Using fair-trade pricing to incentivize REDD+ actions

Cashew nuts in Zambézia, Mozambique

International Workshop on Jurisdictional Landscape Programs

July 21st, 2015
Maputo, Mozambique
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
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.

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

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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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