Indirect suppliers: Lack of full supply chain traceability exposes Colombia’s supermarkets to illegal deforestation

Cattle ranching, much of it illegal, has become one of the major drivers of deforestation in the Amazon, from Brazil to Paraguay to Colombia. As EIA documented in its investigation, Tainted Beef, products linked to illegal activities in protected areas, including payments to armed groups, are at a high risk of being sold in Colombia’s major supermarkets. After the release of Tainted Beef, the Colombian Agriculture and Livestock Institute (ICA) immediately recognized the problems and announced new steps to address them¹, and the company Colsubsidio in a communication to EIA confirmed that the report “showed the enormous problem of illegal cattle ranching in Colombia”.²

However, not all actors exposed in Tainted Beef have reacted the same way. In the case of Grupo Exito, although they recognize that traceability needs to be legally required and merits further discussion in the country,³ they have also responded with denial and misinterpretation of some of the findings of the investigation;⁴ these responses have been reproduced in media outlets in Colombia and France. In light of such, EIA reemphasizes that it stands by the conclusions contained in Tainted Beef. For retailers like Grupo Exito the highest risk of sourcing “tainted beef” —beef that can be linked to deforestation or that has high levels of exposure to payments to armed groups— comes from the involvement of indirect suppliers in the supply chain. Those indirect suppliers remain mostly in the dark and out of sight of monitoring systems. Part of Grupo Exito’s sustainability strategy has relied on a model that monitors deforestation on the farms of its reported 39 direct beef suppliers.⁵ The question is where do those 39 beef suppliers source their cattle? How can monitoring only the farms of the last actors in a supply chain be enough when cattle transport data from ICA, analyzed by EIA, shows movement from protected areas in Guaviare and Meta to cattle ranching farms in the region? It is no secret that there are systemic cattle laundering issues in the cattle supply chain in Colombia and that cattle can spend part of their Cow-calf, Backgrounding or Finishing phases in different locations in the country.⁶ So how does Grupo Exito ensure their cattle is not coming from illegal deforestation if their monitoring system does not include their indirect suppliers?

Other investigations have shown that cattle coming from protected areas are later laundered into supply chains that lead to big cities. Weeks after the release of EIA’s report, Colombia’s General Prosecutor’s Office carried out an enforcement action against a group called “Los Invasores”, who were accused of financing the destruction of 6,300 hectares of protected forest in La Macarena National Park. Their modus operandi included a scheme in which cattle raised in protected areas were later sold in cities like

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Villavicencio and Bogota using fake permits to hide the real origin of the beef. The UK’s Channel 4 found similar illegal deforestation and corruption persisting in Chiribiquete National Park, where local residents reported that “The big cattle ranchers do the big deforestations and pay the State entities their money and continue working without any problem.” The Crisis Group also found that cattle ranching in the Colombian Amazon is linked with yearly payments per head of cattle to illegal armed groups, consistent with EIA’s findings.

Some media outlets have falsely claimed our reporting relied on a single testimony, a cattle rancher identified as Supplier A in Tainted Beef. On the contrary, the conclusions contained in Tainted Beef where corroborated by official data and by multiple actors during the investigation. As explained in the report, cattle markets can also launder cattle linked to deforestation or illicit payments to armed groups. During the investigation, a cattle market operator (referred to as “Cattle Market 1” in the report) talked about laundering the origin of cattle coming from protected areas. This was independently confirmed by EIA’s analysis of ICA’s cattle transport data that shows cattle from protected areas ends up being sold in that cattle market. That same operator also acknowledged that beef from his Cattle Market is sold onward to Grupo Exito and other supermarkets.

Another cattle rancher, referred to in Tainted Beef as Supplier B, who is based in the Magdalena Medio region, openly admitted to laundering cattle as well as complicity with police to avoid enforcement of environmental crimes. This supplier also stated that his cattle is sold to Grupo Exito through an intermediary.

Grupo Exito’s apparent efforts to discredit Tainted Beef rely on their assertion that they do not have a commercial relationship with Supplier A, whose supply chain is exposed to ranchers with farms within national parks. However, when talking to EIA investigators, Supplier A claimed in multiple interviews that he had been supplying cattle to Grupo Exito for many years, which was further confirmed by a number of other ranchers and intermediaries. More importantly, a high-ranking executive from Friogan S.A, a slaughterhouse that supplies Exito with beef, confirmed the connection between Exito and Supplier A to EIA and even gave advice to investigators on how to identify this beef in stores. Following such advice EIA subsequently obtained, from Supplier A, lot numbers for beef and found the beef in an Exito supermarket. As mentioned above, the highest risk of sourcing beef linked to deforestation or exposed to payments to armed groups comes from the role that indirect suppliers play in the supply chain. After the release of Tainted Beef, Grupo Exito claimed to media outlets and EIA that the purchased lot number does not come from Supplier A, but from Carnatural. Carnatural is financially linked to Grupo Exito. Public financial records show that Ganso, Grupo Exito’s sustainable cattle ranching brand, has a financial investment in Carnatural. Grupo Exito itself has confirmed in a letter to EIA that Carnatural is one of its

7 Golpe a ‘Los Invasores’, red delictiva señalada de auspiciar la deforestación en la serranía de La Macarena para la cría de ganado; Fiscalía General de la Nación, July 7, 2021. Available here.
8 Colombia’s Amazon: Fears authorities turning blind eye to illegal deforestation as scale of problem exposed; Channel 4 News, October 21, 2021. Available here.
9 A Broken Canopy, deforestation and conflict in Colombia; Crisis Group. Available here.
12 Anexo No. 3 Medios EIA. Available here.
suppliers. Supplier A also told investigators that Carnatural was a strategic partner of his. Carnatural removed its entire website after the report was launched and it remained down for months before a new site appeared. Its new website seems to have removed tools from the old website that claimed to provide beef lot information. Again, the issue of indirect suppliers that remain in the shadows from Grupo Exito’s monitoring systems is a high risk for the company. Cattle supply chains are complex and involve many different actors. EIA’s Tainted Beef investigation provides but a snapshot of the deforestation and illegality risks that Colombian supermarkets face when buying and selling beef. This is why traceability from the birthplace of the animals through the different stages of raising and processing them is crucial in order to exclude deforestation and other crimes from supply chains.

Grupo Exito accounts for 17 percent of the Colombian beef market, and their supply chains continue to be highly exposed to illegal deforestation and other crimes from indirect suppliers but their efforts appear to only focus on the last actor in the supply chain. It is therefore important that Companies and slaughterhouses monitor the full supply chain, rather than only trace their beef back to the last, or direct, supplier.

EIA has welcomed ICA’s acknowledgement of the problems, and urges them to move expeditiously towards implementing the solutions they highlighted in immediate response to EIA’s report release. EIA also calls on all actors involved in these cattle supply chains, and those responsible for overseeing them, to urgently join in efforts to eliminate the persisting deforestation and illegality risks.

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14 Solicitud de retractación; Grupo Éxito, June 11, 2021.
16 Anexo No. 3 Medios EIA. Available here.