

PROJECT SUMMARY

BRAZIL

A NEW MODEL FOR CATTLE RANCHING IN BRAZIL: PECSA'S SUSTAINABLE, DEFORESTATION-FREE BEEF IN THE AMAZON REGION

BR-L1494

Beef production remains closely coupled with negative environmental and climate change impacts in Brazil. As the single largest contributor to greenhouse gas (GHG) emissions, cattle farming has caused the degradation of millions of hectares (ha) of grazing land and damages to vital ecosystems. In the Amazon region, cattle ranching has become the dominant activity in terms of land use and continues to be the main cause for deforestation, which is now concentrated in small and medium-sized ranches.

As demand for beef increases on a global basis, the Brazilian livestock sector is faced with the dilemma of how to step up production while reducing GHG emissions and conserving the environment. The use of alternative and deforestation-free models for cattle ranching are increasingly seen as a viable solution.

The goal of this project is to promote a sustainable cattle ranching model that improves the productivity and income of small and medium-sized cattle ranchers in the Amazon region (Northern Mato Grosso state), while preventing negative environmental impacts. This will be achieved by supporting the improvement and expansion of *Pecuária Sustentável da Amazonia* – PECSA (Amazon Sustainable Livestock), an innovative cattle ranching management firm that disrupts the traditional nature-depleting ranching model by delivering an integrated solution for transforming small ranches into productive, sustainable and deforestation-free models. The beef produced with PECSA's first-of-its kind sustainable cattle management model does not only have a low carbon footprint but also achieves greater quality, generating greater income for both the company and partnering ranchers.

The MIF will commit up to USD 2.5 million in a loan with a performance linked payment component. PECSA will use the proceeds of the loan to improve its business model to transition to a commercially scalable operation. The financing from the MIF is expected to have both the financial additionality of unlocking up to USD 70 million from institutional investors to scale up PECSA's operations, and the non-financial additionality of supporting PECSA to boost its socioenvironmental impact by integrating into their model the small-sized upstream breeding farmers, the most vulnerable piece of the cattle ranching value chain.

Through its underlying activities, the company will benefit nearly 70 smallholder farmers, 1,300 low income cattle ranching workers, and 90 small local agribusinesses. The project will also restore 35,000 hectares of pasture land, help preserve nearly 325,000 hectares of forests, and will cut GHG emission per Kilo (Kg) of beef produced by up to 90%.