

Chapter 2

Money Laundering Through Agribusiness

In a 2007 report, the FATF addressed money laundering and terrorist financing through the real estate sector and identified various methods, techniques, mechanisms, and instruments used.¹ Criminal organizations use real estate to introduce illegal funds into the system. They use nonfinancial professionals, corporate vehicles, and complex loans to preserve anonymity and confidentiality. Agribusiness, like real estate, is being misused in money laundering schemes. Agribusiness is barely covered by anti-money laundering obligations because prices in the sector vary across districts and jurisdictions. Huge sums of money are being invested in agribusiness not only by law-abiding citizens, but also by those who misuse the sector for criminal purposes.

Manipulation of the appraisal or valuation of cattle is one money laundering method in the agribusiness sector. It involves the overvaluing or undervaluing of a property followed by a succession of sales and purchases. A property's value may be difficult to estimate, notably when you consider a great number of cattle and varying levels of quality. Furthermore, money launderers can even use nonexistent cattle to launder their criminal proceeds. This area is particularly vulnerable because of the lack of government oversight and supervision.

Brazilian Federal Judge Odilon de Oliveira presides over a specialized court for organized crime in Campo Grande, Mato Grosso do Sul, and is considered a leader in the fight against money laundering. Drawing from his experience as a judge, he stated that financial criminals frequently use rural property to launder money from illicit origins and that it is "very easy" to launder money using cattle and farms.

According to Judge De Oliveira, criminals falsify property documents through misrepresentation. For example, farm owners misrepresent that they have livestock or other agricultural products and register them with the appropriate agency. They then create invoices, purchase vaccines, simulate sales, and pay taxes, thereby

¹FATF (2007).

laundering ill-gotten gains. This method is called “paper cow” and “soy paper” and is possible in part because government regulation of the agricultural sector is very difficult.²

There is little structure in place to monitor taxpayers who derive income from rural activity. Documentation is considered essential for transactions within the law because it ensures compliance with sanitary requirements as well as beef access at a stable price in the formal market. With records of cattle origin, invoices, receipts, and vouchers of health requirements in hand, experts say, it is possible to obtain the Guide to Animal Transport (GAT) in Brazil. GATs and Statements of Vaccination Against Foot-and-Mouth Disease related to property investigated are being used to show the occurrence of fraud in these livestock records.³

In a case of an international Colombian drug dealer who was convicted in Brazil of money laundering, sentenced to more than thirty years in prison, and extradited to the United States, his assets were confiscated, including farms, cattle, swine, sheep, horses, and fish. The judge (the author of this book) determined that the administration of these assets should be handed over to the Federal Police until their final sale.⁴

In another interesting case, also decided by this author, 27 farms were seized, as well as all of the farms’ assets, including more than 450,000 cattle. The facts of the case suggested that the defendant’s purpose in acquiring the cattle was to camouflage the illegal origin of funds and to distance the owners or beneficiaries from the funds’ origins. To inventory the goods seized, the court subpoenaed the state agricultural department to report the number of cattle recorded by farm, the registered owners, the number of vaccines used for the cattle, and the number of vaccines needed by the cattle. The state agricultural department was also required to provide information from the Traceability Service of the Supply Chain for Cattle and Buffalo from the National Agricultural Department (*Serviço de Rastreabilidade da Cadeia Produtiva de Bovinos e Bubalinos*—SISBOV). Another judge authorized the partial sale of the cattle because it was considered a fungible good.⁵

In the United States, the Animal and Plant Health Inspection Service⁶ and the Farm Service Agency,⁷ both part of the U.S. Department of Agriculture, provide information on farms, livestock, and livestock vaccines.

Jessie Bullock reveals that, in Mexico, drug cartels make millions of dollars annually on the black market and are considered the best in the world at laundering money. To launder their illegal gains, they invest in different activities, including

²Lavagem de dinheiro com gado é “facilimo”, diz juiz (2007).

³Lavagem de dinheiro com gado é “facilimo”, diz juiz (2007).

⁴See case nos. 2007.61.81.011245-7 and 2007.61.81.008076-6 from the 6th Federal Judicial District, specialized in Money Laundering and Financial Crimes in São Paulo, Brazil.

⁵See case no. 2009.61.81.005401-6 from the 6th Federal Judicial District, specialized in Money Laundering and Financial Crimes in São Paulo, Brazil.

⁶U.S. Department of Agriculture (2016a).

⁷U.S. Department of Agriculture (2016b).

agribusiness. In 2013, the Zetas, one of Mexico's most dangerous and violent cartels, were busted by U.S. law enforcement officials for a large-scale money laundering scheme of buying and selling quarter horses. The Zetas and their family members were caught laundering money through a cattle ranch in Mexico. The ranch was set up by the brother of a Zetas kingpin. According to Bullock, the brother laundering money through his wife and her father, who operated the ranch. He also received help from his wife's mother and her two uncles.⁸

In 2005, the U.S. Treasury Department announced that two Mexican cattle companies were fronts for drug cartels. The announcement was made in an attempt to block an elaborate money laundering scheme. The cattle sold by the companies to Texas ranchers was subject to seizure by the federal government. The two Mexican drug cartels named in the Treasury Department's statement were the Arriola Marquez organization (linked to Mexican drug kingpin Joaquin "El Chapo" Guzman) and the Arellano Felix cartel based in Tijuana. The Arriola Marquez group bought large herds of cattle in Mexico to launder its drug money. The Treasury Department also named the two Mexican cattle companies as well as a U.S. company that was a "mirror" entity—an organization that exists on paper to give a foreign company a U.S. outlet.⁹

Saul Elbein reveals how drug traffickers in Guatemala laundered cash over the years by clearing forests for commodity production and investing in land. "While clearing forest for cattle or palm in government forests is technically illegal, in practice, these ranchers operate and bring their goods to market just like their legal cousins outside the forest—and there is always the possibility of acquiring a valid title down the road through fraud, bribery, or the intervention of sympathetic officials." "Buying and clearing land 'allows dollars to be untraceably converted into private assets while simultaneously legitimizing a [trafficker's] presence at the frontier (e.g., as a ranching operation).'" Furthermore, drug traffickers strategically benefitted from big cattle estates by claiming territory from rivals.¹⁰

In Colombia, there are more examples of the misuse of cattle to launder money. Contraband smuggled into Colombia is part of multi-billion-dollar money laundering operations after decades of political and drugs violence. In complicated schemes, Colombian traffickers receive drug money from overseas dealers in the form of goods, often shipped along with legitimate merchandise. They pay above value for cattle farms, which in turn increase prices for neighboring property. Then they liquidate assets (the cattle) to receive quick cash, cutting the price of livestock in the area.¹¹

⁸Bullock (2013).

⁹Hedges (2005).

¹⁰Elbein (2016).

¹¹Murphy and Bocanegra (2013).

The 2012 Financial Action Task Force (FATF) Recommendations do not mention rural activity as a “Designated Non-Financial Business and Profession.”¹² The Brazilian law on money laundering, however, was amended on July 9, 2012, to include “natural or legal persons trading or trade brokering in rural or animal goods of high value” on the list of entities required to keep detailed records of their clients’ identities and of their financial transactions.¹³ A shortcoming of this law is that the Brazilian Financial Intelligence Unit (*Conselho de Controle de Atividades Financeiras*—COAF) has not enacted a bylaw to regulate it.

When money launderers use cattle, they typically acquire it in what is known as the integration or final phase of money laundering. Because it is an extraordinary opportunity to make an investment while giving the appearance of legality, acquiring and misusing cattle offers criminals a business activity. This kind of criminal behavior is the result of weaknesses and loopholes in the prevention of money laundering. Enforcement bodies must develop appropriate measures to protect the agricultural sector from criminal activities and to stop the flow of illegal money.

Bibliography

- Bullock, J. (2013, August 20). 3 ways drug cartels launder their money, right in front of you. Policy.Mic. <https://mic.com/articles/60233/3-ways-drug-cartels-launder-their-money-right-in-front-of-you#.wt5p1LLNo>. Accessed October 4, 2016.
- Elbein, S. (2016, July 8). From cocaine cowboys to narco-ranchers. Foreign Policy. <http://foreignpolicy.com/2016/07/08/guatemala-cocaine-central-america-drug-forest-maya-biosphere-reserve-cattle-ranching/>. Accessed October 5, 2016.
- FATF. (2007, June). Money Laundering and Terrorist Financing Through the Real Estate Sector. <http://www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20through%20the%20Real%20Estate%20Sector.pdf>. Accessed October 3, 2016.
- FATF. (2016, June). The FATF Recommendations. <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>. Accessed August 3, 2016.
- Hedges, M. (2005, Aug 22). U.S. links Mexican cattle business to cartels. Houston Chronicle. <http://www.chron.com/news/nation-world/article/U-S-links-Mexican-cattle-business-to-cartels-1674193.php>. Accessed October 4, 2016.
- Lavagem de dinheiro com gado é “facilimo”, diz juiz (2007, June 24). G1.globo.com. <http://g1.globo.com/Noticias/Politica/0,,AA1571851-5601,00-LAVAGEM+DE+DINHEIRO+COM+GADO+E+FACILIMO+DIZ+JUIZ.html>. Accessed August 2, 2016.
- Law No. 9.613 of March 3, 1998. http://www.planalto.gov.br/ccivil_03/leis/L9613.htm. Accessed August 3, 2016.

¹²FATF Recommendation No. 22 identifies the following as “Designated Non-Financial Business Professions”: casinos, real estate agents, dealers in precious metals and stones, lawyers, notaries, other independent legal professionals and accountants, trust and company service providers. FATF (2016).

¹³See Article 9, Part XVII. Law No. 9.613 of March 3, 1998.

- Murphy, H., & Bocanegra, N. (2013, May 28). Money laundering distorts Colombia's economic comeback. Reuters. <http://www.reuters.com/article/us-colombia-moneylaundering-idUSBRE94R03E20130528>. Accessed January 22, 2017.
- U.S. Department of Agriculture. (2016a, September 21). Animal and Plant Health Inspection Service, National Animal Health Monitoring System. https://www.aphis.usda.gov/aphis/ourfocus/animalhealth/monitoring-and-surveillance/nahms!/ut/p/z1/04_iUIDg4tKPAFJABpSA0fpReYllmemJJZn5eYk5-hH6kVFm8X6Gzu4GFiaGPu6uLoYGjh6Wnt4e5mYGBr7m-l76UfgVFGQHKgIALYjxjA!!/. Accessed September 27, 2016.
- U.S. Department of Agriculture. (2016b). Farm Service Agency. <http://www.fsa.usda.gov/>. Accessed August 2, 2016.

International Money Laundering Through Real Estate
and Agribusiness

A Criminal Justice Perspective from the "Panama
Papers"

De Sanctis, F.M.

2017, XIV, 143 p. 2 illus. in color., Hardcover

ISBN: 978-3-319-52068-1