforestation in 2021—

¹Brian Winter, “Messiah Complex: How Brazil Made Bolsonaro,” *Foreign Affairs*, September/October 2020, <https://www.foreignaffairs.com/articles/brazil/2020-08-11/jair-bolsonaro-messiah-complex>.

²Daniel F. Runde, “U.S. Needs to Play Constructive Role in Development of Amazon,” *The Hill*, November 16, 2020, <https://thehill.com/opinion/international/526121-us-needs-to-play-constructive-role-in-development-of-the-amazon/>.

the highest number during Bolsonaro's 4 years in office—was still less than half of what it was in 2004.

Figure 1: Rates of Deforestation of the Legal Amazon by Brazilian Administration



Produced by the Center for Strategic and International Studies Americas Program. Data source: http://terrabrasilis.dpi.inpe.br/app/dashboard/deforestation/biomes/legal_amazon/rates.

Since returning to the presidency, Lula has positioned himself deftly as a steward of Brazil's Amazon. In early June, he unveiled a plan to stop illegal deforestation of the Amazon by 2030.³ This commitment marks the fifth phase of the Action Plan for the Prevention and Control of Deforestation in the Legal Amazon, which was created 20 years ago during Lula's first term in office. The plan intends to deploy greater use of satellite imagery, maintain digital land registries, leverage financial intelligence to track money flows from illegal operations in the rainforest, align badly needed infrastructure projects with deforestation reduction goals, and maintain stricter concessions on state credit to agriculture interests. The strategy, which Lula intends to implement throughout his 4-year term, also pledges to achieve net zero deforestation, which would involve replenishing lost vegetation. Lula also announced that the Brazilian government would readjust its commitment to cut carbon emissions by 37 percent by 2025 and 43 percent by 2030. Brazil is the world's seventh largest emitter of greenhouse gases, with more than half of its emissions stemming from deforestation.⁴ Among other things, increasing the amount of "green cover" capable of carbon absorption will be critical to meeting these goals.

While Brazil is well placed to lead international efforts to combat climate change, doing so will meet the country's domestic realities and encounter headwinds. Lula has supported oil exploration projects by the state-owned oil firm Petrobras in the hopes that these projects could generate greater employment in the Amazon. Brazil's agribusiness groups have also transformed the country's domestic politics, especially the dynamics of its fractious Congress.⁵ Although Lula won a narrow victory over Bolsonaro, the former president's allies on the right hold the most seats in Congress.⁶ As the percentage of Brazil's economy represented by the agricultural sector grows—a domestic transformation that is inseparable from its relationship to the

³"Brazil's Lula lays out plan to halt Amazon deforestation," *Politico*, June 6, 2023, <https://www.politico.com/news/2023/06/06/brazils-lula-lays-out-plan-to-halt-amazon-deforestation-00100342>.

⁴"Brazil," Climate Watch, accessed June 15, 2023, https://www.climatewatchdata.org/countries/BRA?end_year=2019&start_year=1990.

⁵"Lula's ambitious plans to save the Amazon clash with reality," *The Economist*, June 13, 2023, <https://www.economist.com/the-americas/2023/06/13/lulas-ambitious-plans-to-save-the-amazon-clash-with-reality>.

⁶"Brazil Election: Brazil Elects Lula, a Leftist Former Leader, in a Rebuke of Bolsonaro," *New York Times*, October 30, 2023, <https://www.nytimes.com/live/2022/10/30/world/brazil-presidential-election>.

People’s Republic of China—the country has fewer options to promote much-needed economic growth in sectors not so directly linked to deforestation.

FOCUSING ON BEEF

Cattle ranching is an important driver of deforestation in Brazil’s Amazon. The rainforest, especially during the burning season, is slashed and burned to make space for illegal pastures. Although cattle traders and beef producers committed not to buy cattle from illegally forested land in 2009, the Amazon continues to lose thousands of square kilometers every year. Illegal deforestation for the purpose of cattle ranching represents an important percentage of the forest cover lost each year. Scientists and activists have attributed the continued deforestation to “cattle laundering,” which is the practice of moving cattle from illegal, “dirty” ranches to legal, “clean” ranches, obfuscating the environmental impact and origins of the cattle.

An important part of this story involves Brazil’s domestic politics. Production of beef has increased nearly 40 percent in Brazil, creating powerful domestic constituencies and interest groups that seek to protect ranchers from government influence. Consequently, the Brazilian state is less capable of enacting environmental protections and many politicians—at both the state and federal levels—owe their election in part to agrobusiness interests. Environmental protection is now a more polarizing issue in domestic politics than in previous eras. For instance, Brazilian privacy law has restricted information on animal IDs, meaning cattle buyers can often gain insight only into their supply chain one node prior to purchase.

Important progress has been made in addressing these challenges, however. Despite an increase in beef production, the area dedicated to cattle grazing in Brazil decreased by about 12 percent.⁷ Technology is also driving solutions to untangle the opaque nature of supply chains. Researchers and advocates are designing software to help meatpackers trace and monitor their cattle supplies. The Gibbs Lab at the University of Wisconsin and the National Wildlife Federation (NWF) released software called Visipec, with the aim of helping meatpacking companies in Brazil strengthen their supply chain management systems and gain further insight into nodes further up the supply chain.⁸ As Brazilian domestic politics is unlikely to move drastically on the question of supply chain transparency, much of these technology-led solutions will require consensus and voluntary compliance. By establishing good practices for monitoring cattle supplies, meat companies can eliminate deforestation from their supply chains.

The process of deforestation grew worse under the tenure of President Jair Bolsonaro, who forged a powerful partnership with cattle ranchers, pushing farms deeper into the Amazon forests and accelerating bilateral trade with China. During the 2022 elections, cattle ranchers played an important part in the political movement to reelect Bolsonaro.⁹ While cattle ranching will continue to play a role in deforestation in Brazil, which will remain the world’s largest exporter of beef, focusing on its role exclusively fails to capture the full story of Amazon deforestation. And without a holistic understanding of deforestation, the U.S. cannot hope to have a productive bilateral climate dialogue with Brazil.

MISSING THE FOREST FOR THE TREES: BROADENING THE APERTURE ON DEFORESTATION

A focus on the cattle industry’s relationship to deforestation, while warranted, misses some of the most important drivers of Brazil’s deforestation and carbon emissions. Simply put, some of the biggest threats to the Amazon’s future require that we think beyond the role of cows. Understanding the full picture is critical to developing a multifaceted approach to partner effectively with Brazil.

Transnational Criminal Organizations: The Amazon is rife with lawlessness. Rampant criminal activity, such as the illicit wildlife trade, illegal logging, and illegal gold mining, all have a pernicious role in fomenting deforestation. The increase in the price of gold, in particular, has contributed to a mining boom in the Amazon,

⁷ Associação Brasileira das Indústrias Exportadoras de Carnes, “Beef Report 2021: Perfil de Pecuária no Brasil,” ABIEC, <https://www.abiec.com.br/publicacoes/beef-report-2021/>.

⁸ “Executive Summary,” Visipec, accessed June 15, 2023, <https://www.visipec.com/>.

⁹ Nayara Figueiredo, “Analysis: Donations from Brazil farm sector boost Bolsonaro’s reelection bid,” Reuters, October 26, 2022, <https://www.reuters.com/world/americas/donations-brazil-farm-sector-boost-bolsonaros-re-election-bid-2022-10-26/>.

leaving a pockmarked landscape marked by large open-air pits.¹⁰ Pit mining for minerals is one of the most destructive forms of mining because it necessitates the clearing of massive areas of forest and produces deadly waste that can impact air and water quality, usually in the form of mercury-filled water that reaches Indigenous communities. This form of mining has become one of the primary drivers of the Amazon's deforestation in Brazil, Venezuela, Guyana, and Suriname, and a principal source of income for transnational criminal groups, such as Brazil's fearsome *Primeiro Comando da Capital* and the *Comando Vermelho*.¹¹ As one of the world's most biodiverse regions, the Amazon is also a prime target for the illegal wildlife trade. Across Bolivia, Venezuela, Ecuador, Guyana, and Suriname, criminal networks capture, kill, and traffic rare species in high demand, fomenting environmental destruction.

China and an Insatiable Demand for Soy: The role of Brazil's soy industry is underappreciated in contributing to Brazil's changing landscape and its carbon footprint. In addition to having 60 percent of the Amazon, Brazil houses South America's largest savanna, the *cerrado*, representing 21 percent of the country's landmass. The *cerrado* is the second largest geographic area in Brazil behind the Amazon. Changes in the *cerrado*'s ownership structure—approximately 75 percent of it is privately owned—have complicated conservation efforts. Climactic conditions have made the *cerrado* the preferred zone for Brazil's soy industry. Driven largely by China's insatiable demand for soy, the *cerrado* has lost an immense amount of green cover and carbon absorption potential. The *cerrado* has become one of Brazil's most threatened and exploited regions, as approximately only 20 percent of the region's original vegetation remains intact. The *cerrado*'s biodiversity and ecology play a critical role in absorbing carbon, but vast amounts of this area have been rendered unable to serve as an effective carbon sink. Unlike cattle ranching, which has decreased in total area, soy cultivation continues to expand in Brazil.

Importantly, the transformation of the *cerrado* cannot be uncoupled from the rise of China and Brazil's burgeoning economic relationship with it. In 2020, China's economic weight in Latin America and the Caribbean was 17 times greater than it was in 2001, with Brazil representing its largest partner in the region by far.¹² Brazil accounts for more than 50 percent of the world's trade in soy, much of it destined for China. After the 2008–2009 financial crisis, Brazil's exports to China exceed its exports to the United States and the European Union combined. China's insatiable desire for agricultural commodities and its contribution to Brazil's "monoculture farming" carries significant implications.¹³ As CSIS Senior Associate Lauri Tähminen argues, China is a key player—perhaps *the key player*—in ending Brazil's climate crisis because of its nearly singular role in reorienting Brazil's domestic economy away from industrial growth and toward commodities-based growth.¹⁴

Venezuela's Criminal Regime: While Brazil counts approximately 60 percent of the Amazon, it shares the rainforest with Bolivia, Colombia, Ecuador, Guyana, Peru, Suriname, Venezuela, and French Guiana. The fate of the Amazon in one country has the potential to reverberate across borders—and to state the obvious, efforts to protect the Amazon are not uniform across these countries. The worst offender is clearly the criminal regime of Nicolás Maduro in Venezuela, where an environmental horror show is currently unfolding.

Although Venezuela encompasses only 6 percent of the Amazon, the Maduro regime has presided over the fastest deforestation rate in the Neotropics¹⁵ (the trop-

¹⁰ Katie Jones, Javier Lizcano, and Maria Fernanda Ramírez, "Beneath the Surface of Illegal Gold Mining in the Amazon," *InSight Crime*, November 8, 2022, <https://insightcrime.org/investigations/beneath-surface-illegal-gold-mining-amazon/>.

¹¹ Ryan C. Berg, "Tussle for the Amazon: New Frontiers in Brazil's Organized Crime Landscape," Florida International University Research Publications, October 2021, https://digitalcommons.fiu.edu/jgi_research/45/.

¹² Francisco Urdinez, "Economic Displacement: China's Growing Influence in Latin America," Wilson Center Weekly Asado, June 16, 2023, <https://www.wilsoncenter.org/blog-post/economic-displacement-chinas-growing-influence-latin-america>.

¹³ Ciara Long, "How Monoculture Farming is Threatening a Key Brazilian Biome," *The Brazilian Report*, August 18, 2022, <https://brazilian.report/business/2017/12/21/monoculture-brazilian-biodiversity/>.

¹⁴ Lauri Tähminen, "Only China Can End Brazil's Climate Crisis," *Foreign Policy*, July 1, 2021, <https://foreignpolicy.com/2021/07/01/brazil-deforestation-china-amazon-climate-change/>.

¹⁵ Margaret López, "Venezuela pierde sus bosques más rápido que otros países amazónicos," *SciDevNet*, September 26, 2022, <https://www.scidev.net/americas-latina/news/venezuela-pierde-sus-bosques-mas-rapido-que-otros-paises-amazonicos/>.

ical regions of the Western Hemisphere) and the fifth fastest rate in the world.¹⁶ One of the main drivers of Venezuela's deforestation is Maduro's promotion since 2016 of the so-called Orinoco Mining Arc, a region roughly the size of Portugal that serves to promote the regime's state-sponsored illegal mining policy. Besides Venezuela's trade in oil, illegal gold mining serves as a top source of Maduro's state finances.¹⁷ Alongside Venezuela's active deforestation and its dilapidated oil and gas industries, some scholars have accused Maduro of committing "ecocide"—the deliberate and negligent destruction of nature and, in Maduro's case, part of a strategy aimed at consolidating and holding power.¹⁸ Illegal gold miners in the region, known as *garimpeiros*, operate seamlessly across national borders.

BRAZIL'S DOMESTIC HEADWINDS

In the context of recent trends in deforestation, Lula faces tremendous expectations—both from domestic and international audiences alike. The international community may have to attenuate those expectations and refine its sense of the possible, however, with a deeper understanding of Brazil's domestic headwinds. Domestic strictures pose a challenge to conservation efforts. Weak governance and state presence limits the ability of regional and local governments to provide adequate land governance.¹⁹ The lack of law enforcement and resource management enables settlers and transnational criminal organizations to invade public lands and deforest the Amazon. In the past, the Brazilian government has attempted to divert deforestation by land titling reform and privatizing parts of the rainforest to promote sustainable logging.²⁰ Similar efforts would seem to be off the table in the current political environment.

Brazil's biggest domestic headwind, though, is structural and economic, and thus unlikely to change drastically under Lula's tenure. Manufacturing once accounted for 36 percent of Brazil's GDP. In 2022, manufacturing represented just 13 percent of the country's GDP. Yet, Brazil remains a largely developing country, with pockets of significant underdevelopment. Economists term this phenomenon "premature deindustrialization," whereby industry moves to cheaper locales and yet large segments of society have failed to receive the benefits of any industrialization process.²¹ Brazil is a society that has undergone a process of industrialization and witnessed significant deindustrialization without all segments of that society partaking in the fruits of that process. And according to economists, out of a study that included 30 of the most manufacturing heavy countries, Brazil is suffering from the worst case of "premature deindustrialization" in the world as it sees a dwindling number of manufacturing opportunities at a much lower level of income per capita than other industrialized economies when they began the deindustrialization process and transition to service-based economies.²² Having industrialized and deindustrialized, it will be difficult for Brazil to recover that critical window of opportunity for significant industrialization to occur once again.

Arguably, nobody understands this reality better than President Lula, who began as a metalworker in São Bernardo do Campo.²³ However, Brazil's tepid economic growth and the lack of industry poses a frontal challenge to the country's prospects

¹⁶ "MAAP #164: Amazon Tipping Point—Where Are We?", Monitoring of the Andean Amazon Project, accessed June 14, 2023, <https://maaproject.org/2022/amazon-tipping-point/>.

¹⁷ Ryan C. Berg, "Assessing the Effectiveness of Sanctions against Venezuela: Illegal Gold Trading and Maduro's Authoritarian Resilience," *Foro Cubano* 3 (23): August 2020, <https://www.programacuba.com/assessing-the-effectiveness-of-sanc>.

¹⁸ Ryan C. Berg and Lauri Tähminen, "Venezuela's Maduro Should Be Tried for Ecocide," *Foreign Policy*, May 14, 2021, <https://foreignpolicy.com/2021/05/14/venezuela-ecocide-maduro-icc/>.

¹⁹ Romina Bandura and Shannon McKeown, "Sustainable Infrastructure in the Amazon," Center for Strategic and International Studies, October 26, 2020, <https://www.csis.org/analysis/sustainable-infrastructure-amazon>.

²⁰ Ariel Schwartz, "Why Brazil Is Right to Auction Off the Amazon Rainforest," *Fast Company*, October 13, 2010, <https://www.fastcompany.com/1694802/why-brazil-right-auction-amazon-rainforest>.

²¹ Dani Rodrik, "Premature Deindustrialization," Harvard Kennedy School Working Paper, November 2015, https://drodrik.scholar.harvard.edu/files/dani-rodrik/files/premature_deindustrialization_revised2.pdf.

²² Samantha Pearson, "A Factory Exodus is Hollowing Out Brazil's Industrial Heartland," *Wall Street Journal*, June 8, 2023, <https://www.wsj.com/articles/a-factory-exodus-is-hollowing-out-brazils-industrial-heartland-83505647>.

²³ Samantha Pearson and Luciana Magalhães, "Brazil's President-Elect 'Lula' Promises Prosperity but Faces Economic Perils," *Wall Street Journal*, October 31, 2022, <https://www.wsj.com/articles/brazils-president-elect-promises-prosperity-but-faces-economic-perils-11667221839>.

of achieving greater prosperity in areas other than agriculture.²⁴ Worse yet, thousands of large companies have shut their doors in Brazil in recent years, including Ford, Sony, Mercedes, LG, Roche, Eli Lilly, LafargeHolcim, CRH, and Kirin, and workers have been forced to move to low-skilled service jobs earning less income.²⁵ The auto industry, a fifth of Brazil's manufacturing output, has been hit particularly hard.

Since communities in the Amazon region are some of the poorest in Latin America, the lack of economic opportunities often compels people to engage in informal employment, such as subsistence agriculture.²⁶ Combined with the need to grow Brazil's economy and lower its high unemployment rate—lingering effects of the pandemic—Lula faces a set of incentives that could see more deforestation. These structural, socioeconomic challenges are a critical underlying cause of deforestation in Brazil.

Much of Brazil's deindustrialization, of course, has a nexus with its deep relationship with China, which altered the composition of Brazil's domestic economy.²⁷ As China has done elsewhere, the Sino-Brazilian relationship has hollowed out Brazil's manufacturing base while increasing the proportion of Brazil's GDP derived from the agroindustry to one-third of the overall economy. China became Brazil's largest trading partner in 2009, and a recent agreement to conduct bilateral commerce in their respective currencies rather than the U.S. dollar is set to move the countries even closer.²⁸ Further, the last 20 years of China-Brazil economic relations have spawned powerful agricultural lobbies that stymie domestic conservation efforts. As Lula fosters the trade, investment, and diplomatic relationship with China, efforts to boost Brazil's economic growth will clash with the goal of curtailing deforestation. Altering the existing equilibrium would require a large and unlikely external shock to Brazil's economy.

BROAD RECOMMENDATIONS

No single policy or approach can remedy deforestation in Brazil's Amazon. The following policies represent a fruitful start to curbing deforestation in Brazil's Amazon and, importantly, fit within the framework of a productive U.S.-Brazil bilateral relationship.

A multifaceted crisis requires multifaceted approaches: Cattle ranching is an important driver of deforestation and supply chains should be monitored and cleaned up to reflect the values of environmental sustainability. However, the U.S. and EU must broaden the aperture to understand the variegated drivers of deforestation, including structural changes in Brazil's economy, the deindustrialization process, Sino-Brazilian relations, the criminal regime in Venezuela, the explosion of transnational organized crime in the Amazon, and other factors. *Importantly, understanding Brazil's immense and varied geographies, and how they contribute (or not) to the common goal of carbon capture, is critical to understanding the country's role as an environmental steward for the world.* While the Amazon captures much of the public imagination, Brazil is home to other biomes, such as the *cerrado*, that are crucial to a healthier planet.

Prioritize a cooperative approach over a punitive one: Divestment in Brazil and imposing tariffs or sanctions are often proposed to curb Brazil's deforestation. A punitive approach, however, will contribute to a deterioration in bilateral relations and decrease United States and European Union influence in Brazil—all while strengthening China's hand, arguably the only country with sufficient leverage to push Brazil toward more sustainable agricultural practices. As the top recipient of Brazil's agricultural commodities, China currently reaps the benefits of Amazon destruction with little consequence. The same standards to which the United States and the European Union will hold themselves should also apply to China. A cooper-

²⁴“Brazil Overview,” World Bank, accessed June 14, 2023, <https://www.worldbank.org/en/country/brazil/overview>.

²⁵“Microsoft ‘Sells’ Brazil’s Nokia Operations to Flextronics,” BNAméricas, October 5, 2015, <https://www.bnamericas.com/en/news/microsoft-sells-brazils-nokia-operations-to-flextronics>.

²⁶Monica Prestes, “The Amazon’s Big Cities Need Green Jobs Too. It’s a Challenge,” *Americas Quarterly*, May 12, 2021, <https://americasquarterly.org/article/the-amazons-big-cities-need-green-jobs-too-its-a-challenge/>.

²⁷Ryan C. Berg, “The Great Balancing Act: Lula in China and the Future of U.S.-Brazil Relations,” Center for Strategic and International Studies, April 19, 2023, <https://www.csis.org/analysis/great-balancing-act-lula-china-and-future-us-brazil-relations>.

²⁸“China and Brazil strike deal to use own currencies for trade instead of dollar,” *The National*, March 29, 2023, <https://www.thenationalnews.com/business/economy/2023/03/30/china-and-brazil-strike-deal-to-use-own-currencies-for-trade-instead-of-dollar/>.

ative approach is also key to ensuring environmental stewardship and climate change remain central pillars of the U.S.-Brazil CEO Forum, while also ensuring Brazil continues to contribute to global food security in the macro context of Russia's invasion of Ukraine.

Understand domestic dynamics on the Amazon: Too often, policymakers fail to appreciate how the Amazon is seen within Brazil itself, causing them to engage in ways that exacerbate tensions and eviscerate goodwill and cooperation. Specifically, Brazil tends to view the Amazon as a sovereignty issue. Brazilian diplomats bristle at suggestions of sanctions, tariffs, and other punishments to curtail deforestation. Consider, for instance, the diplomatic firestorm ignited by Stephen Walt's article in *Foreign Policy* in 2019—"Who Will Save the Amazon (And How)?: It's Only a Matter of Time Until Major Powers Try to Stop Climate Change by Any Means Necessary."²⁹ The implication that Western powers would take strong action—including potentially kinetic action—to curtail deforestation dovetails with some of the country's greatest fears and the persistent belief that climate criticism by outside powers is a veiled attempt to control Brazil's Amazon. "A recent poll revealed that 95 percent of Brazilians believe foreign countries that criticize Brazil over management of the Amazon do so out of ulterior motives, such as exploiting the forest's riches for their own economic gain."³⁰ Indeed, a recent academic paper by leading Brazilian political scientists has demonstrated how foreign climate criticism of Brazil can fuel a domestic political market in Brazil for politicians who defy and resist this criticism, especially when the individuals in question identify as nationalist on the political spectrum.³¹ Policymakers must have a highly nuanced understanding of how the Amazon figures as a domestic political issue to avoid fueling the political market for climate resistance.

Provide incentives to reindustrialize Brazil: Many of the Amazon region's residents live in its largest urban areas such as Manaus and Belém, the same areas that have been hit hardest by Brazil's premature deindustrialization. If Brazil fails to grow its industrial base sufficiently in some of these regions, the economic incentives to deforest will remain strong. The United States should think creatively about its role in reindustrializing Brazil, such as the use of special economic zones and incorporating these Amazonian cities, some of which lie near to the United States geographically, in its efforts to nearshore critical supply chains to the Western Hemisphere. A key part of this objective will be support for building sustainable infrastructure in the Amazon (*i.e.*, green river transportation and affordable air travel, as opposed to railways through sensitive areas), where China has a devastating environmental record on infrastructure development.³²

Align Policies Across the Amazon Basin: Beyond Lula's plan to curb Brazil's Amazon deforestation by the end of the decade, the Amazon Basin must achieve greater alignment across the countries that serve as the stewards of this critical biome. Later this year, Lula will host a Summit of Amazon Countries, ostensibly to revive efforts in the 1995 Amazon Cooperation Treaty Organization, and forge greater consensus and alignment on policies across a diverse set of countries. The United States should provide support for that holistic approach, while also highlighting the role of rogue actors such as the Maduro regime in Venezuela that is intentionally fomenting "ecocide" as a matter of state policy. What happens in one country's Amazon biome has the potential to reverberate across borders.

²⁹ Stephen M. Walt, "Who Will Save the Amazon (and How?)," *Foreign Policy*, August 5, 2019, <https://foreignpolicy.com/2019/08/05/who-will-invade-brazil-to-save-the-amazon/>.

³⁰ Matias Spektor and Guilherme N. Fasolin, "What Lula's Return Means for the Amazon," *Foreign Affairs*, November 7, 2022, <https://www.foreignaffairs.com/brazil/what-lula-return-means-amazon>.

³¹ Matias Spektor, Umberto Mignozzetti, and Guilherme N. Fasolin, "Nationalist Backlash Against Foreign Climate Shaming," *Global Environmental Politics* 22 (1): 139–158, <https://direct.mit.edu/glep/article-abstract/22/1/139/108905/Nationalist-Backlash-Against-Foreign-Climate>.

³² Romina Bandura and Shannon McKeown, "Sustainable Infrastructure in the Amazon:" Jonathan E. Hillman, "Don't Let China Greenwash Its Belt and Road," Center for Strategic and International Studies, October 8, 2020, <https://www.csis.org/analysis/dont-let-china-greenwash-its-belt-and-road>.

QUESTIONS SUBMITTED FOR THE RECORD TO RYAN C. BERG, PH.D.

QUESTIONS SUBMITTED BY HON. ELIZABETH WARREN

Question. The Securities and Exchange Commission (SEC) proposed rules in March 2022 to enhance and standardize climate-related disclosures to investors.¹ These rules would require registrants to include climate-related disclosures and risks in their registration statements and reports, including information such as greenhouse gas emissions and climate risk impacts on operations and finances.

Would finalizing the SEC's proposed rules help provide investors transparency into illegal deforestation in the Brazilian Amazon, particularly by meatpacking giants such as JBS? Please specify what specific requirements would be especially effective to include in the finalized rules.

Answer. While the proposed rules would provide some transparency on climate-related disclosures to investors, JBS has historically avoided reporting² on its suppliers linked to deforestation. It is also well documented that cattle in the Brazilian Amazon are occasionally laundered³ from "dirty" farms on illegal land that has been deforested to "clean" farms to obscure their origin throughout the supply chain.

To comply with the monitoring requirements in the proposed SEC rules companies will have to rely on official documents and reporting that can be susceptible to fraud, and on data provided from cattle ranchers, who may lack an incentive to self-report information that could damage their reputation and ability to sell to meatpacking companies. In addition to these challenges, the domestic political structure in Brazil—a highly federalized system with state powers—also poses a challenge to conservation efforts. As a result, regulatory pressure would require a joint domestic effort by Brazil to improve the presence of law enforcement and shore up the ability of local governments to provide adequate land governance to ensure transparency.

It is important to keep in mind that divestment will also contribute to a deterioration in bilateral relations and decrease United States' and European Union influence in Brazil—all while strengthening China's hand, arguably the only country with sufficient leverage to push Brazil toward more sustainable agricultural practices.

Question. The Federal Trade Commission collected comments in January 2023 on potential updates to its Green Guides for the Use of Environmental Marketing Claims.⁴ The Commission's Green Guides specify how marketers can avoid making environmental marketing claims that are unfair or deceptive, and it is seeking to update the guides based on increasing consumer interest in buying environmentally friendly products.

Would updating the FTC's Green Guides help curb illegal deforestation in the Brazilian Amazon, particularly by meatpacking giants such as JBS? Please specify what specific guidelines would be especially effective to include for updating the Green Guides.

Answer. Cattle ranching is an important driver of deforestation and supply chains should be monitored and cleaned up to reflect the values of environmental sustainability. JBS has made ambitious sustainability goals and should be held accountable for those goals.⁵

While updating the Green Guides could protect and educate consumers, JBS has already come under public scrutiny for its climate commitments. The National Ad-

¹U.S. Securities and Exchange Commission, "SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors," press release, March 21, 2022, <https://www.sec.gov/news/press-release/2022-46>.

²Naira Hofmeister, André Campos, Isabel Harari, and Lucy Jordan, "JBS Admits to Buying Almost 9,000 Cattle from 'One of Brazil's Biggest Deforesters,'" *Unearthed*, November 11, 2022, <https://unearthed.greenpeace.org/2022/11/11/jbs-cattle-brazils-biggest-deforester-amazon/>.

³Benji Jones, "Some people launder money. Other people launder cattle," *Vox*, October 19, 2022, <https://www.vox.com/science-and-health/2022/10/19/23403330/amazon-rainforest-deforestation-cattle-laundering>.

⁴U.S. Federal Trade Commission, "Federal Trade Commission Extends Public Comment Period on Potential Updates to its Green Guides for the Use of Environmental Marketing Claims," press release, January 31, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/01/federal-trade-commission-extends-public-comment-period-potential-updates-its-green-guides-use>.

⁵JBS, "Sustainability," JBS, Accessed July 25, 2022, <https://jbsfoodsgroup.com/our-purpose/sustainability>.

vertising Review Board, an appellate body for the U.S. system of advertising industry self-regulation, has already recommended that JBS discontinue its “net zero” emissions by 2024 claims.⁶ Their investigation concluded that JBS does not have a formulated and vetted plan at present.⁷ Rather, JBS is in the exploratory stage of its effort directed toward the net zero 2040 goal. JBS responded that it “will comply with NARB’s recommendation in published statements and advertising claims going forward.”

While including a section on deforestation in the Green Guides could promote more transparency on JBS’s products and their relation to climate commitments, it would run into the same supply chain monitoring issues as the SEC’s proposed rules. JBS has failed⁸ to self-report its deforestation impact in the past and it has a history of noncompliance, having already paid millions of dollars in fines over issues such as bribery,⁹ price fixing,¹⁰ and hazardous working conditions.¹¹

QUESTION SUBMITTED BY HON. SHELDON WHITEHOUSE

Question. The bipartisan FOREST Act would restrict U.S. market access for commodities originating from illegally deforested land, reducing the incentive for deforestation, and using this market leverage to improve laws, monitoring, and enforcement in countries where illegal deforestation occurs.

Do you support the FOREST Act?

Answer. As stated in my testimony, I overwhelmingly support policy action in the United States that primarily prioritizes a cooperative approach with Brazil on deforestation over a punitive one. The support for this approach is grounded in a deep understanding of how Brazilians approach the climate issue, as well as a nuanced understanding of how climate politics plays in Brazil’s domestic politics. Collaborating with Brazil on environmental issues is key to ensuring environmental stewardship and climate change remain central pillars of a productive U.S.-Brazil bilateral relationship. There is so much that is going on “beneath the hood” in the bilateral relationship, especially since it is heavily institutionalized. A more punitive approach risks derailing those bilateral conversations taking place in, for instance, the U.S.-Brazil CEO Forum.

PREPARED STATEMENT OF HON. MIKE CRAPO,
A U.S. SENATOR FROM IDAHO

Thank you, Mr. Chairman.

Over the years, you and I have done a lot of good forest work in our own backyards, particularly with respect to improvements to forest management and wildfire budgeting. I appreciate the time and effort you and your staff have put in to assess the root causes of deforestation in the Amazon. The Amazon rainforest, with most of it sitting literally in Brazil’s backyard, is the largest remaining tropical forest and one of the most biodiverse places on Earth.

Scientists and governments say that its overall importance to the world cannot even be measured just by its more than 3 million plant and animal species, or the over 20 million people who call it home, including some 50 remote tribes, which have not even made first contact with modern civilization. In fact, the world is still learning about all of the benefits that the Amazon rainforest may bring to the plan-

⁶“National Advertising Review Board Recommends JBS Discontinue ‘Net Zero’ Emissions by 2040 Claims,” BBB National Programs, June 20, 2023, <https://bbbprograms.org/media-center/dd/narb-jbs-net-zero-emissions>.

⁷*Ibid.*

⁸Naira Hofmeister, André Campos, Isabel Harari, and Lucy Jordan, “JBS Admits to Buying Almost 9,000 Cattle from ‘One of Brazil’s Biggest Deforesters,’” *Unearthed*, November 11, 2022, <https://unearthed.greenpeace.org/2022/11/11/jbs-cattle-brazils-biggest-deforester-amazon/>.

⁹U.S. Securities and Exchange Commission, “SEC Charges Brazilian Meat Producers with FCPA Violations,” press release, October 14, 2020, <https://www.sec.gov/news/press-release/2020-254>.

¹⁰Mike Scarcella, “JBS to pay \$25 mln in latest beef price-fixing settlement in U.S. court,” Reuters, April 17, 2023, <https://www.reuters.com/legal/litigation/jbs-pay-25-mln-latest-beef-price-fixing-settlement-us-court-2023-04-17/>.

¹¹U.S. Department of Labor, “Federal Investigators Find JBS Foods Failed to Protect Green Bay Plant Worker from Amputations by Ignoring Required Safety Standards,” news release, June 20, 2023, <https://www.dol.gov/newsroom/releases/osh/20230620>.

et and its people, both natural and as a means to elevate the economy and standard of living of its residents.

In response to an alarming rate of deforestation, Brazil was prompted to construct a legal framework, between the 1980s and into the early 2000s, to protect half of its Amazon lands as either indigenous territories or conservation units. Through the evolution of its laws, Brazil's goal is to balance its environmental, security, and economic demands for the Amazon. But the issue is not the number or quality of its laws so much as it is the lack of enforcement, resources, and personnel required to effectively protect the vast lands of the Amazon.

Countless studies, spanning a decade, chronicle illegal land-grabbing activities of various enterprises as the main accelerators of deforestation. More specifically, these studies point to the economic success of such enterprises as empowering various illicit actors to burrow into and hide within complex supply chains and function with near impunity across regions where accountability is limited by the vagaries of national and local political will against the sheer size of the Amazon, which is itself governed, in Brazil, by a unique and highly independent constituent state system.

Conservation and progress do not need to be at odds. Measures can respect the rights of legitimate property owners and balance the needs for conservation and community, even one as large as the Amazon. I look forward to our witnesses' testimonies today, which will prove particularly useful to the chairman as he continues his investigation into ways that may abate Brazil's deforestation of the Amazon.

One thing we must all keep in mind before any actions are taken for the purposes of helping Brazil manage its problems in the Amazon, is the potential for unintended consequences that may arise, a concern which was highlighted in a June 15th letter sent to the chairman and me, from Minister-Counselor Velloso at the Brazilian Embassy.

President Teddy Roosevelt, who provided the impetus early in our country's history for establishing both the U.S. Forest and National Park Services, had it exactly right: "The Nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased and not impaired in value. Conservation means development as much as it does protection."

I would like to introduce into the record, the letter of June 15, 2023, to the chairman and me, from the Brazilian embassy.

BRAZILIAN EMBASSY
WASHINGTON, DC

June 15, 2023

The Honorable Ron Wyden
Chairman
U.S. Senate
Committee on Finance
221 Dirksen Senate Office Building
Washington, DC 20515

Dear Chairman Wyden,

I would like to refer to ongoing discussions in the U.S. Congress on the relationship between international trade in commodities and the fight against deforestation. This is an important topic that will certainly benefit from a proper acknowledgement of the efforts that our countries have undertaken both domestically and on the international front.

The Brazilian Government is firmly committed to protecting the environment and fighting climate change. The new administration in Brazil has taken important steps to strengthen the Ministry of the Environment and Climate Change, increase resources for environmental protection agencies, and promote joint efforts by various agencies to combat deforestation. As President Lula announced, Brazil is committed to ending illegal deforestation and substantially increase areas under restoration by 2030, through a number of economic incentives.

This commitment is the central pillar of the new Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAm), relaunched by the Brazilian Government on June 5th and structured around the topics of sustainable production activities; environmental monitoring and control; land and territorial planning; and regulatory and economic mechanisms aimed at reducing deforestation. Its goal encompass expanding the area of federal public forests under concession by up to 5 million hectares by 2027, a fivefold increase in inspection of illegally deforested areas, and the hiring of 1,600 environmental analysts to work in the fight against deforestation by 2027.

This commitment also has a relevant international dimension. During their meeting in Washington last February, Presidents Lula and Biden reaffirmed the importance of Brazil-U.S. relations and their countries' priority of stronger cooperation on sustainable development and climate change. During the coming months, our countries will be discussing among other initiatives, bilateral efforts to tackle deforestation and promote low carbon agricultural practices. As highlighted in the joint presidential statement, the U.S. Congress will play a key role in enabling funding for programs to protect the Amazon.

To face these challenges, a cooperative approach is better suited as sustainable development requires simultaneous improvement of its economic, social and environmental features. In contrast, measures such as restricting trade in food and agricultural goods would negatively impact products and exporters in developing countries. In fact, these measures may run counter to efforts against deforestation by destabilizing national markets and lead to an expansion of unsustainable practices caused by decreasing revenues.

Such a development would work against Brazil's contribution to world food security, sustained by scientific research and agriculture and livestock production technology. This contribution is widely acknowledged. Brazil, the world's largest net exporter of agricultural products, export agricultural commodities and food products to 222 countries and territories.¹

Strong productivity growth has taken place as various policies and innovations to promote more sustainable practices in the agricultural and livestock sectors in Brazil have been implemented. Technologies supported by the Sectoral Plan for Adaptation to Climate Change and Low Carbon Emissions in Agriculture (ABC and ABC+ plans) have helped mitigate 170 million tons of CO₂ over the course of 2 decades,² while Brazil's Forestry Code constrains land use change and makes access to subsidized credit conditional on compliance with environmental regulations.³

Productivity growth has been particularly strong in the livestock sector. Beef production increased by 38.4% in Brazil since 2000, while the area dedicated to cattle grazing dropped by 11.6%.⁴ These efficiency gains are supported by a commitment to sustainable production through practices such as (i) adopting carbon reduction beef certification, in keeping with the Carbon Neutral Beef Program developed by the Brazilian Agricultural Research Corporation (Embrapa); (ii) recovering degraded pastures by integrating crop-livestock-forestry, thus allowing mitigation and adaptation efforts within a landscape management approach; and (iii) implementing a tracking system to ensure compliance with environmental legislation.

Going forward, beef imports from Brazil can continue to play an important role in supplementing domestic production and ensuring the availability of high-quality products for American consumers. Brazil is ready to support food inflation control in the U.S. market, as supply constraints in the United States could materialize over the coming years.

The acknowledgement of mutual benefits and complementarity in our economic relations has supported stronger trade and investment flows between Brazil and the United States. In 2022, there was a 15.5% increase in bilateral trade in goods, which has been a consistent and sizeable source of surpluses for the U.S. economy. As the United States remains the main source of the foreign direct investment stock in Brazil, Brazilian investments are contributing more and more to prosperity and job creation in the United States.

Yours sincerely,

¹ USDA/Economic Research Service. *Brazil's Momentum as a Global Agricultural Supplier Faces Headwinds*, 2022.

² OECD. *Latin American Economic Outlook: Towards a green and just transition*, 2022.

³ OECD. *Agricultural Policy Monitoring and Evaluation*, 2022.

⁴ ABIEC. *Beef Report 2021, Beef Report 2022*.

Bernardo Paranhos Velloso
Chargé d'affaires

PREPARED STATEMENT OF RICK JACOBSEN, MANAGER, COMMODITIES POLICY,
 ENVIRONMENTAL INVESTIGATION AGENCY U.S.

INTRODUCTION

Mr. Chairman, Ranking Member, and members of the Finance Committee, thank you for inviting me to appear before the committee today for this hearing on “Cattle Supply Chains and Deforestation of the Amazon.”

For the past 15 years, I have investigated natural resource-related crime and developed and advocated for policy solutions in producing and consuming countries around the world, first with the London-based non-profit Global Witness, and since 2018 with the Environmental Investigation Agency here in Washington. At EIA, my work has focused on understanding the role commodity production and associated international trade plays in driving environmental crime and deforestation, and developing practical and effective policies to decouple the production of agricultural commodities from negative impacts on the environment and human rights. As part of this work, I have lead in depth investigations into illegal cattle ranching in Brazil, the largest driver of deforestation of the Amazon rainforest, and its links to international beef and leather supply chains. Before joining EIA, I worked for a number of years as a researcher in biological sciences at Sandia National Laboratory. I have a masters in neuroscience from Stanford University and a BSc in biology from the University of Utah.

The Environmental Investigation Agency, Inc. (EIA), a nonprofit 501(c)(3) organization, has worked for over 35 years to investigate and expose environmental crimes, and advocate for tangible and effective solutions. EIA’s analyses of the trade in illegal timber, wildlife, and ozone-depleting substances have been globally recognized. Our investigations played a leading role in instigating the international ban on ivory trade, and more recently, the timber annex to the U.S.-Peru Trade Promotion Agreement and the 2008 amendments of the U.S. Lacey Act prohibiting the trade in illegally produced timber. More recently, EIA’s investigations have expanded to look at environmental crime related to the production of agricultural goods such as beef, leather, and palm oil.

Working with local civil society partners around the globe, we document the environmental, economic, and social impacts of environmental crime. Our experience has shown us unequivocally that the most destructive and challenging crimes to fight are those that are inextricably linked to international trade, whether it is trade in endangered species, timber, agricultural commodities, or fish products—and that any solution therefore requires action and cooperation from both producer and consumer nations involved in that trade. Crimes driven by local demand can, when there is political will, be solved locally, while crime driven by international trade can overwhelm the best local efforts to do so alone.

Today I will focus my remarks on the role of cattle ranching in driving illegal deforestation in the Brazilian Amazon, how the sector’s lack of traceability and transparency allows products linked to deforestation and crime to enter international markets, including our own here in the U.S. where they undermine American producers who follow the law, and actions the U.S. can take to help address the problem.

THE CRITICAL IMPORTANCE OF FORESTS

Over the past decade, the world has lost an area of forest the size of Virginia every year.¹ The global deforestation crisis is closely connected to some of the most pressing problems we face. Forest loss and degradation are among the biggest contributors to climate change and biodiversity loss and are a root cause of zoonotic disease spillover events such as those related to Ebola and coronaviruses.² Forests

¹ Roughly 42,000 square miles per year, based on annual deforestation estimates published by the UN Food and Agriculture Organization for 2010–2020. This does not include vast areas of clear-cut logging in boreal and temperate forests or selective logging in tropical rainforests.

² For recent analysis of the climate mitigation potential of tropical forests, see: Griscom et al. National mitigation potential from natural climate solutions in the tropics (<https://royalsocietypublishing.org/doi/full/10.1098/rstb.2019.0126>). Phil. Trans. of the Royal Society B: Biological Sciences (2020); for recent analysis on the role of forest and wildlife protection in pre-

contribute to the livelihoods and food security of well over a billion people around the world,³ and their loss is linked to land invasions and violence against Indigenous peoples, local communities, and environmental defenders⁴ while feeding corruption and organized crime and undermining rule of law.⁵

In the tropics, the expansion of commercial agriculture, led by cattle and soy in South America and palm oil and pulp in Southeast Asia, drives 60 percent of deforestation.⁶ A recent comprehensive review estimated that roughly two-thirds of this conversion for agriculture occurs illegally.⁷ Yet commodities produced on illegally converted lands continue to find unwitting consumers, buyers, and investors in the U.S. and other major markets, in part because complex and opaque global supply chains hide the links to crime and deforestation.

THE AMAZON: WORLD'S LARGEST RAINFOREST UNDER THREAT

The Amazon basin is home to the world's largest tropical rainforest, of global significance for the biodiversity it harbors, its importance for the global climate as a sink and store of carbon dioxide, and its modulation of water cycles and weather patterns across the continent and beyond. Scientists have for years been raising the alarm that deforestation is pushing the entire Amazon rainforest towards a tipping point that could lead to irreversible ecological collapse and the release of tens of billions of tons of carbon dioxide. This could put global targets for avoiding the worst impacts of climate change out of reach. The Amazon is also on the front line of the struggle of Indigenous peoples to protect land they have occupied and stewarded for centuries from invasions by illegal loggers, miners, and ranchers. Indigenous peoples have the most to lose from the destruction of forests that are integral to their livelihoods and cultures, and have shown themselves to be the most effective protectors of these forests, often at great personal risk to individual leaders and community members.

Deforestation rates in the Brazilian Amazon reached their highest level in 15 years under the Bolsonaro presidency.⁸ Roughly 80 percent of all deforested land in the Brazilian Amazon has been converted to cattle pasture, making cattle ranching the largest driver of deforestation in the tropics.⁹ Much of this forest conversion—around 95 percent by one recent estimate—occurs in violation of Brazil's own laws and regulations.¹⁰ Many of these violations rise to the level of crime under Brazilian law. For example, invasions of protected areas and legally recognized Indigenous territories are widespread and have been on the rise in recent years.

Actions by the Bolsonaro administration that significantly weakened environmental law enforcement played a role in recent increases in illegal deforestation.¹¹ A 2022 analysis found that only 2 percent of illegal deforestation events across Brazil since 2019 were subject to any penalty by Federal law enforcement agencies.¹² But this does not need to be the case. Between 2003 and 2012, the policies of the first Lula administration resulted in a reduction in Amazon deforestation by more than 80 percent, a decrease widely attributed by experts to more effective law enforcement. The current Lula government recently announced that improved en-

venting pandemics of zoonotic origin, *see*: Dobson et al. Ecology and economics for pandemic prevention (<https://science.sciencemag.org/content/369/6502/379>). *Science* (July 24, 2020); and Tollefson, Jeff. Why deforestation and extinctions make pandemics more likely (<https://www.nature.com/articles/d41586-020-02341-1>). *Nature* (August 7, 2020).

³Independent Evaluation Group of the World Bank Group, 2013. Managing Forest Resources for Sustainable Development: An Evaluation of World Bank Group Experience (https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/forest_eval2.pdf).

⁴See Human Rights Watch letter to the OECD (<https://www.hrw.org/news/2021/02/06/letter-amazon-and-its-defenders-organisation-economic-cooperation-and-development>), January 27, 2021, for an overview of the situation in Brazil.

⁵See for example: Emanuele Ottolenghi, *The Dispatch*, March 19, 2021. Good Climate Policy Should Fight Corruption and Organized Crime: They are key drivers of deforestation and environmental degradation (<https://thedispatch.com/p/good-climate-policy-should-fight>).

⁶*Forest Trends*, May 18, 2021. Illicit Harvest, Complicit Goods: The State of Illegal Deforestation for Agriculture (<https://www.forest-trends.org/publications/illicit-harvest-complicit-goods/>).

⁷*Forest Trends*, *op. cit.*

⁸See for example: www.reuters.com/world/americas/brazil-deforestation-data-shows-22-annual-jump-clearing-amazon-2021-11-18/.

⁹See for example: <https://www.sciencedirect.com/science/article/pii/S0959378021000595>.

¹⁰https://s3.amazonaws.com/alerta.mapbiomas.org/rad2021/RAD2021_Completo_FINAL_Rev1.pdf.

¹¹See for example: <https://iopscience.iop.org/article/10.1088/1748-9326/ac5193>.

¹²See analysis by the Mapbiomas Enforcement Monitor: <https://mapbiomas.org/en/data-on-enforcement-show-that-impunity-still-prevails-in-the-fight-against-deforestation>.

forcement of environmental laws will be a core part of a strategy to halt deforestation in the Amazon by 2030.¹³ The U.S. should support and backstop these efforts by providing technical and financial assistance, increasing law enforcement cooperation and using the power of the U.S. market to incentivize the needed reforms.

EXPOSURE OF U.S. CATTLE PRODUCT IMPORTS FROM BRAZIL TO ILLEGAL DEFORESTATION

Since a ban on imports of fresh beef from Brazil was lifted in 2020, the U.S. has become the second largest destination for Brazil's beef exports, representing a key growth market. In 2022, U.S. imports of fresh and frozen beef from Brazil more than doubled over the previous year, bringing the total import of beef products to over \$1 billion, the highest level ever.¹⁴ An increasing amount of this beef comes from slaughterhouses in the Amazon region at high risk of sourcing cattle raised on illegally deforested land.¹⁵

The U.S. is also a major destination for leather processed in Brazil, much of it for use in car seats. EIA recently published the findings of a multiyear investigation showing how U.S. and global car manufacturers sourcing from Brazil are at high risk of using leather from cattle raised on illegally deforested lands in the Amazon.¹⁶ Our findings also led to an in-depth investigation by *The New York Times* into this issue in 2021.¹⁷

Our investigation detailed how hides from cattle raised on illegally deforested land in the Brazilian Amazon enter the supply chains of three of the country's largest leather companies, JBS, Vancouros, and Viposa, which supply global manufacturers of leather products ranging from car seats to sofas to handbags. The investigation used cattle transport permits to trace thousands of cattle raised illegally inside one of the most heavily deforested protected areas in the Brazilian Amazon, the Jaci-Paraná Extractive Reserve, and on a number of farms outside the protected area where ranching is occurring in areas embargoed for illegal deforestation, into the supply chains of major slaughterhouses in the Amazon state of Rondônia operated by major meat companies JBS, Marfrig, Minerva, among others. Some of these slaughterhouses export beef to the U.S., according to shipping data reviewed by EIA.¹⁸

Our findings, and those of numerous other civil society groups and media outlets, connect the dots between the systemic illegal deforestation occurring in Rondônia and across the Amazon region and international supply chains, and illustrate the high level of risk associated with beef and leather sourced from Brazil.¹⁹ I want to emphasize that small NGOs like mine with much more limited budgets and access to information than the world's largest meat companies are showing it is possible to trace these supply chains.

The U.S. market should not be a destination for illegally produced beef or leather from Brazil that undercuts the livelihoods of law-abiding ranchers in the U.S. and Brazil alike. I'm going to talk about one of the most important things the U.S. can do to ensure this isn't the case: establishing requirements for traceable and transparent supply chains for high-risk products entering our market.

THE CRITICAL IMPORTANCE OF TRACEABLE AND TRANSPARENT SUPPLY CHAINS

The investigations I've been involved in over the course of my career have shown time and again how complex and opaque global supply chains allow goods linked to some of the worst crimes and abuses, such as armed conflict, corruption, forced

¹³ See for example: [https://www.reuters.com/world/americas/brazils-lula-launches-plan-stop-deforestation-amazon-by-2030-2023-06-05/#:~:text=BRASILIA%2C%20June%205%20\(Reuters\),the%20world's%20largest%20tropical%20rainforest](https://www.reuters.com/world/americas/brazils-lula-launches-plan-stop-deforestation-amazon-by-2030-2023-06-05/#:~:text=BRASILIA%2C%20June%205%20(Reuters),the%20world's%20largest%20tropical%20rainforest).

¹⁴ EIA analysis using U.S. import data accessed through UN Comtrade: <https://comtradeplus.un.org/>.

¹⁵ See for example: <https://www.earth-sight.org.uk/news/american-pie-keeps-growing>; <https://reporterbrasil.org.br/2022/11/jbs-admite-ter-comprado-quase-9-mil-bois-ilegais-do-maior-desmatador-do-pais/>.

¹⁶ EIA US, Deforestation in the Driver's Seat, December 2022. Available at: <https://us.eia.org/report/deforestation-drivers-seat/>.

¹⁷ <https://www.nytimes.com/2021/11/17/climate/leather-seats-cars-rainforest.html>.

¹⁸ Shipping data obtained by EIA from Panjiva. See also: <https://www.earth-sight.org.uk/news/american-pie-keeps-growing>.

¹⁹ See for example: <https://reporterbrasil.org.br/2022/11/jbs-admite-ter-comprado-quase-9-mil-bois-ilegais-do-maior-desmatador-do-pais/>; <https://www.bloomberg.com/graphics/2022-beef-industry-fueling-amazon-rainforest-destruction-deforestation/#xj4y7vzkg>.

labor, violence against people defending their land and environment, and illegal logging and deforestation, to enter international markets, including our own.

Traceable and transparent supply chains for agricultural commodities linked to deforestation are critical to ensuring a resilient and sustainable supply of goods, while providing assurances to American businesses, investors, and consumers that goods entering the U.S. market are produced legally and in ways that align with our values and national security interests and do not undermine producers at home and abroad who follow the rules.

Nowhere is the importance of traceable and transparent supply chains more apparent than in Brazil's cattle sector, where a decade of voluntary corporate commitments by the country's largest meat companies have failed to reduce Amazon deforestation. Numerous investigations, including our own, have shown how the failure to enforce environmental laws and weak government oversight allow cattle raised on illegally deforested land to be laundered into supply chains through intermediaries, easily evading corporate supply chain monitoring systems limited to the direct suppliers to slaughterhouses. This often involves the abuse of cattle transport permits (GTAs) and rural property registrations (CARs). These systems are intended to strengthen transparency, traceability, and legal compliance, but lax government oversight of the self-declared information provided by ranchers and cattle traders leaves them open to fraud and manipulation.

EIA's investigation detailed how ranchers and intermediaries can use GTAs and CARs to quickly adjust the paper trail of their cattle once a laundering scheme is exposed and continue to elude efforts by meat companies to exclude cattle raised on farms with illegal deforestation from their supply chains. The findings led us to conclude that the current monitoring systems of Brazil's meat and leather companies are inadequate to exclude cattle raised on illegally deforested land from their supply chains, and recently proposed improvements are likely to be inadequate to address the problems uncovered by our investigation.

Taken together, the findings of EIA's investigation show why full birth to slaughter traceability of individual animals must be a mandatory component of supply chain due diligence regulations in Brazil, and in international markets sourcing beef and leather from Brazil, to ensure cattle from high-risk regions like the Brazilian Amazon are free of deforestation and crime.

DEMAND-SIDE ACTIONS URGENTLY NEEDED

While some of the dynamics that drive forest loss must be resolved at a national level, deforestation worldwide is increasingly driven by the demand for commodities in international markets. Voluntary initiatives and corporate commitments have not done enough to curb deforestation and forest degradation.²⁰ Government leadership and regulatory frameworks are urgently needed to address the climate and biodiversity crises, drive systemic change in global commodity supply chains and level the playing field for businesses at home and abroad trying to operate responsibly.²¹

THE FOREST ACT

As one of the world's largest producers and consumers of agricultural commodities, the U.S. must play a key role in setting standards for trade and finance that promote good governance and protect people and the ecological integrity of the world's remaining forests. The European Union recently passed a new regulation requiring traceable, legal and deforestation-free supply chains for agricultural commodities linked to deforestation,²² and the United Kingdom is in the process of developing regulatory measures to reduce the role of its imports of agricultural commodities in driving illegal deforestation.²³ The U.S. must also show leadership in advancing global standards that decouple deforestation from international trade while ensuring our market does not become a dumping ground for products linked to deforestation and crime that Europe is closing its doors to.

²⁰ For an analysis of voluntary commitments by major companies, see: Forest 500 annual assessment (https://forest500.org/sites/default/files/forest500_2021report.pdf).

²¹ For recent commentary, see: Justin Adams, *Financial Times* Opinion, August 7, 2019. Companies alone cannot tackle deforestation (<https://www.ft.com/content/f9f03ea6-b850-11e9-8a88-aa6628ac896c>).

²² Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2023.150.01.0206.01.ENG&toc=OJ%3AL%3A2023%3A150%3ATOC.

²³ Schedule 17 of the UK Environment Act 2021: <https://www.legislation.gov.uk/ukpga/2021/30/contents/enacted>.

This is why EIA and more than 40 other environmental, human rights, faith-based, and anti-corruption NGOs welcomed the introduction of the Fostering Overseas Rule of Law and Environmentally Sound Trade (FOREST) Act (H.R. 5508/S. 2950) in the last Congress.²⁴ The pragmatic and effective measures proposed in the bill would represent a critical step forward in fighting corruption and environmental crime abroad while reducing our footprint on the world's forests. We understand the sponsors are preparing to reintroduce the bill this year and urge members of Congress to support its swift passage.

The FOREST Act would:

- Prohibit products containing certain agricultural commodities produced on illegally deforested land, including cattle products, from entering the U.S. market;
- Require companies to carry out and report on risk-based due diligence, including supply chain traceability, on imports of key agricultural commodities linked to deforestation;
- Increase U.S. engagement with and support for countries taking meaningful steps to improve governance and reduce deforestation;
- Strengthen tools to tackle deforestation-related corruption and financial crime; and
- Establish a Federal Government procurement preference for zero-deforestation products.

At the core of the FOREST Act are requirements to increase supply chain traceability and transparency, allowing companies and consumers to make well-informed purchasing decisions, and incentivize reforms in producer countries such as Brazil to strengthen rule of law. Technologies already exist and are rapidly advancing to meet supply chain traceability needs across various sectors and applications, from timber to fisheries to food safety. The U.S. should provide technical and financial support to scale up this transition, in particular to assist small farmers in meeting emerging market requirements for traceable, legal and deforestation-free products, and to producer country governments committed to adopting the necessary transparent traceability and forest monitoring systems.

INDUSTRY SUPPORT FOR REGULATION OF COMMODITIES

There is significant and growing industry support for supply chain due diligence requirements. The U.S. Cattlemen's Association has endorsed the FOREST Act.²⁵ A group of five of the world's largest chocolate companies recently issued a letter to EU lawmakers supporting the farm-level traceability requirement in the recently adopted EU Deforestation Regulation, showing that this level of traceability is being embraced by leading businesses and can be achieved for even the most complex supply chains.²⁶ The Sustainable Food Policy Alliance (comprised of Danone North America, Mars, Incorporated, Nestlé USA, and Unilever United States) and the National Confectioners Association, among others, have also added their voices to call for a regulatory approach to tackle global deforestation.²⁷

CONCLUSION

As the example of illegal deforestation driven by cattle ranching in Brazil and its links to international markets—including our own—clearly demonstrates, opaque and unregulated global commodity supply chains risk making American consumers, businesses, and investors unwittingly complicit in environmental crimes that drive deforestation and undermine legitimate agricultural producers at home and abroad. But the U.S. market can also be leveraged to incentivize the needed governance reforms in producer countries.

U.S. leadership and legislative action can and must focus on bringing greater traceability, transparency, and accountability to global supply chains, supporting and building partnerships with countries taking meaningful steps to address deforestation and strengthen rule of law, and laying the foundation for cooperation and engagement with other major economies to encourage similar steps.

²⁴ <https://us.eia.org/report/20211001-sign-on-letter-forest-act/>.

²⁵ <https://twitter.com/uscattlemen/status/1501997951421501441>.

²⁶ See for example: <https://www.politico.eu/sponsored-content/polygon-mapping-is-critical-to-a-deforestation-free-cocoa-supply-chain/>.

²⁷ SFPA statement available at: <https://foodpolicyalliance.org/news/sfpa-commends-efforts-to-address-deforestation-in-ag-supply-chains/>; NCA statement available at: <https://candyusa.com/policy-advocacy/deforestation/>.

QUESTIONS SUBMITTED FOR THE RECORD TO RICK JACOBSEN

QUESTIONS SUBMITTED BY HON. ELIZABETH WARREN

Question. The Securities and Exchange Commission (SEC) proposed rules in March 2022 to enhance and standardize climate-related disclosures to investors.¹ These rules would require registrants to include climate-related disclosures and risks in their registration statements and reports, including information such as greenhouse gas emissions and climate risk impacts on operations and finances.

Would finalizing the SEC's proposed rules help provide investors transparency into illegal deforestation in the Brazilian Amazon, particularly by meatpacking giants such as JBS? Please specify what specific requirements would be especially effective to include in the finalized rules.

Answer. On March 21, 2022, the SEC released a draft for public comment entitled "The Enhancement and Standardization of Climate-Related Disclosures for Investors [Release No. 33-11042; File No. S7-10-22," <https://www.sec.gov/files/rules/proposed/2022/33-11042.pdf>] (the "proposed rule"). The date for the publication of the final rule has yet to be announced.

This rule is grounded in the Securities Act and the Exchange Act and is broadly only applicable to public companies that are listed on a regulated exchange. As of August 2023, JBS S.A. is not a publicly listed company on any U.S. stock exchange and is under no obligation to report their climate-risk to the U.S. authorities.

However, JBS recently announced its intent to seek out an Initial Public Offering (IPO) (<https://jbsfoodsgroup.com/articles/jbs-to-pursue-dual-listing-in-brazil-and-us-to-deliver-value-to-shareholders>) via a listing on the New York Stock Exchange (NYSE). The company's proposal would involve setting up a new parent company in the Netherlands, and because JBS is already listed on the Brazilian stock exchange, this move would be considered a dual listing. Because of its proposed corporate structuring in the Netherlands, JBS suggests in their F-4 Registration Statement (<https://www.sec.gov/Archives/edgar/data/1791942/000119312523185589/d419054df4.htm>) that the company would attempt to be considered either or both a "foreign private issuer" and a "controlled company," and would therefore be exempt from certain disclosure and corporate governance standards. There is some discussion in the F-4 statement as to whether or not the company will proceed to receive both or only one of these designations, and then additional discussion on the exemptions they would then exercise. In short, there remains some uncertainty for the exact SEC climate disclosure or other rules and regulations that JBS would be subject to if the dual listing is successful.

THE SEC RULE

As a whole, the SEC's proposed rule would provide greater transparency into the climate-risks faced by public companies and foreign private issuers in the U.S. This enhanced transparency is not only crucial for investor's own due diligence regarding investment risks, but the information would deepen the public's understanding of the likely impacts of climate change across the U.S. economy and subsequently provide a clearer sense of the impacts for the financial system.

Under the current version of the proposed rule, SEC registrants would be required to disclose their Scope 1 and Scope 2 emissions. The requirement to disclose Scope 3 emissions—which would likely capture "indirect" emissions including those released by deforestation and conversion in the Brazilian Amazon connected to JBS's production and supply chains—is less straightforward.

Under the current rule, registrants will only be required to disclose Scope 3 emissions if the company deems those emissions are considered material to their operations, or if they have set a GHG emissions reduction target or goal for Scope 3 emissions. The rule also includes a number of "safe harbor" provisions for reporting on Scope 3 emissions, including certain extended time frames for reporting and exclusions, for example for smaller entities.

Considering that many of the large meat traders operating in the Amazon have public targets to reach zero-deforestation in their direct and indirect supply chains—for example, as JBS confirmed in their Senate testimony—there is a strong case to

¹U.S. Securities and Exchange Commission, "SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors," press release, March 21, 2022, <https://www.sec.gov/news/press-release/2022-46>.

be made that they would then be required to report on their progress to investors. However, as the rule is written, this is not guaranteed via the Scope 3 clause or other disclosure requirements.

HOW MIGHT THE SEC RULES APPLY TO JBS S.A.?

As released, the proposed rule would leave some uncertainty as to whether or not JBS would be compelled to report on Scope 3 emissions to their business. This depends on (1) whether or not JBS would be subject to the rules; and (2) if JBS would choose to report on Scope 3 emissions as part of their own materiality threshold test.

The proposed rule offers some discussion on various standards for presently determining materiality, including Supreme Court precedent and how the term is commonly used in current regulations.² The proposed rule also discusses the necessity of reporting on Scope 3 emissions as a condition for better understanding “transition risks” from climate, and in regards to the financial impacts of commitments a company may have made surrounding their emissions reductions in Scope 3.³ Ultimately, the proposed rule inserts regulatory uncertainty around which companies would ultimately be required to disclose Scope 3 emissions.

In our view, this regulatory uncertainty creates an ineffective and potentially dangerous loophole that undermines the purpose of providing materially relevant information to investors in companies such as JBS.

In particular, we offer a select number of improvements that could be made to the proposed rule to better reflect the full scope of climate impacts.

- **Mandatory Scope 3 emissions reporting.** The SEC rule could be significantly improved and more globally aligned by requiring mandatory Scope 3 emissions reporting for all companies, or more clearly articulating when companies would be subject to these reporting requirements. On this latter point, the SEC could consider issuing industry-specific guidance for the forest, food, and land sector that would make Scope 1, 2, and 3 emissions reporting mandatory for these operations. Scope 3 emissions commonly make up the majority of all GHG emissions in the agriculture, food, and other land use value chain. According to an ongoing whistle-blower complaint to the SEC, Scope 3 emissions comprise upwards of 97 percent of JBS’s climate footprint. The complaint, filed by Mighty Earth, alleges that JBS has issued misleading “green bonds” to investors tied to the company’s currently unreachable but stated goal to cut its emissions and achieve “Net Zero by 2040.”
- **Moving towards double materiality.** In the proposed rule, Scope 3 emissions reporting requirements continues the U.S. standard practice of materiality and avoids an expanded approach—called double materiality—used in other jurisdictions like the EU.⁴ In a double materiality approach, companies would report not only on the impacts of climate risk to their operations, but, in general, would also report on the impacts of company activity onto the climate, communities, the environment, etc. This type of approach could much more clearly and directly ensure that investors understand how companies or industries are contributing to the climate crisis, which in turn will have broad systemic societal and economic implications like a “green swan” event (<https://www.bis.org/publ/othp31.pdf>).
- **Explicitly identify deforestation risk as a material risk to investors.** Another approach could be naming tropical deforestation—both legal and illegal—as a climate risk that is considered material under these obligations. Further discussion on the materiality of deforestation is available here (<https://www.climateadvisers.org/insightsfeed/why-disclosure-of-emissions->

²The Securities and Exchange Commission, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, Release No. 33-11042; File No. S7-10-22. available at <https://www.sec.gov/files/rules/proposed/2022/33-11042.pdf>. See section II.G.1.b. for discussions of what is or is not considered “material” in regards to Scope 3 disclosure requirements.

³The Securities and Exchange Commission, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, Release No. 33-11042; File No. S7-10-22. available at <https://www.sec.gov/files/rules/proposed/2022/33-11042.pdf>. See section II.B.1 for definitions of the various types of risks including transition risk.

⁴A useful discussion of the materiality approach used in the SEC’s rule versus double materiality approaches used elsewhere, such as the EU, is present in the following resource: Lynn Turner, Thomas R. Weirich; Expanding the Concept of Materiality to Environmental, Social, and Governance: Audit Issues and Implications. *Current Issues in Auditing* 1 April 2023; 17 (1): A50–A58. <https://doi.org/10.2308/CHIA-2022-010>.

from-deforestation-protects-investors/) by Climate Advisors, and in Global Witness' comment to the SEC's proposed rule (<https://www.sec.gov/comments/s7-10-22/s71022-20131905-302362.pdf>).

- **Climate Transition Plans.** Under the rule, SEC registrants with a GHG emissions target would be required to report Scope 3 emissions. However, the target is only one component of a strategy. The SEC could require companies to publish their climate transition plans—and for relevant companies, including for zero deforestation plans—and work to identify approaches that would ensure these plans are science-based and aligned with global climate targets. After all, disclosure of existing emissions or of future plans would leave out the ongoing activity of companies to reduce their emissions and/or decarbonize their operations. One approach for publishing climate transition plans is available from CDP (https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/002/840/original/Climate-Transition-Plans.pdf?1636038499). Ensuring these plans are credible is important for investors. For example, the National Advertising Review Board (NARB) recommended JBS USA Holdings discontinue its unqualified claims (<https://www.jdsupra.com/legalnews/national-advertising-review-board-8796766/>) the company has a goal of achieving net zero emissions by 2040, due to a lack of a credible plan for reaching this target.

Without these changes, investors and the U.S. public will lack complete information surrounding the risks posed from climate change to SEC registrants and, more importantly, the risks of greater and worsening climate change being driven by SEC registered companies. The SEC has a mandate to ensure that investors are receiving material information to their investments and should utilize approaches that capture the full scope of impacts, including accessing information on the impacts that companies have from their operations, and plans to transition these operations towards more sustainable outcomes.

I would like to thank Global Witness for their input to this response.

Question. The Federal Trade Commission collected comments in January 2023 on potential updates to its Green Guides for the Use of Environmental Marketing Claims.⁵ The Commission's Green Guides specify how marketers can avoid making environmental marketing claims that are unfair or deceptive, and it is seeking to update the guides based on increasing consumer interest in buying environmentally friendly products.

Would updating the FTC's Green Guides help curb illegal deforestation in the Brazilian Amazon, particularly by meatpacking giants such as JBS? Please specify what specific guidelines would be especially effective to include for updating the Green Guides.

Answer. I'm not familiar with the Green Guides and therefore am unable to comment on specific changes that might strengthen their application to claims made by meatpacking companies such as JBS, but I would like to highlight recent recommendations by National Advertising Division of the Better Business Bureau (February 2023, <https://bbbprograms.org/media-center/dd/jbs-net-zero-emissions>) and the National Advertising Review Board (June 2023, <https://ipsnews.net/business/2023/06/20/national-advertising-review-board-recommends-jbs-discontinue-net-zero-emissions-by-2040-claims/>) that JBS discontinue the use of certain claims related to zero emissions targets. In light of this precedent and the results of EIA's own investigations (<https://us.eia.org/report/deforestation-drivers-seat/>) into JBS supply chains linked to illegal deforestation in Brazil, I think a similar level of scrutiny on the company's public claims related to its commitments to address deforestation in its supply chains is warranted. It would be beneficial for the Green Guides to specifically cover claims by manufacturers and financial-sector companies related to reducing or removing deforestation from supply chains and investments.

⁵U.S. Federal Trade Commission, "Federal Trade Commission Extends Public Comment Period on Potential Updates to its Green Guides for the Use of Environmental Marketing Claims," press release, January 31, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/01/federal-trade-commission-extends-public-comment-period-potential-updates-its-green-guides-use>.

PREPARED STATEMENT OF LEO McDONNELL, OWNER-OPERATOR, McDONNELL ANGUS, COLUMBUS, MT, ON BEHALF OF THE UNITED STATES CATTLEMEN'S ASSOCIATION

Dear Chairman Wyden, Ranking Member Crapo, and distinguished members of the Senate Finance Committee, on behalf of the United States Cattlemen's Association (USCA), thank you for the opportunity to testify on behalf of the Nation's cow-calf producers, backgrounders, feedlot operators, livestock haulers, and independent processors.

In 2007, I helped form the organization with which I am here on behalf of today, earning the title of director emeritus. My trips to Washington, DC are innumerable, but the work has led to meaningful progress for the U.S. cattle industry, including the establishment of a mandatory country-of-origin labeling program in the early 2000s, instituting special rules for perishable and cyclical agriculture products, drafting the first beef-specific safeguards within the Australian-U.S. free trade agreement, and more.

Day to day, my wife Sam and I own and operate McDonnell Angus, with herds in Montana and North Dakota. Born and raised in Billings, MT, our family are fourth-, fifth-, and now sixth-generation ranchers.

Our daughter and son-in-law run cattle in Wyoming, while our son runs Midland Bull Test, the largest genetic bull evaluation public center in the U.S. and the largest feed efficiency testing program in North America. Through McDonnell Angus and Midland Bull Test, we pioneered the measuring of feed efficiency and individual intake on a high roughage ration. Making sure our customers can get good females that stay in the herd, that breed back, that have good feet, that make them money—that is our drive.

But an efficient animal husbandry program is only the first piece that has to fall in place for a cattle operation to be successful. U.S. cattle producers also need a fair and competitive marketplace to sell their cattle into, and that means setting ground rules for both sides to play by, along with a referee to call out violations.

International trade is an outsized factor in the domestic cattle market. In our testimony, we will outline the impact on the U.S. cattle supply chain of importing beef raised in other countries, with lesser standards of production. Specifically, Brazil's deforestation and the subsequent growth in their cattle herd, of their beef packers, and impact on the U.S. cattle market and international beef market. We offer the following for consideration by this committee.

GLOBAL IMPORTANCE OF THE AMAZON

Brazil is home to the largest rainforest in the world, known as the Amazon Rainforest. The Amazon Rainforest covers a vast area in northern Brazil and extends into several neighboring countries, including Peru, Colombia, Venezuela, Ecuador, Bolivia, Guyana, Suriname, and French Guiana. It is a region of immense biodiversity and ecological importance.

Geographically, the Amazon Rainforest is located primarily in the Amazon Basin, which spans over 2.7 million square miles. The basin is formed by the Amazon River and its tributaries, which collectively make up the largest river system in the world. The Amazon River has a length of about 4,000 miles and carries more water than any other river on Earth.

The rainforest itself is characterized by a dense canopy of trees that creates a unique and complex ecosystem. It is estimated that the Amazon Rainforest contains around 390 billion individual trees belonging to approximately 16,000 species. The vegetation includes a wide variety of trees, such as Brazil nut, mahogany, rubber, and various species of palms. The forest floor is home to numerous plant species, fungi, and a rich diversity of animal life. It experiences high levels of rainfall, with an average annual precipitation of about 79 inches.

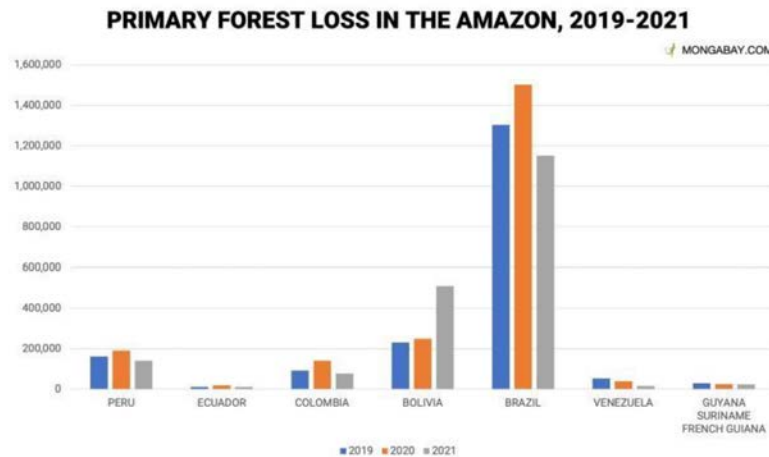
The Amazon Rainforest is also incredibly rich in animal diversity, supporting a vast number of species. It's a haven for over 1,500 bird species, a home for more than 3,000 species of fish, hosts at least 1,000 species of amphibians, and countless other insects, mammals, reptiles, crustaceans, and microscopic organisms.

The Amazon Rainforest plays a crucial role in regulating global climate patterns and maintaining the planet's biodiversity. It serves as a carbon sink, absorbing vast amounts of carbon dioxide and releasing oxygen, making it a vital resource in regulating greenhouse gas emissions. It also acts as a massive water pump, releasing water vapor into the atmosphere through transpiration. This moisture helps to regu-

late rainfall patterns and supports rainfall in other regions. It also contributes to the formation of clouds and helps maintain the hydrological cycle, benefiting agriculture, freshwater availability, and overall ecosystem stability worldwide.

The most substantial period of deforestation in the Amazon Rainforest has occurred in the past few decades. Large-scale clearing of land for agriculture, primarily for cattle ranching and soybean production, has been a major driver of deforestation. Brazil has been at the forefront of deforestation in the Amazon Rainforest due to its significant land area within the rainforest region. Other countries in the Amazon basin, such as Bolivia, Colombia, and Peru, have also experienced deforestation, although to a lesser extent.

In 1970, the Brazilian portion of the Amazon Rainforest extended 1.6 million square miles. In 2022, that dropped to 1.25 million square miles. That loss of nearly 20 percent—a solid one-fifth peaked in the years 1995, 2002, 2003, and 2004. Beginning in 2009, there was a significant reduction in the annual rate of deforestation—cut nearly in half—until it surged again in 2019.



DATA SOURCE: AMAZON CONSERVATION ASSOCIATION / MAAP USING UMD/GLAD

GROWTH OF THE BRAZIL CATTLE HERD

From 1970 to today, the Brazilian cattle numbers have grown from 78.6 million head in 1970 to 241.6 million in 2022 and, according to USDA FAS, will grow another 1 percent in 2023.

According to the U.S. Department of Agriculture, by 2018, Brazil held the world's second-largest cattle herd. That same year, Brazil reached its highest level of beef production at 9.9 million metric tons (21.8 billion pounds). Prior to that record year, Brazil's beef production had last peaked in 2014, when it reached 9.7 million metric tons (21.4 billion pounds). In 2022, Brazilian beef production reached its highest level at 10,350,000 metric ton. Most of that production is largely grass-based, which requires vast swaths of land for animals to roam. That land is often the result of deforesting the region's rainforests.

According to a report by the U.S. Department of Agriculture's Foreign Agriculture Service (USDA FAS), programs that subsidize and improve pastures and cross-breeding are primary drivers of the overall increase of cattle production. Another significant factor is improved pasture conditions in the country's major production regions. Due to these favorable conditions, between 1990 and 2018, the FAS Production, Supply and Distribution database estimated that the Brazilian cattle herd expanded by 56 percent.

GROWTH OF THE BRAZIL BEEF TRADE

Historically, the U.S. and Australia have been the dominant global beef exporters. In 2000, USDA reported that both countries exported nearly twice as much beef as the volume exported by Brazil. However, both the U.S. and Australia have now been surpassed by Brazil in the global export market.

In 2018, Brazil reigned as the largest exporter of beef, providing close to 20 percent of global beef exports—outpacing India, the second-largest exporter, by 527,000 metric tons (1.2 billion pounds) carcass weight equivalent (CWE).

USDA predicts that Brazil will continue its export growth trajectory for the next decade, reaching 2.9 million metric tons (6.4 billion pounds), or 23 percent of the world's total beef exports by 2028.

As the Brazilian cow herd has grown, downstream industries, such as the proliferation of JBS and Marfrig processing plants, have also grown.

To support JBS's expansion, the National Bank for Economic and Social Development invested around \$580 million as part of a policy to promote "national champions." With this investment, JBS created Swift and Company, which allowed them to enter the markets for beef, pork, and lamb in the United States and Australia. Noted later in this testimony will be both US and Brazilian findings of gross corruption practices in procuring these funds to outbid U.S. businesses from being able to compete in these purchases.

According to Statista, JBS is now the largest beef packer in the U.S., controlling 23 percent of the slaughter capacity. Currently, the four major meat packing plants in the U.S., including JBS, have significant control over the fed cattle slaughter market, with regional impacts throughout the country.

BRAZIL ALLOWS RAMPANT INDUSTRY CORRUPTION

In recent years, corruption scandals have engulfed major Brazilian meatpacking corporations both at home and abroad.

In 2013, JBS and other major meatpackers had reached a settlement with prosecutors, agreeing not to source cattle from ranches involved in illegal clearing since 2008 or blacklisted for environmental crimes. Additionally, the companies committed to avoiding purchases from ranchers involved in slave labor, encroaching on indigenous land, or violating environmental reserves.

Despite this agreement, a 2020 audit of JBS revealed that nearly one-third of the cattle purchased by the company in the Brazilian Amazon state of Para originated from ranches with "irregularities," such as illegal deforestation. The audit, conducted by federal prosecutors, found "unsatisfactory and worsening" performance in JBS's compliance with environmental regulations between January 2018 and June 2019. As a result, negotiations were underway to address and improve these issues.

In contrast, the audit did not uncover any irregularities in cattle purchases from Minerva, South America's largest beef exporter and a key competitor of JBS, according to the presentation made by Federal prosecutors.

From May 15 to June 2, 2017, USDA FSIS conducted an audit of the Brazilian beef industry due to a high number of rejected exports from the country attempting to make their way into our borders. In total, over 1.9 million pounds of Brazilian beef product has been rejected due to "public health concerns, sanitary conditions, and animal health issues."

Following the release of this audit, the concerns of U.S. cattle producers were validated as Brazil failed in several categories regarding its trade with the U.S., including: oversight; statutory authority, food safety, and additional consumer protection regulations; sanitation; hazard analysis and critical control points; chemical residue testing programs; and microbiological testing programs.

The nearly 50-page report detailed findings of blood clots, bone chips, and abscesses in imported beef from Brazil, proving that mitigation efforts currently in place are not adequate to keep products that can carry Foot and Mouth Disease (FMD) out of the U.S.

Also in 2017, it was revealed that Brazilian meat inspectors had been caught accepting bribes to allow expired meats to be sold and sanitary permits to be falsified. The sting investigation, dubbed "Operation Weak Meat" also detailed fraudulent laboratories that conducted fabricated microbiological checks. The scandal resulted

in the suspension of Brazilian meat imports in China, South Korea, the European Union, Chile, and the United States.

In 2018, the Brazilian Beef Association petitioned USDA FSIS to amend the import inspection instructions in FSIS Directive 9900.1 to eliminate “loose tin” from the list of conditions identified as container defects. A loose tin is considered a defective container under USDA FSIS current regulations, as the looseness of the container would indicate the failure of a full vacuum of the food product, allowing for air to enter and spoilage to occur. The petition is just another example of the country attempting to circumvent our rules and regulations for what constitutes a safe food product.

In 2019, Senators Bob Menendez (D–NJ) and Marco Rubio (R–FL) asked Treasury Secretary Steven Mnuchin to investigate whether JBS South America (S.A.) poses a national security and agricultural threat to the U.S. Senators Menendez and Rubio asked Mnuchin to conduct the investigation through the Committee on Foreign Investment in the U.S. (CFIUS). The Senators specifically wanted to know whether JBS S.A. funded its massive U.S. expansion through an extensive record of bribery, corruption, and business with blacklisted Venezuelan officials.

JBS S.A. owners Joesely and Wesely Batista had previously admitted to spending roughly \$150 million to bribe more than 1,800 Brazilian government officials to secure \$1.3 billion in loans from the Brazilian Development Bank (BNDES) and Federal pension funds.

Through these fraudulent activities, it is reported that JBS secured enough funds to begin buying up 40 rival companies in four countries. According to Brazilian Federal Prosecutor Ivan Marx, “the company also benefited from the over evaluation of stock prices in financial operations, and by having the payment of interest waived.”

In October 2020, Brazilian investment company J&F Investimentos S.A., which owns companies in various industries including meat and agriculture, agreed to pay a criminal penalty of over \$256 million to settle an investigation into violations of the Foreign Corrupt Practices Act (FCPA). The investigation revealed a scheme where J&F paid bribes to government officials in Brazil to secure financing and other benefits. J&F pleaded guilty to one count of conspiracy to violate the anti-bribery provisions of the FCPA and entered into a cooperation plea agreement with the U.S. Department of Justice.

That same year, the Batistas, along with their companies J&F Investimentos S.A. and JBS S.A., agreed to pay nearly \$27 million to settle charges brought by the U.S. Securities and Exchange Commission (SEC) regarding a bribery scheme. The scheme was aimed at facilitating JBS’s acquisition of Pilgrim’s Pride Corporation in 2009, with payments of approximately \$150 million in bribes made by the Batistas. The SEC found that the Batistas exerted significant control over Pilgrim’s Pride, causing the company to fail in maintaining proper accounting controls and accurate records.

More recently, antitrust allegations in the U.S. against Brazilian-based meat-packer, JBS, are on the rise. In 2021, JBS and its subsidiaries racked up at least \$202.75 million in criminal fines or to settle lawsuits involving price-fixing allegations.

For example, JBS S.A. subsidiary, Pilgrim’s Pride, the second-largest chicken processing plant in the United States, pleaded guilty to charges of price-fixing and bid-rigging in the chicken industry. The company paid a \$108 million criminal fine as part of a Department of Justice antitrust investigation. The plea agreement reveals that Pilgrim’s Pride participated in a conspiracy between 2012 and 2017, affecting at least \$361 million in sales, with major customers including Costco and Kentucky Fried Chicken.

In 2020, JBS reached a \$20-million settlement in a lawsuit with consumers who alleged that the company conspired with other meat companies to inflate pork prices. The judge ruled that nearly \$7 million of the settlement will go to the plaintiffs’ lawyers for their work in the case, and its not sure what individual consumers will receive from the remaining \$13 million.

Again, that same year, JBS agreed to a \$52.5-million settlement to resolve litigation accusing meatpacking companies of conspiring to limit supply in the U.S. beef market to inflate prices and boost profits. This settlement marked the first in nationwide antitrust litigation over beef price-fixing. The lawsuit filed by grocery

stores and wholesalers alleged that the companies worked together to suppress the number of cattle being slaughtered since 2015, leading to increased beef prices.

U.S. Senator Chuck Grassley commented that while the settlement was small compared to JBS's record profits during the COVID-19 pandemic, it validated the concerns raised by ranchers and highlighted the practices of big packers to benefit themselves at the expense of consumers and independent producers.

All of this combined led to the three major cattle and beef trade associations in the U.S. requesting an immediate halt of Brazilian beef imports in late 2022. USDA denied those requests.

Through this same period, beginning in 2016 and continuing through to the present day, the spread between U.S. live cattle prices grew to historical highs as billions of equity was lost by U.S. cattle producers to JBS and other beef-packing plants in the U.S.

PERVASIVE FORCED LABOR CONDITIONS EXIST IN BRAZIL

"Beef" and "cattle" are both listed next to Brazil's name on the most recent report issued by the U.S. Department of Labor's Bureau of International Labor Affairs (DOL ILAB) of goods produced by child or forced labor. According to the DOL's International Labor Affairs, it is estimated that 25,000 to 40,000 workers, including children, are victims of forced labor.

Brazilian authorities have already rescued 523 forced labor victims so far this year. The Ministry of Labor and Employment described "terrible conditions of hygiene and comfort," explaining that they found "old mattresses, torn linings, old stoves and refrigerators, bathrooms in precarious conditions of hygiene, and exposed electrical installations."

Despite efforts by the Brazilian Government to combat the issue, slavery-like conditions still exist throughout the Brazilian beef supply chain. It is largely concentrated in remote areas with precarious access roads and communications. The International Labor Organization cites other constraints in enforcement, including limited labor inspection as well as legal and institutional loopholes, which often impede or minimize punishment.

As recently as 2019 Europe's largest supermarket chain, Carrefour, announced it would cut ties with three major Brazilian beef producers over allegations of slave labor in their operations. Notably, JBS was explicitly called out by investigators and watchdogs for links to slave labor and deforestation in its supply chain.

In 2023, the DOL awarded a \$5 million grant under a cooperative agreement with a United Nations agency to fund initiatives specifically addressing abusive labor practices on Brazilian and Paraguayan cattle ranches.

The project will advocate for workers in cattle ranching areas of Brazil's Mato Grosso do Sul state and in the Boquerón region of the Paraguayan Chaco, where labor right violations targeting vulnerable populations have been reported.

In a statement announcing the grant, the DOL said, "As cattle production in the two countries has expanded to meet global demand, the threat and levels of forced labor and labor exploitation has also grown."

Reuters reported that Brazilian labor prosecutors based in Mato Grosso do Sul, tasked with probing labor right abuses in the state, said violations are common on farm towns close to the Paraguayan border. Yet, the USDA recently proposed allowing the importation of fresh beef imports from Paraguay, which would only strengthen the use of illegal labor conditions.

It is imperative that Congress and the administration ramp up its efforts to investigate illegal labor conditions in the Brazilian beef supply chain and immediately halt the importation of Brazilian beef products until sufficient evidence is presented to show that the country is implementing serious enforcement of fair labor laws.



PHOTOS: Sleeping beds on gallons of lubricants at the Rodoserv IV farm. This ranch directly supplied the JBS processing plant in Navirai (MS) in the months of January and October 2019.



PHOTO: A worker accommodation at a farm in Bela Vista (MS).



PHOTO: Meat to feed the workers on the Rodoserv IV farm was stored in buckets.

BRAZIL'S OUTSIZED ENVIRONMENTAL IMPACT

While U.S.-fed cattle are mostly slaughtered between 15–20 months, Brazilian slaughter cattle have a longer lifecycle of over 30 months, leaving them with a much higher environmental footprint.

The Nature Conservancy reports that Brazil has lost 20 percent of its rainforest to deforestation, making the country one of world's biggest contributors to greenhouse gases and global climate change.

The European Parliamentary Research Service further reports that between 2005 and 2019, Brazil's total GHG emissions grew by 19 percent. Since 1990, Brazil's land use, land-use change and forestry (LULUCF) sector has been emitting more carbon than it has sequestered. The LULUCF emissions in Brazil are directly linked to deforestation in the carbon-rich Amazon tropical forest and to the release of underground carbon from the loss of the tropical savannah ecoregion in the eastern part of the country.

The increase in deforestation in Brazil, and the growth in the cattle herd of nearly 300 percent, have contributed to the increase in Brazil's environmental footprint, while at the same time the U.S. cattle industry has worked to reduce their impact.

DECLINE OF THE U.S. CATTLE HERD

Estimates from USDA's National Agricultural Statistics Service show the U.S. cattle herd has shrunk from around 130 million animals in 1970 to 89.3 million animals on January 1, 2023.

In 2020, the U.S. was among the top four nations importing beef from Brazil. Two years later in 2022, the U.S. imported a record amount of Brazilian beef at 466,373,000 pounds per hundredweight, as reported by USDA ERS. That year pushed Brazil to the third largest beef exporter into the U.S.

USDA also reported from January 2023 to April 2023, Brazilian beef imports into the U.S. amounted to 141,017,000 pounds per hundredweight. So far this year, Brazil has already claimed the title of the second largest beef importer into the U.S.

U.S. cattle and beef industry experts have agreed that a 1 percent change in beef supply can impact live cattle prices from 1.5–2 percent. However, when there are rapid or unexpected surges in supply, the impact can be even more significant. This situation is exacerbated by Brazil's growing presence in the international market.

Major players like JBS, which is the largest meatpacker in both Brazil and the U.S., have a significant advantage in influencing U.S. cattle markets by manipu-

lating supplies to keep their purchasing costs low. In fact, back in 1999, during the U.S. cattle industry's cases against Canada and Mexico for antidumping and countervailing duty violations, the Chairmen of the U.S. International Trade Commission (ITC) acknowledged that "packers can and do use imports to suppress domestic cattle prices." This sentiment was reiterated in the 2002 U.S. Senate Deficit Review Commission, where Republican Commissioners noted that "imports can and are used to suppress domestic prices at times."

Additionally, for the most part, this lean beef is comingled with the fattier beef produced in the U.S. and sold to consumers as a USDA-inspected beef product. The package will even bear the "Product of the USA" label due to current regulatory loopholes allowing its use on foreign beef product.

A survey completed by USDA's Food Safety and Inspection Service (FSIS) in 2022 showed that although nearly half of eligible consumers reported they always or most of the time look for the "Product of the USA" labeling claim when shopping, only 16 percent correctly identified the correct definition and another 11 percent thought the USDA mark of inspection meant that the beef was a "Product of the USA."

U.S. PRODUCES MOST SUSTAINABLE BEEF

The U.S. cattle and beef industries have made strides in implementing sustainable practices to reduce its environmental impact and improve efficiency. Improvements in grazing management, feed efficiency, water conservation, and manure management have all contributed to the U.S. being recognized as the most sustainable beef in the world. These practices vary among different beef producers in the U.S., and the adoption of various practices may differ depending on the size and location of the operation.

Many U.S. beef producers practice rotational grazing, which involves moving cattle between different pastures. The extraordinary land area of the U.S. allows producers to do this without changing the native prairie and rangeland landscapes that sustain cattle. Rotational grazing allows for better land management, prevents overgrazing, promotes soil health, and supports biodiversity.

Further, the industry has implemented strategies to reduce water usage, such as implementing efficient irrigation systems, improving water storage and recycling, and promoting responsible water management on ranches.

In addition, numerous voluntary programs and certifications exist in the U.S. beef industry to promote sustainable practices. The industry also collaborates with universities, research institutions, and government agencies to fund and conduct research on sustainable practices. This helps identify and implement innovative solutions to improve environmental performance and address sustainability challenges.

A 2023 USDA Economic Research Service (ERS) analysis stated, "Greenhouse gas emissions (GHG) from beef production in the U.S. are decreasing. Compared to 50 years ago, we now produce 20 percent more meat using about 15 percent fewer cattle."

The GHG intensity in cattle production has dropped 34 percent from 32 to 21 kg CO₂e/kg carcass weight produced, and the total GHG emission related to beef cattle production has decreased 21 percent from 324 to 255 Tg.

Various measures are currently being explored to mitigate emissions in cattle production, particularly in feedlot finishing. These measures include more efficient feeding, the use of enteric methane inhibitors, anaerobic digestion of manure, and improved manure storage practices. Implementation of a combination of these strategies has the potential to reduce feedlot finishing emissions by 50 percent. It is important to note that the feedlot phase contributes only about 14 percent of the overall life cycle emissions in cattle production. Thus, achieving a 50-percent reduction in the feedlot phase corresponds to a modest 3-percent reduction in the total emissions across the entire cattle production cycle. Consequently, achieving greater benefits would require focusing on reducing emissions during the cow-calf phase, which presents challenges due to the nature of maintaining cows on pasture and rangeland.

This is where ranchers like myself can step in. In 2008, our family invested heavily in technology to measure individual intake in cattle. In fact, we built the largest such system in North America and then invited cutting edge researchers and staff from Colorado State University, Montana State University, Texas A&M, and University of Missouri to help guide us to collect this data correctly and analyze it for us. Depending on the year, we will individually test 1,600–2,500 bulls, primarily for

feed intake, resulting production, and intake. These bulls will then be sold across the U.S., a select few foreign countries, and to artificial insemination collection facilities that sell semen to cattle producers across the U.S. This allows us to not only identify the bulls that use their feed most efficiently, but also allows us to identify highly efficient cattle that require less feed for maintenance and production. Through this period, we have adopted a genetic trait researched heavily in Australia, Canada, and the U.S. This genetic trait is called RFI (Residual Feed Intake).

RFI, when incorporated into a breeding plan properly, has been found to reduce feed intake by up to 20 percent with no change on weaning weights or finished weights. Just as exciting is the research that now supports that cattle selected for RFI will consume 15 percent less water, produce 15–20 percent less manure, and produce 20–40 percent less methane. Less feed also means less grass consumption, which means more grass cover, better grazing and increased carbon sequestration.

The U.S. cattle industry was meeting the challenges of sustainability long before such discussions were brought to the forefront of public opinion. We have implemented these philosophies in a meaningful, validated, approach without a lot of fanfare. Our industry's sustainability practices are what have allowed so many family farms and ranches to be passed on to the next generation.

CONGRESS AND ADMINISTRATION CAN PROVIDE SOLUTIONS

In May 2023, in response to an Executive Order on Strengthening the Nation's Forests, Communities, and Local Economies, the U.S. Department of State submitted two reports to President Joe Biden on stopping international deforestation.

Combating International Deforestation Associated with Agricultural Commodity Production addresses a primary direct driver of global deforestation: the conversion of forests to produce major agriculture commodities.

The second, Reducing International Deforestation Through U.S. Government International Programming, Assistance, Finance, Investment, Trade and Trade Promotion provides insights and options on how the U.S. government is addressing and can further address international deforestation and land conversion through a range of instruments such as international programming, assistance, finance investment, trade, and trade promotion.

Although pages of recommendation in various forms were provided, one point emerged as a common theme: the importance of documenting product origin, and engaging global consumers of these products and their governments.

USCA offers the following as ways that members of Congress and the Biden administration can support its domestic cattle producers:

1. Conduct a section 301 investigation to examine how practices in the Brazilian beef industry harms the U.S. beef industry

A 301 investigation refers to an investigation conducted by the United States under section 301 of the U.S. Trade Act of 1974. It empowers the U.S. government to investigate and respond to unfair trade practices, intellectual property violations, and other barriers to trade imposed by foreign countries. The section 301 investigation allows the U.S. government to take actions, including imposing tariffs or other trade measures, in response to these unfair practices.

When the U.S. Trade Representative (USTR) determines that a foreign country's trade practices are unreasonable, discriminatory, or harmful to U.S. interests, they can initiate a section 301 investigation. The investigation aims to gather information, assess the impact on U.S. industries and the economy, and determine whether retaliatory measures are necessary.

Once the investigation is completed, the USTR may engage in negotiations with the foreign country to resolve the trade issues. If a satisfactory resolution is not reached, the USTR may take further action, such as imposing tariffs or other trade restrictions, to address the identified unfair trade practices or barriers.

2. Direct U.S. Customs and Border Protection to uphold section 307 of the U.S. Tariff Act and issue a withhold release order for Brazilian beef products.

In February 2015, the U.S. Congress passed, and President Obama enacted, the Trade Facilitation and Enforcement Act of 2015. The act closed a loophole in the Forced Labor Statute of the Tariff Act of 1930, which previously

allowed under-enforcement of the forced labor rule in instances where the domestic supply of a good or product did not meet U.S. consumer demand. The removal of this loophole allows stakeholders to petition the CBP for the banning of an imported good that is produced by forced or slave labor.

USCA urges Congress and the administration to begin the process of filing a formal section 307 of the U.S. Tariff Act complaint against Brazilian beef. Doing so will deploy the use of Federal resources to investigate how the Brazilian beef industry benefits from its exploitation of labor. That investigation would then provide the evidence required for issuance of a withhold release order (WRO), which would prohibit the importation of goods produced using forced labor.

3. Direct the U.S. Department of Commerce to initiate a Countervailing Duty (CVD) investigation.

A Countervailing Duty (CVD) investigation is a trade-related investigation conducted by the International Trade Administration (ITA), which is a part of the U.S. Department of Commerce. The ITA is responsible for investigating allegations of unfair subsidies provided by foreign governments and determining whether countervailing duties should be imposed on the imports of subsidized products.

The ITA evaluates the evidence, calculates the subsidy rates, and makes recommendations to the U.S. International Trade Commission (USITC) and the U.S. Customs and Border Protection (CBP) regarding the imposition of countervailing duties. The USITC, another independent agency, assesses the impact of the subsidized imports on the domestic industry to make a final determination.

USCA recommends that countries with companies that are participating in illegal deforestation activities should be found to be providing countervailable benefits to any products that are produced or raised on deforested land.

4. Reestablish a mandatory country-of-origin labeling program.

Since the repeal of country-of-origin labeling in 2015, there are no clear definitions for what constitutes a U.S. beef product. Cattle or beef that is imported into our borders and undergoes further processing or handling at a USDA-inspected facility can be labeled as a “Product of the United States,” even if the handling of the product was minimal.

Without meaningful country-of-origin labeling on meat products or strong rules of origin, many consumers who wish to purchase meat derived from animals born and raised in the United States are unable identify such product. This deprives U.S. cattle producers of the ability to differentiate their product in the market and allows meat packers to take advantage of different supply sources while capitalizing on consumer confusion about the source of the food they eat.

The American Beef Labeling Act, championed by Senators John Thune (R-SD), Jon Tester (D-MT), Mike Rounds (R-SD), and Cory Booker (D-NJ) would reinstate mandatory country of origin labeling (MCOOL) for beef.

This legislation would require the U.S. Trade Representative (USTR), in consultation with the Secretary of the U.S. Department of Agriculture, to develop a World Trade Organization-compliant means of reinstating MCOOL for beef within 1 year of enactment. USTR would have 6 months to develop a reinstatement plan followed by a 6-month window to implement it. If USTR fails to reinstate MCOOL for beef within 1 year of enactment, it would automatically be reinstated for beef only.

USCA urges the swift passage and implementation of this legislation.

5. Pass the Fostering Overseas Rule of law and Environmentally Sound Trade Act, or “FOREST Act.”

In 2021, U.S. Senator Brian Schatz (D-HI) and U.S. Representatives Earl Blumenauer (D-OR) and Brian Fitzpatrick (R-PN) introduced the FOREST Act, bipartisan legislation that creates a framework for the Federal Government to deter commodity-driven illegal deforestation around the world.

The FOREST Act restricts access to U.S. markets for commodities originating from illegally deforested land, reducing the incentive to sacrifice forests for agriculture use and using this market leverage to improve laws, monitoring, and enforcement in countries experiencing illegal deforestation.

The bill also uses this market leverage to bring all interested parties together to improve laws, monitoring, and enforcement in countries experiencing illegal deforestation.

Although the bill has not yet been introduced in the 118th Congress, USCA supports its introduction and final passage into law.

6. Reevaluate Brazil's GSP eligibility and requirements.

U.S. trade preference programs such as the Generalized System of Preferences (GSP) provide opportunities for many of the world's poorest countries to use trade to grow their economies and climb out of poverty. GSP is the largest and oldest U.S. trade preference program. Established by the Trade Act of 1974, GSP promotes economic development by eliminating duties on thousands of products when imported from one of 119 designated beneficiary countries and territories providing nonreciprocal, duty-free treatment enabling many of the world's developing countries to spur diversity and economic growth through trade. Economic development is promoted by eliminating duties on thousands of products when imported from designated beneficiary countries and territories.

In 2020, the Congressional Research Service (CRS) reported that the top five beneficiary developing countries (BDCs) in relation to imports entering the U.S. under GSP were Thailand, Indonesia, Brazil, Cambodia, and Philippines. Several bills to reauthorize and introduce new eligibility criteria to the program were introduced in the 117th Congress. Some of the proposed eligibility criteria include provisions on human rights, environmental laws, and good governance. Supporters of the proposed eligibility criteria consider it a modernization of the GSP program to address modern-day issues.

A stronger case would be to add a qualifying criterion on a strong program to prevent deforestation. Without such programs and enforcement, the country should lose GSP eligibility.

7. Follow other countries' models of disincentivizing deforestation.

In early 2023, the European Parliament adopted a new law that obliges companies to ensure products sold in the EU have not led to deforestation and forest degradation.

While no country or commodity will be banned, companies will only be allowed to sell products in the EU if the supplier of the product has issued a so-called "due diligence" statement confirming that the product does not come from deforested land or has led to forest degradation, including of irreplaceable primary forests, after 31 December 2020.

Companies will also have to verify that these products comply with relevant legislation of the country of production, including on human rights, and that the rights of affected indigenous people have been respected.

CONCLUSION

Brazil has consistently shown itself to be a bad actor in the global marketplace, but especially so in the cattle and beef sectors. Whether it's the deforestation of the Amazon Rainforest, the exploitation of adult and child labor, food safety or animal welfare concerns, there is enough reason to suspect that the country isn't an honest player when it comes to international trade.

More pointedly, the Brazilian beef industry grew into a global powerhouse as a result of ill-gotten gains through the actions of its major meatpacking corporations.

We bring forward today only a handful of the facts surrounding the beef supply chain in Brazil. It is the responsibility of our elected officials and Federal agency leaders to protect American consumers from unknowingly bringing illicit products into their homes. Unfortunately, more questions than answers remain after peeling back the layers of illegal activities conducted in the production of Brazilian beef.

USCA urges members of Congress and the administration to prioritize an investigation into the Brazilian beef supply chain. Any such actions should also be sensitive to impoverished communities in the Amazon region. Supporting our domestic

producers means taking bold, decisive action to combat the importation of beef produced through the use of forced labor and illegal deforestation practices.

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QUESTIONS SUBMITTED FOR THE RECORD TO LEO McDONNELL

QUESTIONS SUBMITTED BY HON. RON WYDEN

Question. Mr. Weller testified that multination beef producers in Brazil are “not exporting—competing against—American ranchers domestically and ever arguably internationally.”

Do multination beef producers in Brazil compete with American ranchers domestically and internationally? If so, what effect do Brazilian beef exports have on the price of beef in the U.S. and the livelihoods of American small business owners?

Answer. Yes, multination beef producers in Brazil compete with American ranchers domestically and internationally. Volumes have been written on the supply sensitivity of the cattle/beef industry, which is compounded by the perishability of both fed cattle and beef. Also, historically the U.S. International Trade Committee (ITC), Department of Commerce (DOC), Congress, industry and academic analysts, etc. have all noted on varying subjects, that imports can have an impact on U.S. cattle prices beyond just supply quantities.

Since the U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service (FSIS) determined that fresh beef from Brazil was eligible for imports, imports have surged, growing from a previous 5-year average of around 140 million pounds to 466 million pounds by 2022. That represents a 300-percent increase in imports, while U.S. cattle producers during the same period have reduced their cat-

tle herd numbers. USDA recently reported that from the 5-month period from January of 2023 to May of 2023, Brazilian imports totaled 275 million pounds.

In 2022, Brazilian imports were 1.7 percent of U.S. beef supplies. Today, it's closer to 4 percent, but is buffered by a 12-percent decline in beef cow slaughter, equivalent to 582,000 800lb CW processed cattle.

U.S. CATTLE PRICES ARE DIRECTLY RELATED TO SUPPLY LEVELS

The cattle and beef markets each have their own dynamics whose relationships can affect price, but one thing they do have in common, with few exceptions, is the relationship between price and supply. A 2-percent change in supplies is notable and can cause significant market prices responses.

For example, an article published December 5, 2022, by Scott Brown, livestock economist with University of Missouri, explaining the beef supply sensitivity to the price of cattle noted, "There have been four instances since 2000 when per-capita domestic beef availability fell by 3.8 percent or more, and all four translated to increases in fed cattle prices."

When the supply dropped 4 percent in 2003, fed-steer prices advanced nearly 25 percent, similar to the situations in 2011 (a 3.9-percent decline in supplies led to a 20-percent price increase) and 2014 (a 3.8-percent decline contributed to a 23-percent price increase). However, in 2008, the fed-steer price only advanced 0.2 percent on a 4.3-percent drop in supply. In this case, it's important to note that 2008 saw the brunt of the Great Recession.

Jason Franken of the School of Agriculture, Western Illinois University provided a market analysis in *Farmdoc Daily* on February 7, 2022, telling readers, "Taking into account the inventory and cattle on feed numbers, beef production is anticipated to be 2.5 percent lower in 2022 than last year. . . . All things considered, prices in 2022 are likely to exceed those of the last couple of years."

On September 28, 2020, *BEEF Magazine* shared insights from Ted Schroeder and Glynn Tonsor who are agricultural economists at Kansas State University:

Demand on the other hand, refers to the quantity of beef consumers will buy at various prices. . . . All else equal, as the supply of beef increases, the price the consumers will pay will decline. As the supply decreases, consumers will typically pay more. In fact, according to research by Melissa Makendree, Extension Economist at Michigan State University, across decades, a 1 percent increase in beef demand typically yields a 1.52 percent increase in fed cattle prices and a 2.48 percent increase in feeder cattle prices. The opposite is true, too.

The Dairy Buy-Out Program offers another example of artificial or new supply impacts on the cattle market.

In 2009, National Cattlemen's Beef Association (NCBA) President Andy Grosetz told Wes Ishmael of *BEEF Magazine*, in reference to a new proposed dairy buy-out of just 320,000 additional head of cattle entering the beef market, said that the move could drastically reduce the price of beef cattle. He then went on to point out the 1986 buy-out resulted in a 25-percent decrease in the price paid to producers for beef cattle and sent the cattle markets to the lowest point seen in the last 30 years.

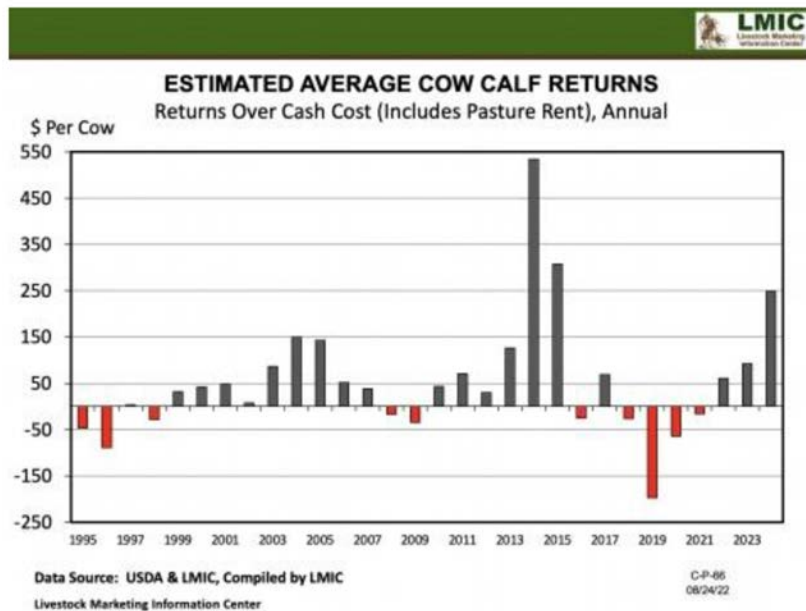
A report by John Marsh titled, *The Effects of the Dairy Termination Program (DTP) on Live Cattle and Wholesale Beef Prices*, estimated the beef price effects of the 1986–87 Dairy Termination. "The DTP proposed to dispose of 897,266 dairy cows over the 18-month period. However, 47,585 cows were planned for export. Under normal culling conditions 28 percent of the dairy cows would be slaughtered, leaving a net addition from the program of 611,770." Using the estimated 18-month price flexibilities in conjunction with this production response indicated a 5.3-percent average reduction in carcass prices, a 4.6-percent average reduction in slaughter prices, and a 6.4-percent reduction in feeder prices.

Marsh also noted, "In addition, the long-term response coefficients differed only marginally from the 18-month effects, suggesting that the price impacts of the DTP by the end of the program period were quite minimal. This was particularly evidenced by mid-1987, as the DTP impact was overshadowed by increasing beef prices due to the reduction of domestic beef herds of the past 4 to 5 years." Much like we are seeing today with rapidly declining slaughter numbers, Brazilian imports may

not have the impact on cattle prices in 2023 that we had in 2021 and 2022; however, once U.S. cattle numbers rebound, then we can expect a more significant impact.

In the case of Brazil, a 1.7- to 2-percent increase in beef supplies or an equivalent live cattle number of 582,000 (as we saw in 2022) can have a significant impact.

It's important to put this in perspective of annual returns to U.S. cow-calf producers, where average returns since 2016 have been well under \$50.00 per head. The surge of Brazilian imports since 2021, easily could account for that much or more in loss returns to U.S. farmers and ranchers.



IMPORTED BEEF IMPACTS BEEF SUPPLIES IN THE U.S., WHICH IMPACTS U.S. CATTLE PRICES

Historically, there has been a negative correlation to beef imports and cow slaughter in the U.S., which helped to reduce the impact some on U.S. cattle prices at these times. As cow slaughter numbers increase, beef imports decreased. However, that has not been the case in recent years.

There are numerous articles, research papers, USDA reports, and research articles documenting the negative impact beef imports have on U.S. cattle prices. Presented here are just a few of those publications:

- *Harvested Cattle, Slaughtered Markets?* Published May 2022, C. Robert Taylor is the Alfa Eminent Scholar (distinguished university professor) emeritus in agricultural economics and public policy in the College of Agriculture at Auburn University.

“Beef trade has an important effect on domestic cattle and beef markets. Increased beef imports certainly depress domestic cattle prices, while increased exports strengthen domestic cattle prices. The connection between beef trade and domestic cattle and beef markets is nevertheless strong enough that there is potential for imports and exports to be used to manipulate domestic markets. Certainly, imports can be used by packers to make up the shortfalls in domestic captive supplies, which would have a depressing effect on domestic cash prices.”

- In *Changes in the Ground Beef Market and What It Means for Cattle Producers*, Dr Nevil Speer who was professor at Western Kentucky University

when the paper was initiated, Tom Brink of Top Dollar Angus, Inc., and Mark McCully with Certified Angus Beef at the time and currently CEO of American Angus Association noted:

“The trimmings market is a function of numerous drivers making it somewhat cumbersome to analyze. First, there’s an array of domestic sources to consider as highlighted above, including domestically sourced lean trim (from cull cows and bulls). Second, imports play an important role. Beef imports are overwhelmingly comprised of fresh, chilled, and frozen boneless beef—consistently representing about 85 percent of all imports since 2000. Much of the beef is imported to blend with 50/50 trim to make ground beef/hamburger. Domestic trim (sourced from both fed cattle and mature cattle) regularly represents slightly more than 27 percent of the Nation’s beef supply. Meanwhile, imported beef supply peaked in 2004 at 12.7 percent or 3.68 billion (B) pounds (lbs). However, that supply steadily declined through 2011, marking a bottom at 2.06 B lbs or 7.1 percent of available beef supply.

“In other words, imports declined by 1.6 B lbs (44 percent) in the span of just 7 years. The decline clearly served to underpin the domestic lean trimmings market—most notably 90 percent lean trimmings. The market moved to new levels following BSE-induced trade disruption and reached new all-time highs in the summer of 2008. . . . This ultimately forced ground beef suppliers to increasingly procure product from domestic sources. That dynamic helped underpin the cull cow and bull market to generate a bigger supply of domestic trimmings.”

- Jim Dunn, Market Analyst, said that beef imports, not exports, are being attracted by the strong dollar compared to other producing countries. The surplus of animals compared to customer demand has hit steer prices hard with feed and cattle prices following. The net effect is the cold storage beef stocks are high, depressing live market prices.

Probably nothing serves as a better example of imported beef supply surges and their impact on U.S. cattle prices as the period from 2013 to 2015. From 2013 to 2015, beef imports increased by 50 percent, from 2.249 billion lbs CW to 3.388 billion lbs. In 2015, from January to December, fed cattle prices dropped 23 percent and 600 weight calves dropped 34 percent with little change in U.S. slaughter numbers.

U.S. GOVERNMENT HAS A LONG HISTORY OF RECOGNIZING IMPACTS TO U.S. CATTLE PRICES FROM IMPORTS

The Senate Finance Committee has a long history of recognizing that beef imports have an impact on live cattle prices. During the passing of the Meat Import Act in 1964 and 1979, the Senate Finance Committee noted 6 factors contributing to the depressed condition of the U.S. cattle industry; of which one was “imports of foreign beef.”

The Senate Finance Committee also found that “imported beef competes directly in the marketplace with domestic cow and bull beef, and indirectly with grain fed, table grade beef.” Another table in the report showed that “at the very time imports of beef were sharply rising, domestic beef prices were drastically falling.” The remedy was imposition of quotas which were set at an adjusted base quantity. The quotas were “triggered” when imports were expected to reach certain supply levels.

In Trade and Cattle: How the System Is Failing an Industry in Crisis, Terence P. Stewart, James R. Cannon, Jr., Eric P. Salonen, and Dennis R. Nuxoll provide a historical analysis of government and industry concern and actions.

In 1979, Congress amended the Meat Import Act to modify the method for establishing quotas to “stabilize U.S. beef and veal production and prices at levels adequate to provide a fair return to domestic producers of beef and veal” and “to provide reasonable access to the U.S. market for imported beef and veal.”

The Finance Committee went on to observe that the large variations in beef and veal production and prices were severe both for producers and consumers. It had been generally agreed, for example, that “the domestic beef industry as a whole had been seriously hurt in 1974–1978.”

“Faced with low prices and sharply rising costs, many producers, large and small, were forced out of the industry or went deeply into debt to ride out the cycle. [W]ith prices remaining low, a massive herd liquidation has occurred, and with a record slaughter of cows, a period of sharply rising prices was in store for the consumer.”

The Finance Committee also observed that imports played an “important role” in the cattle cycle: According to studies undertaken by the U.S. International Trade Commission, imports have supplied about 7 percent of U.S. consumption of beef in most years since the Meat Import Act because effective. In 1978, however, domestic production declined, and prices rose, and imports supplied 8.4 percent of consumption. [From January to March 1979] prices continued to rise rapidly, and imports supplied 11 percent of consumption (an increase of 33 percent from year-earlier levels) as domestic production declined 10 percent.

The Department of Agriculture has projected that imports of beef during 1979 will be equivalent to 10 to 12 percent of U.S. consumption. Congress’s response was to introduce a countercyclical factor based on per capita U.S. commercial domestic cow beef production which would “remove the destabilizing effect of imports under the present law on the U.S. market.” . . .

In 1998, one of the largest trade cases, representing this many producers, in the history of our country was filed against Canada and Mexico for antidumping and countervailing.

In 1999, the Chairwoman of USITC reported “that packers can and do use imports to suppress domestic prices.”

In 2002, as published by the U.S. Senate Trade Deficit Review Commission, Republican Commissioners noted “imports are and can be used to suppress domestic prices.”

THE IMPORTANCE OF THE LEAN BEEF MARKET

While some have treated the lean beef market as a by-product in past years, quite the opposite is true. Approximately 60 percent of all beef consumed in the U.S. is in the form of ground beef.

In fact, in 2014, Rabobank Agri. Finance published the Ground Beef Nation with the following findings.

Rabo reported in 2014 “. . . the price of 85’s and particularly the 90’s (lean trimmings) are virtually trading at a premium to overall cutout.” Explaining a shift in the marketplace for lean beef items, a cull-cow product, which historically sold at a discount to the overall cut out product. The Rabo report also noted that historically, the all-steak price relative to ground beef price had held at around 2.5:1 ratio. However, in the last few years that ratio had moved to a 1.5:1 ratio and predicted the strength of the ground beef to remain strong compared to all-steak.

Following the Rabo report, Dr. Nevil Speer, professor at Western Kentucky University along with Tom Brink, president of Top Dollar Angus Inc. and Mark McCully with Certified Angus Beef, LLC published an extensive “white paper,” *Changes in the Ground Beef Market and What it Means for the Cattle Producers*.

In it, they referenced several reports noting the popularity of ground beef, “Americans eat more than 11 billion burgers every year and 8 out of 10 U.S. food services establishments serve hamburgers. When asked what makes a burger “premium,” more than 7 out of 10 specified a high-quality breed of beef (such as Angus) and or a high-quality cut (such as sirloin).”

Other findings from the report include:

- Ground beef/hamburger is the largest fundamental category of beef products with 63 percent of total food service beef sales in volume (lb.) and 37 percent of total revenue.
- More trim, and thus ground beef production has generated at the packer-processor level.
- Ground beef originates from three primary sources: fed cattle, mature cattle (cull beef and dairy cow and bulls) and imported lean beef (fed and non-fed).

- Whole subprimals may be used for grinding, it makes sense economically. That's especially true considering seasonality, source availability, and demand for beef products.
- Enhanced value in the ground beef category has been especially important to the industry's overall prosperity during the past 10 years. Ground beef is a significant component of beef's total volume and an important contributor to consumer perception.
- Wholesale prices are the most direct translation back into live cattle values at any given time.

The ground beef/lean beef market is a market of its own but plays an important part of wholesale boxed beef prices, which historically have had a direct correlation to U.S. cattle prices. Within the lean beef market, the surge in Brazilian beef imports in recent years now has over a 5-percent supply impact. Add to this the ability of packers to manipulate supplies, build cold storage, etc. and the impact on fed cattle, calves, culls cows and bulls is in the billions of dollars.

Also important to note on imported supply impact is that since about 2015, and around the time the Cattlemen's Beef Board (CBB) published a white paper promoting that beef imports add value to U.S. cattle, there have been several attempts by some in academia and a few market analyst to also promote this. However, such writings seem more geared to promoting certain ideologies and political philosophies, than dealing with the realities of market fundamentals that those of us in the cattle industry have to live with.

Question. What tools would best help level the playing field for American cattlemen and cattlemen, improve competition, and help address deforestation in the Amazon?

Answer. In May 2023, in response to an Executive Order on *Strengthening the Nation's Forests, Communities, and Local Economies*, the U.S. Department of State submitted two reports to President Joe Biden on stopping international deforestation.

Combating International Deforestation Associated with Agricultural Commodity Production addresses a primary direct driver of global deforestation: the conversion of forests to produce major agriculture commodities.

The second, *Reducing International Deforestation Through U.S. Government International Programming, Assistance, Finance, Investment, Trade and Trade Promotion* provides insights and options on how the U.S. Government is addressing and can further address international deforestation and land conversion through a range of instruments such as international programming, assistance, finance investment, trade, and trade promotion.

Although pages of recommendation in various forms were provided, one point emerged as a common theme: the importance of documenting product origin and engaging global consumers of these products and their governments.

USCA offers the following as ways that members of Congress and the Biden administration can support its domestic cattle producers:

1. Reestablish a Mandatory Country-of-Origin Labeling Program

International bad actor's such as Brazil and JBS continue to launder beef into the United States to U.S. consumers who assume it is U.S. product as it carries a USDA inspection stamp and does not note country of origin. Just as open export markets helped drive the expansion of deforestation, and the 300-percent increase in their cattle herd in Brazil, a transparent consumer market identifying where beef comes from would go a long way deterring many of the corrupt practices in Brazil and being used by JBS such as the use of child labor, bribing government meat inspectors and banking officials, and laundering deforestation cattle through their facilities. U.S. cattle producers should not have to compromise the integrity of their product with blended foreign product.

Since the repeal of country-of-origin labeling in 2015, there are no clear definitions for what constitutes a U.S. beef product. Cattle or beef that is imported into our borders and undergoes further processing or handling at a USDA-inspected facility can be labeled as a "Product of the United States," even if the handling of the product was minimal.

Without meaningful country-of-origin labeling on meat products or strong rules of origin, many consumers who wish to purchase meat derived from animals born and

raised in the United States are unable identify such product. This deprives U.S. cattle producers of the ability to differentiate their product in the market and allows meat packers to take advantage of different supply sources while capitalizing on consumer confusion about the source of the food they eat.

The American Beef Labeling Act, championed by Senators John Thune (R-SD), Jon Tester (D-MT), Mike Rounds (R-SD), and Cory Booker (D-NJ) would reinstate mandatory country of origin labeling (MCOOL) for beef.

This legislation would require the U.S. Trade Representative (USTR), in consultation with the secretary of the U.S. Department of Agriculture, to develop a World Trade Organization-compliant means of reinstating MCOOL for beef within 1 year of enactment. USTR would have 6 months to develop a reinstatement plan followed by a 6-month window to implement it. If USTR fails to reinstate MCOOL for beef within 1 year of enactment, it would automatically be reinstated for beef only.

USCA urges the swift passage and implementation of this legislation.

2. Conduct a Section 301 Investigation to Examine How Practices in the Brazilian Beef Industry Harm the U.S. Beef Industry

A 301 investigation refers to an investigation conducted by the United States under section 301 of the U.S. Trade Act of 1974. It empowers the U.S. Government to investigate and respond to unfair trade practices, intellectual property violations, and other barriers to trade imposed by foreign countries. The section 301 investigation allows the U.S. Government to take actions, including imposing tariffs or other trade measures, in response to these unfair practices.

When the U.S. Trade Representative (USTR) determines that a foreign country's trade practices are unreasonable, discriminatory, or harmful to U.S. interests, they can initiate a section 301 investigation. The investigation aims to gather information, assess the impact on U.S. industries and the economy, and determine whether retaliatory measures are necessary.

Once the investigation is completed, the USTR may engage in negotiations with the foreign country to resolve the trade issues. If a satisfactory resolution is not reached, the USTR may take further action, such as imposing tariffs or other trade restrictions, to address the identified unfair trade practices or barriers.

3. Direct U.S. Customs and Border Protection to Uphold Section 307 of the U.S. Tariff Act and Issue a Withhold Release Order for Brazilian Beef Products

In February 2015, the U.S. Congress passed, and President Obama enacted, the Trade Facilitation and Enforcement Act of 2015. The act closed a loophole in the Forced Labor Statute of The Tariff Act of 1930, which previously allowed under-enforcement of the forced labor rule in instances where the domestic supply of a good or product did not meet U.S. consumer demand. The removal of this loophole allows stakeholders to petition the CBP for the banning of an imported good that is produced by forced or slave labor.

USCA urges Congress and the administration to begin the process of filing a formal section 307 of the U.S. Tariff Act complaint against Brazilian beef. Doing so will deploy the use of Federal resources to investigate how the Brazilian beef industry benefits from its exploitation of labor. That investigation would then provide the evidence required for issuance of a withhold release order (WRO), which would prohibit the importation of goods produced using forced labor.

USCA urges the swift passage and implementation of this legislation.

4. Pass the Fostering Overseas Rule of law and Environmentally Sound Trade Act, or "FOREST Act"

In 2021, U.S. Senator Brian Schatz (D-HI) and U.S. Representatives Earl Blumenauer (D-OR) and Brian Fitzpatrick (R-PN) introduced the FORREST Act, bipartisan legislation that creates a framework for the Federal Government to deter commodity-driven illegal deforestation around the world.

The FOREST Act restricts access to U.S. markets for commodities originating from illegally deforested land, reducing the incentive to sacrifice forests for agriculture use and using this market leverage to improve laws, monitoring, and enforcement in countries experiencing illegal deforestation.

The bill also uses this market leverage to bring all interested parties together to improve laws, monitoring, and enforcement in countries experiencing illegal deforestation.

Although the bill has not yet been introduced in the 118th Congress, but USCA supports its introduction and final passage into law.

5. Reevaluate Brazil's GSP Eligibility and Requirements

U.S. trade preference programs such as the Generalized System of Preferences (GSP) provide opportunities for many of the world's poorest countries to use trade to grow their economies and climb out of poverty. GSP is the largest and oldest U.S. trade preference program. Established by the Trade Act of 1974, GSP promotes economic development by eliminating duties on thousands of products when imported from one of 119 designated beneficiary countries and territories providing nonreciprocal, duty-free treatment enabling many of the world's developing countries to spur diversity and economic growth through trade. Economic development is promoted by eliminating duties on thousands of products when imported from designated beneficiary countries and territories.

In 2020, the Congressional Research Service (CRS) reported that the top five beneficiary developing countries (BDCs) in relation to imports entering the U.S. under GSP were Thailand, Indonesia, Brazil, Cambodia, and Philippines. Several bills to reauthorize and introduce new eligibility criteria to the program were introduced in the 117th Congress. Some of the proposed eligibility criteria include provisions on human rights, environmental laws, and good governance. Supporters of the proposed eligibility criteria consider it a modernization of the GSP program to address modern-day issues.

A stronger case would be to add a qualifying criterion on a strong program to prevent deforestation. Without such programs and enforcement, the country should lose GSP eligibility.

6. Follow Other Countries' Models of Disincentivizing Deforestation

In early 2023, the European Parliament adopted a new law that obliges companies to ensure products sold in the EU have not led to deforestation and forest degradation.

While no country or commodity will be banned, companies will only be allowed to sell products in the EU if the supplier of the product has issued a so-called "due diligence" statement confirming that the product does not come from deforested land or has led to forest degradation, including of irreplaceable primary forests, after December 31, 2020.

Companies will also have to verify that these products comply with relevant legislation of the country of production, including on human rights, and that the rights of affected indigenous people have been respected.

7. Enforce Current Antitrust Laws

Congress and the administration need to reinstate the effectiveness and enforceability of our antitrust laws, including restoring and modernizing the Packers and Stockyards Act rules to their original intent.

Congress and the administration should expand the Joint Initiative between DOJ and USDA P&S to employ outside legal counsel with expertise in anti-competitive practices and allow them subpoena power under DOJ and USDA P&S guidance.

JBS has moved into the U.S. meat industry and now is the largest beef processor globally using illegal activities. Here in the U.S., they have also been sued and in most cases found guilty of fixing prices and manipulating supplies in their various meat businesses. What fines they have been given are certainly minimal compared to the gains they've made from such illegal activities.

Brazil has consistently shown itself to be a bad actor in the global marketplace, but especially so in the cattle and beef sectors. Whether it's the deforestation of the Amazon Rainforest, the exploitation of adult and child labor, food safety or animal welfare concerns, there is enough reason to suspect that the country isn't an honest player when it comes to international trade.

More pointedly, the Brazilian beef industry grew into a global powerhouse as a result of ill-gotten gains through the actions of its major meatpacking corporations. While many believe JBS should have been broken up here in the U.S. for their corrupt activities, it's doubtful that will happen, but hopefully we can at the minimum confine our efforts to address the evils that accompany their activities in the U.S. cattle market and the beef products they import.

QUESTIONS SUBMITTED BY HON. ELIZABETH WARREN

Question. The Securities and Exchange Commission (SEC) proposed rules in March 2022 to enhance and standardize climate-related disclosures to investors.¹ These rules would require registrants to include climate-related disclosures and risks in their registration statements and reports, including information such as greenhouse gas emissions and climate risk impacts on operations and finances.

Would finalizing the SEC's proposed rules help provide investors transparency into illegal deforestation in the Brazilian Amazon, particularly by meatpacking giants such as JBS? Please specify what specific requirements would be especially effective to include in the finalized rules.

Answer. Senator, we appreciate your concern and consideration in leveling the playing field for U.S. cattle producers.

As noted in USCA's written testimony, a 2023 USDA Economic Research Service (ERS) analysis stated, "Greenhouse gas emissions (GHG) from beef production in the U.S. are decreasing. Compared to 50 years ago, we now produce 20 percent more meat using about 15 percent fewer cattle." The GHG intensity in cattle production has dropped 34 percent from 32 to 21 kg CO₂e/kg carcass weight produced, and the total GHG emission related to beef cattle production has decreased 21 percent from 324 to 255 Tg. Few industries can make such claims and U.S. ranchers have again proven themselves to be responsible stewards of the land and environment.

The same can not be said for Brazil, where The Nature Conservancy reports that Brazil has lost 20 percent of its rainforest to deforestation, making the country one of world's biggest contributors to greenhouse gases and global climate change.

The Securities and Exchange Commission's (SEC) proposed rule as currently written may hurt, rather than help America's farmers and ranchers. Specifically, the Scope Three reporting would significantly increase burdens and costs for family farmers and ranchers who already face challenges with rising inflation and energy costs. Many lack the resources needed to measure and report GHG emissions. Agricultural producers already invest in conservation practices that protect environmental quality and are overseen by the U.S. Department of Agriculture and Environment Protection Agency.

However, these rules are modified and confined to Brazil and other foreign nations determined to participate in illegal deforestation or other egregious acts of environmental degradation, then the proposed rule may provide an avenue to uphold the SEC's mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

Question. The Federal Trade Commission collected comments in January 2023 on potential updates to its Green Guides for the Use of Environmental Marketing Claims.² The Commission's Green Guides specify how marketers can avoid making environmental marketing claims that are unfair or deceptive, and it is seeking to update the guides based on increasing consumer interest in buying environmentally friendly products.

Would updating the FTC's Green Guides help curb illegal deforestation in the Brazilian Amazon, particularly by meatpacking giants such as JBS? Please specify what specific guidelines would be especially effective to include for updating the Green Guides.

Answer. First issued in 1992 and most recently revised in 2012, the Commission's Guides for Use of Environmental Marketing Claims ("Green Guides" or the "Guides"), outlines general principles applicable to all environmental marketing claims, and provide specific guidance regarding many common environmental benefit claims.

The U.S. Cattlemen's Association was founded on its support of truthful, accurate, and clear consumer labeling. To that end, the mission of the Green Guides is an important component in ensuring that consumers receive what they believe they are

¹U.S. Securities and Exchange Commission, "SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors," press release, March 21, 2022, <https://www.sec.gov/news/press-release/2022-46>.

²U.S. Federal Trade Commission, "Federal Trade Commission Extends Public Comment Period on Potential Updates to its Green Guides for the Use of Environmental Marketing Claims," press release, January 31, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/01/federal-trade-commission-extends-public-comment-period-potential-updates-its-green-guides-use>.

buying. For instance, if a package of ground beef bears the “Made in the USA” label, the product inside should be from cattle that were born, raised, harvested, and further processed in the United States.

The FTC applies an “all or virtually all” standard to “Made in the USA” claims based upon the assumption that consumers understand U.S. origin to mean that the product is “all or virtually all” made in the United States.

Due to the commingling of imported lean beef from countries such as Brazil with domestic beef, the possibility of beef products which are not born and raised as well as harvested in the United States carrying a label indicating “Product of USA” or some such other claim of U.S. origin is very real. It is our understanding that all products advertised or sold in the U.S., including food products like beef, must meet the FTC’s “all or virtually all” standard if “made in USA” or “product of USA” (or similar labeling) is to be applied. Without clear guidance from the U.S. Department of Agriculture’s Food Safety and Inspection Service (FSIS) product either is already or will likely be mislabeled and cause confusion to consumers who are purchasing beef products in the United States.

To eliminate the likelihood of confusion and to better inform consumers, USCA recommends that the Green Guides offer guidance on how voluntary labels indicating “Made in USA,” “Product of USA,” or similar content should be limited to beef from cattle born, raised, harvested, and further processed in the United States.

Today, many fast food, fast casual, and convenience-style stores are ramping up environmental claims and promises on their beef products, while at the same time, within the last 3 years, Brazilian lean beef imports used by many of these businesses has increased 300 percent. Due to the loose labeling regulations currently in place, these businesses, and in turn their consumers, may think that they are supporting a “Product of the U.S.A.,” when in actuality, they are supporting the deforestation of the Amazon rainforest.

With clear origin labeling guidance included in the next edition of the Green Guides, we can ensure that marketers are making accurate claims about their products and that consumers are receiving the product they are expecting.

In early 2023, the European Parliament adopted a new law that obliges companies to ensure products sold in the EU have not contributed to deforestation and forest degradation.

In a similar manner of intent, the Green Guides could provide labeling for beef from countries like Brazil and companies such as JBS that have a history of supporting and using beef from deforested regions. Due to the chronic behavior of Brazil to mislead the public about their role in deforestation of the Amazon rainforest, we would suggest extending the requirement for that label to a 2–3 year probation period requirement for such “Product of Deforestation” following U.S. investigations that satisfy that they have ceased or corrected such deforestation promotions and activities.

PREPARED STATEMENT OF JASON WELLER,
GLOBAL CHIEF SUSTAINABILITY OFFICER, JBS

Chairman Wyden, Ranking Member Crapo, and distinguished members of the committee, I am Jason Weller, global chief sustainability officer for JBS. I have dedicated my career in public service and private industry to helping advance the sustainability of agricultural food systems. During my more than 15 years of Federal public service, I had the honor of serving as Chief of the U.S. Department of Agriculture’s Natural Resources Conservation Service (NRCS), the world’s most prominent agricultural conservation agency helping farmers and landowners implement voluntary conservation activities in their operations. In the private sector, I helped establish Truterra, a sustainability business that works alongside USDA and other conservation organizations within Land O’Lakes—the third largest farmer-owned cooperative in the U.S.

My role at JBS is arguably the most important of my career, providing an opportunity to work within one of the world’s leading food and agricultural companies with the scope and scale to influence change, in partnership with producers and other members of the value chain to limit the impacts of climate change and eliminate agriculture-related deforestation.

ABOUT JBS

JBS is a global, diversified food company creating high-quality beef, pork, poultry, fish, and plant-based products for customers and consumers around the world. We are driven by our mission to be the best and are committed to responsibly producing products people can trust and enjoy. JBS employs over 250,000 team members globally and is present in more than 20 countries. In Brazil, we employ more than 140,000 team members across more than 80 production facilities and partner with tens of thousands of producers in our beef, pork and poultry supply chains. In the U.S., our company is headquartered in Greeley, CO, and we employ more than 70,000 team members across 70 facilities in 31 States and Puerto Rico—primarily in rural communities.

We are committed to investing in our people and our communities and have developed several initiatives to demonstrate that commitment. Our Better Futures program is set to become the largest tuition-free community college program in rural America, providing our U.S. team members and their child dependents with access to free education. We are also investing in our rural American communities through our \$100 million Hometown Strong initiative, in which we partner with local community leaders and organizations to help address local housing, child care, recreational, educational, and food security needs.

THE KEY TO COMBATING DEFORESTATION

We applaud the committee for holding this important hearing to explore potential trade policy solutions to combat international deforestation associated with agricultural commodity production. JBS sits in a pivotal position in the food value chain—interacting upstream with farmers, ranchers, grain originators and input suppliers, and downstream with distributors, retailers, restaurants, and consumers. Our significant presence in Brazil and daily interactions with producers in the country gives us firsthand experience with supply chains vulnerable to potential deforestation events. However, JBS is only one participant in the supply chain. Today, while we operate in the Amazon biome, there are a number of other players in the region, and about 72 percent of all beef production in Brazil is consumed domestically.¹ In addition, according to the State Department, “[I]n terms of imports of major forest-risk commodities, the United States is less significant, behind both China and the EU in imports of soy, beef, and palm oil.”² Thus, restrictive U.S. trade barriers may not be the most effective tool to influence on-the-ground decisions by landowners in Brazil.

In Brazil, by some estimates, approximately 95 percent of land conversion is illegal, which highlights the need to focus enforcement efforts on illegal deforestation.³ In our view, the key to combating deforestation—both legal and illegal—is eliminating the incentives for forest clearing by landowners and providing producers with financial and technical assistance to support sustainable intensification, integrated farming systems and restorative land practices. We are encouraged by the recent announcement from Brazilian President Luiz Inácio Lula da Silva regarding the country’s plan to eliminate deforestation by 2030. With the Brazilian government as a willing partner in the fight against deforestation, we are optimistic that progress can be accelerated.

OUR EFFORTS TO SECURE A DEFORESTATION-FREE SUPPLY CHAIN IN BRAZIL

JBS has a four-pronged approach to combatting potential deforestation in our supply chain that includes: (1) a zero-tolerance deforestation sourcing policy; (2) supply chain monitoring and enforcement; (3) technical assistance and extension services for producers; and (4) multistakeholder engagement and collaboration to accelerate sectoral change.

Zero-Tolerance Zero Deforestation Sourcing Policy

JBS has set forth a clear zero deforestation commitment in the Amazon, which includes:

- Zero deforestation by direct livestock suppliers by the end of this year (2023).

¹ USDA, FAS: Livestock and Products Semi-annual, Brazil. Report Number: BR2023-0004.

² Combatting International Deforestation Associated with Agricultural Commodity Production, A Report for the President in Response to EO 14072, U.S. Department of State, April 26, 2023, page 4.

³ *Ibid.*, page 6.

- Zero deforestation by indirect livestock suppliers by the end of 2025 (legal and illegal, PRODES 2008).

To support these commitments, JBS established the Responsible Raw Material Procurement Policy that prohibits the purchase of livestock from farms involved in deforestation, forced labor, invasion of indigenous territories, or embargoed by Brazilian environmental authorities. In addition, all livestock suppliers in the Amazon must adhere to the “Protocol for Monitoring Cattle Suppliers in the Amazon” (also known as the Beef on Track Protocol), developed by the nongovernmental organization Imaflora and the Brazilian Federal Prosecutor’s Office (MPF). Beef on Track establishes the processes and tools for monitoring, auditing, and reporting for a deforestation-free beef supply chain.

Supply Chain Monitoring and Enforcement

JBS has developed a cattle supplier monitoring system that leverages public data bases, satellite imagery, geo-referenced data, and government data to verify compliance with socio-environmental standards. As a result, our monitoring system covers a significant number of direct livestock suppliers—approximately 73,000—across an area of about 350,000 square miles, an area larger than the States of Texas and Oklahoma combined. Since implementation more than a decade ago, our monitoring system has blocked more than 12,000 potential supplier farms in Brazil.

To complement our monitoring system for direct suppliers, JBS has also built and deployed the Transparent Livestock Farming Platform, a digital platform to increase the visibility further up the cattle supply chain to the tens of thousands of farms that sell cattle to our direct suppliers. This free, confidential, open-source online platform uses blockchain technology to extend monitoring of our direct suppliers to their suppliers—producers with whom the company does not have a direct business relationship, but who are a critical part of the supply chain. We are in no way nontransparent about the challenge of indirect suppliers. To date, 45 percent of the cattle processed by JBS are enrolled in the platform, with the goal to achieve 100 percent participation by 2025. Beginning in 2026, all direct suppliers and Tier 1 indirect suppliers who wish to do business with JBS must be on the platform.

Technical Assistance and Extension Services

Sourcing policies, monitoring, and compliance systems help to block noncompliant cattle suppliers, but these systems do not address the underlying drivers or economic incentives of forest clearing. As we have learned, simply blocking farms with deforestation concerns is not enough because these blocked farms will continue to produce cattle and other agricultural commodities that will find another way to enter regional and global food supply chains. JBS is investing significant resources to address this challenge. We have established a network of 18 Green Offices since 2021 to provide free technical support and extension services to farmers who want to improve environmental performance, productivity and sustainable practices.

The JBS Green Offices include teams of specialists and certified consultants who provide free technical support to producers to help them bring their farms into compliance. To date, JBS Green Offices have helped almost 6,000 farms that produce about 2 million head of cattle to come into compliance with Brazil’s Forest Code requirements. In addition, JBS provides free agronomic and business planning services to farmers through our A+ Farm program to help enhance the productivity, profitability, and sustainability of their operations. Utilizing a proprietary software platform, JBS specialists are able to demonstrate both opportunities for on-farm improvement and performance against other producers in the region. Certified consultants then help develop strategies to empower producers to sustainably intensify production and reduce the economic incentives to illegally clear additional forest.

Multistakeholder Engagement and Collaboration

Finally, we actively participate in multiple global forums, including the United Nations Climate Change Conference of the Parties (COP), the World Economic Forum, and the Tropical Forest Alliance-supported Agriculture Sector Roadmap to 1.5 °C, to work collectively to find solutions to the causes of deforestation in palm oil, beef, soy, and other commodities alongside other stakeholders. By engaging with companies, government leaders, civil society, indigenous peoples, local communities and international organizations, we are able to highlight the challenges faced by our sector and the vital need for technical and financial support for producers who adopt sustainable practices.

CONCLUSION

To conclude, the deforestation challenge in Brazil and in agricultural commodity supply chains around the world is larger than any one company—or even one sector—can solve on its own. To truly make a difference, we need a strategic and system-wide approach that addresses the root causes of deforestation, improves supply chain transparency, and provides incentives and support for farmers to steward their lands and maintain their livelihoods.

We believe that strong standards and enforcement, coupled with positive incentives and producer support, can lead to supply chain integrity and producer viability, without compromising food security through increased costs to consumers. With the tools, resources, and legal authorities available to us, JBS is undertaking a comprehensive approach toward addressing the drivers of deforestation while also positively supporting livestock producers and the tens of thousands of farm families we depend upon to produce food. We look forward to continuing our collaboration with federal and state authorities in Brazil, the U.S. Government, civil society, and other food system partners to enhance the economic and environmental sustainability of our food system.

In JBS, policymakers, regulators, civil society, governments, farmers, and consumers have a willing partner who is investing in and committed to combating deforestation in agricultural supply chains, and we take our role and responsibility in the global food system very seriously. Please know that if you are planning a trip to the Amazon region, we would be glad to host you at one of our Green Offices.

I thank you again for the opportunity to testify.

 QUESTIONS SUBMITTED FOR THE RECORD TO JASON WELLER

QUESTIONS SUBMITTED BY HON. RON WYDEN

Question. I asked you if JBS will use its considerable influence to support making records—including databases of GTAs and CARs—public to show whether JBS is living up to its deforestation commitments. You testified “yes.”

What specific actions will JBS take to encourage Brazilian state and federal governments to make these records public?

Answer. JBS has engaged with local and federal government officials to discuss the importance of a comprehensive approach—animal identification, reforming the CAR process, and improved access to GTAs. We are an active participant in multi-stakeholder forums focused on the development of measures related to sustainable livestock, transparency, and bovine traceability.

Among the engagement actions at the governmental level are:

1. The Action Plan for Prevention and Control of Deforestation in Legal Amazon (PPCDAM Phase V), which includes the establishment of a traceability system for agricultural products and integration of databases, including CARs and GTAs, to monitor and ensure transparency in supply chains that may be at risk of involvement with illegal deforestation. JBS, through ABIEC (Brazilian Association of Beef Exporters), formally expressed its support for this initiative during the public consultation of the current PPCDAM document.
2. Active participation and collaboration in proposing public submissions regarding bovine traceability through the efforts of the Coalition Brazil Climate, Forests, and Agriculture. The coalition presented the following proposals to governmental entities:
 - a. The document “The Future Brazil: Proposals for the country’s agro-environmental agenda from now on,” launched in November 2022. The Brazil Coalition on Climate, Forests, and Agriculture presented a series of measures aimed at sustainable agriculture that could be implemented by the government during its term. Among them is the strengthening of transparency and traceability in production chains.
 - b. The report “Traceability of the Bovine Meat Chain in Brazil: Challenges and Opportunities,” based on secondary data analysis, conducted surveys, and interviews with members of the Traceability Task Force of the Brazil Coalition and other contacts with agents involved in the beef chain in Brazil. The report provides an overview of the state of the art of the beef value chain

in Brazil. It begins by contextualizing this chain within the country's economy, followed by a discussion of changes in land use in Brazilian territory. Finally, it describes the evolution of the chain in each of its segments: research and inputs, production, industry, and marketing. The report particularly seeks to assess the sector's productivity evolution, which is considered crucial to reducing the environmental impact of the value chain.

- c. Through engagement at the state level, JBS also requested transparency from the State Secretary of Environment and Sustainability of Pará regarding their "Plataforma Selo Verde" (Green Seal Platform), which assesses compliance with the cattle production chain, both direct and indirect, in the state of Pará.

Question. The price of beef is very supply-sensitive, and Brazil has continued to export record amounts of beef to the United States year after year.

You testified that multination beef producers in Brazil are "not exporting—competing against—American ranchers domestically and ever arguably internationally." How many pounds of beef did JBS export from Brazil to the United States in each of the past 3 calendar years? What percentage of the total U.S. market for beef did this imported beef account for? Do you think that these imports' effect on the market price of U.S. beef was greater than, equal to, or less than the percentage of the total U.S. market for beef that they accounted for, and why?

Answer. JBS exports to the USA are roughly 1 percent, 5.1 percent, and 6.1 percent of the total Friboi sales volume in 2020, 2021, and 2022, respectively. Based on USDA data, this represents less than 0.05 percent of the volume of beef produced in the USA in the last 3 years.

Question. Do you consider deforestation risk to be material to your investors? Do you share supply chain information and data with investors so they can better assess their deforestation risk exposure? If so, what information and data?

Answer. Our significant presence in Brazil and daily interactions with producers in the country gives us firsthand experience with supply chains vulnerable to potential deforestation events. However, JBS is only one participant in the supply chain. As I stated in the hearing, we are partnering with other actors in the supply chain to address potential deforestation events, and when we find an event, we take aggressive action to block those suppliers. We publicly report these efforts in our annual sustainability report, and we share the same information with investors.

Question. JBS hired Norwegian auditor DNV to audit its compliance with its non-deforestation commitments on behalf of Greenpeace and the Federal Public Prosecutor's Office in Pará state.

In 2020, JBS relied on these audits to respond to a report published by Amnesty International indicating that it had failed to abide by its environmental commitments.¹ After the Amnesty International report, JBS's auditor, DNV, issued a disclaimer explicitly stating that as of 2018, "JBS did not have systems in place to trace the indirect supply chain; thus indirect suppliers were not assessed during the audit."² In addition, the disclaimer also clarifies that work performed by DNV was "a desk-top review applying a sampling principle" and that DNV did not physically visit farms or interview farmers.³ Moreover, the disclaimer plainly states that "JBS cannot use the assessment report as evidence of good practices throughout their total supply chain."⁴

In March 2021, I sent letters to JBS and DNV expressing my concern about reports of alleged greenwashing of Amazon deforestation and requesting information from both companies about their business practices.⁵ These letters noted that JBS

¹ *Brazil: Auditor calls out meat packer JBS's use of its audits to claim compliant supply chain in the Amazon*, Amnesty International, July 22, 2020, <https://www.amnesty.org/en/latest/news/2020/07/brazil-auditor-calls-out-meat-packer-jbs-use-of-its-audits-to-claim-compliant-supply-chain-in-the-amazon/>. Letter from Adriano Duarte, Area Manager Brazil, DNV-GL, to Marcio Nappo Director, Corporate Sustainability, JBS S.A., July 13, 2020, https://www.regnskog.no/uploads/images/Letter_clarificationofDNVGLassessmentreports_13072020.pdf.

² Letter from Adriano Duarte, Area Manager Brazil, DNV-GL, to Marcio Nappo Director, Corporate Sustainability, JBS S.A., (July 13, 2020).

³ *Id.* at 1–2.

⁴ *Id.* at 1.

⁵ Letter to Adriano Riberio, General Counsel, JBS S.A. and Kimberly Pryor, General Counsel, JBS USA, from Chairman Wyden (March 22, 2021); letter to Luca Crisciotti, Chief Executive Officer of Business Assurance, DNV-GL and Remi Eriksen, Group President and Chief Executive Officer, DNV-GL, from Chairman Wyden (March 22, 2021).

is a major importer of beef products to the United States, and that American consumers, businesses, and investors must be able to rely on publicly stated environmental commitments and independent audits of beef importers to make informed choices about the products they buy and finance. The letters requested specific information about the extent of deforestation caused by JBS's beef production, the accuracy of audits of JBS conducted by DNV, and information about whether JBS may have misrepresented the scope and nature of DNV audits.

In early April 2021, DNV and JBS responded to my initial letter. DNV indicated that it was contractually prohibited from providing any nonpublic information about its work for JBS.⁶ JBS stated that it was committed to adhering to environmentally sustainable practices, but JBS did not provide the specific information I requested.⁷ In response, I sent a second letter to JBS renewing my request for the information in the first letter, and asked JBS to release DNV and its other auditors from contractual confidentiality obligations for the purpose of responding to the committee's request for information.⁸

In May 2021, JBS responded.⁹ JBS again did not supply information I requested and did not address my explicit request that it release DNV and its other auditors from contractual confidentiality obligations for the purpose of responding to the committee's request for information.

Please provide the committee with the information I requested over 2 years ago in my March 2021 and April 2021 letters. If JBS will not do so, please explain why.

Answer. JBS provided responses to the committee on May 17, 2021, and April 9, 2021. We are available to discuss additional questions you may have.

Question. Will JBS release DNV from contractual confidentiality obligations for the purpose of responding to the committee's request for information? If JBS will not do so, please explain why.

Answer. The confidentiality clause contained in the contract signed between JBS and DNV covers all documents and information provided by the company for the audit. As they are protected by commercial confidentiality and Brazilian data protection laws, JBS cannot release DNV from the obligations arising from the aforementioned clause.

Question. Why should Americans—the people and companies who buy JBS's beef—believe that things will be different this time and JBS will live up to its environmental commitments?

Answer. JBS has a four-pronged approach to combatting potential deforestation in our supply chain that includes: (1) a zero-tolerance deforestation sourcing policy; (2) supply chain monitoring and enforcement; (3) technical assistance and extension services for producers; and (4) multistakeholder engagement and collaboration to accelerate sectoral change.

JBS has set forth a clear zero deforestation commitment in the Amazon, which includes:

- Zero deforestation by direct livestock suppliers by the end of this year (2023).
- Zero deforestation by indirect livestock suppliers by the end of 2025.

To support these commitments, JBS established the Responsible Raw Material Procurement Policy that prohibits the purchase of livestock from farms involved in deforestation, forced labor, invasion of indigenous territories, or embargoed by Brazilian environmental authorities. In addition, all livestock suppliers in the Amazon must adhere to the "Protocol for Monitoring Cattle Suppliers in the Amazon" (also known as the Beef on Track Protocol), developed by the nongovernmental organization Imaflora and the Brazilian Federal Prosecutor's Office (MPF). Beef on Track establishes the processes and tools for monitoring, auditing, and reporting for a deforestation-free beef supply chain.

JBS provides the public and stakeholders extensive information in our annual sustainability reports on our four-pronged approach towards addressing deforest-

⁶ Letter to Chairman Wyden from Ruth A. Colvin, Head of Group Legal, Region Americas, DNV Group at 1 (April 20, 2021).

⁷ Letter to Chairman Wyden from Adriano Ribeiro, General Counsel, JBS S.A. (April 9, 2021).

⁸ Letter to Adriano Ribeiro, General Counsel, JBS S.A., from Chairman Wyden at 1–2 (April 20, 2021).

⁹ Letter to Chairman Wyden from Adriano Ribeiro, General Counsel, JBS S.A. at 1,2 (May 17, 2021).

ation risks in our cattle supply chain and how we are partnering with government agencies, nonprofit organizations, and public agencies to address the underlying legal and economic drivers of deforestation. I also provided details on our investments and actions to address deforestation in my written and oral testimonies.

QUESTIONS SUBMITTED BY HON. ROBERT MENENDEZ

Question. In your response to a May 30, 2023, letter I sent regarding PSSI's child labor law violations at several of JBS's facilities, JBS stated its legal counsel has retained Guidepost Solutions LLC to conduct audits of third-party sanitation contractors after learning of PSSI's hiring of children. Furthermore, JBS also stated that JBS management team members who are trained in employment and hiring practices will now verify sanitation vendors' hiring of workers by doing visual checks and utilizing technology to scan identifying documentation.

Why did JBS's previous auditing procedures fail to find instances of child labor being employed by third-party vendors at several of their own facilities prior to the Department of Labor's investigative findings?

Why were these new "enhanced" standard operating procedures not previously mandated in order to prevent such an incident from occurring?

Will these new third-party requirements and standard operating procedures be applied to JBS's overseas operations?

Answer. JBS has an unwavering commitment to compliance with State and Federal law and expects its third-party vendors to approach its work in JBS's facilities with the same compliance-first mentality. In particular, JBS has zero tolerance for child labor, discrimination, harassment, or unsafe working conditions for anyone working in its facilities. JBS also expects, and contractually requires, its third-party vendors to adhere to the highest ethical principles as outlined in JBS's service agreements and various vendor policies.

It is reprehensible to JBS that its third-party provider, Packer Sanitation Services, Inc. ("PSSI"), was violating employment laws in its facilities. And while JBS had various checks and balances in place to prevent and ensure compliance by its third-party sanitation providers prior to the DOL's action against PSSI (such as contractual requirements, prohibitions, and penalties, as well as audit rights, etc.), JBS regrets that it did not, itself, identify and cease these violations immediately itself or, more importantly, prevent the violations from ever happening in the first place. To that end, JBS has enhanced its internal procedures relating to the onboarding and continuous auditing of its third-party sanitation vendors, which JBS is confident will aid in preventing this type of situation from occurring again in the future. Such enhancements include, but are not limited to, the following: (1) holding all of our third-party sanitation providers accountable, including termination of contracts with PSSI; (2) enhancing our internal and third-party standard operating procedures, oversight, audit, and compliance efforts to ensure no underage workers have access to our facilities at any time; (3) developing a new business unit, JBS Sanitation, to perform sanitation and food safety services at several JBS and Pilgrim's USA plants by unionized employees, with the intent to expand the use of JBS Sanitation throughout a significant portion of JBS and Pilgrim's facilities; and (4) hiring a new corporate director of security to enhance our security procedures, including conducting on-site risk assessments, strengthening facility access procedures, and providing general centralized security oversight.

With regards to JBS's operations overseas, JBS has the same zero-tolerance policy for child labor at its processing facilities. At many locations overseas, JBS performs its own sanitation (as JBS Sanitation is now performing at some facilities in the U.S.) and complies with all applicable employment laws. JBS is also evaluating and, where necessary, enhancing its oversight of third-party vendors in its facilities to ensure continued compliance with all applicable laws.

Question. Could you please describe the current relationship between JBS and J&F Investimentos?

Answer. J&F Investimentos, S.A. owns 48.83 percent of the outstanding shares of JBS S.A., a Brazilian company. JBS S.A. is the ultimate parent company of JBS USA Food Company.

Question. Could you please describe the current relationship between JBS and JBS USA?

Answer. JBS S.A. is the ultimate parent company of JBS USA Food Company.

Question. Could you please describe the current relationship between Joesley Batista and JBS?

Answer. Mr. Joesley Mendonça Batista is a partial owner and shareholder of J&F Investimentos, S.A. Mr. Joesley Mendonça Batista does not currently hold any officer or director position with, nor is he an employee of, JBS USA Food Company.

Question. Could you please describe the current relationship between Wesley Batista and JBS?

Answer. Mr. Wesley Mendonça Batista is a partial owner and shareholder of J&F Investimentos, S.A. Mr. Wesley Mendonça Batista does not currently hold any officer or director position with, nor is he an employee of, JBS USA Food Company.

Question. In 2017, when Joesley Batista was serving as chairman of JBS and Wesley Batista was serving as chief executive of JBS, they settled a case in Brazilian courts to pay \$3.2 billion in fines.

Could you please confirm the total amount that JBS chairman Joesley Batista and JBS chief executive Wesley Batista paid in fines? Could you please describe the nature of the court case that was brought against JBS chairman Joesley Batista and JBS chief executive Wesley Batista?

Answer. In 2017, J&F Investimentos, S.A. (the “Company”) signed a corporate leniency agreement with a fine amount of 10.3 billion real (USD \$3.2 billion). This agreement is in full force and effect and J&F Investimentos, S.A. is in full compliance with its obligations thereunder. Additionally, all payments have been and will be made exclusively by the Company. Messrs. Joesley and Wesley Batista are not parties to the leniency agreement and have no obligation thereunder, or otherwise, to pay any portion of the fine amount.

In 2018, federal prosecutors in Brazil charged Messrs. Joesley and Wesley Batista with insider trading. On May 29, 2023, the Securities and Exchange Commission of Brazil (CVM) acquitted Messrs. Joesley and Wesley Batista of these charges.

Question. Public reporting about the 2017 settlement between JBS chairman Joesley Batista and JBS chief executive Wesley Batista and Brazilian authorities indicates that the two JBS officials were found guilty for bribing Brazilian officials.

Could you please describe the number of Brazilian authorities that JBS chairman Joesley Batista and JBS chief executive Wesley Batista bribed?

Answer. In 2017, Messrs. Joesley and Wesley Batista entered into collaboration agreements with the Brazilian Procurador-Geral da Republica and, separately, J&F Investimentos, S.A. entered into a corporate leniency agreement with the Brazilian Ministerio Publico Federal. Details about the conduct can be found on the U.S. Department of Justice’s and the U.S. Security and Exchange Commission’s websites respectively.

Question. Public reporting about the 2017 settlement between JBS chairman Joesley Batista and JBS chief executive Wesley Batista and Brazilian authorities indicates that the two JBS officials received a significant amount in loans as a result of bribing Brazilian officials.

Could you please describe the amount of loans that JBS chairman Joesley Batista and JBS chief executive Wesley Batista received as a result of their bribery scheme?

Answer. Details about the conduct can be found on the U.S. Department of Justice’s and the U.S. Security and Exchange Commission’s websites respectively.

Question. Public reporting about the 2017 settlement between JBS chairman Joesley Batista and JBS chief executive Wesley Batista and Brazilian authorities indicates that the two JBS officials used the loans that they received as a result of their bribery scheme to make numerous international acquisitions, including in the U.S. market.

Could you please describe which acquisitions in the U.S. market (please identify specific U.S. companies) were conducted with funds that JBS chairman Joesley Batista and JBS chief executive Wesley Batista received as a result of their bribery scheme?

Answer. Details about the conduct can be found on the U.S. Department of Justice’s and the U.S. Security and Exchange Commission’s websites respectively.

Question. In 2020, JBS parent company J&F Investimentos reached a settlement with the U.S. Department of Justice for violations of the Foreign Corrupt Practices Act and agreed to pay over \$250 million in fines.

Could you please confirm the total amount that paid in fines as a result of this settlement? Could you please describe the nature of the case that was settled with the U.S. Department of Justice?

Answer. Per J&F Investimentos, S.A.'s agreement with the U.S. Department of Justice, J&F Investimentos, S.A. agreed to a total penalty of USD \$256,497,026, receiving a 50-percent credit for amounts paid to Brazilian authorities. J&F Investimentos, S.A. was therefore only required to make a payment of USD \$128,248,513 to U.S. authorities. Neither JBS USA nor JBS S.A. are parties to this DOJ agreement. Details about the conduct can be found on the U.S. Department of Justice and the U.S. Security and Exchange Commission's websites respectively.

Question. In 2020, the Securities and Exchange Commission publicly announced that JBS, J&F Investimentos, Wesley Batista, and Joesley Batista agreed to pay fines to resolve charges arising out of an extensive bribery scheme that took place over multiple years.

Could you please confirm the total amount that paid in fines as a result of this settlement? Could you please describe the nature of the case that was settled with the Securities and Exchange Commission?

Answer. Per the Order Instituting Cease-and-Desist Proceedings Pursuant to section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and Desist Order, JBS S.A. paid disgorgement of \$26,866,565 and Messrs. Joesley and Wesley Batista each paid a civil penalty of \$550,000 to the U.S. Government. Details about the conduct can be found on the U.S. Department of Justice and the U.S. Security and Exchange Commission's websites respectively.

Question. In 2021, JBS USA, a subsidiary of JBS, agreed to pay more \$20 million to settle a consumer class-action lawsuit alleging the company conspired to fix prices for pork.

Could you please confirm the total amount that paid in fines as a result of this settlement? Could you please describe the nature of the case related to this settlement?

Answer. JBS USA Food Company entered into a settlement agreement with the direct purchaser putative plaintiff class (the "Pork Plaintiff Class") in a private, civil class-action lawsuit whereby JBS USA agreed to pay \$24.5 million to the Pork Plaintiff Class in exchange for the lawsuit being dismissed. Pursuant to the terms of this settlement agreement, JBS USA expressly denies any wrongdoing. Furthermore, there have been no fines or penalties assessed nor is JBS USA aware of any current investigation by any governmental agencies related to the allegations in the Pork Plaintiff Class's complaint. The Pork Plaintiff Class, on behalf of direct purchasers of pork products allege violations of Federal and State antitrust laws, unfair competition, unjust enrichment, and violations of consumer protection laws against JBS USA (and a number of other pork producers).

Question. In 2022, JBS agreed to pay more than \$50 million to settle litigation accusing meatpacking companies of conspiring to limit supply in the U.S. beef market in order to inflate prices and boost profit.

Could you please confirm the total amount that paid in fines as a result of this settlement? Could you please describe the nature of the case related to this settlement?

Answer. JBS USA Food Company entered into a settlement agreement with the putative direct purchaser plaintiff class (the "Beef Plaintiff Class") in a private, civil class-action lawsuit whereby JBS USA agreed to pay \$52.5 million to the Beef Plaintiff Class in exchange for the lawsuit being dismissed. Pursuant to the terms of this settlement agreement, JBS USA expressly denies any wrongdoing. Furthermore, there have been no fines or penalties assessed by any governmental agencies related to the allegations in the Beef Plaintiff Class's complaint. The Beef Plaintiff Class, on behalf of direct purchasers of beef products allege violations of Federal and State antitrust laws, the Packers and Stockyards Act, and the Commodity Exchange Act against JBS USA (and a number of other beef producers).

Question. In 2023, JBS agreed to pay more than \$25 million to commercial beef purchasers that accused JBS of conspiring with industry rivals to restrict market supply in order to keep prices artificially high.

Could you please confirm the total amount that paid in fines as a result of this settlement? Could you please describe the nature of the case related to this settlement?

Answer. JBS USA Food Company entered into a settlement agreement with the commercial indirect purchaser plaintiff class (the “CIIPP Class”) in a private, civil class-action lawsuit whereby JBS USA agreed to pay \$25 million to the CIIPP Class in exchange for the lawsuit being dismissed. Pursuant to the terms of this settlement agreement, JBS USA expressly denies any wrongdoing. Furthermore, there have been no fines or penalties assessed by any governmental agencies related to the allegations in the CIIPP Class’s complaint. The CIIPP Class, on behalf of indirect purchasers of beef products allege violations of Federal and State antitrust laws, the Packers and Stockyards Act, and the Commodity Exchange Act against JBS USA (and a number of other beef producers).

Question. What does the long track record of malfeasance, settlements, and fines related to JBS USA, JBS, J&F Investimentos, Wesley Batista, and Joesley Batista say about the companies’ corporate principles and governance processes?

Given the long track record of malfeasance, settlements, and fines related to JBS USA, JBS, J&F Investimentos, Wesley Batista, and Joesley Batista, should any of these companies be permitted to continue operating in U.S. markets? Should any of these companies be permitted to continue making acquisitions in the U.S. meat processing sector?

Given the long track record of malfeasance, settlements, and fines related to JBS USA, JBS, J&F Investimentos, Wesley Batista, and Joesley Batista, what are the implications of these companies’ operations for American consumers?

Answer. JBS USA is committed to conducting its business in accordance with applicable legal and ethical standards. Over the past few years, JBS USA has taken significant steps to ensure it meets the expectations of regulators, customers, business partners, shareholders, consumers, and the public at large. To that end, JBS USA has undertaken key initiatives to develop, implement, and sustain a best-in-class effective compliance program. These measures have included: hiring experienced compliance personnel; undertaking a wholesale review and assessment of its compliance program; implementing changes to the key components of an effective compliance program, including extensive training, new technologies, revised policies and procedures, enhanced internal controls, and increased resources to Ethics Line reports and investigations, all modeled after the Department of Justice’s June 2020 (revised March 2023) “Evaluation of Corporate Compliance Programs”; and retained internationally respected firms to assist its compliance efforts. JBS USA is committed to good corporate practice and governance, of which a robust and effective compliance program is an essential component. JBS USA is confident that it has built, implemented, and will sustain a first-class, effective compliance program.

QUESTIONS SUBMITTED BY HON. ELIZABETH WARREN

Question. Meatpacking companies such as JBS have been accused of employing fraudulent schemes such as “cattle laundering”¹⁰ and selling “green bonds”¹¹ to mislead consumers and investors by appearing as if they are fulfilling their zero-deforestation and reduced emission commitments.

Has JBS engaged in a cattle laundering scheme by initially sourcing cows from recently deforested land?

Answer. JBS has a clear and unambiguous commodity procurement policy—the Responsible Raw Material Procurement Policy—that prohibits the purchase of livestock from farms involved in deforestation, forced labor, invasion of indigenous territories, or embargoed by Brazilian environmental authorities.

JBS SA does not own cattle. We source from tens of thousands of independent producers throughout the country who, in turn, source cattle from tens of thousands of additional independent cattle producers. To address this opaque and complex cattle supply chain, JBS has developed a cattle supplier monitoring system that lever-

¹⁰ Vox, “Some people launder money. Other people launder cattle.” Benji Jones, October 19, 2022, <https://www.vox.com/science-and-health/2022/10/19/23403330/amazon-rainforest-deforestation-cattle-laundering>.

¹¹ *The Washington Post*, “Brazilian meat giant under fire for allegedly misleading investors,” Steven Mufson, January 18, 2022, <https://www.washingtonpost.com/climate-environment/2023/01/18/jbs-food-giant-brazil-bonds/>.

ages public data bases, satellite imagery, geo-referenced data, and government data to verify compliance with socio-environmental standards and the JBS procurement policy.

As a result, our monitoring system covers a significant number of direct livestock suppliers—approximately 73,000—across an area of about 350,000 square miles, an area larger than the States of Texas and Oklahoma combined. Since implementation more than a decade ago, our monitoring system has blocked more than 16,000 potential supplier farms in Brazil.

In addition, JBS has developed and deployed the Transparent Livestock Farming Platform, a web-based, open-source digital tool that uses blockchain technology to track the sales of cattle in our supply chain. To date, we have enrolled thousands of direct and indirect cattle suppliers onto this platform, and collectively these producers represent almost half of our annual cattle purchase volume. Beginning in 2026, it will be mandatory for producers to be enrolled in transparent livestock platform to sell cattle to JBS Brazil.

Question. What actions has JBS taken to track and address the cattle that originate from recently deforested land?

Answer. Building on the response from the question above, JBS sourcing policies, monitoring, and compliance systems help to block noncompliant cattle suppliers, but these systems do not address the underlying drivers or economic incentives for forest clearing. As we have learned, simply blocking farms with deforestation concerns is not enough because these blocked farms will continue to produce cattle and other agricultural commodities that will find another way to enter regional and global food supply chains.

JBS is investing significant resources to address this challenge. We have established a network of 18 Green Offices since 2021 to provide free technical support and extension services to farmers who want to improve environmental performance, productivity, and sustainable practices. The JBS Green Offices include teams of specialists and certified consultants who provide free technical support to producers to help them bring their farms into compliance. To date, JBS Green Offices have helped almost 6,000 farms that produce about 2 million head of cattle to come into compliance with Brazil's Forest Code requirements.

Question. Has JBS made any progress towards its stated commitment to reduce its emissions by 30 percent? If so, please provide details of what progress has been made.¹²

Answer. JBS has set a goal to reduce GHG emissions intensity by 30 percent by 2030. To accomplish this goal, JBS has already funded 160 GHG reduction projects at production facilities across our global operations. There is a wide variety of efficiency improvement projects, such as: upgrading facility lighting to LED, installing “economizers” (i.e., waste heat recovery) on boilers, capturing methane emissions from anaerobic lagoons, installing micro-grid metering systems that use AI and machine learning to optimize electricity usage, and updating both small and large motors/systems to latest technology with smart automation. These projects are expected to reduce hundreds of thousands of tons of CO₂e per year.

In the USA alone, JBS has installed lagoon covers and methane digester systems to both capture and destroy or utilize as a renewable energy the equivalent of about 1.8 million dekatherms of natural gas. Through our investments to reduce our emissions, we estimate that JBS has become one of the largest food system-based renewable energy producers in the country. An example is our Plainwell, MI facility, where we installed an 8-megawatt cogeneration facility that uses captured methane emissions to produce biogas from our wastewater treatment facility.

We have partnered with numerous local or State level utility companies to facilitate energy efficiency improvements. An example is our Greeley, CO facility, which has consistently been recognized by Xcel Colorado (the utility company) as an exemplary electricity reduction initiative by an industry partner. Such partnerships promote our regional relationships, reduce co-pollutants, and provide supplementary expertise to aide in our combined goal to reduce GHGs. We encourage every utility company to provide such programs, as we have found them highly effective.

Question. Is JBS, or any of your subcontractors, using child labor, yes or no?

¹²*Id.*

Answer. The use of child labor is reprehensible, and the DOL's findings that children were employed by PSSI and working in JBS facilities violate JBS's zero-tolerance child labor policy, with which all third-party contractors are required to comply.

In response to this situation, JBS USA has implemented a comprehensive set of actions to maintain the food supply, the safety of the food we provide, and the safety of the individuals who perform sanitation services including the following: (1) immediately holding all our third-party sanitation providers accountable, including termination of contracts with PSSI; (2) enhancing our internal and third-party standard operating procedures, oversight, and compliance efforts to ensure no underage workers have access to our facilities at any time; (3) developing a new business unit, JBS Sanitation, to perform sanitation and food safety services at several JBS and Pilgrim's USA plants by unionized employees, with the intent to expand the use of JBS Sanitation throughout a significant portion of JBS and Pilgrim's facilities; and (4) hiring a new corporate director of security to enhance our security procedures, including conducting on-site risk assessments, strengthening facility access procedures, and providing general centralized security oversight.

Question. JBS continues to tout its sustainability. Will you commit to providing the SEC with a complete disclosure of JBS's full supply chain's emissions?

Answer. JBS currently discloses our Scope 1 and 2 emissions publicly in our annual sustainability report. We will commit to complying with SEC regulations related to supply chain emissions.

Question. Has JBS ever imported beef, repackaged it in the United States, and then marketed it as a Product of the USA? Do you view such practices as deceptive to customers?

Answer. JBS follows USDA labeling regulations and will continue to do so.

Question. By when will JBS require its suppliers to provide animal ID tracking so that JBS, its customers, and government agencies can know where JBS cattle comes from?

Answer. Much like in the United States, there is no federally mandated animal ID tracking system in Brazil. JBS has been engaging through multistakeholder dialogues with the federal and state governments to support an animal ID system to improve traceability.

Question. Will JBS join U.S. cattle producers and conservation groups in supporting the FOREST Act, which would ensure that only deforestation-free products enter the United States?

Answer. JBS supports both supply- and demand-side solutions to end deforestation. We are available to provide technical assistance for policy proposals as we are uniquely situated in the supply chain.

QUESTION SUBMITTED BY HON. SHELDON WHITEHOUSE

Question. The bipartisan FOREST Act would restrict U.S. market access for commodities originating from illegally deforested land, reducing the incentive for deforestation, and using this market leverage to improve laws, monitoring, and enforcement in countries where illegal deforestation occurs.

Does JBS support the FOREST Act?

Answer. JBS supports both supply and demand side solutions to end deforestation. We are available to provide technical assistance for policy proposals as we are uniquely situated in the supply chain.

PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

The Finance Committee has broad jurisdiction over trade; a keen interest in fighting for strong environmental protections; and a commitment to leveling the playing field for American workers, farmers, ranchers, and businesses.

Today's hearing is focused on a multinational meat producer turning a blind eye as parts of its supply chain burn down the Amazon, push the world toward climate catastrophe, and undercut American ranchers who play by the rules on inter-

national trade. This issue has been the focus of a 2-year investigation by this committee. Deforestation in the Amazon is a recipe for environmental disaster. When you burn the Amazon, you burn the lungs of the Earth.

Huge portions of the Amazon have been clear-cut and burned to create ranch land. The Brazilian Government, foreign governments including ours, and international groups working on anti-corruption and environmental protection have tried to stop it. Yet the rate of deforestation is at a recent high, and cattle produced as a direct result of deforestation are still making it into global supply chains. Among those major beef producers sourcing that cattle is JBS, the largest meat supplier in the world by sales.

Going back years, JBS has made promises that it would clean up its act when it comes to deforestation. Most recently, it said it would eliminate cattle involved in deforestation from its supply chain by 2025. The reality is, JBS is nowhere near meeting this commitment. Not even JBS's direct suppliers are totally clean. But the bigger scheme is the cattle ranching shell game that goes on throughout JBS's supply chain. It's what's known as cattle laundering.

Here's how it works. While JBS looks the other way, ranchers take cattle born and raised on illegally deforested land and ship them to ranches with clean records. Suddenly those cattle are no longer considered the product of illegal deforestation. Upon buying and processing that cattle, JBS can claim they're upholding their commitment to protect the Amazon. That beef might even wind up on a 4th of July picnic table somewhere here in the United States.

This process allows JBS to "green-wash" its reputation and hide its role in the burning of the Amazon. American ranchers are forced to compete in a rigged game against a corporate giant that gets away with flouting the rules. Independent investigations of just a sliver of JBS's supply chain have found that JBS purchased thousands of head of cattle that had been laundered in this manner between 2018 and 2020 alone.

For its part, JBS has taken steps to hide the truth. JBS hired an auditor to monitor its compliance with a 2009 environmental agreement. When the auditor clarified that its assessment focused only on JBS's direct purchases—not its overall supply chain—JBS misrepresented the results of its work. Then JBS found a different auditor.

The Finance Committee wrote to JBS and the auditor asking for key records and information, but the company largely stonewalled. Upon further questioning, JBS said it was impossible to monitor its indirect suppliers. However, outside investigators that lack JBS's considerable resources were able to analyze records that proved the existence of deforestation in the company's supply chain.

One of the most important tools for tracking the origin of cattle is a type of cattle shipment record maintained by the Brazilian Government called a Guide of Animal Transport, more commonly known as GTAs. They're essential for independent investigation of Brazil's ranching industry.

Recently the Brazilian Government has restricted public access to GTAs. That needs to change. The U.S. government, and particularly the U.S. Trade Representative, must work to open those records back up. Furthermore, members on both sides have an interest in passing legislation to make sure American ranchers are getting a fair shake. In February, together with Senator Tester, Senator Grassley, and Senator Fischer, I reintroduced the Cattle Price Discovery and Transparency Act.

In an industry where it's far too easy for the big producers to push around the little guys, our bill is all about leveling the playing field for family farmers and ranchers in Oregon and around the country. It would bring some much-needed transparency and accountability to the cattle market in the U.S. Beyond that, this committee will also be writing legislation to modernize and improve our Customs system. I'm going to be pushing for better data collection and information sharing that will shine sunlight on U.S. supply chains and what's coming across our border.

So there's a lot for the committee to discuss today. I want to thank our witnesses for joining us, and I look forward to Q&A.

COMMUNICATIONS

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19th June 2023

Dear Chairman Wyden and Ranking Member Crapo:

On behalf of The Brazilian Beef Exporters Association (ABIEC in Portuguese), we would like to submit testimony for the record for the June 22nd Senate Finance Committee entitled “Cattle Supply Chains and Deforestation of the Amazon.”

ABIEC was formed in 1979. Today, it consists of 39 companies that are responsible for 98% of Brazilian beef exports. ABIEC’s main purpose is to protect the interests of the beef exporting sector at the national and international levels. We focus on international trade regulation, health requirements, and market access.

Brazil has some of the strictest and most stringent environmental laws in the world. In order to remain in compliance, rural producers are obligated to preserve native vegetation on their properties. The preservation area in private areas go from 20% in consolidated areas up to 80% in farms located in the Amazon region.

Continual investments in technology and sustainable production practices in Brazil have resulted in increased productivity and more efficient utilization of pasture areas by livestock. In the last 28 years, land use has decreased by 15% while productivity grew by 176%. Our vision for the future is to have all Brazilian cattle producers legally compliant with the Brazilian Forest Code with production sufficient to provide a sustainable living and meet demand for Brazilian beef. Brazil’s livestock production can supply growing global beef demand with new tools and technical assistance to producers on sustainable intensification.

Ending deforestation does not depend only on the private sector. Deforestation specially in the Amazon has complex reasons, most of them beyond the reach of supply chains. We have to change the relationship between the government and farmers regarding rural governance. We cannot effectuate change without systematic engagement. Engaging solely one company, commodity or industry does a disservice to the numerous stakeholders that are key in addressing deforestation. ABIEC is continuously in dialogue with the government and multistakeholder groups proposing solutions to the challenges we face.

As you continue to engage on this topic, we welcome you to visit our members in Brazil to see the on the ground progress and challenges that remain. We also want to remain a resource for discussions moving forward to maintain an open dialogue.

Sincerely,

Fernando Sampaio
Sustainability Director

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Statement of Michael G. Bindner

Chairman Wyden and Ranking Member Crapo, thank you for the opportunity to submit comments to the committee.

On June 21st, approval was granted to two firms to manufacture lab-grown meat. A video describing how this is done and what it tastes like (hint: chicken) can be found at <https://youtu.be/08nHuUbt8SQ>. The first approval was for chicken, but lab-grown beef is in the pipeline. In the future, especially for restaurants, this innovation will replace all imported beef and much of the domestic variety. Until then, the best way to deter bad actors in the import supply chain is to enact consumption taxes, which have huge advantages for trade. Please see the first two attachments for more about each topic.

As for JBS, no one is surprised that they would engage in greenwashing. The reason this becomes attractive, however, is the confused nature of development policy. To be truly fair, invitations to testify should have been extended to the United Nations Development Program, the Government of Brazil and the International Monetary Fund, as well as those critics of the status quo of sustainable development.

What you will learn, if you ask the right questions, is that it is often development agencies that encourage developing nations to clear land and plant crops or pasture cattle for export. The new trend is to try to make sure this is done in an environmentally friendly manner—but when development loans must be paid back to the International Monetary Fund, it is most likely that forests will be cleared.

I am one of those people who believes that the current development program should be reformed, starting with forgiving loans that mostly fund aid professionals rather than their target populations. Please see the third attachment for what I would put in the place of the current regime—and why it is essential to do so (hint: China).

In April 2021, I provided comments to this committee on Climate Change. The first part of these comments are repeated in the fourth attachment. I say this to establish my credibility on the topic. Part of credibility is truth telling. The truth is that trees grow like weeds. If they are not prevented from doing so by intensive agriculture, trees will grow where the climate allows them to. Look in the environs of Mount St. Helens to see how forests respond to being left alone. Deforestation is never permanent. In development, planting trees is how land is taken back from the desert. Switching to lab grown beef and better development practices will allow the Amazon to heal itself with no effort on our parts.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

Attachment One—Tax Reform, Center for Fiscal Equity, March 24, 2023**Consumption Taxes**

Subtraction Value-Added Tax (S-VAT). Corporate income taxes and collection of business and farm income taxes will be replaced by this tax, which is an employer paid Net Business Receipts Tax. S-VAT is a vehicle for tax benefits, including:

- Health insurance or direct care, including veterans' health care for non-battlefield injuries and long-term care.
- Employer-paid educational costs in lieu of taxes are provided as either employee-directed contributions to the public or private unionized school of their choice or direct tuition payments for employee children or for workers (including ESL and remedial skills). Wages will be paid to students to meet opportunity costs.
- Most importantly, a refundable child tax credit at median income levels (with inflation adjustments) distributed with pay.

Subsistence-level benefits force the poor into servile labor. Wages and benefits must be high enough to provide justice and human dignity. This allows the ending of state administered subsidy programs and discourages abortions, and as such enactment must be scored as a must pass in voting rankings by pro-life organizations (and feminist organizations as well). To assure child subsidies are distributed, S-VAT will not be border adjustable.

Invoice Value-Added Tax (I-VAT). Border adjustable taxes will appear on purchase invoices. The rate varies according to what is being financed. If Medicare for All does not contain offsets for employers who fund their own medical personnel or for personal retirement accounts, both of which would otherwise be funded by an S-VAT, then they would be funded by the I-VAT to take advantage of border adjustability.

I-VAT forces everyone, from the working poor to the beneficiaries of inherited wealth, to pay taxes and share in the cost of government. As part of enactment, gross wages will be reduced to take into account the shift to S-VAT and I-VAT, however net income will be increased by the same percentage as the I-VAT. Inherited assets will be taxed under A-VAT when sold. Any inherited cash, or funds borrowed against the value of shares, will face the I-VAT when sold or the A-VAT if invested.

I-VAT will fund domestic discretionary spending, equal dollar employer OASI contributions, and non-nuclear, non-deployed military spending, possibly on a regional basis. Regional I-VAT would both require a constitutional amendment to change the requirement that all excises be national and to discourage unnecessary spending, especially when allocated for electoral reasons rather than program needs. The latter could also be funded by the asset VAT (decreasing the rate by from 19.25% to 13%).

Carbon Added Tax (C-AT). A Carbon tax with receipt visibility, which allows comparison shopping based on carbon content, even if it means a more expensive item with lower carbon is purchased. C-AT would also replace fuel taxes. It will fund transportation costs, including mass transit, and research into alternative fuels. This tax would not be border adjustable unless it is in other nations, however in this case the imposition of this tax at the border will be noted, with the U.S. tax applied to the overseas base.

Attachment Two—Trade Policy

Consumption taxes could have a big impact on workers, industry and consumers. Enacting an I-VAT is far superior to a tariff. The more government costs are loaded onto an I-VAT the better.

If the employer portion of Old-Age and Survivors Insurance, as well as all of disability and hospital insurance are decoupled from income and credited equally and personal retirement accounts are not used, there is no reason not to load them onto an I-VAT. This tax is zero rated at export and fully burdens imports.

Seen another way, to not put as much taxation into VAT as possible is to enact an unconstitutional export tax. Adopting an I-VAT is superior to its weak sister, the Destination Based Cash Flow Tax that was contemplated for inclusion in the TCJA. It would have run afoul of WTO rules on taxing corporate income. I-VAT, which taxes both labor and profit, does not.

The second tax applicable to trade is a Subtraction VAT or S-VAT. This tax is designed to benefit the families of workers through direct subsidies, such as an enlarged child tax credit, or indirect subsidies used by employers to provide health insurance or tuition reimbursement, even including direct medical care and elementary school tuition. As such, S-VAT cannot be border adjustable. Doing so would take away needed family benefits. As such, it is really part of compensation. While we could run all compensation through the public sector.

The S-VAT could have a huge impact on long term trade policy, probably much more than trade treaties, if one of the deductions from the tax is purchase of employer voting stock (in equal dollar amounts for each worker). Over a fairly short period of time, much of American industry, if not employee-owned outright (and there are other policies to accelerate this, like ESOP conversion) will give workers enough of a share to greatly impact wages, management hiring and compensation and dealing with overseas subsidiaries and the supply chain—as well as impacting certain legal provisions that limit the fiduciary impact of management decision to improving short-term profitability (at least that is the excuse managers give for not privileging job retention).

Employee owners will find it in their own interest to give their overseas subsidiaries and their supply chain's employees the same deal that they get as far as employee-ownership plus an equivalent standard of living. The same pay is not necessary, currency markets will adjust once worker standards of living rise. Attachment Three further discusses employee ownership.

Over time, ownership will change the economies of the nations we trade with, as working in employee-owned companies will become the market preference and force

other firms to adopt similar policies (in much the same way that, even without a tax benefit for purchasing stock, employee-owned companies that become more democratic or even more socialistic, will force all other employers to adopt similar measures to compete for the best workers and professionals).

In the long run, trade will no longer be an issue. Internal company dynamics will replace the need for trade agreements as capitalists lose the ability to pit the interest of one nation's workers against the others. This approach is also the most effective way to deal with the advance of robotics. If the workers own the robots, wages are swapped for profits with the profits going where they will enhance consumption without such devices as a guaranteed income.

Attachment Three—Sustainable Development for Inner Cities and the Developing World

Glynn Cochrane's book, *Festival Elephants and the Myth of Global Poverty* gives a good insight on how broken the current international development system is—and why most development money is wasted on spending for economists and grant writers and NGOs, not the poor. If such schemes were tried domestically, the operators would be arrested for fraud.

This is not to say that we should not do development. Indeed, we must—especially as climate change displaces hundreds of millions of people on the rim of the Indian Ocean. The method I am advocating can also be done here. Those who follow my Center for Fiscal Equity site or our submissions to Ways and Means and Finance will find them familiar.

If we want real development, we need to build more apartment houses with classrooms and clinics on-site. There are ways to do passive air conditioning that are ancient involving the creation of air currents. We can recycle water. We can do energy from solar panels and wind. We can install dehumidifiers to make the tropics habitable. We can do hydroponics and greenhouses (and grow worms to turn black water waste to soil).

How do we build such things? The newest development in housing—which can be done in Africa, Indonesia or Philadelphia—is stackable prefabricated tiny homes. These can be built in the country or imported. Unless we pay people to get educated, they will have opportunity costs that get in the way. This is true in South and Central America, Mexico, the US inner city, the Reservation, Africa, South Asia, Ukraine, Syria and anywhere that housing and education are subpar.

Where do we find the people (who would staff these apartments/schools). Train teachers, maintenance and nurse practitioners and have them pay back the education through paid service (pay them to go to school too). This can happen in the U.S. or any other developing nation—and yes, given how empty it is and its inequality—the United States is a developing nation. For some jobs, like fixing dehumidifiers, an expert trains an apprentice while working, then the apprentice works as a journeyman then becomes a master to train new apprentices (and going from complex to complex).

How do we pay for this? We can both redirect aid from the World Bank/IMF/USAID/NGO complex—as well as from TANF and SNAP and pay people to get remedial education (including ESL) and pay the rent from these stipends. For the long term, we propose that in both the United States and the developing world, funds for education, family support (a child tax credit) and healthcare be raised using a subtraction value-added tax.

Any operation with employees would pay this tax, although for some employers, such as development projects above, the tax would be akin to a negative income tax. For this reason, in the developing world, this tax should actually raise money from all other employers, governmental and international governments and agencies. A local value added tax would also be levied—but with no tax exemption for government or development agency employees.

One final thing, and this also goes for road building and water development, give GRANTS, not LOANS. Forgive the outstanding loans and turn any related bonds into U.S. and other donor country debt—to be paid back by increases in progressive income taxes. In the US, EPA gives grants for water projects and the Army Corps of Engineers does not require repayment to build dams. Why is this not standard all over the world? We can do one of two things—make states take out federal loans for such facilities or quit giving loans to the developing world.

The Golden Rule works in development too. Indeed, it is the only way not to turn poor nations in Africa and Asia into Chinese client states.

Attachment Four—Climate Challenges: The Tax Code’s Role in Creating American Jobs, Achieving Energy Independence, and Providing Consumers with Affordable, Clean Energy, April 27, 2021

On warming in general, there is no doubt that it is man-made. While there was a warm period around the first millennium, we came to it gradually. Industrialization may have ended what is called the Little Ice Age, but that warming is sudden and has dire consequences. We do not know that it will stop the way it did in the Middle Ages, indeed, it is not likely to, which makes these hearings vital.

Starting with the coasts, there will be sea level rise. Indeed, the flooding shown in Vice President Gore’s latest film shows how bad it is getting. The wealthy don’t seem to care, because they have flood insurance.

The most basic step to at least get wealthier taxpayers on board (including the upper-middle class) is to cap flood insurance benefits to a level where beach houses properties can no longer be insured. Even that small step could never be enacted. Too many donors have beach houses.

Our economic system is the problem. Until we move to something more cooperative, the well-off will turn their economic power into political power.

Without a technical solution (like fusion, which Koch et al. are slow-rolling) all the incentives in the world will not stop plutocrats from scuttling every attempt at regulating emissions. Historically, unless people start dying from the air, as they are in China and did in Pennsylvania from the smog, nothing gets done. The river had to be actually burning in Cleveland before anything was done. Expect no less, which is why the hurricanes are coming in handy now.

Polluters will only accept carbon taxes as an alternative to direct regulation. If we dropped fuel efficiency standards and imposed carbon taxes instead, I suspect that car makers and the energy industry would jump on board. Some level of regulation, like some level of social welfare, helps save business owners from themselves. One need only remember the smog that blanketed Beijing during their Olympics to see what happens from minimal regulation. China is now going all in on renewable energy. Will we learn the same lesson?

We have the capacity to do both. Regulations need to be ramped up AND Carbon Value-Added Taxes need to be enacted to fund infrastructure and research into technical solutions like Helium-3 fusion and electric cars which receive computer control and power from a covered roof deck—preferably one topped with grass.

I use the term carbon value-added tax (CVAT) because energy prices are tax inelastic. When energy is needed, it is purchased, especially for transportation. Unless gasoline taxes approach \$4 per gallon, people simply fill up their SUVs and cope with the price changes. There is plenty of space to increase gas taxes before consumers change their behavior.

Because energy usage is inelastic, carbon usage must be included on receipts or invoices. It is the only way to assure consumers have the information to purchase responsibly.

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United States Senate Committee on Finance Hearing: Cattle Supply Chains and Deforestation of the Amazon

June 22, 2023

Testimony submitted by:

Glenn Hurowitz
Founder and CEO

Mighty Earth is a global advocacy organization working to defend a living planet. We have worked for many years to transform supply chains to protect forests around the world.

We thank the Senate Committee on Finance for hosting this hearing and shining a spotlight on the deforestation crisis in the Amazon, which is accelerating climate change and driving mass extinctions.

Eighty percent of deforestation in the Amazon is driven by the meat industry. Many of the largest companies that still purchase from suppliers engaged in deforestation have significant presence here in the United States—like JBS, Cargill, and Bunge. Indeed, these three companies have consistently topped academic and other rankings of which companies are responsible for the most deforestation in Brazil (including both the Amazon and other important ecosystems, like the Cerrado and Pantanal).

Within the cattle industry, the company with both the worst record and greatest potential to lead a rapid end to deforestation is JBS. Researchers estimate that JBS's total deforestation footprint in six Brazilian states since 2008 may be as high as 200,000 hectares in its direct supply chain and some 1.5 million hectares in its indirect supply chain. This deforestation is also linked to widespread forest fires, modern-day slavery, and violent invasions of local and Indigenous peoples' ancestral lands.

Indeed, JBS is the single largest corporate driver of deforestation in the world and the food and agriculture company with the largest climate footprint. Its emissions are estimated to exceed those of the entire country of Spain.¹ The company has been rapidly expanding over the past decade, buying up rivals and increasing its share of the supply chain. Its customers have included well-known restaurant and grocery chains such as Burger King, McDonald's, Carrefour, Costco and Walmart. With over 500 facilities in more than 20 countries, JBS occupies a singular position in its industry.

Although JBS is responsible for a huge amount of deforestation, its market weight means it has the ability to lead its industry quickly towards a more sustainable future. If JBS were to seriously implement its various commitments to end deforestation, its market weight would likely mean that its competitors would quickly follow suit. Indeed, there are many examples of success on this model, some with stronger challenges:

- Starting in 2006, the major agricultural traders agreed to ban any supplier engaged in deforestation for soy animal feed in the Brazilian Amazon; within 3 years, deforestation plummeted to near-zero levels, and has stayed low.
- Starting in 2013, major palm oil, paper, and subsequently rubber companies banned deforestation throughout their supply chains. Deforestation for all three commodities has plummeted more than 90%. Significantly, the companies succeeded even though most of the forest saved *had no legal protections*, and the industries *had no governmental traceability or transparency requirements or robust forest monitoring tools*. Indeed, shortly after issuing their No Deforestation policies, the major agricultural traders posted their suppliers and locations online for the world to see.
- In the Congo Basin, despite plans for millions of acres of plantation-based deforestation by primarily Asian companies, communities and international civil society have persuaded companies not to launch a new wave of commercial deforestation.

However, despite extensive marketing about its concern for forests, JBS has refused to implement some of the most basic steps to ensure it is free from deforestation.

A recent investigation by The Bureau of Investigative Journalism, Forbidden Stories & AidEnvironment found that 800 million trees have been felled in the Amazon over the last 6 years to meet global beef demand—and JBS is one of the main culprits.²

In 2022, a joint investigation by Repórter Brasil, Greenpeace Brazil and Unearthed prompted JBS to admit it had purchased more than 9,000 cattle—raised on illegally deforested farms in the Amazon—from a criminal kingpin.³

In November and December of last year, Mighty Earth sent JBS information about 68 cases of deforestation covering over 125,000 hectares in the company's supply chain. Nearly 60%—or some 73,600 hectares—were clearance of forests and native vegetation in, nearby, or bordering Indigenous legal reserves areas, that should be legally protected according to the Brazilian Forest Code. JBS responded that it was addressing the cases, but refused to provide detailed data to us about how they were responding to the individual cases. Their rationale was that some of the data was

¹ <https://www.mightyearth.org/wp-content/uploads/JBS-report-V11-1.pdf>.

² <https://www.thebureauinvestigates.com/stories/2023-06-02/almost-a-billion-trees-felled-to-feed-appetite-for-brazilian-beef>.

³ <https://unearthed.greenpeace.org/2022/11/11/jbs-cattle-brazils-biggest-deforester-amazon/>.

based on the Brazilian Government's early warning DETER satellite image data analysis, rather than annual PRODES satellite data. The implication of JBS' response is that deforestation doesn't count until it is at least a year old. As such, it is seemingly passing up the opportunity to catch deforestation by suppliers at the 10-acre level before it gets to the 10,000-acre level.

We believe JBS would be better served by being transparent about the deforestation problems it has in its supply chain and working with government, experts, and civil society to address them.

In January of this year, Mighty Earth filed a whistleblower complaint to the U.S. Securities and Exchange Commission (SEC), calling for a full investigation into alleged misleading and fraudulent "green bonds" issued by JBS to U.S. and global investors. Evidence presented to the SEC detailed how JBS issued \$3.2 billion in four separate debt issuances or "green bonds" in 2021, referring to them as Sustainability-Linked Bonds (SLBs) tied to its stated goal to cut its emissions and achieve "Net Zero by 2040." JBS based the bond offerings on its commitment to achieve net zero emissions by 2040—but its emissions have in fact increased in recent years. Their commitment excluded "Scope 3" supply chain emissions—much of which are linked to their undeclared supply chain Amazon deforestation—that comprise upwards of 97% of their climate footprint. JBS also omitted key information from investors about the actual number of animals the company slaughters each year, denying U.S. investors vital information to make fully informed decisions about JBS's net zero and climate-related claims as they decided whether to purchase these SLBs.

On June 20, 2023, the panel of the U.S. National Advertising Review Board (NARB) recommended that JBS discontinue certain claims relating to its goal of achieving "net zero" emissions by 2040 because they were misleading messages. In particular, these recommendations included discontinuing use of the phrase "JBS is committing to be net zero by 2040."

JBS has repeatedly broken its promises to clean up its business, including pledges to eliminate deforestation from its supply chain. Currently, JBS has not committed to eliminating deforestation and ecosystem conversion from its entire global supply chain until 2035. It is little wonder a chorus of local, Indigenous, and international groups are saying enough is enough.

The company makes an array of excuses, including noting the lack of cattle ownership tracking requirements, such as ear tags or RFID, that are typically required in the United States and Europe. However, we note that there is nothing stopping JBS and other cattle processors from requiring these basic traceability tools by themselves. Indeed, as mentioned above, the major agricultural traders have established public, transparent traceability tools such as posting mill identities and locations *without any governmental requirements*. Furthermore, they effectively conserved millions of land in concessions that were slated for deforestation despite the lack of government requirements to do so. Government certainly has a major role to play in protecting Nature, but there is much that companies can and must do if they are serious about ensuring the products they sell are free of connection to egregious deforestation and ecosystem conversion.

It is time for supermarkets, retailers, and food service companies to drop JBS and its subsidiaries as a meat supplier and switch to more sustainable alternatives, and government to enact and enforce policies to help Brazil and other forest nations protect their natural resources.

We support legislation that would strengthen the role the U.S. government can play. The FOREST Act (Fostering Overseas Rule of Law and Environmentally Sound Trade Act) would establish a new mechanism to remove illegal deforestation from agricultural commodity supply chains by creating a risk-based due diligence and reporting framework for key imported products; establishing incentives for U.S. businesses and partner countries to reduce deforestation; and updating financial crime statutes to apply to criminal enterprises engaged in illegal deforestation.

We also support President Biden's plan to contribute \$500 million to the Amazon Fund and other climate-related activities over the next 5 years in support of Brazil's effort to end deforestation by 2030.

Finally, we encourage members of this committee to help protect other key landscapes. The Cerrado in central Brazil is less well known but is critical in helping stabilize the climate and protect nature. It covers 494 million acres and is the world's largest and most diverse savannah, home to 5% of the world's plant and ani-

mal species, including many that are endangered, such as the jaguar, the giant anteater, and the maned wolf. It is also home to many Indigenous and local communities and stores around 13.7 billion tons of carbon in its soils and immense root system, equivalent to that of a tropical forest.

The Cerrado is disappearing at an alarming rate and has become a deforestation hotspot. Half of its native vegetation has been cleared, taken by the meat industry to rear cattle and grow soy for animal feed. Scientists warn it is vulnerable to ecosystem collapse and risks becoming a barren wasteland, unable to support the people and wildlife who live there.

Deforestation in the Cerrado hit a record high of 353,200 hectares between January and May 2023, and recent figures from the Brazilian National Institute for Space Research (INPE) show deforestation rates rising steeply there in comparison to the Amazon.

Many of the companies driving deforestation in Brazil's ecosystems are doing the same in other ecosystems in South America, such as the Gran Chaco of Argentina and Paraguay and the Chiquitania of Bolivia. Please see our reports on these subjects:

- The Boys from Brazil (<https://www.mightyearth.org/wp-content/uploads/JBS-report-V11-1.pdf>)
- Saving the Cerrado (https://www.mightyearth.org/wp-content/uploads/BOWL_MEP_ENG.pdf)
- The Avoidable Crisis (https://www.mightyearth.org/wp-content/uploads/2018/04/ME_DEFORESTATION_EU_English_R8.pdf)
- The Ultimate Mystery Meat (https://www.mightyearth.org/wp-content/uploads/2016/07/MightyEarth_MysteryMeat.pdf)
- Promises, Promises (<https://www.mightyearth.org/wp-content/uploads/MightyEarth-Soy-tracker-Promises-Promises-V6.pdf>)

Thank you for your consideration, and please don't hesitate to follow up if we can provide more information.

WORLD ANIMAL PROTECTION

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July 5, 2023

Dear Chairman Wyden, Ranking Member Crapo, and Distinguished Members of the Committee,

We respectfully submit this statement for the record to provide valuable insights on cattle supply chains and deforestation of the Amazon and encourage the Committee to broaden its scope. As rising global temperatures and increasing climate disasters threaten our communities and food security, it is dire that the US rethink the intensive farming business model due to its well-documented harms to ecosystems, natural resources, and the climate, not to mention workers, marginalized communities, and animals. All intensive meat production—whether cattle, swine, or poultry—is connected to deforestation and habitat loss not just in the Amazon but worldwide.

World Animal Protection is a global nonprofit organization that exposes destructive, exploitative, and cruel systems and provides practical and achievable solutions. For over 70 years, the organization has been rewriting the story for animals. Our work seeks to transform food systems so that respect for animals and nature is at the center. We are deeply committed to advancing the well-being and progress of our nation and commend the Senate Finance Committee for dedicating time and resources to address this critical issue.

World Animal Protection works across almost 50 countries with offices in 12. The organization's activities focus on exposing cruel and unsustainable systems, supporting animal-friendly businesses, influencing policy change, and mobilizing grassroots advocacy. To make a positive impact for the largest number of animals globally, World Animal Protection prioritizes animals in farming and wild animals exploited for use in entertainment, as pets, and in fashion.

We appreciate the opportunity to provide our statement. In this statement, we will outline key perspectives, share evidence-based analysis, and propose actionable rec-

ommendations to inform your deliberations. It is our sincere hope that the insights provided herein contribute to the development of effective policies and initiatives that align with the best interests of the nation.

We commend the committee, particularly Chairman Wyden, for highlighting the ongoing destructive practices in JBS's supply chain and seeking to hold the company responsible for its commitments to address deforestation and transparency in reporting. JBS is the largest producer and processor of animal proteins, globally, and the largest supplier of beef and poultry products.¹ As noted during the hearing, it has repeatedly pledged to address illegal and legal deforestation by eliminating cattle raised in recently deforested areas from its supply chain by 2025. Sadly, but perhaps not surprisingly, investigations have revealed that JBS is far from meeting this commitment, with evidence of a deceptive practice known as "cattle laundering" throughout its supply chain. Cattle laundering refers to the practice of ranchers transferring cattle from an illegally deforested area to ranches with clean records prior to their sale to an integrator. By allowing this practice JBS can claim compliance with eliminating deforestation while hiding its responsibility for the further destruction of the Amazon. Despite attempts to monitor its compliance, JBS has evaded transparency and accountability, further exacerbating the unethical and inhumane treatment of animals.

The company also continues to mislead the public and its customers with unsubstantiated climate claims and marketing. A 2023 ruling of the National Advertising Board (NAB) led JBS to retract the language it had been using regarding commitments to achieve net-zero emissions across its supply chain by 2040. This sets a crucial precedent of preventing JBS and other intensive meat companies from greenwashing their products and practices by misrepresenting the presence of future targets as evidence of meaningful progress being made. Ambitious goals to reduce and eliminate emissions in our food system are needed but must come with clear plans to shift to more sustainable and humane plant-based foods and phaseout cruel factory farms. The role intensive factory farming in exacerbating climate change has been made abundantly clear, and more information on this connection is provided later in this statement.

The Committee also highlighted the importance of restoring public access to the Guide of Animal Transport (GTAs). These records of cattle transport play a vital role in fostering transparency and uncovering the supply chain practices of companies such as JBS by creating more transparent supply lines. While we appreciate the call for greater record transparency, it is critical that this issue not detract from the primary goal of eliminating deforestation in meat supply chains and holding meat companies accountable to practices that destroy forests and other ecosystems.

While the hearing's emphasis on the role of cattle production in Amazon deforestation is laudable, we strongly urge the Committee to broaden the scope of work by recognizing that many animal protein supply chains have direct and indirect impacts on forests in the Amazon and other vulnerable regions. The Committee need not look far for environmental damage caused by intensive beef, pork, and poultry production—including high carbon emissions, habitat loss, biodiversity loss, and chemical pollution.

The U.S. raises over 9 billion land animals for meat and dairy products each year, 99% of which spend their lives on intensive factory farms. Factory farms confine thousands, or even tens of thousands, of sentient beings in crowded barns and feedlots, subjecting them to extreme stress, painful mutilations, chronic injury, and infectious diseases. The companies behind this intensive supply chain are also some of the largest global climate polluters. A 2023 report from World Animal Protection² looked at the climate impacts from the five largest factory farming companies and exposed the alarming climate pollution figures attributable to their business, with emissions equivalent to keeping 36.4 million cars on the road annually. Pig and chicken production from JBS alone causes emissions equivalent to 14 million cars on the road each year, more than double the second biggest factory farming emitter.

The significant climate impacts from intensive animal production primarily stems from the production, processing, and transport of grain and soy crops for animal feed. The rising global demand for animal feed crops contributes significantly to deforestation and habitat loss around the world, resulting in the release of carbon into the atmosphere during tree removal, grassland tilling, and soil disruption. Brazil,

¹ <https://www.mightyearth.org/wp-content/uploads/JBS-report-V11-1.pdf>.

² https://www.worldanimalprotection.us/sites/default/files/media/WAP_TOP_5_Factory_Farm_Report_031823.pdf.

as the largest producer and exporter of soy crops for animal feed, amplifies these effects, particularly when considering the deforestation associated with feed production, which more than triples³ the climate impact of meat chicken production in the country.

World Animal Protection has been actively engaged in safeguarding the animals affected by devastating wildfires in Brazil's Cerrado and Pantanal regions, which stem from the expansion of soy and corn crops. Through our dedicated efforts, we have successfully rescued and rehabilitated two giant anteaters, Cecilia and Darlan, as well as Xama the Jaguar. The operations of JBS in Brazil have been associated with such wildfires, resulting in widespread deforestation,⁴ driven by the company's practices of sourcing animal feed. It is crucial to recognize that it is not solely grazed cattle but the entire factory farming system that is contributing to the destruction of these ecosystems, perpetuating the demand for land to cultivate feed crops.

In countries reliant on imported animal feed, deforestation from feed crop production and import greatly increases the climate impacts of their domestic animal production. Feed imports double the climate impacts of factory-farmed meat in the Netherlands and increases the footprint of meat by over 1.5 times in China. Using land to grow crops for farmed animals instead of direct human consumption is highly inefficient at a time when the need to conserve and effectively manage resources is dire. Out of every 100 calories of crops fed to farmed animals, only 17–30 calories reach humans in our food chain. Meat and dairy account for a mere 18% of overall calories and 37% of protein for humans, yet they utilize 83% of farmland.⁵ Sacrificing the Amazon or any other wild animal habitat—such as prairie grasslands in the U.S.—must not be the cost of overproducing an inefficient calorie source.

Instead, identifying opportunities to reduce the number of animals raised for food and incentivize innovative protein sources will better enable companies and the U.S. government to meet emissions reduction, biodiversity protection, health, and other sustainability targets.

Overall, we must unite to bridge the gap between consumers, policy, and industry in implementing sustainable solutions for our food system. The evidence shows that the destructive impacts of factory farming, just one of which is continued deforestation caused by intensive animal feed production, demand urgent action. It is imperative that we seize this pivotal moment to drive change towards plant-based diets and prioritize efficient crop allocation. By doing so, we can secure a sustainable future for food production and ensure the well-being of our planet and future generations. Now is the time for collective action and transformative change.

We would be honored to be considered a resource for the Committee and are available to provide further information or answer any questions that may arise from this statement. Please feel free to contact me at annettemanusevich@worldanimalprotection.us should you require additional details or wish to engage in a substantive discussion on the matters presented.

Thank you for the opportunity to comment and for your commitment to this issue. I remain confident that, through our collective efforts, we can address the challenges before us and foster a prosperous future for all Americans.

Sincerely,

Annette Manusevich
Farming Campaign Manager



³https://www.worldanimalprotection.us/sites/default/files/media/Climate_change_cruelty_Report.pdf.

⁴<https://reporterbrasil.org.br/wp-content/uploads/2022/10/220927-Monitor-Ra%C3%A7%C3%A3o-Animal-EN-03.pdf>.

⁵<https://www.theguardian.com/environment/2018/may/31/avoiding-meat-and-dairy-is-single-biggest-way-to-reduce-your-impact-on-earth>.