

Brazil's ethanol in the world

Socio-environmental impacts of export sugarcane companies

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*Ethanol export terminal in the Port of Paranaguá, Paraná
Photo: Port Administration of Paranaguá and Antonina (APPA)*

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Introduction

A stronger debate on ethanol production all over the world and the resulting creation of monitoring systems by public and private sectors in the United States and Europe are not preventing Brazilian companies found with social and environmental irregularities from exporting their fuel to other countries. A Repórter Brasil survey on the 2010/11 harvest points out that socio-environmental restrictions by foreign importers have had no impact on the ethanol market. The study shows that even when importers say they conducted a socio-environmental evaluation of the provider, there is no transparency, and criteria used are not fully publicised.

Between 2009 and 2010, Brazil's ethanol exports fell 42.4%, to 1.5 million tons, according to the country's Foreign Trade Department (Secretaria de Comércio Exterior, SECEX). A new decrease is expected for 2011, due to several reasons, such as lower availability of ethanol for export, caused by an increase in domestic consumption and higher use of sugarcane to make sugar, as well as persistent effects of the international economic crisis in the United States and Europe, which restricted demand for imported fuels.

Brazil's government and private sector, however, see the decrease as circumstantial and expect the country to become an exporter in the medium term. In 2010, Petrobrás was granted the environmental license to start the construction of an ethanol pipeline that will connect producer regions in the states of Minas Gerais and São Paulo to the port of Santos. Construction works shall start in the second half of 2011. That means that, while ethanol exports are now a minor vector for the expansion of sugarcane plantations all over the country – and therefore, for their socio-environmental impacts – they should be more important in the future.

Such expectation has encouraged Brazilian and foreign government as well as private segments to advance in the creation of sustainability standards for renewable fuel imports, including Brazil's ethanol. For instance, the United States – the world's largest consumer of renewable energy – demand that ethanol companies register at the Environmental Protection Agency (EPA) in order to face less red tape in their export operations.

The procedure is simple and can be done on the Internet. It demands a report by an independent professional describing details of the company's production facilities. Chances are low that a company's registration is denied, since the EPA has labelled sugarcane ethanol as a low carbon, advanced variety, that is, it is able to reduce greenhouse effect gas emissions by at least 50% when compared to gasoline. The agency projects that up to 80 billion litres of biofuels to be consumed in 2022 are of advanced varieties, such as sugarcane ethanol. The volume is three times higher than Brazil's current consumption – of 25 billion litres in 2010. Brazilian companies that have already received their EPA registration include Cargill's Cevasa, Della Coletta Bioenergia, Açúcar Guarani – Severínia, LDC Bioenergia and four others linked to Copersucar S.A.

The European Union' core normative document on renewable fuels was launched in May 2009 and is called Directive 2009/28/CE. It establishes that the Community shall reach 20% of renewable energies in its gross final consumption and that each member country use a minimum share of 10% of renewable energy in its transport sector by 2020. That includes a series of non-fossil sources such as wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases.

The directive encourages creation of national plans for use and production of biofuels, estimating a major expansion of their use in the Community – from 5.9 million tonnes of oil equivalent in 2006 to 12.6 million tonnes in 2010 – a 113.05% increase. Biodiesel has the highest share, and its consumption shall leap from 4.1 million tons to 9.9 million tons while bioethanol will go from 880 thousand to 2.5 million.

In order to counter socio-environmental problems, the directive sets a series of sustainability criteria for biofuel production, to be followed by providers from both the community and outside it. That is, a sugar-alcohol producer in Brazil should meet the same sustainability requirements demanded from a company installed within the European Union.

Regarding greenhouse effect gases, for instance, the directive establishes that, depending on the year when the production unit was installed, reduction in emission should reach 60% when compared to the corresponding fuel of fossil origin. Biofuels that happened to be traded within the Community, which come from raw materials obtained from land deforested after January 2008, as well as those produced on wetlands, protected parks or areas of high biodiversity value were not to be considered for those purposes.

Social and labour-related issues will also be monitored. The European Union will demand that biofuels producers do not cause reduction in the area planted with food crops; do not use any forced or compulsory labour; allow freedom of association and protection of the right to organise and to bargain collectively; and provide equal remuneration of men and women workers for work of equal value. Evaluation reports shall be prepared every other year by the European Commission to be submitted to the Community's Parliament and Council. But all those procedures still depend on regulation within the EC itself and in its member states.

Finally, it should be underscored that ethanol companies, including producers and traders, trade associations, and NGOs, are involved in several actions to create a certification device for sustainability of production in farms and processing plants. Efforts such as the Round Table on Sustainable Biofuels (RSB) and the Bon Sucro-Better Sugarcane Initiative have already started tests on their social and environmental principles and criteria, including Brazil. However, the chances that those efforts gain scale rather than creating only sustainability niches within a market mostly marked by socio-environmental impacts are still uncertain. To prevent that, it is crucial that the public sector in Brazil and abroad creates rules for sustainable production and monitors their enforcement.

Socio-environmental impacts and the **pro-sustainability** discourse

The sugarcane area in the 2010/11 harvest increased 8.4%, to 8.03 million hectares, according to the Brazilian Supply Company (Companhia Brasileira de Abastecimento, CONAB). Sugarcane production, in turn, saw a lower increase of 3.4%, reaching 624.9 million tons because of the 4.6% decrease in productivity as a result of the prolonged drought in Brazil's Midsouth and irregular rainfall in the North and Northeast regions.

The state of São Paulo, which concentrates 54.23% of Brazil's sugarcane area, saw a 5.5% increase, to 4.3 million hectares. But, because of the 6.1% decrease in productivity, output fell 0.9%, to 359.2 million tons. Among other Brazilian states with sugarcane tradition, the largest increases in planted area took place in Mato Grosso do Sul, with 49.2%, to 396.1 thousand hectares, Goiás, 27%, to 599.3 thousand hectares, and Minas Gerais, with 10.3%, to 649.9 thousand hectares.

Increase in planted area was encouraged by growing demand from existing processing companies and the opening of new production units. ETH Bioenergia, controlled by the Odebrecht business group, opened in Mineiros, Goiás, the first processing plant designed by Brenco, which it acquired in the same year. The company also started operation in a unit in Alto Taquari, which became the largest operating unit in the state of Mato Grosso. ETH Bioenergia has seven processing plants in the country.

The Cosan Group, in a joint-venture with oil company Shell, started operation of its first plant in Caarapó, Mato Grosso do Sul. The joint-venture, called Raízen, owns 23 plants in five Brazilian states. The CMAA Group, in turn, opened the Vale do Tijuco processing plant in Uberaba, state of Minas Gerais – the first of three units to be built in the so-called Triângulo Mineiro area in the same state. The company is controlled by Pactual Capital Partners (PCP), JF Citrus, and US fund ZBI Ventures.

With sugar prices high in world markets, Brazilian companies increased their output. Sugar production was estimated by CONAB at 38.6 million tons, a 16.9%-increase over the 2009/2010 harvest. Nevertheless, most of the sugarcane harvested in the country – 53.8% – is still used to make ethanol, whose production is estimated at 336.2 million litres, a 7.5%-increase over the previous period.

Labour issues

The number of manual labourers, such as cutters, declines every harvest with the increase in the use of sugarcane combine harvesters. An estimated 60% of São Paulo's planted area would be already machine-harvested. In that state, the number of non-specialised workers fell 8.8% between 2009 and 2010, to 140.4 thousand. Compared to 2007, the decrease is 21.1%, according to the report 'Formal occupation in São Paulo's sugar-alcohol industry' (Ocupação formal sucroalcooleira em São Paulo), written by researchers of Universidade Estadual Paulista (UNESP) at Jaboticabal. The decrease is not faster only because the total area for sugarcane plantation in the state has been

growing – as well as areas where cutting is still manual.

Differently from manual labour, the number of positions for specialised workers in São Paulo has increased, such as those involved in specialised management, agricultural, and industrial activities. Between 2009 and 2010, the number of such positions increased 7.6%, reaching 169.9 thousand. Compared to 2007, the increase is even higher: 18.9%. Together, specialised and non-specialised positions show stability. Between 2009 and 2010, the total number of workers in São Paulo's sugar-alcohol industry fell 0.2% – a 1.7% decrease over 2007.

As for the negative impacts of sugarcane labour, in 2010 the sugar-alcohol industry broke the painful record of 10 thousand workers liberated from slave labour, in the historical series started in 2003 by the Land Pastoral Commission (Comissão Pastoral da Terra, CPT). According to data obtained by CPT from the Ministry of Labour and Employment's Department of Labour Inspection and labour prosecutors, in late 2010 the industry counted 10,010 workers rescued in operations conducted by authorities.

Year	Activities with the most workers rescued (total %)		
	1 st	2 nd	3 rd
2007	Sugarcane (3,060 / 51%)	Cattle (1,430 / 24%)	Other/Not known (538 / 9%)
2008	Sugarcane (2,553 / 48%)	Cattle (1,029 / 20%)	Other crops (731 / 14%)
2009	Sugarcane (1,911 / 45%)	Other crops (804 / 19%)	Cattle (603 / 14%)
2010	Other crops (1,014 / 33%)	Cattle (784 / 26%)	Sugarcane (535 / 18%)
2003-06	Cattle (6,510 / 40%)	Other crops (3,415 / 21%)	Sugarcane (1,605 / 10%)
2003-10	Cattle (10,357 / 30%)	Sugarcane (10,010 / 29%)	Other crops (6,359 / 18%)

Data by SIT, MPT & CPT; processed by CPT until 12/31/2010

Breaking that remarkable 10-thousand-barrier places sugarcane together with cattle – the industry with most workers freed by authorities from conditions analogous to slavery. From 2003 to 2010, 10,357 people were rescued from cattle ranching enterprises. Therefore, cattle and sugarcane account for virtually 60% of all liberations seen in the country in the last eight years.

Sugarcane's rise is still more evident when we realise that, from 2003 to 2006, the industry had accounted for 10% of liberations (1,605). In 2007, 2008, and 2009, sugarcane led the statistics on liberated slaves. In 2007, 51% of people rescued (3,060) worked in that industry; in 2008, 48% (2,553); and in 2009, 45% (1,911). In 2010, the industry witnessed the liberation of 535 workers (18% of the total). The decrease in the number of people rescued – as well as in the number of denunciations and inspections carried out in the industry – might be explained by several factors. Whether or not the trend will continue in the coming period it is yet to be seen, but it is a sign that the action of companies that signed the National Pact for the Eradication of Slave Labour, as well as restrictions to public funding of companies caught with that sort of issue, is generating positive results.

The National Commitment to Improve Labour Conditions in the Sugarcane Industry¹, launched in June 2009 and expected to help to improve that scenario, is still in its first

¹ More information at <http://www.secretariageral.gov.br/arquivos/publicacaocanadeacucar.pdf>

stages of debate. Brazil's Secretary General of the Presidential Administration, which manages the agreement, confirmed that at least 248 processing plants (of over 300 that expressed their willingness to join the agreement in early 2009) have applied. According to Secretary's press service, that application only guarantees that companies are eligible for on-site verification: 'Only companies that actually prove to an external audit that they have met their commitments will be acknowledged'.

However, how that audit will be conducted is still not known. There are no deadlines either. The core challenge of signatory employers – the Sugar-Energy National Forum and UNICA – is how to trigger the process of verifying labour conditions in companies in order to 'certify' all those that are meeting the agreement, according to audits. In a phone conversation, Pedro Luciano Oliveira, from the Sugar-Energy National Forum, was straightforward: 'The government has to decide how that acknowledgement will take place. It can be a quality seal or a list of good employers, for instance, but there has to be something. Awarding good practices is crucial for the future of the commitment'.

Over 2010, members of the National Commission for Dialogue and Evaluation of the National Commitment to Improve Labour Conditions in Sugarcane² developed their own measurement methodology, which was pilot-tested in four processing plants – two in São Paulo, one in Minas Gerais, and one in Paraíba. Employers associations' expect the adoption and application of that methodology, but one of the main decisions of the first meeting of the Commission in 2011 was precisely a Working Group (WG) that will set criteria to be enforced on signatories of the Commitment.

According to sources present at the meeting, the head of Department of Labour Inspection (SIT) of the Ministry of Labour and Employment (MTE) announced that her ministry – which was left aside when the Commitment was being forged in 2008 and early 2009 – will present its suggestions about the criteria. That is, the methodology established by pilot-projects will not be easily, peacefully, or consensually assimilated by all members of the Commission as intended by processing companies.

There were so many advances and retreats that the initial two-year timeframe set for the Commitment ends June 2011 with almost no real achievement. Dedicated to speed up the initiative, businesses and government officials want to simply postpone what was agreed in 2009. Workers' representatives – the National Confederation of Agriculture Workers (Confederação Nacional dos Trabalhadores na Agricultura, CONTAG) and the São Paulo State Federation of Rural Waged Workers (Federação dos Empregados Rurais Assalariados do Estado de São Paulo, FERAESP) – in turn, signalled in this first meeting of 2011, held in April, that they intended to seize the moment of renovation to renegotiate some sensible clauses that were left out of the commitment signed two years

² The commission was created by the President Luiz Inácio Lula da Silva, who signed a decree on December 24, 2010 (http://www.planalto.gov.br/ccivil_03/_Ato2007-2010/2010/Dnn/Dnn12937.htm). Its members were appointed on a document signed by Secretary General of the Presidential Administration Gilberto Carvalho, dated February 25, 2011 and published on the Union's official gazette on 02/28/2011 (ftp://200.130.9.7/Biblioteca/Diario_Oficial/2011/Secao2/Fevereiro/DOU_28022011_p.3,6-7.pdf). On April 13, 2011, the commission met for the first time (more information at: http://www.secretariageral.gov.br/noticias/ultimas_noticias/2011/04/13-04-2011-dialogo-para-aperfeicoar-atividades-do-pacto-da-cana-de-acucar-e-retomado) since the inauguration of President Dilma Rousseff. Representatives of eight ministries were there as well as members of the National Commission appointed by employers' and employees' organisations.

ago. FERAESP, for instance, insists in dealing with the issue of mechanisation under the agreement and demands more public policies to assist workers that have lost their jobs.

The pro-sustainability discourse gains strength

In Brazil as well as abroad, the debate on socio-environmental parameters for ethanol production has gained strength, with mixed results. In the environmental sphere, the federal government launched in 2009 the Sugarcane Agroecological Zoning (AEZ), defining areas that are less or more suitable for its expansion. The current congressional debate on the New Forest Code, however, threatens to weaken barriers to sugarcane expansion at any cost and has been delaying the vote of the zoning bill, besides several regulations still necessary to apply it as a whole.

According to José Nilton de Souza Vieira, assistant to the Ministry of Agriculture's Department of Sugarcane and Bioenergy, it is impossible to know when the votes will take place. He sustains, however, that this is not a problem because 'the industry's expansion' had been already taking place precisely over the areas recommended by the AEZ, such as São Paulo's west area, Triângulo Mineiro, as well as the states of Goiás and Mato Grosso do Sul, with some projects also in Mato Grosso'. He adds: 'The Zoning only started to provide more detailed information on those areas, excluding those where the government understands that sugarcane should not enter, like native vegetation areas, Amazon and Pantanal biomes, the Upper Paraguay Basin, and areas that are not mechanisable or that depend on full irrigation.'

Vieira underscores that the AEZ is a guarantee of 'harmony between food and fuel production and environmental preservation'. 'Investments are paralysed because of the international financial crisis, but we believe that they will be resumed on the same bases, that is, even though the bill has not been voted, new enterprises should follow government guidelines. It goes without saying that the sugar-alcohol industry is in the international limelight. Any initiative that goes against common sense will be on the mainstream media', he says. According to Vieira, several countries from Latin America and Africa (such as Zambia, Tanzania, Mozambique, El Salvador, Guatemala, and Kenya) have consulted Brazil in search of contribution by Brazilian experts to build their national zoning policies. It should be pointed out that a study conducted by Repórter Brasil in 2009 criticised the AEZ project, because its terms encouraged sugarcane expansion over areas of consolidated agriculture and cattle, especially in the Midwest, with potential indirect impacts on biomes such as the Amazon³.

Brazil's Ministry of Foreign Affairs said to Repórter Brasil, through its press office, that it also works to guarantee sustainability standards for ethanol production. The Ministry explains that 'the country takes part in multilateral forums on the subject, like Global Bioenergy Partnership (GBEP), which aims at creating a set of environmental, social and economic sustainability indicators' for biofuels. The recently agreed upon indicators shall be the basis for bioenergy public policies in countries that still lack legal frameworks about the industry (or are willing to reform their current ones). Both at

³ See the report on ZAE at http://www.reporterbrasil.org.br/documentos/zoneamento_cana_reporterbrasil_out09.pdf

GBEP and the other forums, Brazil takes the same stance: expansion of bioenergy production and use must be done on the basis of strict economic, social, and environmental sustainability.

According to the Ministry, at least 20 nations account for most of the world energy provision, still strongly dependent on fossil fuels. Alternatively, over 100 countries are estimated to be potential biofuel producers. Such potential would reduce energy dependence and contribute to creating jobs and income for their populations. Another positive factor mentioned by the Ministry is that inequalities between energy producer and consumer countries would be reduced, thus helping to prevent potential conflicts resulting from international competition over increasingly scarce energy resources.

The Ministry sees that the world market will only be consolidated 'if there is production and consumption of bioenergy in several countries'. 'Brazil has developed numerous such initiatives, including: the Structured Programme to Support Other countries in Developing Renewable Energies (PRO-RENOVA), which has been carrying out technical cooperation projects with tens of African countries since 2007; the Memorandum of Understanding Between the United States and Brazil to Advance Cooperation on Biofuels for Third Countries (focusing on Central America and the Caribbean); the Brazil-European Union trilateral initiative on bioenergy with African countries; over ninety bilateral agreements for technical cooperation in the area of bioenergy; and growing convergence with South American countries in that field, including Argentina, Colombia, and Paraguay – nations that have been placing increasing emphasis on biofuel production and consumption. Argentina, for instance, has recently become a world leader in biodiesel exports', says the Ministry's note to Repórter Brasil.

The advocacy of sustainability as a core value for ethanol production also gained ground in Brazil's industry. According to Eduardo Leão de Sousa, executive-director of Sugarcane Industry Association (UNICA), 'there must be sustainability practices, but we want to avoid non-tariff barriers'. He complains that the European Union Directive, for instance, is not clear in several points related to sustainability, making it difficult for companies to invest in the sector: 'They say that sugarcane cannot expand over areas of high biodiversity, but what does that mean? If that is not made clear, they could be barriers to Brazil, because concepts are different here.'

Sousa says that discrepancies between the image that the industry seeks to build and the practices seen in some sugar-alcohol enterprises 'are increasingly isolated cases'. 'There will always be problems, but the aim is to end them or at least to reduce them', he said to Repórter Brasil. As for labour, Leão de Sousa says that he sees 'a lot of improvement over the past'. 'We have been working hard with companies in order to make things better. The labour commitment itself [National Commitment to Improve Labour Conditions in the Sugarcane Industry] is a sign of that effort', he explains.

On that subject, UNICA recognises that 'the process was delayed, but it's progressing and soon we will announce how the monitoring and certification will take place'. UNICA also part takes in several other pro-sustainability initiatives, such as re-qualification of sugarcane workers who lost their jobs and round tables like Bom Sucro and RSB. 'Our view on certification is that it should be as convergent as possible, thus avoiding multiplication of forums and processes', he says.

In spite of progress in the pro-sustainability discourse and actions by the federal government and business segments, it is clear that the socio-environmental impacts are still spread over the sugar-alcohol industry, including Brazil's largest companies and those controlled by major transnational energy companies. The following section of this report will approach precisely that aspect, by identifying which businesses, cooperatives and trading companies are shipping ethanol abroad, which countries the product is sent to, and which are the socio-environmental impacts that have to be shouldered by the country's workers, traditional communities, and the environment.

Impacts of **processing companies** that export sugarcane

According to data provided by the Ministry of Development, Industry and Trade (*Ministério do Desenvolvimento, Indústria e Comércio*, MDIC)⁴, between 2009 and 2010 over 40 enterprises exported sugarcane, including processing companies, co-operatives or international trade businesses. According to number of providers, Europe was the main destination of Brazil's ethanol, especially Holland (23 providers), England (14), and Switzerland (9). Other heavyweight costumers of Brazilian ethanol were the USA (14 providers), Japan (13) and India (8)⁵. While several enterprises meet some sustainability standards in producing or trading the fuel, transparency of social and environmental criteria applied and their monitoring is very low.

One of the companies listed by MDIC as an alcohol exporter is **Greenenergy International**, and English company that joined French group Bauche in 2010 to meet the increasing demand in the British market⁶. The company sustains that its providers must follow specific rules regarding ethanol's socio-environmental sustainability, subjected to 'an extensive programme of audits in Brazil to understand the environmental and social performance of our bioethanol suppliers. Established in 2008 and is now in its third year, the programme has been described by the UK Government as meeting a "gold standard for sustainable biofuel"⁷. Greenenergy has granted a sustainability certificate to over ten processing companies that are its current providers.

When Repórter Brasil asked for lists of criteria and certified companies, Greenenergy answered that 'the information requested is confidential', but the company's website includes a basic description of safeguards. Since some of the certified companies made their relationship with Greenenergy public, it was possible to compare their performance with Greenenergy's socio-environmental safeguards.

⁴ *Vitrine do Exportador*, www.exportadoresbrasil.gov.br

⁵ Besides the countries mentioned, the MDIC list includes Argentina, Australia, Belgium, New Zeland, Norway, Venezuela, and Finland as importers of Brazil's ethanol.

⁶ According to the records of the Ministry of Development, Industry and Trade, Greenenergy exported to the US, and there is no exports to Europe related to its tax registration number.

⁷ http://www.greenenergy.com/Biofuel_sustainability/auditing_brazil.html

An example is **São Martinho** – which, under the name of Vale do Mogi Empreendimentos Imobiliários (São Martinho’s and Vale do Mogi’s have the same tax registration number), would have exported ethanol to Holland, Switzerland, and the US, according to the MDIC list. In June 2009, a court in Limeira, state of São Paulo, sentenced São Martinho to improving work conditions for its sugarcane cutters, by ‘providing free individual protection equipment in perfect conditions, proper tools for the job, shelter, a place for meals, bathroom facilities including toilet and sink, periodic health testes issuing an Occupational Health Certificate, and occupational risk assessment, paying wages by the 5th working day, ceasing to demand overtime – when necessary, it shall not be over two hours – and allowing rest periods of at least 11 hours between two working days’.

The company was inspected during the 2007 and 2008 harvests, ‘when several irregularities were found in the work environment’, according to a report issued by the Ministry of Labour and Employment’s Mobile Inspection Group and by labour prosecutors. ‘Even after it was fined several times, the company kept breaking labour hygiene and safety rules. Besides, its officials refused to volunteer to adjust the labour conduct. After possibilities of adjustment were exhausted, prosecutors filed a lawsuit against São Martinho’, the report concluded⁸.

Another company that announced certification by Greenery was **Grupo Carlos Lyra**, from Alagoas, owner of Marituba and Caeté processing plants. In December 2009, after several violations of labour rights were found⁹, Caeté was accused by labour prosecutors of not applying a Conduct Adjustment Commitment (*Termo de Ajustamento de Conduta*, TAC) signed in 2008. A similar case took place at Nardini Agroindustrial, also certified by Greenery. In July 2009, the company was fined during a MTE inspection that found irregularities on a TAC signed in 2006¹⁰. Given Greenery’s low transparency, those cases in theory might warrant challenges to the audit processes, as well as the guarantee of sustainability of the product exported.

The truth is that there is no indication that importers of Brazil’s ethanol are actually enforcing minimum standards for social and environmental sustainability over their providers’ production process. According to employees of Laginha, a sugarcane company with two units in Alagoas and three in Minas Gerais – and which the MDIC says to have exported alcohol to Belgium, Japan, and Australia between 2009 and 2010 –, purchasers’ demands refer mostly to product quality and seldom to production processes¹¹.

In recent years, Laginha was inspected in search of labour rights violations and slave labour. In May 2007, the Mobile Inspection Group found 15 employees coming from the states of Maranhão, Piauí, and Rio Grande do Norte working in degrading conditions in the Vale do Paranaíba unit, in Capinópolis, Minas Gerais. In 2008, 53 workers were rescued from conditions analogous to slavery at its União dos Palmares, Alagoas, unit. In September 2010, other 207 workers were rescued at the Vale do

⁸ <http://www.jusbrasil.com.br/noticias/1383770/usina-sao-martinho-e-processada-pelo-mpt-apos-reincidencia-de-infracoes-de-saude-seguranca-e-higiene>

⁹ <http://www.alagoas24horas.com.br/conteudo/?vCod=76942>

¹⁰ <http://www.jusbrasil.com.br/noticias/2086392/nardini-firma-tac-aditivo-para-regularizar-jornada-de-trabalho>

¹¹ All references to exporting countries in this document are from the MDIC list.

Paranaíba unit in Capinópolis¹².

Other companies included in the MDIC list also presented social and environmental problems that might have affected the production chain of the ethanol that arrived at foreign consumers.

Louis Dreyfus Commodities, LDC (it provided ethanol to Holland, Switzerland, Japan and Argentina) – In 2009, an inspection conducted by the Ministry of Labour and Employment and labour prosecutors on six farms belonging to LDC (Laranjeiras, Ponte, Campo Alegre, Olhos D'água, Pastinho, and Camargo) in the area of Lagoa da Prata, Minas Gerais found working conditions 'near degradation'.

Drinking water was not provided at working fronts. Workers did not have access to bathroom facilities or proper places for meals; there were no breaks or regular food. Outsourced sugarcane cutters would work 12 hours a day, twice a week; and the company did not pay overtime. Individual Protection Equipment (IPE) provided was not sufficient, mainly among outsourced workers. Tractor operators had no driver's license. The inspection report also points out two fatal accidents: the first one in 2007, after a tractor tipped over, and the second one in 2008, when an employee was dragged by a machine and hit his head¹³.

Still in 2009, the group was accused by settlers from the area of Rio Brilhante, Mato Grosso do Sul, of destroying small farmers' plantations and causing damage to their health with pesticide fumigation, and promoting burnings in the company's plantations that reached the residents of neighbouring settlements. LDC is also accused by the Workers' Union of having summarily fired 70% of workers from the Passa Tempo and Maracaju processing plants after it purchased them¹⁴.

¹² www.reporterbrasil.org.br – several articles.

¹³ <http://www.reporterbrasil.org.br/imprimir.php?id=1685&escravo=0>

¹⁴ http://www.reporterbrasil.org.br/documentos/o_brasil_dos_agrocombustiveis_v6.pdf



LDC's sugarcane plantation 'surrounds' settlers' yards in Rio Brilhante, state of Mato Grosso do Sul. Photo by Verena Glass/Repórter Brasil

In 2008, LDC was the target of a civil investigation by labour prosecutors for problems related to working hours, IPE, health and safety, transportation vouchers, and indigenous labour. In 2010, prosecutors opened another investigation over 'labour irregularities related to deviation from job description and safety at work' which could 'amount to serious violation of the public order regarding workers' social rights, among other irregularities'.

Cosan S/A Açúcar e Álcool (exported to Holland, Finland, Switzerland, Japan, Argentina, Australia) – in June 2007, an inspection on the Junqueira processing unit, in Igarapava, São Paulo, a property of Cosan, liberated 42 slave workers. On December 31, 2009, Cosan was included in the 'dirty list' of slave labour by the Ministry of Labour and Employment (MTE), but a provisional court decision allowed the name to be withdrawn on January 8, 2010.

In recent years, however, Cosan labour problems have not been restricted to slave labour:

- In 2010, the company had to sign two agreements with Campinas's labour prosecutors (one at 2.5 million *reais* and the other at 900 thousand *reais*) for labour problems and also for breaking previous Conduct Adjustment Commitments (TACs);
- In July 2010, labour prosecutors found a Cosan provider from Santa Cruz do Rio Pardo, São Paulo, using degrading labour, with unpaid salaries and no drinking water at the working front;
- In 2009, Cosan's Diamante processing plant, from the area of Jaú, São Paulo, received

22 violation notifications from the Ministry of Labour's rural inspection group. A total of 2,628 workers were inspected, of which 464 were women, and there were violation notifications for lack of working papers (6 workers); a general lack of control of working hours; not allowing Sunday and holidays off; cutting of seven sugarcane 'streets' instead of five; dirty bathrooms; Risk Assessment and Occupational Health Certificate without assessing risks to workers; lack of a plan to assist accident victims; irregular lodging facilities; outsourced transport companies without bathrooms or places for meals;

- In the 2008 harvest, workers from the Diamante processing unit had already gone on strike for better working conditions;

- In the 2007 and 2008 harvests, workers from Cosan's Gasa processing plant, in Andradina, São Paulo, went on strike for better working conditions. The workers' union said that strikers were fired after demonstrations – a violation of their constitutional rights to strike¹⁵.

Cosan also owns the Nova América processing plant, in Caarapó (MS). Nova América leases the Santa Claudina farm from state deputy and big farmer José Teixeira (DEM party). The farm area overlaps the Guyaroca Indigenous Land (the area has been inspected by National Indian Foundation [*Fundação Nacional do Índio*, FUNAI] and its identification and delimitation summary has been published on the Union's official gazette).

According to the technical note issued by federal prosecutors, big farmers' actions on Guyarocá territory have been causing fast environmental degradation, specially by destroying gallery forest of streams and rivers. That destruction would contribute to dry or fill up water sources and courses¹⁶.

¹⁵ <http://www.reporterbrasil.org.br/exibe.php?id=1775>

¹⁶ http://www.reporterbrasil.org.br/documentos/o_brasil_dos_agrocombustiveis_v6.pdf



Providers of Cosan's Nova América processing plant invade the Guyrarocá IL, Mato Grosso do Sul. Photo by Verena Glass/Repórter Brasil

Copertrading Comércio Exportação e Importação S.A., from Alagoas, which has a commercial relationship with processing companies Camaragibe, Porto Rico, Santa Clotilde, Santa Maria, Seresta, Serra Grande, Sininbu, Sumaúma, and Triunfo (it has exported to England and Japan) – In early 2008, the mobile group formed by the Ministry of Labour and Employment and 19th Regional Labour Prosecutor's Office inspected the 15 largest processing companies in the state and found irregularities involving over 650 workers in 14 of them. As a result of Operation Zumbi dos Palmares, in November of the same year, prosecutors signed a Conciliation and Conduct Adjustment Commitment with the sugarcane industry, in which sugarcane and alcohol producers committed themselves to 'abiding for the legislation to the benefit of rural workers'. The processing companies of the Santo Antonio Group (Central Açucareira and its filial Camaragibe), Grupo Toledo (Capricho, Pagrisa, and Sumaúma), Leão, Laginha, Destilaria Porto Alegre (originally called Porto Rico), Mendo Sampaio, Santa Clotilde, Santa Maria, Seresta, Taquara, and Triunfo, the target of 12 civil lawsuits, had to pay compensation for damages caused to workers' diffuse and collective interests.

Grupo Moema (exported to the USA), bought by Bunge in 2009 – The Mobile Group found 63 workers in 2008 under responsibility of Moema processing plant, in Orindiúva, São Paulo, one of the six units of Grupo Moema Açúcar e Álcool. Brought from the states of Bahia, Maranhão, and Ceará, they were lodged under precarious conditions. According to labour prosecutor Fábio Lopes Fernandes, most of them had been hired by outsourced companies and were fired without being paid what they were entitled to. After the inspection, Moema spent 200 thousand *reais* in compensations¹⁷.

¹⁷ <http://www.reporterbrasil.org.br/exibe.php?id=1373>

In 2009, Moema also broke the record for environmental fines applied in the region of São José do Rio Preto, state of São Paulo, by the Coordination for Biodiversity and Natural Resources – an agency related to the state’s Environmental Department. The company received three notifications, in a total of 885 thousand *reais*.

Grupo Noble/Usina Cerradinho (the Noble group has recently purchased processing plants belonging to Cerradinho, in Catanduva and Potirendaba. Together, they exported to Holland, India and the USA) – In March 2011, labour prosecutors from São José do Rio Preto filed a civil lawsuit demanding compensation from Usina Açúcar e Álcool Cerradinho, in Catanduva, for environmental damages during burnings made in 2009, which amount to 1.5 million *reais*.

In the case of exports made by co-operatives, purchasers’ monitoring of the production chain is more difficult, since operations do not present providers’ tax registration numbers. As an example, **Copersucar** is one of the largest enterprises in Brazil’s sugar-alcohol industry. Between 2009 and 2010, it exported to Holland, Switzerland, the US, Japan, and Australia, and a total of 48 affiliated processing companies makes it difficult to find out responsibilities for the products exported by the co-operative.

According to reports of inspections conducted by labour prosecutors between 2009 and 2010 and provided to Repórter Brasil, however, processing companies such as Iacanga, Batatais, São Manuel, Ipiranga, Uberaba, and the Paranapanema distillery (belonging to Norwegian group **Umoe**), all affiliated to Copersucar, were sued for problems related to sanitation, safety and health at work, paid weekly rest, noise, temperature, radiation, working hours, attacks on union freedom, contributions to unions, individual protection equipment, break times, unhealthy activities and operations, unpaid compensations, irregular entries on working documents, among others, besides fines applied by the Environmental Sanitation Technology Company (*Companhia de Tecnologia de Saneamento Ambiental*, CETESB) for environmental irregularities.

Foreign capital in Brazil’s sugarcane companies

Assuring that Brazilian ethanol arriving to foreign markets is 100% ‘clean’ from social and environmental problems is a challenge to be faced by the country’s government and producers as well as importers and foreign governments – especially because social and environmental demands by foreign markets might encourage the adoption of more responsible practices in the country. However, the same national and international demands have also to take into account a new actor whose importance, strength, and power have been increasing in Brazil: foreign investors and international capital.

The main foreign investors now present in Brazilian sugar-alcohol industry include Açúcar e Álcool Fundo de Investimento e Participações (formed by Carlyle/Riverstone investment funds, Global Foods /Carlyle/Rivestone/Goldman Sachs /Discovery Capital and DiMaio Ahmad), Abengoa (Spain), Adecoagro (of the Soros group, USA/Argentina), ADM (USA), Brazil Ethanol (USA), British Petroleum (England), Bunge (USA), Cargill Inc. (USA), Clean Energy (England), Glencore (Switzerland), Infinity Bio-Energy (England and others, controlled by Bertin), Louis Dreyfus (France), Mitsubishi (Japan), Mitsui (Japan), (China), Shell (Holland), Shree Renuka Sugars (India), Sojitz Corporation (Japan; owns 65% of ETH, in a society with Odebrecht),

Sucden (France), Kuok (China), Tereos (France), and Umoe (Norway). Together, they own shares of or control over 100 Brazilian sugarcane companies.

Several companies totally or partially controlled by foreign investors, listed next, presented indications of irregular social and environmental practices. Sometimes they happened before the acquisition, sometimes already under the responsibility of international groups¹⁸. Besides the aforementioned cases, the following ones should be pointed out:

Abengoa (Spain) – With units in the towns of São João da Boa Vista and Pirassununga, São Paulo, Abengoa is in the list of companies with outstanding debts the Union (social security). According to labour prosecutors, the group is under investigation for problems linked to working times, excessive working hours, overtime, rest periods, breaks, extinction of individual labour contracts at the São João unit, besides at least 12 fines for environmental crimes applied by São Paulo's CETESB.

Adecoagro (USA) – Owner of Angélica Agroenergias Ltda., fined in 2008 at 1 million *reais* by the Environmental Police for throwing vinasse on a stream and causing the death of fish.

Brazil Ethanol (USA) – In July 2009, right after Alagoas-based company Utinga Leão was purchased by Brazil Ethanol, workers campaigned to demand the payment of four months of due salaries, to keep their jobs, their labour rights and guaranteed grinding.

Because of unpaid debts, on the 13th of the same month, Justice interdicted Utinga's properties and the financial assets of all its partners, rendering automobiles registered on behalf of S/A Leão Irmãos Açúcar e Álcool – Usina Utinga Leão and Brazil Ethanol INC and their partners 'immediately unavailable through the 'RENAJUD' system, credit interdiction through the central bank (BACEN – Jud system), as follows: 2 million from the bank account of each legal person and 300 thousand *reais* from each partner'¹⁹.

In September, armed and hooded guards destroyed a camp of landless workers linked to the Movement for Liberation of Landless Workers (*Movimento de Libertação dos Sem Terra*, MLST) in an area belonging to the company in Rio Largo, Alagoas. About 300 families had been camped in the place for a month. The company had not filed a legal request for repossession.

British Petroleum (England) – In January 2011, it purchased 83% of CNAA, which owns the Itumbiara processing company (Goiás) – the target of a public civil lawsuit by prosecutors for not having paid compensation over 'significant environmental damage provided for in article 36 of Federal Law 9.985/2000 during the referred legal procedure'. During the period of the violation, Carlyle/Riverstone, Global Foods/Carlyle/Rivestone/Goldman Sachs/Discovery Capital and DiMaio Ahmad were shareholders.

Bunge (USA) – It owns 60% of Monteverde (Mato Grosos do Sul), which buys sugarcane from at least three farms (Santa Luzia, Guarida, and Três Marias) illegally

¹⁸ Information on labour-related issues in this chapter was collected with the Ministry of Labour and Employment and labour prosecutors' office.

¹⁹ http://gazetaweb.globo.com/v2/noticias/texto_completo.php?c=180707

located within the Jatayvary Indigenous Land, recognised by FUNAI in 2004. It has also purchased the Moema processing plant, where 63 workers were found under degrading conditions in June 2008 (before it was purchased by Bunge). In 2010, Moema had the most environmental fines in the area of Ribeirão Preto, with three of them totalling 885 thousand *reais*. Most fines are related to unauthorised burning of sugarcane straw.

Bunge also owns Guariroba, fined in 2009 for labour problems such as irregular lodging facilities, work on Sundays, dirty bathrooms, irregular individual protection equipments, and lack of risk assessment and safety actions. In 2010, the company was fined 6,300 *reais* for ‘exploiting and damaging the forest or any kind of native vegetation or planted native species located off an established legal reservation area, of public or private domain’.

In 2009, labour prosecutors filed a public civil lawsuit asking for anticipation of tutelage against Bunge Alimentos, owner of Santa Juliana, where ‘serious violations of labour legislation and fundamental rights of workers were found, from major disregard for health and safety norms to discriminatory practices’.

Illegal practices include: excessive working hours (more than three hours as overtime, in some cases), no registration of time worked, irregular weekly rest periods, unsafe transportation of workers, delayed issuing of Work Accident Reports, retention of working papers beyond legal time – thus keeping tens of workers under forced and unpaid inactivity and no food provision. For damages inflicted to the group, prosecutors requested the company’s conviction and payment of a 10-million-*real* compensation.



Farms belonging to Bunge’s Monte Verde sugarcane company invade the Jatayvary IL, in Mato Grosso do Sul. Photo by Verena Glass/Repórter Brasil

Clean Energy Brazil (England) – It owns 33% of Unialco, owner of Alcoolverde, Dourados Açúcar e Álcool, and Canavale, in Aparecida do Taboado, Dourados, and Ponta Porã, state of Mato Grosso do Sul. Dourados Açúcar e Álcool buys sugarcane in farms illegally occupying the Guyraroca Indian Land in Dourados.

Infinity Bio-Energy (England) – In December 2010, Infinity Itaúnas Agrícola S. A. (Infisa), a subsidiary of Infinity Bio-Energy, which is in charge of producing sugarcane for the group in Conceição da Barra, Espírito Santo, was included in the Ministry of Labour and Employment's 'dirty list' of slave labour for having 64 workers in conditions analogous to slavery²⁰. In 2008, MTE inspections found 89 sugarcane cutters in conditions analogous to slavery in the group's two processing plants in the state of Espírito Santo (Disa and Cridasa)²¹.

Federal prosecutors have started criminal investigations on the cases. In July 2010, an inspection by labour prosecutors fined another company of the group (CEPAR) in the state of Minas Gerais for problems that characterise contemporary slavery, such as excessive working hours, precarious lodging facilities and working conditions, as well as illegal recruitment of workers in other states. In March 2010, 71% of Infinity shares were bought by Bertin, a traditional business group dealing with bovine meat exports and owner of meatpacking companies – also in the Amazon region – and which has also been involved in environmental and labour-related problems.

Shree Renuka Sugars (India) – Owner of Vale do Ivaí, it has been sentenced to paying 125 thousand *reais* in labour-related fines in 2008.

Sojitz (Japan) – Owner of 33% of Rio Claro Agroindustrial, where an inspection by labour prosecutors in February 2008 found 17 workers in 'degrading situation'. By associating itself to ETH, which bought Brenco, Sojitz has also assumed the latter's liabilities – 17 Brenco workers were liberated from a situation analogous to slavery in February 2008. Its inclusion in the 'dirty list' of slave labour is still expected.

Tereos (France) – In 2008, the Guarani processing plant, from Olímpia, São Paulo, was fined three times by CETESB and is included in the list of major environmental crimes facing strong action by the agency. Together, the fines total 215,804.64 *reais*.

Umoe (Norway) – In 2008 and 2010, Destilaria Paranapanema distillery, owned by Umoe, was fined for illegal outsourcing. In June 2009, Labour Justice denounced the company Leandra Cristina Teixeira Prado, which provided services to Paranapanema, for 'labour irregularities related to legal limits on working hours and rest periods, besides incorrect payment of contract termination fees and informal payment of wages'. In January 2010, employees of the company Robson Antônio Mongentale, which also provided services to Destilaria Paranapanema, denounced to labour prosecutors that they had not been paid their termination fees.

In August 2010, Justice José Roberto Dantas Oliva, from the 1st Labour Court in Presidente Prudente, São Paulo, granted a provisional decision against Paranapanema,

²⁰ In February 2011, a provisional court decision allowed the company to have its name withdrawn from the list until the merits of the cause were judged.

²¹ http://www.reporterbrasil.org.br/documentos/o_brasil_dos_agrocombustiveis_v6.pdf

forcing the company to end outsourcing in its production areas and immediately cancelling contractors' activities. Besides, the decision establishes that the company must cease hiring physical and legal persons to provide services related to its core activities²². Impacts caused by French company Louis Dreyfus Commodities (LDC) have been listed previously. Holland's Shell, China's Kuok and France's Sucden are investors of Group Cosan, also examined above.

Conclusion

The latest years have been marked by intense debate over criteria for biofuel production in Brazil and abroad. Given that fossil fuels are the major villains causing the greenhouse effect, the United States and Europe have launched programmes to encourage production and use of renewable fuels. US energy legislation on renewable fuels provides for the use of up to 136 billion litres by 2022, of which Brazil's contribution is estimated at 15 billion litres of ethanol.

As for Europe, Directive 2009/28/CE establishes that, by 2020, the Community shall reach a 20% share of renewable energies in their gross final consumption and that each member country shall reach a minimum share of 10% of renewable energy used in its transport sector. The Sugarcane Industry Association (UNICA), the main association of Brazil's sugarcane processing companies, projects that consumption in Europe will be between 15 and 20 billion litres – an attractive market for Brazil's ethanol.

Both Americans and Europeans have established socio-environmental criteria for importing fuels, such as Brazil's ethanol, but, given weakness and uncertainty, no Brazilian processing company is known to have had problems with exports. It is true that between 2009 and 2010, Brazilian ethanol exports fell 42.4% to 1.5 million tons, but such decrease is mainly due to the lack of surplus of the product in the market.

In recent years, companies caught with slave labour, which have deforested native vegetation or threaten indigenous populations, have been providing ethanol for fuel distributors or chemical industries all over the world. Between 2009 and 2010, considering the number of providers, Europe was the main destination for Brazilian ethanol, especially Holland (23 providers), England (14), and Switzerland (9). Other major customers for Brazilian alcohol were the US (14), Japan (13) and India (8).

In Brazil, there have been clear efforts by some authorities, businesses and organised civil society segments to increase sustainability of the ethanol industry. The reduction of the number of slave labourers in sugarcane processing plants and farms, seen in 2010, is a positive factor and might be the result of a series of efforts, including the National Pact for the Eradication of Slave Labour. However, that has not prevented the sugar-alcohol industry from breaking the painful record of 10 thousand workers liberated in the historical series started in 2003 by the Land Pastoral Commission (CPT) – an indication that the struggle for new times in Brazil's sugarcane industry still has a long way to go.

²² <http://www.jusbrasil.com.br/noticias/2343067/liminar-obriga-paranapanema-a-encerrar-terceirizacao>

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