



24 May 2023

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Please reply to:

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Dear Mr Gopalan, Dear Ms Peschka

IFC proposed loan to GUANGXI YANGXIANG (GXYX) to provide working capital for four multi-storey pig farms in China: Project 46874

The undersigned organisations are concerned about IFC's proposed loan to GUANGXI YANGXIANG (GXYX) to provide working capital for four multi-storey pig farms and a feed mill.

IFC's website states that these farms have an annual production of 32,000 breeding sows. This is a huge operation. In light of the scale of these farms, it is particularly important for rigorous consideration to be given to animal welfare standards, Paris alignment, and impacts on the environment and food security.

Animal Welfare

IFC's website states that GXYX complies with the OIE guidelines on the welfare of pigs. However, IFC does not disclose any details of the assessment it carried out that led it to this conclusion. This means that civil society organisations are simply left to take IFC's word that GXYX is complying with these guidelines.

IFC states that there is compliance with the OIE guidelines on “adequate nutrition and water; living environment condition control; diseases prevention control; staff trainings on animal welfare; and internal auditing”. Worryingly, no mention is made regarding compliance with the OIE guidelines on castration, tail docking, teeth clipping, early weaning, and the provision of enrichment materials.

Castration: Article 7.13.8 of the OIE guidelines states: “Options for enhancing animal welfare ... include ... using entire males or immunocastrated males rather than surgically castrated males”.

IFC’s Good Practice Note (GPN) on animal welfare states: “Alternatives should be used to routine management practices that cause pain (e.g. castration, tail-docking) or effective pain relief should be provided”.

We would be grateful if you could let us know if GXYX surgically castrates male piglets.

Tail docking: Article 7.13.8 of the OIE guidelines indicates that tail docking should only be carried out “when necessary”. In its 2022 Scientific Opinion, the European Food Safety Authority (EFSA) concluded: “It is 90–100% certain that tail docking is not needed if good husbandry practices and management are in place.”

We would be grateful if you could let us know if GXYX routinely docks piglets’ tails.

Enrichment materials: Article 7.13.10 of the OIE guidelines details the kind of enrichment that should be provided to reduce abnormal behaviour and improve pigs’ physical and mental state. Article 7.13.11 of the OIE guidelines states: “Tail biting may be reduced by providing an adequate enrichment material”.

IFC’s GPN provides that certain welfare risks can be addressed by “providing environmental enrichment (e.g. straw for pigs to manipulate)”. The Global G.A.P. standards for pigs provide, as a ‘major must’, that suitable objects for environmental enrichment “must be made of manipulable material, which can be moved and investigated (e.g. straw, wood, rope)”.

Could you please let us know what kinds of enrichment materials are provided by GXYX.

Early weaning: Article 7.13.20 of the OIE guidelines provides: “Piglets should be weaned at three weeks or older... Delaying weaning to the age of four weeks or more may produce benefits such as improved gut immunity, less diarrhoea and less use of antimicrobial agents.”

The Global G.A.P. standards for pigs provide, as a ‘major must’, that piglets should not be weaned until they are 28 days of age unless there is a veterinary or outstanding welfare reason for doing so and should never be weaned under 21 days of age.

We would be grateful if you could let us know at what age the GXYX piglets are weaned.

Use of sow stalls: We presume that sow stalls are not being used as they are included in the exclusion list in the document *IFC Practices for Sustainable Investment in Private Sector Livestock Operations*. However, that exclusion list permits sow stalls to be used for the first 30 days of the pregnancy; this ‘first 30 days’ exception is not supported by science research. In its 2022 Scientific Opinion, EFSA concluded that “farrowing rate (as parameter of reproductive performance) following grouping of sows at weaning is comparable to housing in stalls for the duration of pregnancy”. Accordingly, EFSA recommended that “sows should be grouped at the time of weaning” i.e. they should be placed in groups before the start of the next pregnancy.

We would be grateful if you could let us know at what stage the GXYZ sows are placed in groups.

Sows kept in stalls for the first 30 days of the pregnancy and that are also kept in farrowing crates are likely to spend around 20 weeks of the year in devices that are so narrow that they cannot turn round. We think it is questionable for a public bank to be funding such extreme confinement.

Paris alignment

IFC's disclosure for this loan states: "Based on GXYX's energy consumption record, the expected GHG emissions are approximately 13,100 tons CO₂ equivalent per year for the four pig farm buildings and a feed mill under the project". The *Joint MDB Assessment Framework for Paris Alignment for Direct Investment Operations* states that "non-ruminant livestock with negligible lifecycle GHG emissions" are universally Paris aligned.

However, these multi-storey pig farms are unlikely to have negligible emissions. Pig manure produces substantial methane emissions. Many functions in multi-storey farms are highly automated and so are likely to entail high energy use.

The emissions figure of 13,100 tons CO₂ equivalent per year appears not to include scope 3 emissions arising from the production of cereals and soy as feed. These emissions are high. Feed production for industrially raised animals involves substantial GHG emissions arising from the manufacture of fertilisers to grow feed, the application of those fertilisers, and deforestation resulting from soy production.^{1 2 3 4}

A report prepared by Blonk for World Animal Protection states: "Climate change impacts for conventional production range from 4.1 to 4.8 kg CO₂eq/kg carcass weight pork produced; this range increases from 4.8 to 6.8 kg CO₂eq/kg carcass weight when direct land use change emissions are included."⁵

These Scope 1,2 & 3 emissions are not "negligible". EBRD's 2022 *Methodology to determine the Paris Agreement alignment of EBRD investments* indicates that it reflects the thinking of all MDBs, not just EBRD. It provides that "non-ruminant livestock with non-negligible GHG emissions, including feed supply" is a 'high-emitting sector'. IFC has not explained how funding a high-emitting sector is aligned with the Paris targets, which numerous scientific bodies have insisted will require steep reductions from the livestock sector.^{6 7 8 9}

The *Inter-American Development Bank Group Paris Alignment Implementation Approach*, published in 2023, requires project teams to pay particular attention to "operations that promote the production of items that could be associated with high levels of GHG emissions such as livestock". It appears from IFC's disclosure that it did not follow the good practice advised by IDB.

We would be grateful if you could let us know if 1) the emissions figure of 13,100 tons CO₂ equivalent per year includes scope 3 emissions arising from the production of cereals and soy as feed, and if so, how these were calculated; 2) IFC's estimate of CO₂eq/kg carcass weight pork produced, if any, used to calculate emissions; and 3) you concur with IDB's Paris Alignment implementation approach as regards GHG emissions from livestock (and if not, why not)?

Use of soy and cereals to feed the GXYX pigs

The proposed loan also supports a "feed mill with processing capacity of 200,000 metric tons to support existing pig farm operations". In all, the company has 15 feed mills.

The IFC disclosure states: "these feed mills source corn, soybean meal and other feed grains, from a variety of local and international suppliers. Corn is the main feed ingredient and is mainly purchased from large grain trading companies, and imported mainly from the United States and Ukraine". It adds that soybean meal is mainly imported from Brazil and the United States.

The disclosure states: "there is a potential for feed mill sources to come from production areas in Brazil which might have involved conversion of natural and critical habitats into soybean plantations, resulting in significant adverse impacts on high biodiversity values". It explains that GXYX now has a commitment not to buy raw materials having led to significant conversion of natural/critical habitats, and aims by 2027 to source 15% of its soybean meal from suppliers which meet IFC PS2-PS6 supply chain requirements.

It is disturbing that even by 2027, 85% of the soy used by GXYX may still be coming from sources that do not meet IFC PS2-PS6 supply chain requirements. It is equally disturbing for IFC to support GXYX's multi-storey pig farms and associated feed mills bearing in mind the

impacts of this operation on GHG emissions and deforestation - including in Latin America. According to the Inter-American Development Bank, achieving a net-negative food system in Latin America and the Caribbean will require supply and demand side shifts as well as "continuously decreas[ing] the share of land dedicated to agriculture, and increas[ing] instead land dedicated to carbon sequestration and biodiversity preservation."¹⁰ Given this need, it is confounding that IFC would provide support for the GXYX project seemingly without consideration of its impact on GHG emissions and biodiversity loss in Latin America.

We would be grateful if you could let us know if IFC considered GXYX's impact on GHG emissions and biodiversity loss in Latin America.

Undermining food security

Studies show that animals convert cereals such as corn and wheat very inefficiently into meat and milk.^{11 12 13 14 15 16} The FAO warns that further use of cereals as animal feed could threaten food security by reducing the grain available for human consumption.¹⁷ UNEP's 2022 Emissions GAP Report states that "Reducing the use of much of the world's grain production to feed animals and producing more food for direct human consumption can significantly contribute" to fighting food insecurity and malnutrition".¹⁸

We would be grateful if you could let us know if IFC considered the impact of GXYX using grain production to feed animals as part of this project's Anticipated Impacts Measurement and Monitoring score, and the resultant change in score.

Environmental and human rights impacts of using grain and soy as animal feed

All too often soy production entails land grabbing, including the expropriation of the land of indigenous communities and peasant farmers.¹⁹ Industrial animal production's huge demand for cereals has fuelled the intensification of crop production. This, with its use of monocultures and agro-chemicals, has led to soil degradation,^{20 21} biodiversity loss,²² overuse and pollution of water,²³ and air pollution.²⁴ The FAO describes this process as "a vicious downward spiral".²⁵

We would be grateful if you could let us know if IFC considered environmental and human rights impacts of using grain and soy as animal feed, and if so, what steps it has asked GXYX to take to avoid and mitigate these impacts?

These problems are recognised by the World Bank Group

The WBG Guide *Investing in Sustainable Livestock* states that feed production for intensive livestock systems is increasingly sourced from "high-input intensity grain and legume monocultures and supplied from international markets. This can result in remote impacts on natural resources in feed-exporting regions, as well as competition for resources between the production of livestock feed and human-edible food." The Guide adds: "In regions facing resilience challenges, this can result in the allocation of scarce biomass resources to the production of livestock feed instead of directly human-edible food". The proposed loan to GXYX does not take account of the dangers described by the WBG Guide.

We would be grateful if you could explain why the impacts recognised in WBG Guide *Investing in Sustainable Livestock* were not taken into account in considering this loan, or how you find that this should be an exception to your own guidance?

We look forward to your answers to the foregoing questions before this loan is presented for Board approval. Absent satisfactory answers, we do not believe IFC has met its own commitments to due diligence, climate, and the Performance Standards, and would urge IFC not to proceed with the proposed loan to GXYX.

Yours sincerely

Bank Climate Advocates, Jason Weiner, Executive Director & Legal Director

Bank Information Centre, Ladd Connell, Environment Director

Brighter Green, Mia MacDonald, Executive Director

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Compassion in World Farming, Peter Stevenson, Chief Policy Advisor

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Friends of the Earth US, Kari Hamerschlag, Deputy Director, Food and Agriculture Program
In Defense of Animals, Katie Nolan, General Campaigner
Sinergia Animal, Merel van der Mark, Animal Welfare and Finance Manager
World Animal Protection International, Mark Dia, Global Programme Director, Farming

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