



# INNOVATIONS FOR SUCCESSFUL SOCIETIES

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Interviewee: Fernando Sampaio

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CAMERON: This is Blair Cameron with Innovations for Successful Societies. I am here in Sao Paulo, Brazil with Fernando Sampaio. Fernando, thank you so much for this interview. Just to start off with, can you tell me a bit about your background and your professional career, the positions that you've had?

SAMPAIO: *Well, I'm an agriculture engineer. I finished my studies in '97 in the University of Sao Paulo, and after that, I went to France for an exchange program in a French agriculture school. I started working in the French beef industry in 1999, at a French slaughterhouse. I stayed two years in France, '99, 2000, and in the end of 2000, they had this mad cow problem in the beef sector in Europe. It started in October in France in the same slaughterhouse I was working for. It was a very dark period for the beef industry in Europe. The markets went down. I started looking for beef importers in Europe.*

*I went to the Netherlands to work with a Dutch beef importer. Between 2001 and 2008, I stayed in the Netherlands working in beef trade. This guy was one of the major importers in Europe.*

CAMERON: Which?

SAMPAIO: *Zandbergen. This was the period where Brazilian exports were really booming, and Europe was one of the main markets for Brazilian beef.*

CAMERON: Right.

SAMPAIO: *So I came back to Brazil in 2008. Zandbergen had some farms in Mato Grosso do Sul, so I went there for one year. I opened an office for them. Then they called me. ABIEC (Association of Brazilian Beef Exporters), the association, called me. I had contacts with the exporters, and I was involved in these issues. At that time, one of the big concerns was traceability, and at the same time, the issue about deforestation was coming up. So I started in ABIEC in a sustainability position to coordinate the actions of the industry.*

*In 2011, I became Executive Director. I was in this position until now, and I am leaving to Mato Grosso.*

CAMERON: Can you tell me a little bit about your next position as well, the one you are moving into?

SAMPAIO: *Yes. The State of Mato Grosso came up with a strategy. It's called PCI: Produce, Conserve, and Include. They established some targets on these three axes of action. They could find a consensus between the public and private sector and the NGO's, and they presented the Strategy at the Climate conference in Paris last year. They created a committee to follow up these goals, and the committee decided they need a director to coordinate all the activities. So this position came up, and I thought it was a nice opportunity for me to move on from the beef sector to a more broad work area.*

CAMERON: Let's go back a step now. ABIEC: what are ABIEC's goals?

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**SAMPAIO:** *ABIEC is a private sector organization for beef packers. We only have the beef industry there. We don't have producers in the association, and we represent the interests of the sector towards the Brazilian government: everything that is related to the beef industry in Brazil so all the regulations of the Ministry of Agriculture regarding how the industry works, the inspection services, everything. On international negotiations, we are the ones that provide our government with the priorities for market access, opening new markets, and international negotiations like European Mercosul free trade negotiations. So we define the position of our sector to the Brazilian government.*

*In the promotion of Brazilian beef, we work with the Brazilian Agency for Promotion of Exports That's Apex. So we go to food fairs, and we do promotion activities in our main markets. On the dialogue with the producers, with the public prosecutors, everything that is related to beef, we represent the beef sector in Brazil. We have now about 28 companies that represent 70% of the slaughtering and 95% of the Brazilian beef exports.*

**CAMERON:** So you have the big three meat packers. How much do they represent of the slaughtering?

**SAMPAIO:** *Actually, we have our estimate that in Brazil, we have about 40 million heads slaughtered every year of about a 208 million herd. So from this, about 30 million, about 28 million, for example, I can give you more accurate numbers later, but about 28 million calves are slaughtered under the federal inspection system. These are the guys who can export and can sell beef all over Brazil.*

*From this, ABIEC is 70% with all the 28 companies. The big three should be about half of that.*

**CAMERON:** Okay.

**SAMPAIO:** *Then you have the local slaughterhouses from state inspection systems and municipality inspection systems. You have the slaughtering that is not inspected or which people are consuming inside the farms or locally.*

**CAMERON:** These inspections: what does an inspection look like, and how does it differ between the federal, state, and municipal levels?

**SAMPAIO:** *This was created some time ago. You have a lot of places in Brazil where you have no infrastructure, and people need to consume beef. Mostly in every small city, in the countryside in Brazil, you have municipal slaughterhouses. If you are a farmer, you can take your cattle there, and it is going to be slaughtered. You take the meat, and you can consume or you can take it to the local butchers.*

**CAMERON:** Right.

**SAMPAIO:** *This has been working in Brazil for a long time.*

**CAMERON:** When you said it is a municipal slaughterhouse, it is privately—?

**SAMPAIO:** *No, it is owned by the municipality. It is like a public service. If you have no place to slaughter, then instead of slaughtering inside your house or farm, you take it*

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*some place, and you slaughter it there. Supposedly, you must have a veterinary who is responsible for the inspection there. You can only consume locally.*

CAMERON: Right.

SAMPAIO: *The problem is that we know that this inspection level doesn't work like it should. Most of these structures are very old. They don't have water treatment for example. Their equipment is very old. So of course you have exceptions, but the truth is that the small slaughterhouses have a huge cost, and if you don't have scale, it is very hard to maintain that structure in a proper way.*

*In the federal inspection, this is different. It is the only kind of company in Brazil that you have a federal agent inside your company 24 hours a day while it is working. At all times, you have someone there responsible to check the quality of the product you are selling. Of course they are much more on the—not only for the public health issue but labor inspection, environmental inspection. Like I said for water treatment or residue, they are much more controlled than these other guys. So you see a huge difference between what a municipal plant looks like and this one.*

CAMERON: So we talked about the municipal one and the federal one, but the state one?

SAMPAIO: *The state one—they are not—compared in numbers, the slaughtering in Brazil is much more on SIF (federal inspection). You have like 120 plants that are federal inspection in Brazil roughly. Here the two together (state and municipal inspection) must have 600, but in the number of slaughtering, SIF plants are much more representative than the local ones.*

CAMERON: Right.

SAMPAIO: *The state inspection depends on every state. It can work better in some places and works not so good in other places. But what we have now is a system where the government has put in place some new pieces of legislation, and we have something called SUASA. It is a unified system for animal health inspection. The thing is that one state inspects a plant, for example. If the state agrees to get into this system, then they will have to follow the same rules as the federal inspection. In return, they could sell beef or animal products outside their state.*

CAMERON: Right.

SAMPAIO: *This is something they are trying to put in place to get a more level playing field between the state inspection and the federal inspection.*

CAMERON: When was that introduced?

SAMPAIO: *Some years ago, but they are still struggling to make it work.*

CAMERON: What about the slaughterhouses that aren't inspected? What do you know about them? Can you tell me how they operate, and why isn't there some sort of inspection?

SAMPAIO: *It's like from the estimate that we have about 10% of the slaughtered animals are not inspected, but most of this is consumed inside the farms, so the guys are just*

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*killing them inside the farms to consume more by the families that live there in the countryside. So they are not taking the cattle to a slaughterhouse that is far away to bring the beef back; it is for local consumption mostly inside the farm. Today it is very unlikely that the animal would be slaughtered outside one of the three systems.*

CAMERON: Let's talk about traceability for a minute. You mentioned that when you came back to Brazil, traceability was starting to become an issue. What traceability did exist then and does exist now, and what sort of effort is there to increase that?

SAMPAIO: *The traceability issue—Brazil has a traceability system that worked for a long time that is based on GTA. This is an animal transit document. If I am moving animals from one farm to another or from one farm to a slaughterhouse, then I have to go to the local veterinary office, and I ask for this document. This document says that I am transporting thirty females from zero to twelve months from this farm to this farm.*

CAMERON: Right.

SAMPAIO: *What happens is that in every state in Brazil, you have a database to control vaccination of foot and mouth disease. Animal health is a responsibility from the Minister of Agriculture, MAPA (Ministério da Agricultura, Pecuária e Abastecimento). But it is shared with the states. For example, in Mato Grosso do Sul there is IAGRO, in Mato Grosso you have INDEA. In Sao Paulo, you have the Secretary of Agriculture. So every one of these different entities is responsible for animal health in that state.*

CAMERON: Right.

SAMPAIO: *They control vaccination twice a year, so they know on every farm how many heads they have. They control the transit. So in case you have an outbreak at some farm, they can trace back where the animals came from. This has always worked for the animal health control purpose.*

CAMERON: How long has the GTA existed?

SAMPAIO: *Many years.*

CAMERON: So twenty years plus.

SAMPAIO: *Yes, it always worked, and it was accepted in every country that Brazil exported beef except Europe. For Europe, because of the DSC problem, they imposed on Brazil the individual traceability, the ear tag on every animal. The thing was—.*

CAMERON: When did that happen?

SAMPAIO: *In 2001. In 2001, there was an outbreak of foot and mouth disease in the UK (United Kingdom), France, Uruguay, Argentina, and Rio Grande do Sul here. So Europe was already asking Brazil to create a traceability system. The difference between Brazil and other places like Australia, Uruguay, or Argentina is that Brazil had—was divided. We started eradicating foot and mouth disease in the '90s. So when we exported—when we started exporting beef to Europe, Brazil*

*was exporting from infected zones, applying what the OIE recommended, the World Animal Health Organization.*

*There is a forty-day quarantine and wet aging inside the slaughterhouse. You let the carcass for some days. That was enough to kill the virus. Of course we only exported boneless beef. So everything—these are the recommendations on the OIE Terrestrial Code to control foot and mouth disease.*

*The problem in Brazil we started eradicating foot and mouth disease from the south to the north, so at some point, we had our territory divided on the free with vaccination zone and the not free zone. What Europe asked Brazil was the beef to be exported from the free regions. The animal had to be at least 90 days here in this region and forty days in the last holding before slaughter. So these are the only things that Europe asked of Brazil. But because of this if I bring animals from this side to this region, and they are mixed here together, then I have to identify individually each one of them to know that the animals that are being exported are within these two criteria.*

*So the individual traceability system was created in 2001 only because of Europe and only because of these two criteria.*

CAMERON: Right. Just to go back, I have a follow up question about the GTA. Is the GTA fully widespread? Does every single transport use the GTA?

SAMPAIO: *Yes. This is 100% controlled. On any transit of animals, they must issue the GTA, and if they don't, they will have problems with veterinarians on the next vaccination, because they are controlling the stocks of cattle.*

CAMERON: What about in areas where you have these municipal slaughterhouses. Even at that level, is the GTA—?

SAMPAIO: *Yes. They issue the GTA from the farm to the slaughterhouse. It doesn't matter what kind of inspection they are getting. If animals are killed on the arm or they die by accident with snakes or lightening, they can declare that some amount of animals were killed on the farm. So that comes out of their stock. They do that every year. They must have the vaccination out on the farms. If they do not vaccinate, they cannot issue the GTA.*

CAMERON: Right.

SAMPAIO: *They can't have their animal slaughtered if they need to.*

CAMERON: Some people have suggested to me that the government ought to make the GTA transparent, open to the public so that people, that civil society, can track that.

SAMPAIO: *This is another big change. GTA was done by each one of these entities on paper. Everything is being transformed to be an electronic GTA. So most of the states they are now on electronic. In 2010, the Agriculture Confederation in Brazil, CNA, started an agreement, an MOU (Memorandum of Understanding), with the Minister of Agriculture to develop a platform called PGAs platform for Agriculture Governance or something like that. The PGA is supposed to integrate the information systems inside the Ministry of Agriculture, because some of them were already working on electronics, but the systems didn't talk to each other.*

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*Now they are being integrated in a single database. This database belongs to the Ministry of Agriculture. This is like a hundred-year step for animal health control in Brazil.*

CAMERON: Okay.

SAMPAIO: *If you have an outbreak in a farm, some guy in Brazil can close that farm, the municipality, or the entire state, but they stop the emission of the GTA. They cannot have this animal transit.*

CAMERON: So just to understand that transition completely—before, if I was transporting cattle from Mato Grosso to Mato Grosso do Sul, the GTA was with which agency: the Mato Grosso agency, the Mato Grosso do Sul agency, or both?

SAMPAIO: *If your farm is here, and you want to transport animals, it is Mato Grosso. This is the guy, the agency, that is responsible. In every municipality, they have an office with someone there. So you go to that office, and you ask for the GTA. The GTA has an expire date. So you have seven days to use that GTA, to make your transport. So you go there, you ask for the GTA, and the GTA goes with the truck to the other state.*

CAMERON: Okay.

SAMPAIO: *So the other state will have that document, and they can change their database. What is being done now is you don't need to go to the office anymore. From the computer in your house, you can ask the electronic GTA. So if the truck is stopped here at the border, you just bring some paper from your house, and it goes to the truck driver, because the security is not the stamp and the signature of the veterinarian anymore; they can check in the system if that GTA is real.*

CAMERON: Okay.

SAMPAIO: *So the information is exchanged immediately. That information goes immediately also to the federal system.*

CAMERON: How many—do you have an idea how much, what percent of the GTAs, are now in that federal system? Is it nearly all of them?

SAMPAIO: *They have a regulation now that every GTA from one state to another and from one farm to state is 100% electronic, and they are working on the other intra-state transit and the transit to this inspection system. So this is being put in place and technically is working already, but they are with some—they are trying to work out on these other GTAs. There is no regulation that obligates the state to do that electronically. They are doing it, because they want to, but what they want is to have this immediate communication with the MAPA database, so they know it immediately.*

CAMERON: Okay.

SAMPAIO: *So this is happening. Something—this has been working for a long time, but actually only in 2009, we have the law defining what traceability in Brazil is. So this law states that the official traceability in Brazil is based on GTA, on any form of identification. It could be a brand mark if you register that on the local vet's*

*office. It could be electronic tagging if you want to or the fiscal documents of buying and selling cattle.*

*The official traceability in Brazil is based on this. It is collective traceability, groups of cattle. That works for the Animal Health Control.*

*The same law establishes that you can create additional instruments if they are agreed between the parties. So the idea behind that is that I have here the government database that is controlling the official traceability.*

*I can put there in place—and they are calling that traceability protocols. For example, European Union has additional requirements: the individual tagging for the 90 days and the 40 days. So that became the European Union protocol. This will always be voluntary. I can create a brand new, certified beef. I can create organic beef. Everything should be on this public database. The farmers are going to be able to request—to participate in that but always on a voluntary basis. Everything that is above the law would be voluntary.*

*There can be other certification schemes that are public or private. Some could be official. The difference here is that you having the official certification. So the Brazilian inspection system will have to certify that that product has all of this or it can be completely private. So the market will define—of course, if I create a protocol here that has a thousand rules and I don't pay anything else for this product, it is going to die, because no farmer will be interested in participating in that.*

CAMERON: How long is it until these are incorporated into the PGA or is it already there?

SAMPAIO: Sorry?

CAMERON: These additional protocols. Are they already existing in the PGA?

SAMPAIO: *Not yet, because this is not 100% functional.*

CAMERON: What is the timeline?

SAMPAIO: *This is where we want to get.*

CAMERON: How long do you expect it will take to be able to get there?

SAMPAIO: *The Minister of Agriculture is saying that this is almost ready to be in place. All these protocols are with them already, and some of them are working already, but they are not integrated on this database. So if this becomes 100% functional, then it will be very fast to put all this inside this database.*

CAMERON: Right. So several people have suggested to me that this system ought to be public, that I can go online and see all this. Is there some opposition to that? What is your perspective on that?

SAMPAIO: *It is like the CAR (cadastro ambiental rural) from the Minister of the Environment. You have, as for the GTA, a lot of resistance from people that believe, especially from the farmers, that this is my private information. It is like me—when you are paying tax, and you make your declaration, and you say how much property you*

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*have and what is your revenue. That is not public information. They think it goes the same way for this kind of information here. Not everyone should know how much cattle I have or what are my environmental assets and liabilities. So this is more of a philosophical discussion of how much the state should know about you and how much of your information should be open to the general public.*

*Of course there is a lot of interest in having this information for public policies. It is more a discussion of how much privacy you can have as a citizen or as a farmer. We already mentioned it.*

CAMERON: So the farmers oppose it. The NGOs (nongovernment organizations) are for it.

SAMPAIO: Yes.

CAMERON: The public sector is probably going to do whatever is best politically. What is the meat packers' perspective on that?

SAMPAIO: *Let me tell you how the things for the industry work since I started there. I think you'll have a clear line in 2009 how things worked before and after 2009. First of all, if you see Brazilian exports from 2000 to 2008, we were growing like this on the exports. We were selling in year 2000 I think 65% of our exports went to the European Union. In 2002, Russia opened the market to Brazil, so Russia became the most relevant buyer. In 2004, Brazil was already the biggest exporter in the world. So everything was very fast. There was a lot of money available.*

*What happened in Brazil is that the industry in Brazil started here in the beginning of the 20<sup>th</sup> century in Rio Grande do Sul, because they have a lot of cattle available, and they were producing jerky beef. These jerky beef plants were transformed to, first, corned beef plants. A lot of British and American companies came to Brazil to invest in corned beef production, because this was to feed troops in the First World War. You are British, right?*

CAMERON: I'm from New Zealand.

SAMPAIO: *So they invested in Brazil, Australia, and Argentina. There were companies like Swift, Wilson, and the Vestey Company. They were all over the place, in Rio Grande do Sul and after in Sao Paulo. Brazil was a big corned beef producer until the '50s. In the '60s, these plants were becoming—they were being turned into the hands of Brazilian groups.*

*In the '60s, there was a lot of influence of the Brazilian government to make people occupy the west and the north of the country. There was also a lot of investment done in infrastructure: building roads and hydro power plants. Brasilia was built here in the middle of Brazil in the '60s. Most people thought that was the direction, and cattle always went ahead of this occupation.*

*The activity of livestock production is typically of frontier land. So they have cheap land. They don't need the infrastructure. The cattle was moving the Brazilian territory. Because we had imported zebu cattle from India and they were much more adapted to this kind of climate, the zebu was fundamental to promote this occupation. So for a long time the herd was expanding. We had imported like 6000 animals from India in the beginning of the 20<sup>th</sup> century, and we have today 200 million head. Eighty percent of these are descended from the*

*6000 that were imported. So it was an amazing adaptation of these animals to the Brazilian environment.*

*Also in the '60s, they started researching with tropical grass like brachiaria and others and also helped with this occupation. So the cattle were occupying this region, the Cerrado region—and they came up to the border of the rainforest. My father was also an agriculture engineer. In '71, he moved to Alta Floresta when Alta Floresta was being occupied. We're talking about a one generation-only time lapse of this occupation.*

*There was a lot of incentive for people to move there and to occupy the land. This is—people see the deforestation as a consequence of the cattle production, but in fact, the cause of deforestation was this occupation policy, and the cattle were an excuse to occupy the land most of the time.*

*In the industry, we started moving behind the raw materials. People started building new plants in the west and the north of Brazil. During this period, there was a lot of money for investment available including from the Brazilian government. So you have a lot of investment from the Brazilian Development Bank on companies like the three big ones, JBS, Marfrig, and Minerva, because what the government was thinking is that Brazil was a big soy producer, for example, but all the big soy companies are American companies like Bunge, Cargill, and ADM. They saw an opportunity on the protein sector to create big international traders that could control the world market.*

*So they put a lot of money in it. They are there, because they were the first ones to think of that: JBS and Marfrig. So they started the expansion here: buying plants, buying other companies, asking for money. The money was there. This expansion happened here. Also, the sector became more formal and more professional, and a lot of technology was brought to Brazil because of this expansion. Slaughter plants became very modern: new treatments and everything. Then, because of the financial crisis here, then we see a drop in the exports in 2009. At the same time during all this time, especially in Europe, they were saying well, Brazil is exporting a lot of beef, because they are clearing the forest. So the expansion on our exports was associated with deforestation.*

*When the financial crisis came up, when I started in ABIEC, we had ten companies only. Five of them were in financial trouble, almost in bankruptcy. So this was a difficult time then. What helped in the recovery—after 2009 actually, we started growing again in the sales, but the volume reduced mostly because of the exchange rate. A lot of money was coming through emerging countries like Brazil, and our beef became too expensive. We were very competitive here, but suddenly because of the exchange rate, we couldn't sell any more—well not so much. We lost share in most of the markets.*

*Luckily, the Brazilian domestic market was growing, because the economy was growing. People were eating more beef, consuming more. So the domestic market sustained the industry after 2009. What happened in 2009? You can think of three very different and very important initiatives that started then. One was Greenpeace, the other one with the public prosecutor in Brazil, and the other one was GTPS (Brazilian Roundtable on Sustainable Livestock).*

*So in June 2009, Greenpeace issued that report "Slaughtering the Amazon" where they related the big companies to the deforestation and also the clients of*

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*these companies implying that they were helping deforestation, because they were buying leather from the packers in Brazil. So Greenpeace came up with a zero deforestation agreement. The idea was that after October 2009, the company should not buy anything from land that was cleared.*

*What happened is that before 2009, the company—the only guy in the beef packers that knew where the farms were, was the truck driver who was going for the cattle and maybe the cattle buyer. But they had no idea of the environmental risk they had in their regions. The only thing they were looking at was the list from IBAMA (Brazilian Institute of Environment and Renewable Natural Resources), from the illegal deforestation. That was the only public information available.*

*Of course the satellite can show where the deforestation is, but you have no idea who is the owner of that land and not even the Brazilian government has that information. So to start complying with this agreement, we had back then to start to create a geographical database of suppliers from every slaughterhouse. This was the most expensive part of starting this monitoring system. So we had zero information on the suppliers, where they were located.*

*I had to send a GPS with the truck driver to collect the GPS documents, and I started looking sides, 10 km here, if there was deforestation or not. If I had deforestation from the satellite, it could be inside this farm or it could be not. So they didn't buy the cattle on a precaution basis. So I had to make an evolution of this information to a map of his property where I could see if the deforestation was inside the farm or not. So you can see how the investment was to do that on the entire Amazon for every supplier they had.*

CAMERON: Just to understand, this map, was it self-reported by the farmer?

SAMPAIO: *Actually, we created different levels of the information here. We started with one GPS dot, and then you have a self-informed map, for example, or you have the map based on documentation of the farm or you'll have the map that you produce and was certified that that was the limit of his farm. So you have different levels of information. The idea was to take everyone to the top here.*

CAMERON: Right.

SAMPAIO: *But this was very expensive, and only the three biggest companies had the means to do that. Like I said, not even the Brazilian government had an idea of this; they didn't have this information.*

CAMERON: So the three different companies made their own systems?

SAMPAIO: *I started back then in ABIEC to do one single system for everyone.*

CAMERON: Right.

SAMPAIO: *But they were afraid to share the data of their suppliers, because they thought it was a commercial issue of competitiveness. They didn't want to share this kind of information which, in my point of view, was wrong. They would have made it much more cheaper for everyone, and of course they don't have any farmer selling to each one exclusively. There was no reason not to do that. But it was*

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*their option at the time. So we started as a single system, and then they started doing each one on their own. It worked. Up to today, Greenpeace has been auditing this, and they can show that this is working.*

*What happened also in 2009 is that the public prosecutors (MPF) took all the evidence that Greenpeace had collected, and they transformed that into a lawsuit against the packers. To stop the lawsuit, they had to sign this agreement with the public prosecutor's office. But their strategy was a little different from Greenpeace, because at that time in the state of Para, they started working with the CAR in some municipalities, especially Paragominas.*

CAMERON: Right.

SAMPAIO: *The CAR was the information that, like the same thing we are doing here, the government wants to do with the CAR. So you'll know in the rural areas who is the owner of the land, what they're doing, and what are the environmental assets that they have according to the law, to the forest code.*

CAMERON: Right.

SAMPAIO: *So also in this commitment here and on the TAC, you'll see a lot of things like you don't buy from Indian land or conservation units. There is a lot of stuff there. The main target of Greenpeace was the zero deforestation with the monitoring system. The main target of MPF was to make the packers ask the CAR to the farmers. Of course it is much easier to put the pressure on ten packers than on a million farmers. It is much easier to make us do their job.*

*So we started with this obligation in the state of Para in January 2010. We started asking the CAR to every farmer. The problem was that the forest code was still being discussed, and the farmers didn't want to do the CAR. They didn't know if the rule was changing in the near future. The guy was going to make the CAR, and if it was not according to the law, then he got a penalty and a fine from the public service, so no one had the CAR.*

*They made some changes there, and they created a CAR that was not the definitive one. It was like a provisory CAR. We started this thing in Para, and it was very hard in the beginning, because you couldn't buy cattle from anyone. The plants were closing. They didn't have cattle available, but it started moving, so people started making CAR. One of the reasons that Para was the most advanced in the CAR—one of the reasons is because the packers were asking the CAR of all the farms.*

*After that, they started to transport this strategy from Para to the other states in the Amazon: Mato Grosso, Rondônia, and Acre.*

CAMERON: Right.

SAMPAIO: *So they started with TACs in other states.*

CAMERON: Right. Just a quick question on the CAR. Para was the leader there, and they got pretty much everyone to sign up for the CAR, right? Then other states followed. Yet the government has extended the deadline for the CAR a couple of times.

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What is your take on that? Why do you think that happened, and what has that impact been on the average—on the industry?

SAMPAIO: *If you read the first TAC they are saying that we started that in January 2010. I don't remember exactly the dates, but it was like in October 2010, all the suppliers with more than 500 hectares must have the CAR, and 50% of suppliers with more than that area for example. They had no idea how many farms Para has—what size they have. The government has no control about that. The information is lost in these offices all over Brazil. It is a very old system. There is a lot of fraud in there. It is a big mess, especially in Para.*

*The idea of the CAR—if I don't have the land title registered, it is a big mess, especially in the frontier states.*

CAMERON: Right.

SAMPAIO: *The problem with the environmental issue, the deforestation, is we don't know who the owner of the deforestation is. So if I can't solve the land title register on a short time basis, then the solution they found is to create an environmental register that is dissociated from the land title register. So this is the idea behind the CAR. I am giving the government the information they need to know who is the owner and what they are doing, and I don't have to necessarily associate that with the land title. So the land title is one issue we have to solve, but it can take decades to solve it. So the CAR is something we can do. We can start now in a system that works using technology and everything. So this is the solution they found.*

*The problem from the beef packers' point of view is they state this transferring to me a responsibility that they have. So I am the one that has to impose this regulation on the farmers, because the state is unable to do it. There was a lot of resistance from the packers to do that, because they don't understand that as their responsibility to ask the farmer to have the CAR. Even in a situation where the forest code is not defined yet—the forest code was voted in 2012, and we are talking in 2010 that I have immediate responsibility to ask the CAR. The reason was a lot of conflict between the packers and the public prosecutors, because they think if I'm buying cattle from a guy that doesn't have the CAR, he is illegal and I am also illegal, because I am buying his product. This was their theory.*

*The reason they succeeded in making the packers move in the right direction is because they put the pressure on the commercial side. So they started talking with the customers, the clients of the beef packers. In Europe and here in Brazil, the big retailers and the packers moved much more because of the commercial pressure than because they had to. If we started a legal action against the public prosecutors here, this was going to be decided by the judge and the Supreme Court someday. But no one wants to take that fight with these guys because of the commercial consequences for a company or reputation.*

*This is the reason they started moving on the tax and on the agreement with Greenpeace. This was sending letters to all the supermarkets and buyers in Europe and everywhere saying that they were responsible for the deforestation.*

*In GTPS, the idea here when GTPS started was—GTPS started in 2007 as a discussion forum for the beef sector, and it was formalized in 2009 as an institution. The creation of GTPS was based on the model of other roundtables*

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*like the palm oil roundtable, like the sugar roundtable, and the soy roundtable. So we created criteria, and everyone that participates in the roundtable has to follow that criteria, and at the end, you'll have a certified product to sell. This gave a lot of discussion inside GTPS, because no one thought this was going to work for the beef sector.*

*We had already other certification protocols available like the Rainforest Alliance, Europe GAP, and other ones. You had no farms certified, because you had no market for it. We were selling beef in China, Russia, and to the Arabs. They wanted a cheap product; they didn't want any certification. Even inside Brazil, we didn't have a market for the certified products. If I worked in that direction, I was going to have a bunch of farms inside the certification schemes, and I would have 99% of the farmers still struggling to comply with the Brazilian legislation. So it made no sense.*

*We changed the strategy inside the GTPS to work first with the dissemination of good practices, with financial incentives, on transparency. Eventually, we developed the indicators, criteria, and indicators for self-assessment. So we had this launched last June. It is something that a farmer can use to know where he is and where he can improve his production.*

CAMERON: How are you going to get everyone onboard?

SAMPAIO: *With this? Well yes, this is something that we are thinking of. We want these indicators to be used. So we are talking about a tool that a guy can benchmark himself in his region or on the average Brazilian production. We think this is a management tool for the farms. We have a lot of projects in Brazil, in Alta Floresta and other places where they can use that to improve. Of course if you can—the idea of GTPS is—okay, I'm developing indicators that also go from zero to five. We are talking about continuous improvement.*

*What can be discussed is that it is not the role of GTPS to say "you know this from now on is sustainable, and this is not sustainable." It is not GTPS that is going to define this baseline. This baseline will be defined by maybe McDonald's thinks it is more this way. Another company thinks it is more in the other direction. What we want is to create tools that make the farms improve every year, so we can measure that improvement, and we can report that improvement.*

CAMERON: If I'm a rancher in Para or Mato Grosso, what is going to make me want to sign up for the indicator system?

SAMPAIO: *You don't have to sign up; you can just use it. We are going to use your information but not—I have access only partially to your information. What I need to know—in Brazil, I need to know the situation of livestock production right now. What are the indicators in every region? What are the problems they have in every region so I can influence public policies to improve that? You can say I am going to make my assessment, and I want to show everyone where I am.*

*You have the example of McDonalds. They are using the indicators of GTPS to verify the production in Alta Floresta. They decided to do that, because the President made a promise that they only will have sustainable beef in the future. They decided to use the roundtables as the basis of this verification, the*

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*sustainable production. This is a good thing, but this is also something that is accorded between GBS, McDonalds, and the farmers in Alta Floresta.*

*We want the indicators to be used in that way, and they are built to be used in that way. The thing is it is not GTPS that is going to do that kind of work. For example, if other companies want to use the indicators of GTPS or even a farmer wants to show his indicators to say I am on this level, they're told that we want to build—we will make them able to use it that way.*

CAMERON: Right. The representation within GTPS from the different stakeholder groups, can you talk to me a bit about—does it—is it truly representative of all the stakeholders in the sector? Is there any particular group that has more sway on things than others, and what are the biggest debates or conflicts?

SAMPAIO: *The farmers are—they have a very good representation. There are very big associations of producers. Federations of agriculture from different states are there. So they have been very interested in GTPS. The problem with all these initiatives and committees is that up to now, we have been working on an exclusion system. So all these criteria that were created by these agreements are taking a lot of people out of a normal commercial process. If the guy has deforestation, I don't buy from him. If there is Indian land with a conflict on his farm, I am not buying from him. If he is on the list of IBAMA or the Force of Labor list, I am not buying from him. You are turning all these people out of this commercial process.*

*The guy is still there, and he is still selling his cattle, because he needs money. So the risk I see is that we have now these NGOs focusing on zero deforestation commodities, and the risk I see is that we are going to have—to take the Brazilian farmers, livestock farmers. You have here 50,000 that are very efficient. They make money with livestock. They use high technology on their farms. They comply with every certification, every criteria, you want. You have here 250 that are almost there. They need a little push on credit access, on technology access. They can move here. But you have here like a million guys that don't have money to invest. They don't have technology. They are eating their natural resources, so the pasture is degrading. They don't have money to comply with the forest code, because they don't have money to plant trees where they have to plant trees.*

*What is happening is that part of this is becoming agriculture, sugar cane, soy and eucalyptus mainly, but it is not in every region that this is possible. A lot of regions in Brazil are livestock production and will continue to be livestock production. These guys will be excluded from the system. They will be absorbed by these ones, and they will have to find their place in other sectors of the Brazilian economy. This is a social problem.*

*The fact that we are creating all these criteria and we don't show any way out for the guys that want to become compliant with these criteria—there is no—of course you have a minority here who are the guys who should be in jail. But from the experience that we have with the monitoring system, they are a very small minority of this whole group.*

*If a guy has cattle in a deforested area and you are saying that you are not buying from him, then you are helping to create a black market that will continue, because they have the possibility of slaughtering at this local slaughterhouse, so*

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*they keep selling their cattle. They keep selling their products. It is like you are creating two parallel systems, one where everybody is good and compliant and one where you have a huge social problem. If we don't help them, they will not be able to comply with the forest code. They will not be able to keep in the activity of livestock production. So this is also—I see as a role for GTPS in trying to create something that will help this situation—this transition to be softer.*

CAMERON: With the black market issue, the reason that would develop is because there are so many holes in the system, right? You can go to a non-certified slaughterhouse. You can launder cattle through friends, neighbors, or non-blacklisted ranchers. Is the solution to that to increase the enforcement of those sort of holes in the system or is there another solution?

SAMPAIO: *I think it is an issue that goes beyond only the action of the big packers. The idea for a big packer—I am buying cattle here. If my plant is here, I am buying cattle somewhere around this plant, right?*

CAMERON: Right.

SAMPAIO: *Our vision for the future is that I want to have everybody here legally compliant with the forest code and with production that is intensive enough to meet my demands. I want them here to produce cattle enough for the demand I have. So you have these clusters of packers in this region. But when you look at the landscape here, you have soy production, you have agriculture, you have conservation units, and you have different production systems. How can we work on a system that brings development to this region, that brings compliance with the law?*

*This is something—it doesn't depend only on the private sector. I think we have to change the relationship between the government and the farmers regarding the rural governance. This is one of the reasons I'm going to this project in Mato Grosso. I don't believe we can change that only working with one commodity or only with the private sector if you don't have a set of actions with public service and from the private service that works together to get to this goal.*

*For example, in this region, you have the state environmental secretary working. You have public prosecutors. You have the land title issue. You have the Minister of Agriculture, you have the Animal Health Control, and these guys don't talk to each other. For example, if I am on the list of IBAMA, there is no clear sign on how do I get off the list.*

CAMERON: Right.

SAMPAIO: *If I have deforestation and the beef packers are not buying from me, there is no information available on how I can go back to the system. How can I become regular and start selling my product again? What do I have to do? That is not clear. So we have to start changing that in a way that is more reasonable for the farmer to work. We have to understand—here for example, according to the forest code, maybe I have people who have—according to the law, they have exceeded forests. You have people here lacking forests. So you can compensate these two.*

*I have to direct credit and other incentives—for example, where it makes sense. If I think this region can improve livestock production, we have credit available in*

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*the public banks in Brazil, that money has to go to that region. But not even the banks know where the credit is going. So I have to direct this credit to the territory where it makes sense. If I want to improve the production here and there is demand and it makes sense, then I have to direct this credit to this region here. It can transform the landscape. I would have to understand the landscape comprising all the actors that are involved here.*

CAMERON: Right.

SAMPAIO: *At the same time, I have to work on the holes in the system. If I have this guy here and he has a TAC and he has all the agreements, he cannot buy from deforestation, but you have here a small slaughterhouse, a local slaughterhouse, that doesn't have any commitments, any inspection system working properly, and a water treatment. Of course this cannot work.*

CAMERON: Right.

SAMPAIO: *This is the—actually what I am going to do in Mato Grosso should deal with this, the ambition, a plan for the state where it can work on the production, on the conservation, and on the social issue.*

CAMERON: Can you talk to me a little bit about that. What is the plan? How does the plan work to improve production, to conserve the forest, and to clean up the holes in the system?

SAMPAIO: *That is the challenge. You have a lot of interference from the state and from the private sector. You have to put all these people working in the same direction. So we came up with a plan that has different goals to stop illegal deforestation, for example, and to improve the local family farming agriculture, because Mato Grosso is a big producer of soy and beef, but they are importing products like grocery products. We have communities like Indian that are in Mato Grosso, and some of them are producers also, so they are producing their own. They are becoming farmers. The challenge is to make everyone work in the same direction and to make these public entities work together, talk to each other, communicate, and integrate the information systems. So that is—.*

CAMERON: That's how?

SAMPAIO: *I don't know; I'm just getting started.*

CAMERON: I wanted to ask about the strategy in Mato Grosso to incorporate all these—clean up all the holes. Do you have that yet or is that what you're going to be working on?

SAMPAIO: *I'm moving there in October so I can get started on that. I'm just leaving my job at ABIEC to go there and getting a handle on how things are so I can think about how we are going to define that strategy.*

CAMERON: Have other states done anything similar as far as that?

SAMPAIO: *No, not as—.*

CAMERON: Why do you think Mato Grosso is moving forward with it now?

SAMPAIO: *Mato Grosso gets a lot of attention, because it is a big commodity producer. Of course they have been under a lot of pressure because of deforestation recently, and they have genuine will to do the right thing and to demonstrate there can be sustainable production in the state.*

CAMERON: Is the strategy going to be focused on the Amazon or is it also going to look at deforestation and other problems?

SAMPAIO: *Deforestation now is an issue for the Amazon, because you don't have for now the same kind of monitoring for the Cerrado as they have for the Amazon. They are going to do that with new satellites or something similar, but there is no way now that we can see deforestation in Cerrado as we can see in the Amazon.*

CAMERON: I understand that Mato Grasso also has this new state certification system.

SAMPAIO: Yes.

CAMERON: Is that something you can talk to me a little about?

SAMPAIO: *I know they created an institution there for beef based on the same model as they have in Uruguay, INAC. So it is shared by the government, the farmers and the packers. They want to promote the beef from Mato Grosso. They want to promote also that it is produced in a sustainable way. So they created criteria also to control where the beef is coming from. There is no deforestation, if they have the CAR. They are not on the lists. It is what they are putting in place. They have an extra certification for the quality of the product itself.*

CAMERON: Do you think that is going to help solve the sustainability problem? What is your take on that?

SAMPAIO: *I don't know. I am still not convinced that certification is a solution for—I think there is a niche market for certification schemes; it is not the complete solution for everything. I think it is good that the certification exists and it is there. It serves as examples and benchmarks. Maybe if the people who are working on the certification start getting better prices, for example, it can be an incentive for the others. Given the markets that we have today, the Brazilian domestic market and the export markets we have, I don't see that as a solution for the whole problem.*

CAMERON: If not certification, how can you ensure that there really is no deforestation supply chain and that the farmers are managing their land, property, and cattle sustainably and environmentally?

SAMPAIO: *I think a good solution would be the jurisdictional kind of monitoring. If you have a municipality here, and let's say you have deforestation here down less than 5%-- if you have more than 90% of people on the CAR, if you have—you can create other criteria. You can assume that the risk here is so low that you could buy from anyone inside this place. At least you go back to the basic criteria of the IBAMA list and the slave labor list. But the thing is that if you create something like this, it can be used by beef, it can be used by soy, and it can be used by the banks. It is cheap, because everyone is using the same criteria and criteria that are public.*

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*The problem with the monitoring as the beef packers do it today is that it is very expensive, because I have to look one-by-one inside here, and it makes no sense. If I have some places, I have no Indian land, no deforestation, why do I have to look one-by-one? Of course if I have another municipality here with a lot of deforestation, a lot of problems, then I can go back to the one-by-one monitoring system, because it makes sense to do that. I think we have to work on this kind of risk assessment by region. I believe this would also give the incentive to one region that has a lot of problems to solve the problems and to be out of the risk zone.*

CAMERON: The problem with that is that it might create a collective action problem where if everyone in the region complies, the region benefits, but if I'm not complying individually, I can benefit from that, right? Do you see any sort of solution to that problem?

SAMPAIO: *Well—.*

CAMERON: Where it is going one-by-one you can eliminate that—.

SAMPAIO: *That is why I think—even if I assume this whole municipality is okay and the risk is low, I can go back to basic criteria. So I am not buying from the guy who is inside the Indian land, for example. I am not buying from the guy who is on the IBAMA list. But to go back to criteria that are easier to control and I don't have the responsibility, as private sector, of myself having to build a geographical database that is very expensive to control.*

*I think the problem of the individual who is not compliant can be solved with this basic criteria.*

CAMERON: Do you think that the government is going to take over once the CAR—when everyone is registered for the CAR that will be opened up and that can be used to help the system?

SAMPAIO: *No, I think it is a private sector issue. It is about granting the markets for these products. This thing will have to come out of the private sector to propose that and also from the banks. The banks are in the same situation. They are lending money, and they don't know where and how this money is being used.*

CAMERON: Is there a future for certification of beef in Brazil do you think? Is that market going to grow: both the domestic market and the international market?

SAMPAIO: *I think even the domestic market—when the market becomes more mature, you have more certification schemes available. We see already this on the quality of the meat with the Angus program, the organic program. Things are growing in Brazil. Of course I think the environmental certifications are also going to grow. It will be a long time before it is not a niche market any more.*

CAMERON: Does it have any effect on the rest of the industry if you get to a point where you have the top 10% of producers certified as being environmentally sustainable? Does that spread throughout the industry? Do you think that has any effect?

SAMPAIO: *I think so.*

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CAMERON: What other things do you think need to happen in order for there to be a shift towards more sustainability? I understand that is happening right now, but what could push things in that direction?

SAMPAIO: *What really needs to improve is—for one thing, the livestock sector—we don't need any more area to produce or to export more beef. The livestock sector is the only one in the agribusiness in Brazil that can still grow the production while reducing the area it occupies. This is happening. We are reducing the pasture area in Brazil, and our production and exports are still growing.*

*What needs to improve is the government control on the land, on the frontier land, on the occupation. That is something that they still don't have the governance to do. The first thing you see after deforestation is cattle, but not because we need that for production, but because cattle is the excuse to occupy land. The business there is real estate. It is not production. People go to the frontier to occupy lands. They can claim that land. They use livestock to do that. We get the blame, but it is not—it is a different process.*

CAMERON: Right.

SAMPAIO: *So that needs to improve, and of course the big challenge here will be the forest code compliance within this part of the pyramid. We have 12 million hectares of forest to be planted inside private areas. Livestock production doesn't pay for that. So we have to find a solution for this.*

CAMERON: How do you think that will be paid?

SAMPAIO: *There are different solutions being discussed like, for example, I need a sense of energy to my plants here. They are using wood a lot for this. So part of this recovery can be done in order to supply that demand, for example. Part of this can be done with a species that is economically valued in the market, wood for other purpose. You can have companies that work with wood products. If I have, for example, different small producers here, and I'm a company that works with wood, I'm going to pay for this recovery in exchange of the exploration of that area.*

CAMERON: Right. What do you think the timeframe is for that?

SAMPAIO: *The way we see it is deforestation is coming down; it is becoming more a social problem with small holders that are clearing land, because they are selling the wood or making charcoal. They need more land to produce. At the same time, we have this agenda to restore the forest according to the forest code. At some point in the near future, we will have zero net deforestation in Brazil. The thing is how fast can we make this happen.*

CAMERON: Is it a five-year thing? Is it a twenty-year thing? Is it a fifty-year thing? What is your sense?

SAMPAIO: *According to the law, we have—I don't know—there is a timeframe to do that, to make that happen.*

CAMERON: Do you think the government will stick to that?

SAMPAIO: *I hope so.*

CAMERON: One more thing I wanted to go back to was Sisbov, because a number of people have expressed to me that they wish there was more traceability in the Brazilian cattle industry, and Sisbov, the technology to trace the cattle individually, exists. Why not spread that across the country?

SAMPAIO: *The only reason for Sisbov to exist is the European Union, the people that sell cattle to the European Union. The thing is, with this in place, Sisbov can be used by everyone. So I can create here a certification scheme with individual traceability, and they can use Sisbov for that. So this will be possible in the future. This I see as a way to spread the use of the individual traceability.*

CAMERON: Right.

SAMPAIO: *Actually, tagging the animals is not a problem anymore. If you talk to these guys here, they are already identifying their cattle for management purpose. So they know the weight gain; they control their stock. They know where the cattle is coming and going. So that is not the issue. The problem that Sisbov was never spread was because of all the bureaucracy involved in the exports to Europe. The rules are too complicated. But if I can use Sisbov for any other protocol, then I believe the use of this individual traceability will be more spread in the future.*

CAMERON: Who owns Sisbov, the Sisbov system?

SAMPAIO: *It is an official system; it is owned by the Ministry of Agriculture.*

CAMERON: The Ministry of Agriculture?

SAMPAIO: Yes.

CAMERON: And at the moment they only use it for the European exports, correct?

SAMPAIO: *Yes. Let me give you an example. For example, Pão de Açúcar is a big retailer in Brazil.*

CAMERON: Right.

SAMPAIO: *They have their own brand guarantee of origin that is individually traceable, but to do that, they have to create their own database and to use their own ear tags to do that. They are going to be able to do the same thing using the official database and using the official tag system of Sisbov.*

CAMERON: Okay, so that is in the works.

SAMPAIO: Yes.

CAMERON: Again what do you think the timeframe is on that?

SAMPAIO: *This is probably closer than I think. Maybe next year or two years from now, this will be in place.*

CAMERON: Okay. Is there anything we haven't touched upon, any other big challenges or solutions, that you think are important to know?

SAMPAIO: *I don't think so. If you have other questions, you can write to me.*

CAMERON: Absolutely.

SAMPAIO: *You can call me from Princeton.*

CAMERON: Thank you so much for your time.