Sustainability of Growing Importance to Soy Sector

By John Baize

The key issues for global importers, buyers and users of soybeans and soy products have long been price, quality and punctual shipment. Soybean processors always wanted low foreign material, damage and moisture as well as high protein and oil content. Soymeal buyers required high protein content and low fiber, while soyoil buyers valued good color and low levels of free fatty acids. That made global trade in those commodities relatively simple even if there were frequent disputes among buyers and sellers.

This all changed with the release of herbicide-tolerant soybeans for production in 1996. Soon after, environmental and consumer groups in Europe began to stir public concern about the supposed risks to human health and the environment from biotech crops. The characterization of these crops as "Frankenfoods" and other such derisive terms scared EU politicians into establishing complex regulations for their cultivation and the labeling of foods containing such ingredients. Food retailers also began catering to consumer fears by promoting the sale of chicken meat, pork and other animal proteins as having not been produced using biotech feed ingredients. Thus, biotech content became a new factor in the global trade of soybeans and related products that continues to this day in Europe and in many other countries as well.

Over time, many food manufacturers, retailers and some governments began to realize they had made a mistake in capitulating to the fear mongering of biotech critics. As the price premiums for non-biotech soymeal increased, animal producers began to also demand premiums for their products from food manufacturers and retailers. In many cases, retailers that had promoted the sales of pork and poultry meat raised on non-biotech feeds began searching for something else to promote that was less costly.

The issue that many companies chose to promote their products with was sustainability. Environmental groups have been increasing pressures on companies to make their products more sustainable by using less energy and water while emitting fewer pollutants into the atmosphere. Of prime importance to the oilseed sector, the environmental groups as well as governments demanded companies reduce incentives to clear rainforests, grassland and other critical habitats for the production of oilseeds, animal protein and various foods. Highest on the list of concerns was the clearing of rainforests to plant oil palms in Southeast Asia and Africa and to produce soybeans in Brazil and elsewhere in the Amazon Basin. Critics charged that by promoting habitat destruction, the companies were accelerating climate change through increased carbon dioxide emissions.

Realizing there is no feasible way to continue producing the palm oil and soybeans the world will need in the future without increasing the area planted to those crops, major international companies developed organizations to reduce the negative environmental effects of such expansion. Together with trade associations in concert with a few moderate environmental groups such as the World Wildlife Fund and the

Nature Conservancy, they created the Roundtable on Sustainable Palm Oil (RSPO) and the Roundtable on Responsible Soy (RTRS). The two organizations established a set of rules that palm oil and soybean producers had to follow in order to be certified as sustainable producers of soybeans and palm oil. The rules cover issues like protection of rainforests, labor and land rights, and community relations. Those wanting to be certified producers have to adhere to the rules as well as be subject to third-party inspections to assure compliance.

There is no question that some of the founders of the RSPO and RTRS were genuinely concerned about the negative impacts their companies have imposed on the environment and wanted to address these issues. However, the objective for many others was to do what was necessary to allay the concerns of environment groups and governments and be able to promote their businesses as stewards of the environment and human rights. Their top commercial priority was to continue sourcing palm oil from Southeast Asia and soybeans from Brazil while avoiding backlash from consumers, mostly in Europe where the sustainability pressures are the most intense. The overall effort clearly was and is positive for the environment, although it would seem that protection of their brand names was perhaps most important to some supporters of the RSPO and RTRS.

The U.S. soybean industry has largely been a bystander on the sustainability effort that has been led by Europe and carried out by the RTRS. This is due to the fact that there have been no European allegations that U.S. soybean farmers, processors, traders and exporters are producing and supplying soybeans and soy products in an unsustainable manner. That is because U.S. soybean farmers must comply with strict federal and state regulations relative to the environment, labor, land rights and other factors that are stricter than those required by the RTRS. Almost as a second thought, the RTRS did invite the U.S. soybean industry to join and participate in its process, but U.S. soybean farmer organizations declined to do so because they believed they were already adhering to more rigid standards and were unwilling to subject themselves to third-party inspections that they would have to fund.

As it turns out, the RTRS effort has not been very successful in certifying a substantial volume of soybeans as meeting its sustainability requirements against a set goal of 10 MMT. It indicates only 1.3 MMT were RTRS-certified in 2014. That is far less than the quantity needed to supply Europe or even the main companies that started the RTRS. It seems that most South American farmers also do not want to be subjected to outside inspections at their own cost in order to supply certified soybeans to buyers at little or no premium. Who can blame them?

Separately, U.S. soybean producers have chosen to promote the sustainability of their crop. The U.S. Soybean Export Council has established the U.S. Soybean Assurance Protocol (http://ussec.org/why-u-s-soy/u-s-soy-advantage/sustainability/) to assure foreign buyers that the soybeans, soymeal, and soyoil they source from the U.S. have been produced in a sustainable way. Based on farmers' compliance with federal regulations, the organization is able to provide importers and users with documentation certifying the soy purchased is sustainable. Some buyers already are requesting the certificates, and this is expected to increase in the future as European importers have begun to accept the U.S. Soybean Assurance Protocol certifications as equivalent to those of the RTRS.

Producing soybeans and other crops in a sustainable manner is a good thing not only for the planet but also for producers and consumers. By finding ways to produce higher yields while using less energy, fertilizers and crop protectants, farmers can decrease their cost of production. At the same time, they can protect the soil as well as reduce water and air pollution. In doing so, they also can provide consumers with assurance that what they are eating is not harming the planet, which is a win-win proposition for all. It is a trend that will likely continue and intensify in the future.