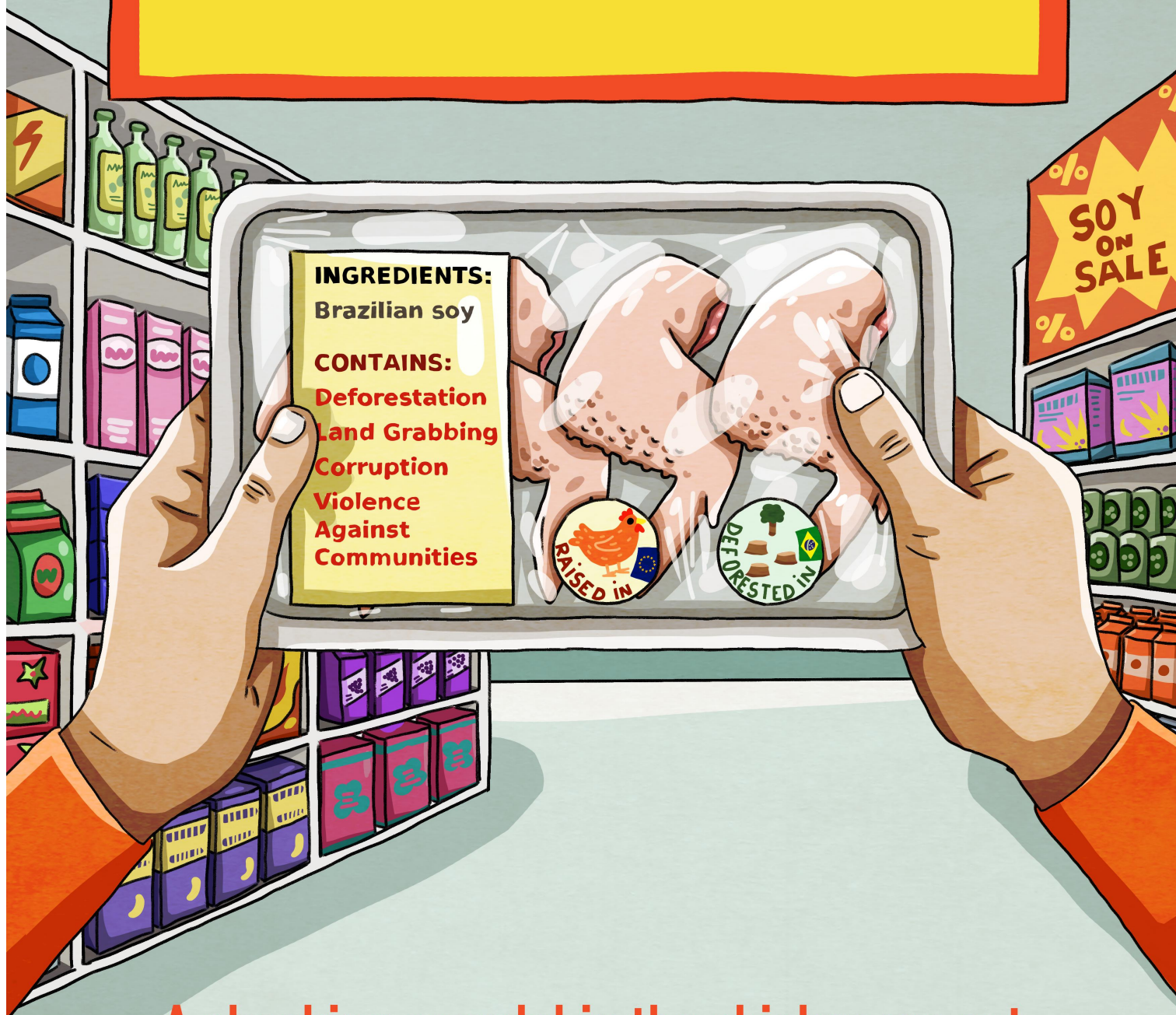


# SECRET INGREDIENT



A shocking scandal in the chicken we eat  
and its lessons for European lawmakers

## **SECRET INGREDIENT: A shocking scandal in the chicken we eat and its lessons for European lawmakers**

- Chicken products sold by fast-food giant McDonald's and leading European supermarkets are linked to land grabbing, rights abuses, corruption and illegal deforestation in Brazil, a new Earthsight investigation shows.
- These products are made from European chickens raised on animal feed that contains soy exported to the EU by Bunge and Cargill, two of the world's largest soy traders. Earthsight's investigation found the two agri-trading giants are in turn sourcing tainted soy from firms in Brazil clearing precious natural landscapes in the Cerrado, a critical carbon sink and biodiversity hotspot, breaking laws and harming local people in the process.
- The investigation underlines the failure of companies to clean up their supply chains voluntarily, and the need for legislation in consumer countries to force them to. Two of the Brazilian soy producers we exposed are certified by the Round Table on Responsible Soy (RTRS), which is supposed to ensure their practices are ethical and sustainable. In response to Earthsight's findings, RTRS has suspended the certificates for both producers.
- The EU Deforestation Regulation (EUDR), set to come into effect in December 2024, is intended to end European complicity in forest destruction and illegalities overseas. This case study lays bare why policymakers must resist intensified industry lobbying to delay and weaken the law.
- The report also shows why authorities enforcing the EUDR must take the right approach if the law is to be effective, and why the regulation should be expanded to cover a wider range of natural landscapes beyond forests.

### **Introduction**

Fresh evidence links deforestation, land grabbing, corruption, and violence against traditional communities in the Brazilian Cerrado to major soy exporters to the European Union (EU). Earthsight's analysis shows that this tainted soy, used as animal feed in European chicken farms, enters the supply chains of fast-food giant McDonald's and some of Europe's largest supermarkets – Carrefour, Intermarché, Edeka and Albert Heijn – linking unwitting consumers to environmental and rights abuses overseas.

The explosion of global soy production in recent decades has been at the expense of critical ecosystems and the communities who depend on them. Soy expansion is the second-biggest driver<sup>1</sup> of deforestation and land conversion across South America, responsible for the loss of 5 million hectares (ha) of native biomes between 2001 and 2015 in Brazil alone<sup>2</sup> – an area larger than the Netherlands. This comes at a severe cost to the climate: deforestation and conversion linked to the 2020 Brazilian soy harvest resulted in the release of 103 million tonnes of CO<sub>2</sub>e<sup>3</sup> – almost equal to the annual carbon emissions of Belgium.<sup>4</sup>

Brazil is not only the world's largest soy producer but also its top exporter. Seventy-eight per cent of what the country produces is exported,<sup>5</sup> and Europe is its second-largest market.<sup>6</sup>

Most soy imported to Europe is processed into animal feed for the meat industry. Earthsight's investigation exposes how tainted soy is exported to the EU by Bunge and Cargill before being processed into animal feed by European feed producers like De Heus. This animal feed is then purchased by Plukon Food Group and used to produce chicken sold in McDonald's and in supermarkets across France, Germany and the Netherlands. Simply by doing their weekly grocery shopping, European consumers risk being complicit in deforestation, violence and land grabbing in the Brazilian Cerrado.

The EU Deforestation Regulation (EUDR)<sup>7</sup> marks a turning point in addressing the impacts of European consumption by requiring that products placed on the EU market be deforestation-free and produced in compliance with relevant producer country laws, such as those related to corruption and human rights abuses. But in the run-up to the EUDR taking effect in December 2024, industry sectors with some of the largest deforestation footprints in the world and egregious track records of human rights violations are seeking to delay and weaken the law.

Earthsight's analysis shows how soy recently imported to the EU by large commodity traders is exposed to forest loss that took place after the EUDR's deforestation cut-off date of December 2020,<sup>8</sup> as well as several illegalities in the Brazilian Cerrado, making these imports non-compliant with the upcoming regulation. It highlights what is at stake if industry efforts succeed: tainted exports to the EU will continue unabated if the EUDR is postponed. Enforcing the law on time and effectively is imperative to ensuring European supply chains stop driving deforestation and human rights abuses across the globe.

### **The Cerrado: Brazil's disappearing biome**

Neighbouring the Amazon rainforest and stretching across a quarter of Brazil<sup>9</sup> lies one of the planet's richest biomes: the Cerrado. A sprawling patchwork of grasslands, wetlands, savannahs and forests, its diverse ecosystems support 5 per cent<sup>10</sup> of the world's species and a third of Brazil's biodiversity, providing home to many species found nowhere else on Earth.<sup>11</sup> The Cerrado is also home to 216 indigenous territories and supports a number of traditional communities who have inhabited the region for generations.<sup>12</sup>

The Cerrado is known as a 'cradle of waters'<sup>13</sup> for the regulating role it plays for several major Brazilian and South American rivers, providing vital support to neighbouring biomes,<sup>14</sup> including the Amazon. A powerful carbon sink,<sup>15</sup> it is also critical in the fight against climate breakdown. But despite its importance, the Cerrado is one of Brazil's most depleted biomes, having lost half its native vegetation to agribusiness expansion in recent decades.<sup>16</sup> Deforestation rates in the Cerrado surged by 43 per cent in 2023.<sup>17</sup> The impact on climate and biodiversity is enormous: clearing Cerrado vegetation for agricultural production generates as much carbon per year as the annual emissions of 50 million cars.<sup>18,19</sup> Species in the Cerrado – including giant armadillos, tapirs, maned wolves, and jaguars – are more than twice as likely to go extinct compared to species in the Amazon.<sup>20</sup>

In 2023, the highest portion of deforestation in the Cerrado was concentrated in the state of Bahia, northeastern Brazil,<sup>21</sup> where soy is grown in rotation with maize and cotton. Bahia has lost almost a

quarter of its original 9 million hectares of Cerrado vegetation since 1985 – a size equivalent to Wales – to aggressive agricultural expansion.<sup>22</sup> The impacts of this destruction are social as well as ecological – traditional communities known as *geraizeiro* and *fecheiro*<sup>23</sup> face plantation encroachment, biodiversity collapse and pesticide contamination. Major Cerrado rivers are expected to suffer a 34 per cent drop in their water levels – equivalent in volume to eight Nile rivers – by 2050 due mostly to deforestation and overexploitation.<sup>24</sup>

“We used to be afraid of alligators when swimming in the rivers. Today you can’t even spot a little gecko. The rivers are running dry,” says environmentalist and local activist Marcos Rogério Beltrão dos Santos.<sup>25</sup>

### **Sowing destruction**

Of the 337 municipalities making up the main agricultural frontier in Brazil, known as Matopiba,<sup>26</sup> only five municipalities in Bahia were responsible for one-third of the soy produced in the region in 2022.<sup>27</sup> It is therefore not surprising that soybeans were Bahia’s top export in 2023.<sup>28</sup>

Among the soy producers operating in these municipalities are the Mizote Group and the Franciosi Agro Group. These agribusinesses began growing soy in Bahia in the mid-1980s and have expanded aggressively since. Mizote is one of the region’s leading soy and cotton producers and manages more than 40 properties totalling around 97,000ha across the state.<sup>29</sup> Meanwhile, Franciosi Agro has expanded its productive area to 81,900ha in just under 40 years,<sup>30</sup> spread across dozens of farms in Bahia and in the neighbouring state of Piauí.<sup>31</sup> This expansion has brought significant profits to the Franciosi family, who boast that in their early days in western Bahia, a hectare of land cost them the price of a lunch.<sup>32</sup> Today, that same hectare sells for 1,000 times more.<sup>33</sup>

EarthSight’s investigation now connects land clearances carried out by Mizote and Franciosi Agro since January 2021 to EU imports of Brazilian soy. Such imports risk being non-compliant with the upcoming EUDR due to the law’s December 2020 cut-off date for deforestation-free supply chains. While the regulation’s focus on forests excludes much of the less densely forested Cerrado, EarthSight’s analysis of satellite data shows that areas cleared within the two companies’ soy farms since 2021 were partly made up of forests in December 2020.<sup>34</sup>

Satellite data analysis made available by MapBiomas suggests Franciosi Agro and Mizote have cleared over 23,000ha of native Cerrado vegetation since January 2021<sup>35</sup> – an area almost the size of Frankfurt. Between March 2022 and May 2023,<sup>36</sup> 5,778ha of deforestation were detected on the Mizote-owned Barra Velha farm located in the municipality of Correntina and used for soy and cotton production.

While Bahia’s environmental agency, Inema, had authorised the clearance of 2,995ha on Barra Velha for agricultural expansion,<sup>37</sup> EarthSight was unable to locate the necessary permits for the remaining 2,783ha cleared,<sup>38</sup> suggesting this deforestation was illegal. The EU Observatory classifies parts of the farm as forests as of December 2020, including portions of the area cleared by Mizote. High-resolution satellite images obtained by EarthSight confirm tracts of dense forest were among the areas cleared.

Something similar happened at Mizote's Santa Paula Farm in Barreiras. Between January 2022 and May 2023, around 5,500 hectares of native vegetation were destroyed, according to MapBiomas. During Earthsight's visit to the region in early June 2023, our investigators documented extensive fires on the property. However, we could only identify permits for the clearance of 2,869ha at Santa Paula during the 2022-2023 period,<sup>39</sup> revealing an apparent pattern of illegal land conversions at Mizote's soy farms.

Mizote told Earthsight it had obtained the necessary permits for all conversion on its farms but did not provide any evidence to substantiate this assertion. Mizote has received numerous fines from Brazil's environmental enforcement agency, Ibama, totalling over BRL5.8 million (almost EUR1 million) between 2021 and 2018.<sup>40</sup> Mizote said it is contesting all fines.

Soy from these Mizote farms should be considered non-compliant with the EUDR owing to the regulation's ban on both legal and illegal deforestation after December 2020.

Thousands of hectares of native vegetation – part of which classified as forest by the EU Observatory – have also been cleared within Franciosi Agro properties in western Bahia after the EUDR's cut-off date of 31 December 2020. In 2022 the group obtained authorisation from Inema to clear 2,543ha at its Grande Leste farm<sup>41</sup> in São Desidério. Between March and July 2022, the NGO AidEnvironment detected 62 fire alerts and 1,928ha of cleared vegetation within the farm.<sup>42</sup>

To the north of Grande Leste lies the Santa Isabel farm complex, purchased by Franciosi Agro in 2020. It is made up of over 20 properties in the municipalities of Luis Eduardo Magalhães and Barreiras, with several of them sharing the same name or referred to in varying ways in different documents, making deforestation and illegalities harder to pinpoint.

Between June and August 2021, 1,902ha of deforestation were detected on the Santa Isabel farm complex, including within protected areas known as legal reserves.<sup>43</sup> Legal reserves are areas within rural properties that producers are required to preserve under the Brazilian Forest Code.<sup>44</sup> According to the law, legal reserves in the Cerrado must make up at least 20 per cent of a farm's total area.

However, in 2021 agribusinesses in western Bahia successfully lobbied the local government to override the Brazilian Forest Code to allow them to clear legal reserves within their farms and relocate them to other areas, even if the original reserves were still pristine.<sup>45</sup> This effectively enabled them to deforest native Cerrado vegetation within their farms by shifting their conservation obligations to different areas altogether.<sup>46</sup> Although the regulation was revoked in 2022 following a legal challenge by the Bahia Public Prosecutor's Office, these producers haven't been required by Inema to restore their legal reserves to their original locations.<sup>47</sup> As a result, the Bahia Public Prosecutor's Office has decided to open civil inquiries into several agribusinesses, including Franciosi Agro, which could end up obligating them to restore legal reserves within their farm boundaries in addition to preserving those they have established elsewhere.<sup>48</sup>

"The Cerrado is made up of several ecosystems. When farms and their legal reserves are in different areas the preservation of those ecosystems most affected by large-scale farming – which tends to be concentrated where meadows were once abundant – is hampered," says Marcos Rogério Beltrão dos Santos.

EarthSight's undercover investigators found that the legal reserves for Santa Isabel's farms are located 200 kilometres away from the properties, allowing Franciosi Agro to continue to grow soy on recently deforested areas within the complex, all while claiming to contribute to the Cerrado's conservation.

"Is it good for me to deforest here? Obviously it is, I concentrate my productive area in one place," a Franciosi employee told EarthSight undercover investigators, explaining why they allocate their legal reserves to areas away from their farms.

Deforestation on Santa Isabel has been a continuing trend for Franciosi Agro: a further 516ha were cleared there in February 2023 and another 715ha between April and May 2024. Both cases include deforestation non-compliant with Brazil's Forest Code,<sup>49,50</sup> in violation of both the zero-deforestation and legality requirements of the EUDR. Between 2008 and 2022, Franciosi Agro was fined approximately BRL7.5 million (EUR1.25 million) by Ibama.<sup>51</sup> Three of its farms have been embargoed for non-compliance with environmental law, restricting productive activity on these properties.<sup>52</sup>

In 2022 Franciosi Agro obtained authorisation to clear 1,999ha of native vegetation within Santa Isabel.<sup>53</sup> However, in 2023 a Franciosi Agro employee revealed to EarthSight undercover investigators that the group had recently cleared 5,000ha of vegetation at the farm complex – over double the area they would have had authorisation for at the time. Despite our best efforts, EarthSight has not been able to locate permits for the additional 3,000ha cleared within Santa Isabel.<sup>54</sup> Franciosi Agro did not respond to our questions about such permits.

The Horita Group has also had a hand in driving the loss of the Cerrado: between 2002 and 2019, Horita's owners were fined nearly BRL22 million (EUR3.67 million) by Ibama due to environmental violations.<sup>55</sup> Inema found over 11,000ha of apparently illegal deforestation between 2012 and 2018 on Horita's Centúria farm in Estrondo.<sup>56</sup> While this deforestation took place before the EUDR's December 2020 cut-off date, its illegal nature makes soy produced on this farm non-compliant with the regulation.

## **Land grabbing and violence**

EarthSight's report published in April 2024, *Fashion Crimes*,<sup>57</sup> exposed evidence of land grabbing against the Horita Group. Horita is accused by Bahia's Attorney General of illegally acquiring a 2,169-ha property – Alegre farm – at the *fundo e fecho de pasto* traditional community of Capão do Modesto, in the municipality of Correntina.<sup>58</sup> The area is being used as a legal reserve for Horita's Sagarana soy and cotton farm, nearly 150km away.<sup>59</sup>

Nineteen private properties illegally overlap the Capão do Modesto community's 11,200-ha territory.<sup>60</sup> Most of these plots were sold to agribusinesses<sup>61</sup> to be used as 'paper' legal reserves, enabling additional deforestation to take place elsewhere – a manoeuvre used throughout western Bahia and known as 'green land grabbing'.<sup>62</sup>

Contrary to Horita's claims that the Alegre farm does not overlap the traditional community's lands, in 2023 a court suspended all land titles overlapping Capão do Modesto and linked to land grabbing, including the one for Horita's Alegre farm.<sup>63</sup> Three of the Horita brothers who co-own the Horita

Group are defendants in an ongoing court case launched by Bahia's attorney general against landowners accused of land grabbing at Capão.

Horita is implicated in another land grabbing case further north in the municipality of Formosa do Rio Preto related to its farms and legal reserves located within the Estrondo mega agribusiness estate.<sup>64</sup> Estrondo overlaps territories inhabited for over 200 years by traditional *geraizeiro* communities, who in recent years have seen industrial-scale farmers systematically convert their lands into vast soy and cotton monocultures, as well as legal reserves, and violate their land rights. Estrondo is among Brazil's most notorious cases of land grabbing. In 2018, Bahia's attorney general launched a lawsuit against the estate's owners and the agribusinesses operating there, including Horita, which grows soy, cotton and other crops on approximately a third of Estrondo, or around 100,000ha.<sup>65</sup>

*"My grandmother, my aunts and I used to pick tucum in the hills to make rope. It was like a palm tree. When deforestation arrived, the tucum palms were gone, nobody finds them anymore,"* says Catarina Lopes Leite, 63, a resident of the Cachoeira community in Formosa do Rio Preto.

Incidents of violence, intimidation and harassment against members of the *geraizeiro* communities impacted by Estrondo have been frequent.<sup>66</sup> In February 2019, for example, community member Jossone Lopes was shot in the leg by security guards working for Estrondo while attempting to recover cattle they had illegally confiscated.<sup>67,68</sup>

But the communities have fought back. In April 2017 they filed a lawsuit against Estrondo and, the following year, Bahia's government recognised the communities' rights over 82,775ha of land.<sup>69</sup> Another battle for justice for the *geraizeiro* communities was won in April 2024, when Brazil's Superior Court of Justice recognised their right to occupy a specific area within the estate, in acknowledgement that it forms part of their traditional lands.<sup>70</sup>

Horita did not respond to our requests for comment for this report. However, in comments sent to Earthsight ahead of the publication of *Fashion Crimes*, which focused on Horita's cotton production and outlined many of the same findings, Horita denied it owns properties within Estrondo. Yet satellite imagery, land titles, court documents and other evidence seen by Earthsight clearly demonstrate that the Horita Group does in fact own and lease farms within Estrondo.<sup>71</sup>

Horita is also linked to one of Brazil's largest corruption scandals. In 2019 the Federal Police's 'Operation Far West' exposed widespread corruption involving judges, lawyers and agribusinesses, who conspired to secure favourable court rulings to legitimise approximately 800,000ha of land grabs. Among those implicated was Walter Horita, one of the Horita Group's owners.<sup>72,73</sup> Horita was reported to have made bank transfers worth at least BRL7.5 billion (EUR1.2 billion) in breach of transparency rules about sender and beneficiary data.<sup>74,75</sup> Horita allegedly paid BRL30 million (EUR4.98 million) to Brazilian authorities as part of a plea bargain.<sup>76</sup>

In comments previously sent to Earthsight, Horita stated that independent audits confirm Walter Horita has never moved money in breach of transparency rules. The company also vehemently denied the existence of the plea bargain.

## Links to the European Union

Tainted soy grown by Mizote, Franciosi Agro and Horita is exported to the EU by two of the world's largest soy traders: Cargill and Bunge. Both traders are infamous for their links to deforestation, land grabbing and human rights abuses in Brazil, including those outlined in Earthsight's 2022 report, *There Will be Blood*.<sup>77,78</sup>

Bunge and Cargill together accounted for almost 70 per cent of the 2 million tonnes of soy exported from Bahia to the EU between 2021 and 2023.<sup>79,80</sup> Both companies have commitments in place to achieve conversion- and deforestation-free supply chains in Brazil by 2025,<sup>81,82</sup> yet continue to buy soy from producers driving the decline of the Cerrado.

The agribusinesses mentioned above are well-known to Bunge and Cargill. Earthsight has had access to supply contracts signed between Cargill and Paulo Mizote,<sup>83</sup> the company's managing director, while trade links between Mizote and Bunge were established by AidEnvironment in 2022.<sup>84</sup> Two Bunge or Cargill facilities are within a 100km radius of Mizote's Barra Velha farm and nine within a 100km radius of Santa Paula. Mizote's trade relationships with both Cargill and Bunge were confirmed in 2023 during conversations between Earthsight's undercover investigators and a Mizote employee.

A Horita representative told Earthsight's undercover investigators the company exports soy to the EU via commodity traders, including Cargill. Horita's Sagarana farm, whose legal reserve is linked to land grabbing at Capão do Modesto, is only 20km away from a Bunge facility that exported 52,430 tonnes of soy to the EU in 2023.<sup>85</sup>

A 2022 interview with a Franciosi Agro employee confirmed that Cargill exports soybeans produced by the group.<sup>86</sup> In February 2024 journalists from the French media outlet France 24 followed a truck loaded with soy from Franciosi Agro's Santa Isabel farm complex to Bunge's facility in Luís Eduardo Magalhães.<sup>87</sup>

When approached for comment, Bunge did not deny links with any of the three producers in western Bahia. Cargill confirmed it buys soy from two of the three companies, but did not specify which. Cargill said the two producers within its supply chains have been cleared by the company's verification process. Mizote did not deny trade links with Bunge or Cargill. Franciosi Agro and Horita did not respond to Earthsight's requests for comment.

## The secret ingredient in European chicken

Brazilian soy exported to the EU by Cargill and Bunge is primarily processed into animal feed to supply Europe's meat industry. An estimated 90 per cent of the soy consumed by Europeans is indirectly consumed this way,<sup>88</sup> and Bunge is the EU's main supplier of soy for animal feed.<sup>89</sup> The soy produced in Bahia and exported by Bunge to the EU between 2021 and 2023 is enough to produce an average of over 428 million chicken legs per year.<sup>90</sup>

In 2021, Dutch NGO Milieudefensie traced soy from Bunge to three of Europe's largest feed producers.<sup>80</sup> This includes De Heus, which has over 80 production locations and sales in 75



countries.<sup>91</sup> In comments sent to Earthsight, neither Bunge nor De Heus denied that this supply relationship continues.

Online sources and companies' responses sent to Earthsight reveal De Heus sells animal feed to chicken farmers who supply Plukon Food Group<sup>92,93</sup> – a Dutch company that ranks fourth among European chicken slaughterhouses<sup>94</sup> and currently operates 34 sites across six countries, including the Netherlands, Germany and France.<sup>95</sup> De Heus is one of Plukon's three shareholders. Supply chain links between Plukon and Cargill were previously exposed by Greenpeace Netherlands in 2018.<sup>96</sup>

Plukon supplies chicken products to some of Europe's biggest supermarkets. These include Germany's largest retail chain, Edeka, and Dutch supermarket Albert Heijn. In France, Earthsight found evidence of Plukon products in Intermarché and supermarket giant Carrefour – the world's third-largest supermarket chain in 2021.<sup>97</sup> Together, these retailers have around 21,500 stores across Europe.<sup>98</sup>

Some of these supermarkets are no stranger to allegations of human rights abuses and deforestation within their supply chains. A previous investigation by Earthsight uncovered links between pet food sold by Edeka and soy tied to the murder of an indigenous leader and the violent land grabbing of the Guarani Kaiowá's ancestral land in Brazil.<sup>99</sup> Carrefour, meanwhile, has been found to source beef from the Amazon's 'single largest' deforester,<sup>100</sup> and stock beef products linked to illegal deforestation on indigenous land in its Brazilian stores.<sup>101</sup> A recent Mighty Earth report linked Carrefour's stores in Spain to deforestation risk in the Brazilian Cerrado.<sup>102</sup>

Plukon Food Group did not respond to Earthsight's request for comment. Carrefour and Intermarché have launched investigations in response to our findings. Despite acknowledging the seriousness of the violations committed in Brazil, Intermarché has stated that it cannot suspend or ban commercial relations with these soy producers because they are not its direct suppliers. Edeka, Albert Heijn and De Heus emphasised their commitments to human rights throughout their supply chains and to sourcing sustainable soy. Edeka told Earthsight it aims to ensure deforestation- and conversion-free soy supply chains from 2025.

Albert Heijn states that since 2015, all the soy in its supply chains has been covered by credits from the Round Table on Responsible Soy (RTRS) – a leading voluntary sustainability standard for soy. Given that RTRS credits do not represent physical certified soy, it is important to note that this would not make the soy in Albert Heijn's supply chains deforestation-free. Edeka told Earthsight it intends to expand its use of RTRS-certified soy, but did not specify a timeframe for this goal. De Heus said it has committed to using 100 per cent RTRS-certified or equivalent soy since 2015, and to using only certified soy for the company's European-based production since 2019. The company did not clarify whether it has succeeded in implementing this commitment. As highlighted in the next section, however, RTRS certification cannot guarantee ethical and sustainable production or compliance with the EUDR. See the companies' responses in full [here](#).

Fast-food giant McDonald's is also a key buyer of Plukon chicken, evidenced by articles and social media posts.<sup>103,104</sup> Once again, evidence of environmental and rights abuses in McDonald's supply chains is nothing new: in 2022, Repórter Brasil revealed how the company's Brazilian-origin products – such as soy, beef and coffee – are supplied by companies with a history of deforestation or slave labour in their business networks.<sup>105</sup> In response to Earthsight's findings, McDonald's France denied

that it sources soy from Brazilian farms linked to deforestation and illegalities. The company states that all soy used to feed McDonald's France chickens has been certified non-GMO and therefore segregated, and that soy in its supply chain originating in Latin America is certified by ProTerra. McDonald's in Germany, the Netherlands and the UK did not respond to our request for comment.

### **Tainted soy, certified**

In spite of their chequered past, both Horita and Franciosi Agro have soy farms certified by RTRS<sup>106</sup> – a certification scheme for soy that is often heralded as one of the most robust in the industry, but which has been criticised for facilitating the greenwashing of large agribusinesses driving the Cerrado's destruction.<sup>107</sup>

Two of Horita's farms linked to land grabbing are certified by RTRS:<sup>108</sup> Sagarana farm, whose legal reserve overlaps with Capão do Modesto community lands in Correntina; and Centúria farm – a group of properties owned by the group at Estrondo. RTRS did not respond to Earthsight's questions on how the scheme addresses cases in which a certified farm's legal reserve is linked to land grabbing.

The 11,000ha of illegal deforestation that took place within Centúria between 2012 and 2018<sup>109</sup> are also seemingly in violation of RTRS's ban on conversion of native forests on certified properties after 2009.<sup>110</sup>

The scheme's standard suggests that Horita's involvement in one of Brazil's largest corruption scandals alone should prevent it from being RTRS-certified.<sup>111</sup> Yet despite the allegations of corruption linked to Walter Horita, 168,675ha of Horita's farms are certified as ethical and sustainable.<sup>112</sup>

In the scheme's own words, being an RTRS producer is "a synonym for sustainability."<sup>113</sup> But to become an RTRS producer, companies do not have to certify all their farms; instead, they can cherry-pick those they wish to receive the RTRS stamp of approval while violating the scheme's standard on others. This is the case with Franciosi Agro, which has several certified farms<sup>114</sup> located near its non-certified Santa Isabel farm complex, where the group has carried out rampant deforestation in recent years. Franciosi Agro's case demonstrates how RTRS can facilitate the greenwashing of the Cerrado's deforesters.

In response to Earthsight's findings, RTRS has suspended the certificates for Horita and Franciosi Agro<sup>115</sup> while it carries out an investigation into the producers' compliance. However, as the assessment of compliance with RTRS's standard is limited to individual farms, it is not clear how this investigation will account for the deforestation carried out by Franciosi Agro on its other farms, or land grabbing allegations linked to Horita's legal reserves for its certified properties. It therefore seems unlikely that this process will result in the termination of the producers' certificates.

## No time for delay

The past few decades are littered with corporate commitments to tackle deforestation and rights violations that have not been met with action. Green certification schemes promise a low-effort solution to companies wishing to clean up their supply chains, while rubber stamping producers linked to deforestation, land grabbing and human rights abuses.

Meanwhile, as demonstrated in this report, global supply chains have continued to wreak devastation on irreplaceable ecosystems across the world, fuelling ecological and climate breakdown and undermining local communities' rights. With each passing year, the planet's most critical biomes are pushed further towards irreversible tipping points, all in the name of profit.

Government legislation in consumer countries is essential. There is no room for delay or inaction. The EUDR, enforced on time and effectively, is key to ensuring that European consumption stops driving deforestation and human rights abuses overseas.

But to be effective at ridding EU supply chains of deforestation and illegalities, EUDR enforcement must learn from the mistakes of the EU Timber Regulation (EUTR) – the EUDR's predecessor which focused exclusively on timber. EU lawmakers sought to address some of those weaknesses when drafting the EUDR, but not one of the biggest problems, which was a focus by enforcers on what was easy, rather than what mattered most. To be compliant with EUTR due diligence rules, wood importers needed to do three things: have a due diligence system in place; ensure that system worked properly to identify high risks; and then ensure any such risks were meaningfully mitigated. In practice, however, 99.9 per cent of all the fines issued in the 11 years since EUTR came into effect have been about just the first, most basic step. But almost all the scandals which emerged from NGO investigations during that time involved importers who had ticked that box but failed to identify or mitigate risks.

Major commodity traders, including Bunge and Cargill, are likely to be best prepared for the EUDR. Enforcement authorities responsible for checking compliance must avoid falling into the trap of waving their products through because they appear to have ticked the right boxes. Instead, authorities must properly examine whether the systems put in place by these commodity giants are truly sufficient to guarantee there is no or only a negligible risk of deforestation or illegalities in their products.

EUDR officials can only do so much at the moment, however, because of a broader problem. While this investigation has focused on sites of forest clearance, the list of farms where Cerrado vegetation falling outside the EUDR definition of forest has been destroyed in recent years is much longer. Unless illegalities can be found, soy from these other areas will remain free to enter the EU. To better protect the Cerrado and other less densely forested ecosystems, the EU Commission must take the opportunity to expand the EUDR to cover Other Wooded Lands (OWL) at the regulation's one-year review.

All this assumes the law makes it into implementation. In the face of a growing storm of protest during 2024 from self-interested agribusiness and forest industries and their political clients in Europe and elsewhere, EU policymakers must stand firm and refuse to delay and weaken the EUDR.<sup>116</sup> They must remember why the law was introduced in the first place: European consumption

has contributed to devastating ecosystem destruction and human rights abuses across the globe, and action is long overdue. Effective and timely enforcement of the EUDR is central to ensuring that tainted soy, linked to the destruction of the Brazilian Cerrado and other biomes around the world, can no longer enter EU supply chains.

Government action is also needed in Brazil. The Brazilian government has made commitments to eliminate illegal deforestation in the Cerrado by 2030. This approach falls short: by failing to address deforestation authorised by local governments – as seen in Bahia – the door remains open for continued ‘legal’ destruction and unsustainable, aggressive agricultural expansion. Although Brazil's PPCerrado – a federal plan to prevent and control deforestation and fires in the Cerrado – has helped reduce forest loss in Bahia since January 2024, a new zero-deforestation policy that includes both legal and illegal deforestation is vital to combat the impacts of continued vegetation loss in the biome.

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- <sup>23</sup> *Geraizeiros* live low-impact, traditional ways of life. They collect fruits and medicinal plants, grow traditional crops – such as manioc, beans and pumpkins – and drive cattle over natural grasslands. When wildlife was still abundant and rivers clean, they could hunt and fish. Some of these communities have existed for over 200 years and started as an assortment of fugitive enslaved people, peasants and anyone who wanted or needed to escape mainstream society. The communities identified as *fundo e fecho de pasto* in the municipality of Correntina, further south of Formosa do Rio Preto, have a similar way of life. In the community of Capão do Modesto around 80 families try to live as their ancestors did. Houses are not connected to the electricity grid. Spotty internet connection is only available via satellite.
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- <sup>26</sup> Matopiba is a region formed by the state of Tocantins and parts of the states of Maranhão, Piauí and Bahia, which has seen intense agricultural expansion in recent decades, particularly of major grain production. There are about 4,800,000 hectares of planted soybeans in Matopiba, yielding 18.5 million tonnes in the 2022/23 harvest period. This represents about 12.3% of the total soy produced in Brazil. Empresa Brasileira de Pesquisa Agropecuária (Embrapa), ‘About Matopiba’, available at <https://www.embrapa.br/en/tema-matopiba/sobre-o-tema>
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- <sup>31</sup> While Franciosi Agro’s website lists only six farms, cross-referencing of data and maps provided by Brazil’s Rural Environment Registry (CAR) and Bahia’s environment agency (Inema) in addition to Earthsight’s undercover work, has established that the group owns dozens of farms across Bahia.
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- <sup>46</sup> This change entailed that if a farm’s the original vegetation was deforested prior to 2008, farmers were then permitted to ‘offset it’ by allocating their legal reserves to other areas rather than being obligated to preserve an area within their farm.

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<sup>47</sup> Establishing legal reserves in areas far away from the original farm undermines the ecological benefits of protecting an area, particularly in heterogeneous biomes like the Cerrado made up of a patchwork of different ecosystems. It can encourage high contrast between basins, with some areas heavily depleted and others with a high number of legal reserves, creating biologically poor landscapes. The ecosystem benefits of legal reserves are greater if they are close to productive areas. Da Silva, J. S. and Ranieri, V. E. L., 'The legal reserve areas compensation mechanism and its economic and environmental implications', Scielo Brazil, 08 May 2014, available at <https://www.scielo.br/j/asoc/a/6GzhNYnScryYHRbyJNcFNtq/?lang=en>

<sup>48</sup> This information was confirmed in an Earthsight interview with the Bahia Public Prosecutor's Office in August 2024. Earthsight also had access to the administrative procedure and civil inquiry related to the case.

<sup>49</sup> Mighty Earth, 'Rapid Response # 2, Soy, Monitoring deforestation in Brazilian supply chains', Mar 2024, available at [https://mightyearth.org/wp-content/uploads/2024/03/Mighty-Earth\\_Rapid-Response-Report-2\\_Soy\\_March2024.pdf](https://mightyearth.org/wp-content/uploads/2024/03/Mighty-Earth_Rapid-Response-Report-2_Soy_March2024.pdf)

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<sup>54</sup> Earthsight investigators examined documents on Inema's Cefir database for authorisation for the total land deforested on Santa Isabel farm complex.

<sup>55</sup> Twenty-one fines issued against Walter Yukio Horita and Ricardo Lhossuke Horita for violations committed on the group's farms in São Desidério, Barreiras, Luís Eduardo Magalhães and Correntina. Ibama's Public Database, available at <https://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php>. The amount in USD was calculated using historical conversion rates from Oanda Currency Converter, and then converted to current value equivalent.

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<sup>61</sup> Most of these properties were sold by a poor and illiterate couple who did not live in the area and were supposedly the heirs of 16,000 hectares of land, despite there being no documents proving this. Residents at Capão do Modesto told Earthsight they suspect the couple were used as a front for a land grabbing scheme. This is supported by the suspiciously low prices farmers paid for the land. In December 2022, Bahia's attorney general launched a lawsuit against the agribusinesses that own properties at Capão do Modesto, including the Horita Group, referring to it as "one of the most serious land grabbing cases in Bahia." Bahia's High Court of Justice (TJBA), 'Land Discrimination Process (8001328-29.2022.8.05.0069)', 2022, copy held by Earthsight.

<sup>62</sup> 'Green land grabbing' has been commonly used by large agribusinesses in western Bahia as a method to acquire land for their legal reserves.

<sup>63</sup> First Court of Correntina, 'Decision on the Land Discrimination Process (8001328-29.2022.8.05.0069)', 2023, copy held by Earthsight.

<sup>64</sup> Estrondo currently extends for 320,000ha, an area almost four times the size of New York City. Today, there are 365 different land titles within the estate, but Estrondo has retained a central administrative structure in charge of running certain aspects of the whole estate.

<sup>65</sup> Based on Earthsight's research of the Horita Group's properties in western Bahia, which included consultations of rural property databases maintained by Brazil's National Institute for Colonization and Agrarian Reform, Incra (Sigef and SNCI), the Cefir (CAR) database, and notary records. See note above about the discrepancies related to Estrondo's size.

<sup>66</sup> Earthsight, 'Fashion Crimes', 11 Apr 2024, available at <https://www.earthsight.org.uk/fashion-crimes>

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- <sup>69</sup> Although Bahia's rural land agency, CDA, recognised the community's right to occupy more than 82,000 hectares, Bahia's high court (TJBA) still upheld the initial analysis that assigned the communities just over 43,000 hectares of land. The residents are still waiting for this decision to be reviewed. Court documents held by Earthsight.
- <sup>70</sup> Agência 10envolvimento, 'Famílias geraizeiras vencem mais uma batalha judicial contra o mega-latifúndio Estrondo', NovoEste, 07 Abr 2024, available at <https://www.novoeste.com/noticias/70514/familias-geraizeiras-vencem-mais-uma-batalha-judicial-contra-o-mega-latifundio-estrondo>
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