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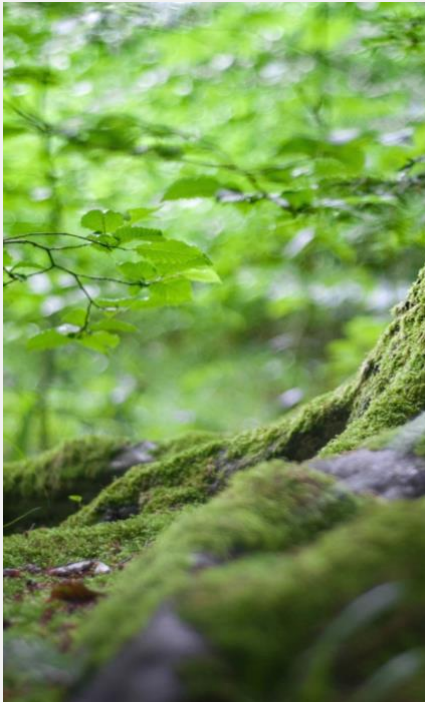
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# Sodrugestvo: Soy Trader Linked to Brazilian Deforestation, Russian Finances

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Sodrugestvo is a Luxembourg-based agro-industrial group with Russian ownership. While less known than the top soy traders, it has significantly expanded its sourcing, processing, and trading of Brazilian soy in recent years. The company is linked to various social and environmental issues.

## Key Findings

- **Sodrugestvo Group is a Brazilian soy exporter, but it is less recognized than the ABCD soy traders -- ADM, Bunge, Cargill, and Louis Dreyfus.** While Russia, China, and Turkey are major destination countries, the group also supplies soy to European countries, and therefore will need to comply with upcoming European anti-deforestation regulation. Apart from grains trade and processing, the company is active in infrastructure and logistics.
- **Brazilian subsidiary Aliança Agrícola do Cerrado supplies soybeans from the Amazon and Cerrado biomes to ADM, Bunge, Cargill, and Cofco.** In Brazil, the company operates two crushing plants and warehouse capacity of over 275,000 metric tons. The company mainly sources from Minas Gerais, Mato Grosso, and Pará, with the latter two states most exposed to Amazon and Cerrado deforestation risk. Despite high carbon storage capacity, Cerrado vegetation is only slightly protected under Brazil's Forest Code and the forthcoming EU deforestation regulation.
- **Aliança is linked to illegal Amazon deforestation despite being a signatory to the Soy Moratorium.** A sample of 73 soy suppliers to Aliança, as well as existing case studies, suggests that the company is linked to illegal deforestation on the properties of several of its Amazon-based soy suppliers. Bunge continued sourcing from Aliança despite the allegations.
- **Sodrugestvo may prove controversial in due diligence processes.** Indirect association to the Ukraine-Russia war and links to sanctioned (by Ukraine) Russian billionaires may bring about reputational risks for its buyers, including Cargill, Bunge, ADM, and Cofco.
- **EU institutions and banks that are linked to Sodrugestvo may face financial risks, varying from reputation to legal risk.** The European Bank for Reconstruction and Development (EBRD) and several big commercial European banks are large financiers of Sodrugestvo Group. The European Commission, already active in sanctions against Russia, and 71 countries funding the EBRD, face reputation risks from providing a loan of USD 130 million to the Russian-owned group. Moreover, commodity traders could receive fines for being linked to deforestation cases under the upcoming EU Deforestation Regulation.

## Sodrugestvo expanded its sourcing, processing, and trading of soy in Brazil

### Luxembourg-based Russian conglomerate Sodrugestvo: Less recognized than ABCD soy traders

Privately held agro-industrial group Sodrugestvo has in recent years significantly expanded its sourcing, processing, and trading of Brazilian soy, but the company is less known compared to the ABCD soy traders. In 2022, the group exported more than 1 million metric tons (MT) of soy products from Brazil (Figure 1). While much is known about the world's top grain trading houses recognized collectively under the acronym "ABCD" (ADM, Bunge, Cargill, and Louis Dreyfus), less is known about Sodrugestvo Group.

The conglomerate Sodrugestvo was incorporated in Luxembourg in 1994, but it is owned by the Russian national and former Soviet army officer Alexander Lutsenko and his wife Natalia, listed as billionaires by [Forbes](#). The vertically integrated group is big in processing and trading of soybeans and rapeseed, but also [operates](#) in infrastructure and logistics (e.g. sea terminals, railcars, road carriage, storage facilities) and [manufacturing](#) of fishmeal and composite animal protein mix. Sodrugestvo group has its own terminals in the Baltic Sea port of Kaliningrad, railcar stocks, and processing [plants](#) in Brazil, Russia, Belarus, Turkey, and Denmark. In 2012, the Russian owners sold (USD 2 billion valuation) [10 percent](#) of Sodrugestvo to Japanese firm Mitsui & Co. but bought back the shares in 2016.

**Figure 1: Major Brazilian soy exporting groups 2022**

Exporter	Country of headquarter	Volume (MT)	Share
Cargill	U.S.	13,202,098	15%
ADM	U.S.	9,611,469	11%
Bunge	U.S.	9,579,906	11%
COFCO	China	6,151,624	7%
LDC	Netherlands	5,524,110	6%
Amaggi	Brazil	5,380,181	6%
Viterra*	Netherlands	4,458,797	5%
Toyota Group	Japan	2,572,541	3%
Engelhart CPT	Brazil	2,486,752	3%
Olam International	Singapore	2,439,269	3%
ALZ	Brazil	2,147,640	2%
CHS	U.S.	1,676,521	2%
Coamo Agroindustrial Cooperativa	Brazil	1,619,600	2%
Glencore	Switzerland	1,583,612	2%
Sucocitrico Cutrale	Brazil	1,070,700	1%
<b>Sodrugestvo Group**</b>	Luxembourg	1,002,778	1%
CJ Group	South Korea	840,685	1%
Marubeni	Japan	747,283	1%
Caramuru Alimentos	Brazil	740,973	1%
Mitsubishi	Japan	372,751	0%
Other / Unknown		17,788,724	20%
<b>Total identified</b>		<b>90,998,013</b>	<b>100%</b>

Source: Profundo, based on shipping [data](#) from January to December 2022, for HS codes 1201 (soybeans) and 2304 (soy oilcake/meal). Notes: \*Incl. Gavilon, which Viterra acquired in October 2022; Glencore holds nearly 50% in Viterra. \*\* Sodrugestvo Group here includes Sodrugestvo Agronegocios and Aliança Agrícola do Cerrado.

The group started as a grain trader in Brazil in 2009 and has integrated its Brazilian operations under subsidiary **Aliança Agrícola do Cerrado**. Sodrugestvo currently owns 100 percent of Aliança Agrícola do Cerrado, while initially Sodrugestvo owned 61 percent of the company, and cooperative Carol (Cooperativa dos Agricultores da Região de Orlandia), which was founded in 1963 in Orlandia (São Paulo, Brazil), owned 39 percent. Sodrugestvo is the controlling shareholder of Carol Sodru with 55 percent, while cooperative Carol has a 45 percent stake. Sodrugestvo Group therefore operates under several names in shipment records, including Aliança Agrícola do Cerrado, Carol Sodru, Sodrugestvo Agronegocios, and Sodrugestvo do Brasil.

Apart from soybean processing and trading in Brazil, the company is also a leading exporter of agricultural commodities from Paraguay (Sodrugestvo Paraguay). Reportedly, it is the largest river ports operator (Sarcom) in Paraguay. In Russia (Kaliningrad), the company has a large processing complex, with three crushing plants, an oil refinery, a soybean protein concentrate plant, and flour mills. Also in Belarus, the company operates a crushing plant, while in Turkey, the group owns a vegetable oil refinery. Sodrugestvo supplies markets in Northern, Central and Eastern Europe, Asia, the Mediterranean, the Middle East, and Latin America.

CRR has shared a draft version of this report with Sodrugestvo in March 2023, but the company did not provide any comments on the report.

## With Europe an export destination, Sodrugestvo will be subject to EU Regulation

### *ADM and Bunge Europe source directly from Sodrugestvo's subsidiary Aliança Agrícola do Cerrado*

**Soy operators will need to comply with the upcoming EU Deforestation Regulation.** On December 6, 2022, the European Commission, Council, and Parliament reached a political agreement on the new regulation on deforestation-free supply chains. The law requires that commodity operators, including soy, need to ensure that all soy products they sell into the EU market can no longer be linked to global deforestation and forest degradation from December 31, 2020 ("cut-off date"). The next phase in the implementation of the EU deforestation-free regulation is the 18- to 24-month transition period expected to start in the first half of 2023. During this period, large commodity traders and operators will need to adapt and prepare for compliance with the law. Based on trade data to European countries, particularly Bunge and ADM will need to ensure that soy sourced from Sodrugestvo Group is compliant with the EU Regulation.

**While Russia, China, and Turkey are the main destination countries of Brazilian soy exports by Sodrugestvo Group, it also supplies soy volumes to European countries, through ADM and Bunge.** Between January 2017 and December 2022, the Group has directly shipped soy products (soybeans and soybean meal) to Spain (49,888 MT), Lithuania (31,500 MT), Poland (1,932 MT), Luxembourg (122,500 MT from Paraguay), and the Netherlands (3,000 MT). Since January 2021, after the cut-off date recently adopted in the EU Deforestation Regulation, the Netherlands and Spain remain destination countries, with Bunge Spain (2,388 MT of soybeans) and ADM Netherlands (3,000 MT of soybean meal) as main recipients. In 2021, Sodrugestvo also shipped 98,500 MT of soy volumes from Paraguay to Luxembourg, but the companies receiving the imports are unknown. With destination countries outside Europe, Cofco and Cargill also receive soy products from Sodrugestvo Group (Figure 2), specifically from its Brazilian subsidiary Aliança Agrícola do Cerrado.

**Figure 2: Recipients of soy products from Brazilian Sodrugestvo subsidiaries, 2017 to 2022**

Importer	Destination country	Volume (MT)
Sodrugestvo Group (Luxembourg)	Russia, Turkey	1,200,666
Baltservice (Russia)	Russia	127,055
Cofco Group (China)	China, Turkey	69,841
Bright Rice Group (China)	China	68,605
Bunge (U.S.)	China, Spain, Poland	41,782
Cargill (U.S.)	Canada, China	28,000
Lingyunhai Sugar Group (China)	China	13,693
Xiangchi Holdings Co. (China)	China	13,450
Xiamen ITG Holding Group Co. (China)	China	9,570
ADM (U.S.)	Netherlands	3,000
Other recipients	China, Russia, Thailand, Indonesia, etc.	134,017
Unknown	Russia, Turkey, China, Singapore, Spain, Japan etc.	3,210,152
<b>Total identified</b>		<b>4,919,831</b>

Source: Profundo, based on shipping data from January 2017 to December 2022 for HS codes 1201 (soybeans) and 2304 (soy oilcake/meal).

### **Sodrugestvo potentially controversial in due diligence processes**

**In addition to deforestation-free sourcing requirements, other upcoming legislative initiatives require stricter due diligence processes in supply chains, which may influence (future) sourcing from Sodrugestvo.** One such initiative is the EU [Directive](#) on Corporate Sustainability Due Diligence (CSDD), which may involve challenges for buyers sourcing from a group owned by sanctioned (by Ukraine) Russian billionaires. Under the 2022 proposed Directive, commodity companies need to set up due diligence processes to identify and assess human rights and environmental risks in their supply chains and take appropriate action to prevent or mitigate adverse impacts and monitor the effectiveness of those actions. Sodrugestvo Group may fall under closer scrutiny in the due diligence process. While the group is not directly linked to Russia's war on Ukraine, Ukraine has sanctioned Sodrugestvo Group's owners [Alexander Lutsenko](#), a former Soviet army officer, and his wife [Natalia Lutsenko](#), since the Sodrugestvo Group has allegedly generated a significant source of income for the Russian government. According to Ukrainian government, through their commercial activities, the Lutsenko couple is "responsible for material or financial support for actions that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine." Nevertheless, Sodrugestvo and its owners are not subject to international sanctions.

**Being indirectly associated with the Russia-Ukraine war and linked to sanctioned Russian billionaires may also involve reputational risks for linked commodity traders Cargill, Bunge, ADM, and Cofco.** Under the increased sensitivities for close business ties between European officials and Russian companies, last year, the relation between a Luxembourg official and Sodrugestvo became public. [Reportedly](#), a member

of Luxembourg’s Council of State sat on the board of directors of Sodrugestvo, but he [resigned](#) in March 2022 due to the controversy around this position. There are reports on the close ties between Sodrugestvo and the Russian government, including [speculation](#) that the Russian Deputy Minister of Agriculture, Oksana Luth, has promoted the interests of Sodrugestvo. Finally, Lutsenko has [allegedly](#) mainly appointed Russian former army officers as Sodrugestvo executives in his hiring strategy. Under increased scrutiny due to the Russian-Ukraine war, these associations may involve reputational risks for companies linked to Sodrugestvo.

## Sodrugestvo sources from vulnerable Brazilian Cerrado and Amazon biomes

**The Group’s subsidiary Aliança Agrícola do Cerrado mainly sources from the Brazilian Amazon and Cerrado biomes.** Less known than the Amazon, the Cerrado is a large tropical savanna biome that covers more than 20 percent of Brazil, and that has seen high rates of deforestation since 2000. Trase 2020 [data](#) shows that Sodrugestvo’s major Brazilian producing regions and municipalities are in Minas Gerais, Mato Grosso, and Pará (Figure 3), with the latter two states most exposed to Cerrado and Amazon deforestation risk. Over [60 percent](#) of all soy production linked to Sodrugestvo Group seems to occur in these top-10 municipalities.

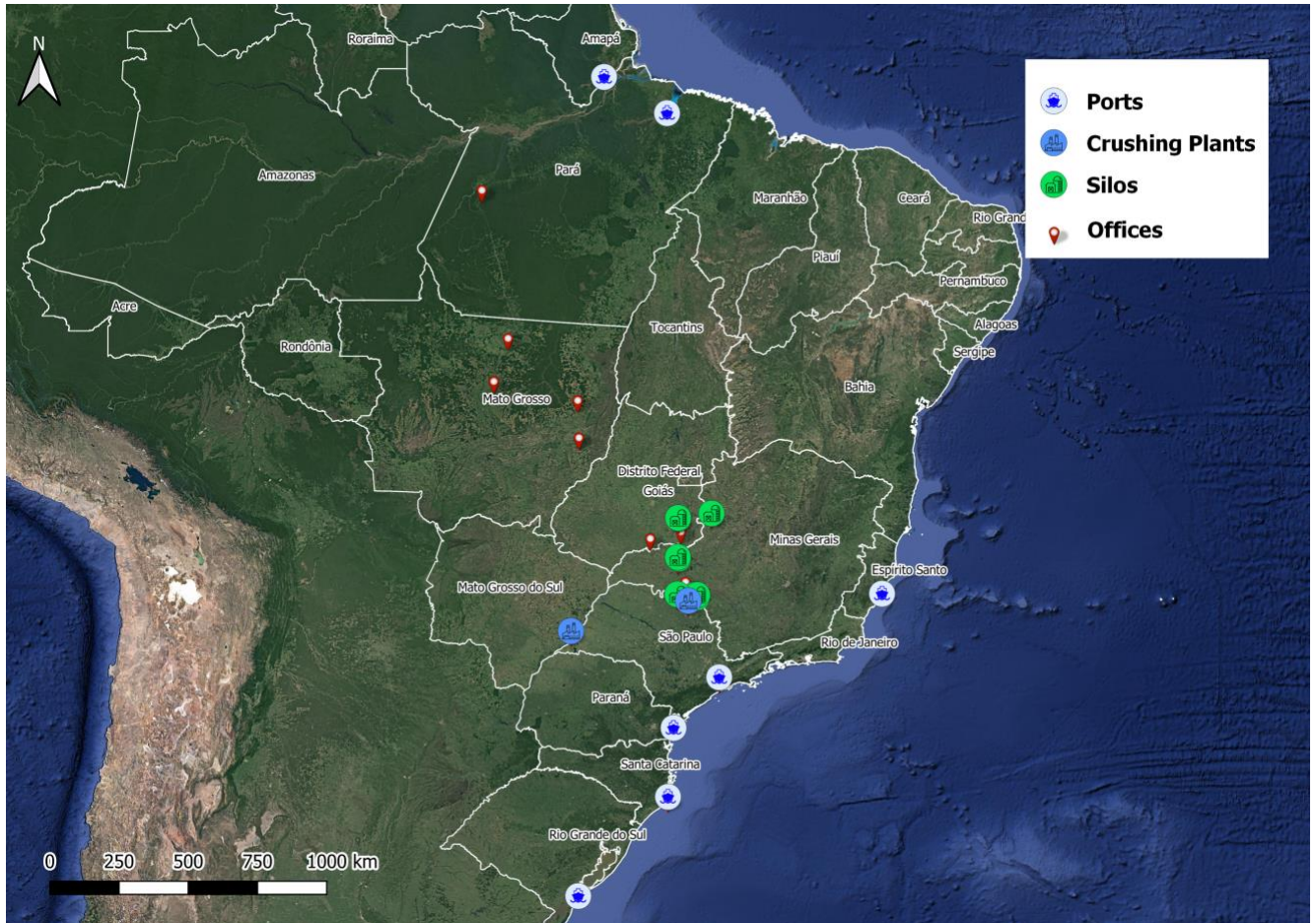
**Figure 3: Top 10 biggest soy producing municipalities Sodrugestvo (2020)**

Municipality	State	Volumes (MT)
Uberlândia	Minas Gerais	139,952
Paracatu	Minas Gerais	66,247
Matupá	Mato Grosso	49,531
Paragominas	Pará	32,724
Querência	Mato Grosso	21,770
Bom Jesus Do Araguaia	Mato Grosso	19,522
Santana Do Araguaia	Pará	18,957
Sinop	Mato Grosso	11,306
Perdizes	São Paulo	11,040
Sapezal	Mato Grosso	9,590
Total	-	<b>380,639</b>

Source: Chain Reaction Research, derived from [Trase Earth](#), with combined production data of 2020 under the names of Sodrugestvo/Aliança, Carol Sodru, and Sodrugestvo Agronegocios.

The company [says](#) it owns “storage capacity of over 275 thousand tons in its branches located in Minas Gerais, São Paulo and Goiás states” and additionally has “partnerships with other warehouses, in order to receive and store grains during the harvest.” In 2011, Sodrugestvo [acquired](#) 100 percent of Liders Armazens Gerais, one of Brazil’s largest private Brazilian companies in storage and transshipment of grains, with 15 [reported](#) warehouses in Brazil’s fastest growing agricultural regions. Moreover, Sodrugestvo Brasil operates two crushing plants, located in São Joaquim da Barra (São Paulo) and Bataguassu (Mato Grosso do Sul). The company’s Brazilian operations and infrastructure are visualized in Figure 4 below.

Figure 4: Sodrugestvo locations and infrastructure in Brazil



Source: AidEnvironment, based on [Sodrugestvo website](#). Assessed in January 2023. Notes: Sodrugestvo does not own the ports, they use the terminals. There is no public information on the locations of the company's "partnership or leased warehouses."

### Despite high carbon storage capacity, Cerrado vegetation is insufficiently protected under Brazilian and EU laws

The Cerrado is a wooded grassland that provides critical ecosystem services to the world. It provides a home to rich biodiversity, stabilizes the regional climate, and regulates watersheds that provide [40 percent](#) of Brazil's fresh water. It [contains](#) 5 percent of all biodiversity in the world, with 1,600 animal species and 12,000 plant species -- of which nearly half are [found](#) only in the Cerrado. Its deep root systems act as a critical carbon sink, [estimated](#) to store 13.7 billion MT of carbon underground.

With the exclusion of "other wooded land" from the [scope](#) of the EU Deforestation Regulation, more than [70 percent](#) of the native vegetation in the Cerrado would not be protected under the Regulation. A large share of soy and beef products that end up in the European market are produced in the Brazilian Cerrado and linked to deforestation. In 2016, 77 percent of the deforestation associated with soy imported into the EU originated from Brazil, with the majority from the Cerrado ([70 percent](#)) and the remainder from the Amazon biomes (7 percent). More recently, a total of [734,010 hectares \(ha\)](#) were

cleared in the Cerrado between August 2019 and July 2020, of which 28 percent (207,813 ha) occurred on farms with existing soy-planted areas.

**The Cerrado also lacks full protection under the Brazilian Law.** Under the Brazilian [Forest Code](#) and depending on the location, 65 to 80 percent of Cerrado-based farm properties can be developed and cleared from native vegetation with approved environmental licenses.

## **Aliança linked to illegal Amazon deforestation despite Soy Moratorium**

Sodrugestvo's subsidiary Aliança Agrícola do Cerrado is a [signatory](#) to the Brazilian Soy Moratorium, but there is evidence of deforestation on the properties of its Amazon-based soy suppliers. While Aliança has [committed](#) not to buy any soy from properties where Amazon rainforest has been cleared after July 2008, [evidence](#) shows that Aliança Agrícola do Cerrado bought soy in 2019 from a rural producer fined BRL 12 million (approximately 2.3 million USD) for illegal deforestation and setting fire. The owner of the Formoso farm complex in the Brazilian Amazon is [linked](#) to planting soy on embargoed areas and [violating](#) the Amazon Moratorium. At the time, Cargill, Bunge and Cofco sourced soybeans from Aliança Agrícola do Cerrado, who in turn sourced soy from the Formoso farm complex. The Moratorium prohibits the purchase or export of grain grown in areas in the Amazon that were deforested after July 2008. Apart from Aliança, also Cargill, Bunge and Cofco are signatories to the Soy Moratorium.

**Investigations by The Bureau of Investigative Journalism, Repórter Brasil, and Unearthed raised concerns for a potential loophole in the Moratorium's monitoring system that allows for soy laundering.** In this case, it [involved](#) selling soy from a "dirty" farm through a "clean" farm in a cluster of properties possessed by the same owner, here the Formoso farm complex that is located in Marcelândia (Mato Grosso) and [consists](#) of the Agromaster/Formoso/Formoso II/Mariana farms. Moreover, while the concerned rural producer was supposedly on a [blacklist](#) of suppliers who have been accused of illegal deforestation, soy from the farms still entered the supply chains of at least two large companies, Chinese-owned Fiagrill and Sodrugestvo's subsidiary Aliança.

In response to the allegations, Bunge [stated](#) that it has not purchased soy from Aliança since 2017, which is contradicted by CRR trade data analysis. For instance, shipment [records](#) show that on May 20, 2021, Bunge sourced 2,388 MT of soybeans from Aliança in Brazil, just one day after the publication of the accusations in the [article](#).

### **Sample of 73 soy farms supplying to Aliança shows 830 ha of deforestation between 2018-2022**

**A sample of 73 soybean supplying farms to Aliança Agrícola do Cerrado shows 830 ha of native vegetation clearing between 2018-2022 in Brazil's Amazon and Cerrado biomes.** The clearing occurred on 9 of the 73 farms in the sample, all located in Mato Grosso (MT) state, that jointly cover a farm area of 18,177 ha (Figure 5). Throughout 2018 and 2019, these nine farms supplied at least 1,185 MT of soybeans to Sodrugestvo's Brazilian subsidiary. Any deforestation in the Amazon that is linked to soy production is in violation with the voluntary Soy Moratorium. From the cut-off date, December 31, 2020, the EU Deforestation Regulation would apply if the soy is shipped to Europe. Even legal Amazon deforestation that is compliant under Brazilian law will, from that date onward, be non-compliant with European law.

**Forty-six percent (383 ha) of the total clearing on the nine farms could be considered illegal since it falls within Brazil's legal reserves (Figure 5).** Under Brazil's Forest Code, 20 percent of rural properties in the Legal Amazon could be legally cleared with the right environmental licenses. But this does not hold for

the legal reserves and Permanent Preservation Areas (PPA), which must be free of deforestation. There are some minor exceptions that allow for restricted use according to Brazilian law, but it is highly unlikely that this activity would apply to all 383 ha of clearing in the legal reserves. Moreover, all legal and illegal deforestation in the Amazon remains incompatible with Aliança's commitment to the Soy Moratorium and the upcoming EU Deforestation Regulation.

**Figure 5: Sample of 2018-2019 Mato Grosso-based soybean suppliers to Aliança with deforestation**

Farm	Farm size (ha)	Location (Municipality)	Amazon / Cerrado vegetation	Native vegetation clearing 2018-2022 (ha)	Of which ha in legal reserves (likely illegal)
Fazenda Querencia	2,734	Campos De Júlio	Cerrado	440	60
Fazenda Dona Marilena	5,449	Itaúba	Amazon	203	171
Sítio Santa Fe	488	Marcelândia	Amazon	98	92
Fazenda Dona Isabina	1,190	Santa Carmem	Amazon	47	43
Sítio Conquista	52	Peixoto De Azevedo	Amazon	12	<1
Fazenda Papagaio	904	Cláudia	Amazon	11	9
Fazenda Santa Lucia	2,988	Querência	Amazon	8	1
Fazenda Santa Felicidade	4,178	Santa Carmem	Amazon	6	6
Fazenda Maringá	194	Nova Santa Helena	Amazon	5	1
<b>Total</b>	<b>18,177</b>	-	-	<b>830</b>	<b>383</b>

Source: AidEnvironment, based on 2018-2019 soy transactions, 2018-2022 Prodes and DETER [deforestation](#) (alerts). Note: While the soy transactions occurred in 2018-2019, traders often have long-term relationships with soy suppliers.

**The farm Sítio Santa Fe is a particular non-compliance risk case tied to Bunge and ADM.** The farm cleared 98 ha of tropical Amazon rainforest in Marcelândia municipality in Mato Grosso between 2020-2022 (Figures 5 and 6), with nearly all deforestation (94 percent) in legal reserves, and therefore likely illegal. The latest clearing occurred in November 2022 by fire and would therefore be non-compliant with the EU Deforestation Regulation. The farm supplied at least 120 MT of soybeans to Aliança Agrícola do Cerrado in Matupá (MT) in 2019. But since traders often have long-term relationships with suppliers, the farm likely still supplies Aliança. These relationships are a risk for Bunge and ADM, since Sodrugestvo's subsidiary is supplying soy to these buyers' European destinations.



Figure 6: Aliança-linked farm Sitio Santa Fe shows illegal Amazon deforestation by fire in 2022



Source: AidEnvironment, based on deforestation [alerts](#), rural cadaster [data](#) (Sigeif, SNGI), the [CAR](#) in Mato Grosso, Imagery ©2023 [Planet Labs Inc.](#)

## Financial analysis: Banks and EU institutions linked to Sodrugestvo

Institutions involved in financial instruments linked to Sodrugestvo could face various financial risks, varying from reputation risk to legal risk. The European Bank for Reconstruction and Development (EBRD) and several large commercial European banks are important financiers. Financers of companies in the supply chain of Sodrugestvo face financial risks as they could be linked to violating the EU Deforestation Regulation. Moreover, they may face financial risks from being linked to a group that generates financial resources for the Russian government, which may violate the proposed EU [Directive](#) on Corporate Sustainability Due Diligence. For investors and banks active in the United States and the EU, the element of financial links to Russia because of the war against Ukraine might be a risk.

In 2020, the EBRD gave a large loan to Sodrugestvo. The loan value is USD 130 million. [The EBRD says](#) that the financing will be used “to boost cross-border cooperation and benefit local farmers, sourcing, transportation, processing and distribution of animal feed products.” The EBRD provided USD 85 million, and USD 45 million was provided by a syndicate of commercial banks. The loan arrangement is not visible as a loan in Sodrugestvo's 2021 (30 June) accounts but appears to be booked as an off-balance sheet guarantee. A [financial guarantee](#) is an agreement that guarantees a debt will be repaid to a lender by another party if the borrower defaults. [The EBRD](#) is owned by 71 countries, as well as the European Union and the European Investment Bank.

The annual accounts of Sodrugestvo Group per June 30, 2021 (filed in Luxembourg) also comprise of data on large off-balance sheet guarantees by European financial institutions. In 2021, large lenders like ING (more than USD 90 million), Unicredit (USD 55 million), Société Générale (USD 71.4 million), ABN Amro (USD 6 million), Credit Suisse (acquired by UBS; USD 15 million) and Crédit Agricole Indosuez (USD 44 million) were linked with Sodrugestvo.

**Large soy traders might face market access risk due to their exposure to Sodrugestvo.** Buyers in Sodrugestvo’s supply chain are Cargill, Bunge, ADM, and Cofco. These companies and their financiers face multiple financial risks from their commercial ties with Sodrugestvo. Since the tons of soybean and soymeal sourced by these companies from Sodrugestvo are not material in the context of Cargill, Bunge, ADM, and Cofco, they could easily be replaced by purchases from other suppliers. These companies could be confronted by market-access risk as their clients, like animal feed producers and fast-moving consumer good companies (FMCGs) could change the direction of their sourcing. For instance, they may switch to competitors like Amaggi and Louis Dreyfus, which are not mentioned as clients of Sodrugestvo.

**Four banks are lending large sums to farmers in the relevant forest-risk regions. These farmers might be members of the cooperative that owns 45 percent of joint venture Carol-Sodru. Sodrugestvo is the controlling shareholder with 55 percent.** Next to the large soy traders, which are clients of Sodrugestvo’s Brazilian 100 percent-owned subsidiary Aliança Agrícola do Cerrado, the financiers of the 45 percent minority shareholder Carol (Cooperativa dos Agricultores da Região de Orlândia) in the joint venture Carol-Sodru also face financial risks. The cooperative consists of farmers producing soy. These farmers are financed by their own cash flow as well as by loans, which are mainly provided through the Brazilian [National Rural Credit System](#) (SNCR). While the banks supplying these loans can be identified, the recipients of the loans cannot. All leading banks in Brazil are active in this system, including various foreign banks, and thus might have indirect links with farmers linked to Carol cooperative or Aliança Agrícola do Cerrado. When investigating the donors of the National Rural Credit System and focusing on the EU and the United States, Santander, Rabobank, John Deere Bank, and CNH Industrial Capital are the main funders. Of the large sums that Rabobank, John Deere, and CNH Industrial Capital are lending through the system, 70 percent or more is provided to farms in forest-risk regions. Adjusted for financing to [soy activities](#), the banks are lending in total USD 1,780 million to farmers active in the soy market in high-risk deforestation regions in the Amazon and Cerrado.

*Figure 7: Banks funding the Brazilian National Rural Credit System (2018-2022)*

USD million	HQ country	Brazilian National Rural Credit System	of which in Amazon and Cerrado	High-risk as % of rural loans
ABN Amro	Netherlands	0.9	0.9	100.0%
BNP Paribas	France	24.9	8.8	35.4%
Citigroup	USA	93.1	27.2	29.3%
CNH Industrial Capital	Netherlands	328.1	227.7	69.4%
Deutsche Leasing	Germany	0.1	0.1	100.0%
John Deere Bank	USA	444.9	366.9	82.5%
Rabobank	Netherlands	602.4	484.5	80.4%
Santander	Spain	1,250.3	663.4	53.1%
<b>Total</b>		<b>2,744.8</b>	<b>1,779.6</b>	<b>64.8%</b>

Source: Chain Reaction Research, based on *Forests & Finance*. The value numbers are adjusted for exposure to soy farming.

**Financiers may be confronted with risks associated with financing companies that help Russia pay for its war against Ukraine, and companies may face fines for deforestation violations.** Implementation of the EU Regulation will take time, and financial institutions are still excluded from the EU Deforestation Regulation. From 2024 onward, compliance on supply chain deforestation will be "checked" and "violating" companies will have to pay fines. A higher risk might come from financial institutions being linked to companies that generate financial income for the Russian government. If sanctions versus the Russian government become stricter, companies with knowledge that they indirectly finance the war against Ukraine could face the risk of legal fines in the coming years. With the EU Commission now already active in sanctions against Russia, the EBRD's USD 130 million loans (including the syndicate's USD 45 million) for Sodrugestvo Group could create an enormous reputation risk for the Commission as well as the countries funding the EBRD.

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