

# Etc Terra



## Using fair-trade pricing to incentivize REDD+ actions

*Cashew nuts in Zambézia, Mozambique*

International Workshop on Jurisdictional  
Landscape Programs

**July 21<sup>st</sup>, 2015**

Maputo, Mozambique



WORLD BANK GROUP

# Etc Terra



**Etc Terra's mission** is to design, develop and lead projects in rural landscapes that preserve the environment while contributing to the local economy. Our projects are designed to be economically viable, scalable and replicable across developing countries.

## How we work

- *By contributing to a dynamic sustainable economy*
- *With an approach that is tailored to the territory*
- *By leveraging partnerships*
- *Through diverse and innovative financing*
- *By giving priority to accountability*

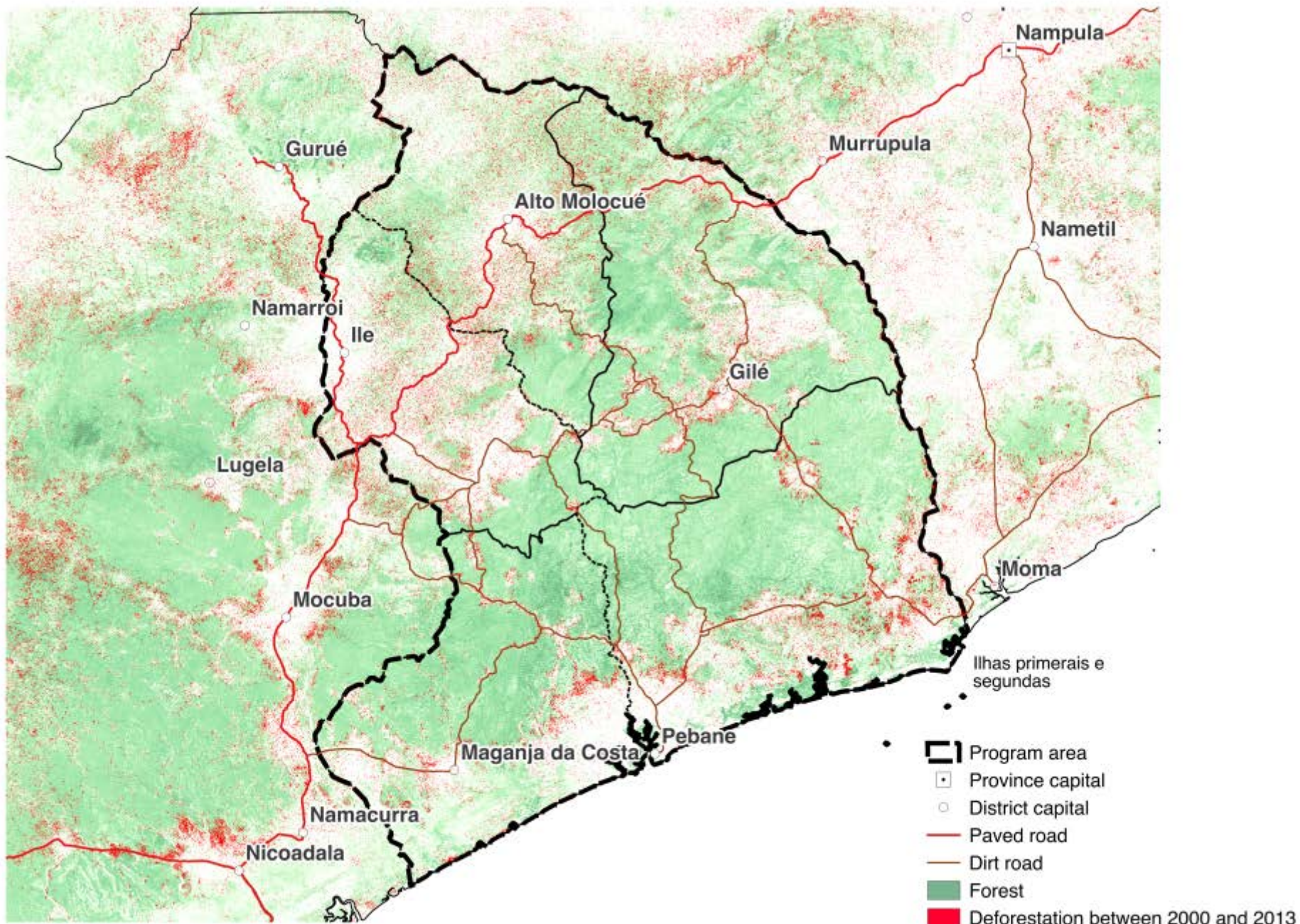
## Some examples of the work we are conducting on REDD+

- Coordinator of the PHCF REDD+ program in Madagascar
- Development of reference emission levels for the whole rainforest eco-region of Madagascar
- Partner of the Gilé REDD+ Project in Zambézia, North Mozambique

# Mozambique Early Idea

## Zambezia Integrated Landscape Management Program





# North Zambézia is a remote area where the main deforestation driver is **Slash & Burn Agriculture**

## Drivers

*Slash & Burn  
Agriculture  
for cassava and  
corn*

## Agents

Small-scale  
farmers

## Underlying causes

*Poor soil conditions and weak  
management capacities, low productivity  
crops, poverty & subsistence agriculture*

# The main option to reduce deforestation is the promotion of conservation agriculture

Conservation  
Agriculture

- Agroforestry system: boundaries systems, homesteads, orchards, *Faederbia albida*, etc
- Technical assistance and inputs (seeds, fertilizers, equipment)
  - Community nurseries
  - Fire management
- Increase productivity, Contribute to food security, access to markets



## Core question for North Zambézia: **How to incentivize adoption of conservation agriculture at scale?**

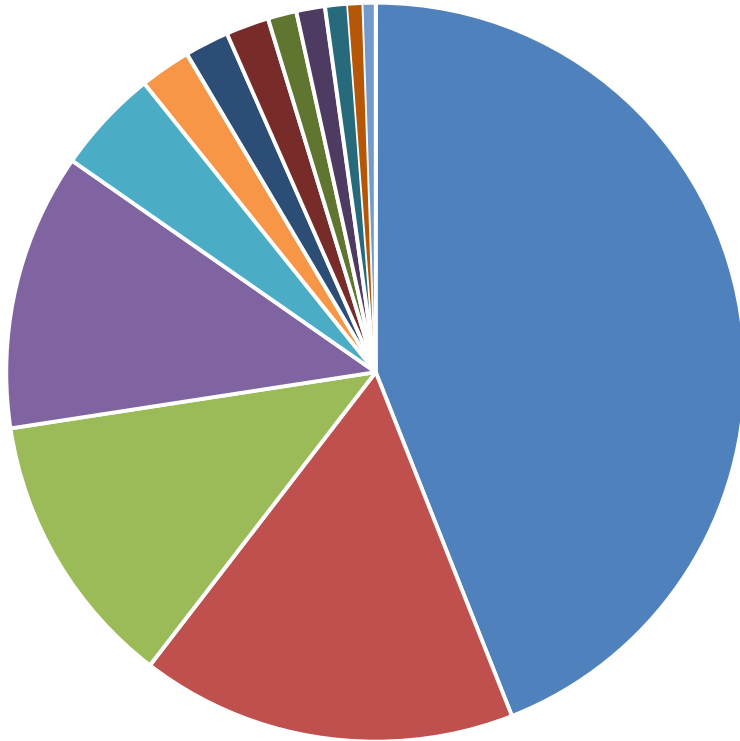
- Small-holders are usually risk-adverse
- Adoption rate of innovation in agriculture are usually low
- Need for:
  - Strong incentives over a long term
  - And long-term technical assistance

# Can market incentives through agricultural commodities supply chain be a solution?

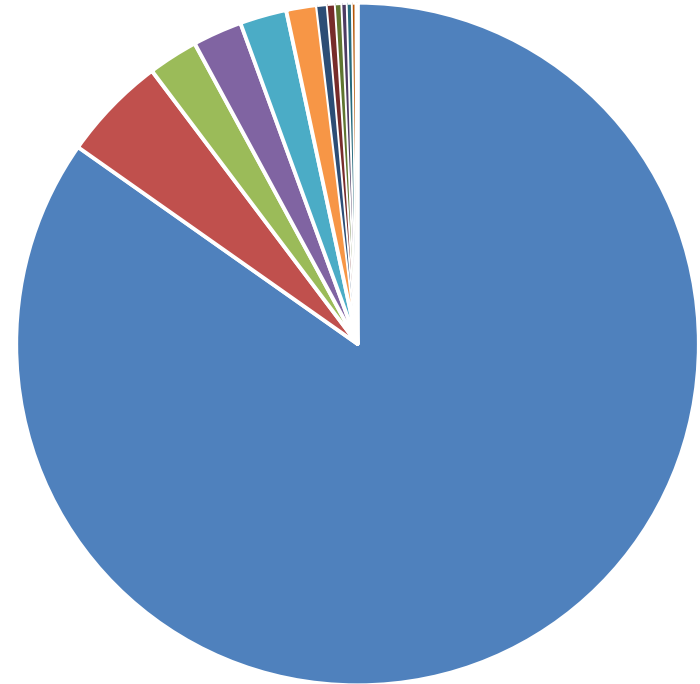
Tree guiding principles:

- Markets must be available for participants' products and services
- Provide clear and sustainable benefits to smallholders
- Work with a large number of producer

Area (ha)  
source : DPAE Gilé 2012/2013

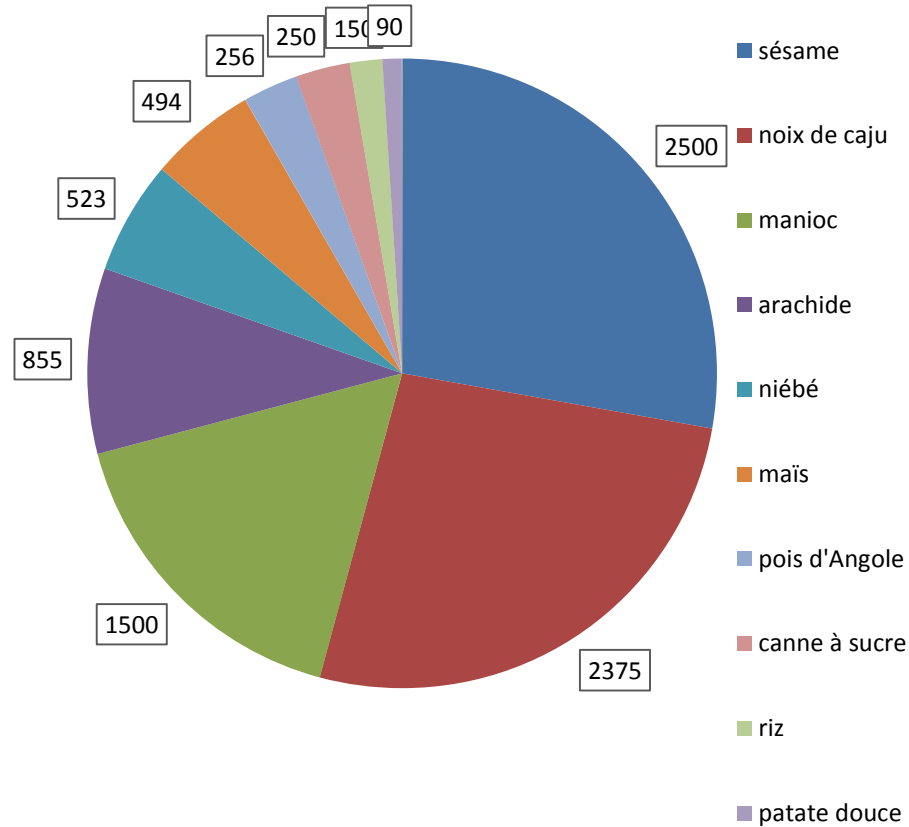


Production (t)  
source : DPAE Gilé 2012/2013



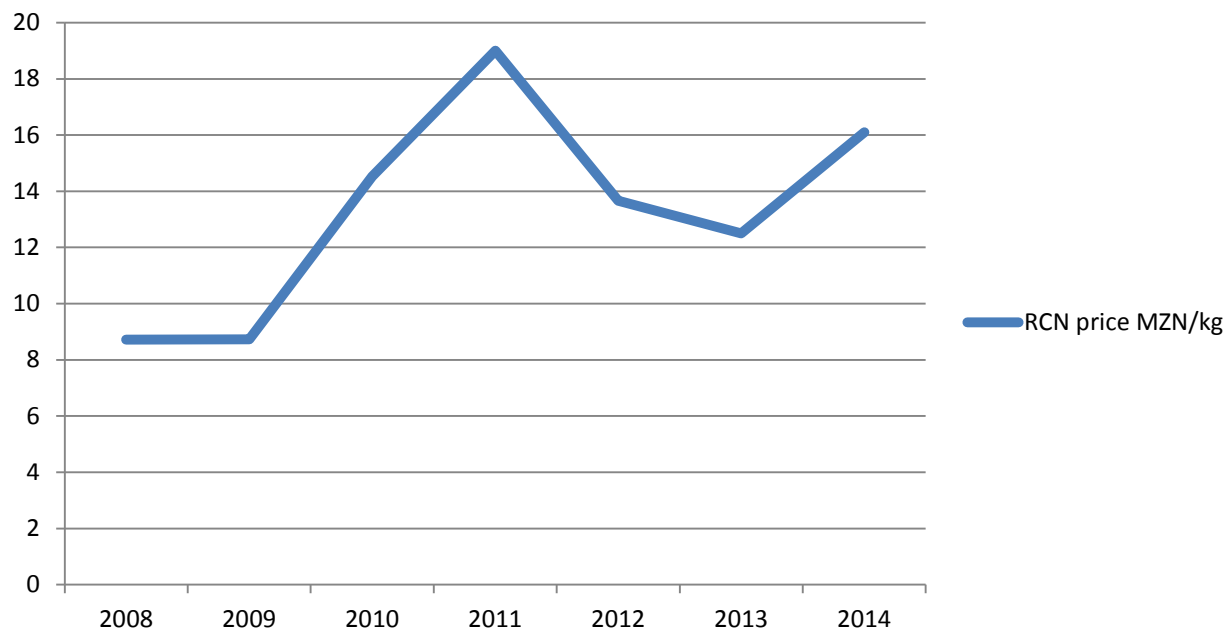
- An extensive *cassava-corn-peanut* agricultural system based on natural fertility
- Every producer has some cashew trees

## Net revenues (MZN)



But **revenues mainly based on commercial crops**: sesame and cashew nuts (A turnover of 5,7 millions US\$ in the district of Gilé)

Raw cashew nut *farm gate price* are far low below fair-trade price: 13 MZN/kg vs. 23 MZN/kg

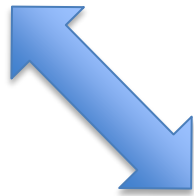


**An opportunity exists to create incentives through fair-trade pricing, that could:**

- be a lever for the adoption of low-deforestation practices through contractualization**
- participate to poverty reduction**

# Contracting scheme

Fair-trade price and  
technical assistance



- Adoption of conservation agriculture practices for cassava and corn
- No poaching in the reserve
- No plantation of cashew tree on new deforested-land

## On the demand side:

- New York declaration on forest
- No-deforestation supply chain

Asia Pulp and Paper	Golden Agri-Resources	Miller/Howard Investments, Inc.
Barclays Boston Common Asset Management	General Mills	McDonalds
Calvert Investment Management	Grupo Bimbo	Mondelez
Cargill	Johnson & Johnson	Nestle
Clarmondial	Kao	Permian Global
Danone	Kellogg's	Procter & Gamble
Delhaize	L'Oreal	Pick n Pay
Deutsche Bank	Marks & Spencer	PT Rimba Makmur Utama
Royal Ahold	SC Johnson	Sobeys
Trillium Asset Management LLC	Unilever	Walmart
Westpac	Wilmar International	Yves Rocher Group

## On the demand side:

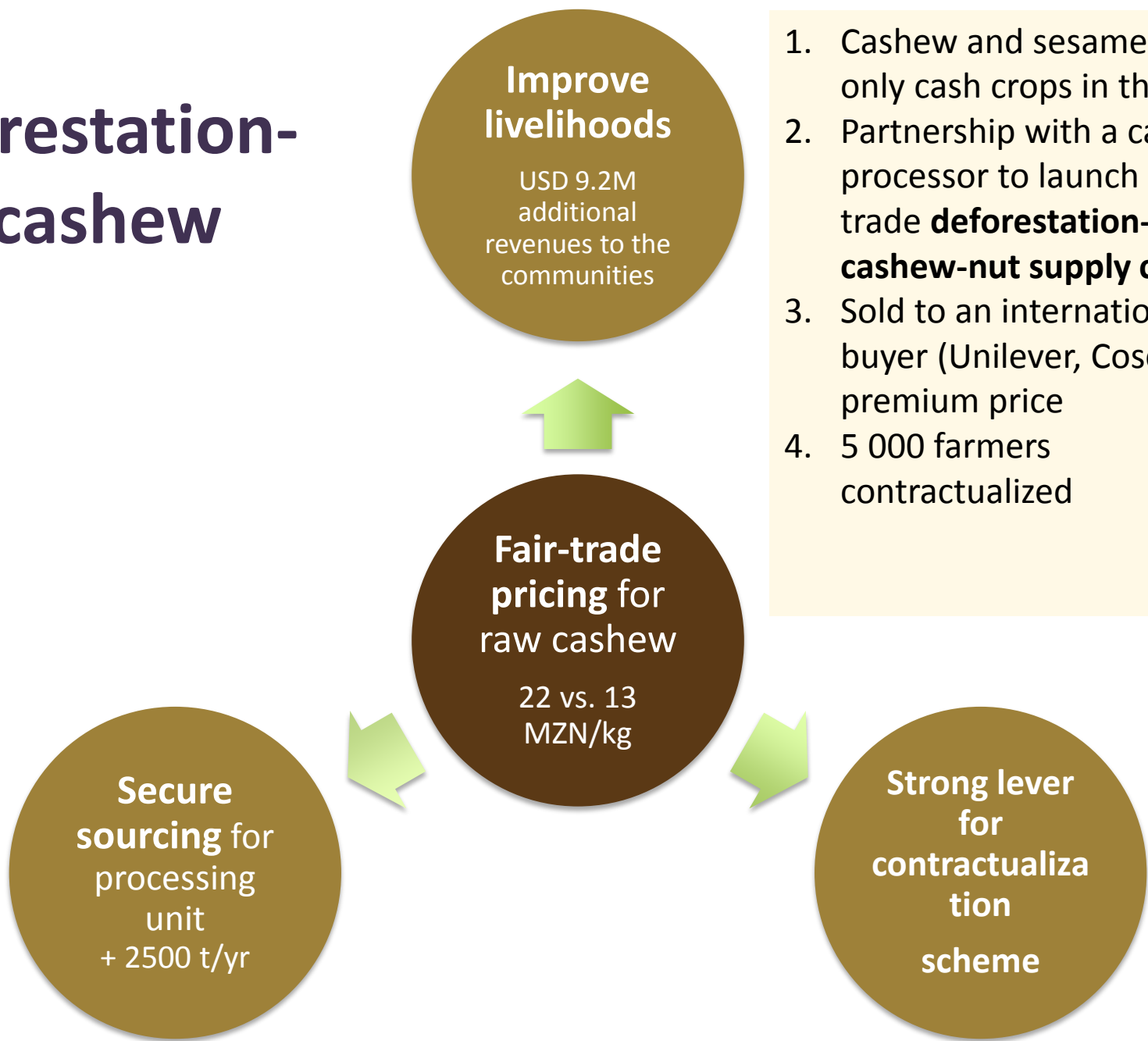
- Commit to eliminate deforestation from their supply chains, including third party suppliers, as soon as possible, and collectively by no later than 2020. Leading consumer goods companies, commodity producers and traders have already committed to ambitious timelines to phase out deforestation, some with immediate effect. More companies should be encouraged to follow suit, including companies from other sectors such as animal feedstuffs, construction and food services
- Adopt the highest possible standards for forest conservation particularly as they relate to protection of high carbon stock landscapes, no expansion onto peat lands and the protection of human rights and land rights.
- Commit to traceability and transparency in their supply chains.



## On the demand side:

- > Possibility to launch a fair-trade, no-deforestation cashew nut business in North Zambézia
- > Some well advanced discussion with Norwegian and French buyers

# Deforestation-free cashew



1. Cashew and sesame are the only cash crops in the area
2. Partnership with a cashew processor to launch a fair-trade **deforestation-free cashew-nut supply chain**
3. Sold to an international buyer (Unilever, Cosco...) at a premium price
4. 5 000 farmers contractualized

**This model could be an innovative way to incentivize low-deforestation practices**

**It would be based on a partnership between private funding (supply chain/traceability) and public funding (extension services)**

## Recommendations for landscape REDD+ program:

- Funding should reflect the time commitment needed to achieve goals
- Markets must be available for participants' products and services
- Provide clear and sustainable community benefits

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