

SCALING SUSTAINABLE PRODUCTION, MARKETS AND FINANCE

ANA PAULA TAVARES
EXECUTIVE VICE PRESIDENT

Workshop on Finance
Mechanisms for Biodiversity
MARCH 12, 2012

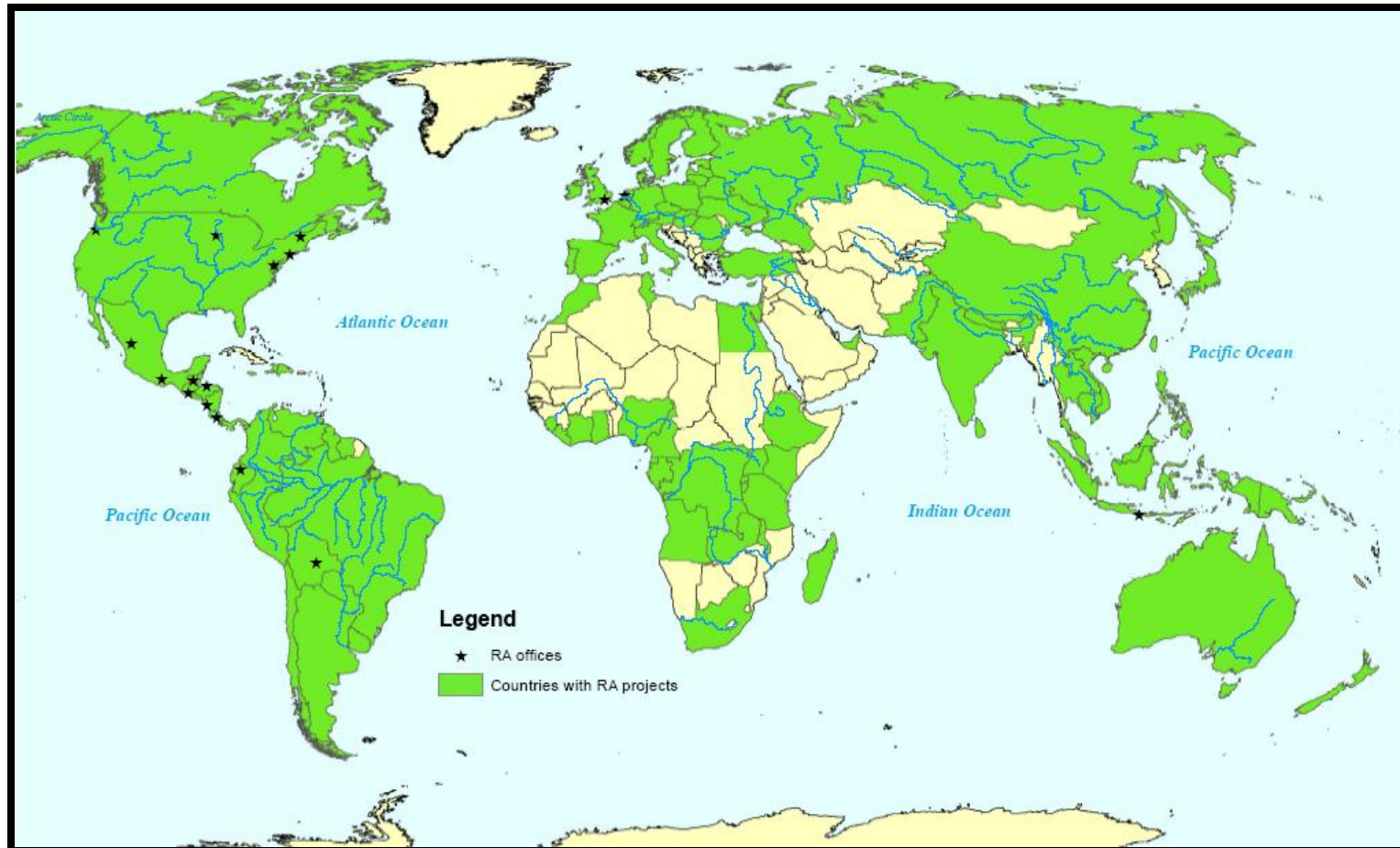




The Mission of Rainforest Alliance: TO CONSERVE BIODIVERSITY AND ENSURE SUSTAINABLE LIVELIHOODS BY TRANSFORMING LAND-USE PRACTICES, BUSINESS PRACTICES AND CONSUMER BEHAVIOR



Rainforest Alliance is Active in Over 70 countries



Rainforest Alliance Programs

Agriculture

- Rainforest Alliance encourages farmers to grow crops and manage ranchlands sustainably. Farms are audited against the Sustainable Agriculture Network's standards.

Forestry

- Rainforest Alliance ensures that timber extraction is conducted responsibly. Certification awarded to those that meet Forest Stewardship Council (FSC) standards. Verification to other standards also offered. 165 million acres conserved. 5% of world's working forests.

Tourism

- Rainforest Alliance offers tourism businesses the tools and techniques they need to run efficiently and sustainably. Businesses that have completed our program earn the right to use the Rainforest Alliance Verified™ mark.

Climate

- Rainforest Alliance offers validation and verification services to forest-based carbon projects under a variety of credible standards, including the Plan Vivo, the Voluntary Carbon Standard and CCB.



OUR SHARED GOALS AND VISION:

"It's not as though we can just stop farming, or do with less of it. We have to find ways to farm sustainably"

Agriculture has the **largest environmental impact** of any industry.

It occupies

38%

of Earth's land area.

Agriculture uses more fresh water and affects more of the planet's surface than any other single human activity.

Agriculture is one of the leading causes of climate change, responsible for

14%

of greenhouse gas emissions from soil erosion, poor irrigation practices, uncontrolled use of fertilizers and other agrochemicals, biomass burning and livestock production.



RAINFOREST ALLIANCE CERTIFIED™

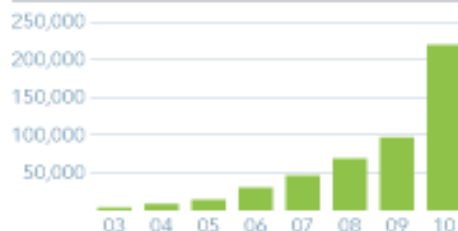
MARKET SHARE - PRODUCTION 2010

COFFEE

VOLUME CERTIFIED



CERTIFIED PRODUCTION (METRIC TONS)



COCOA

VOLUME CERTIFIED



CERTIFIED PRODUCTION (METRIC TONS)

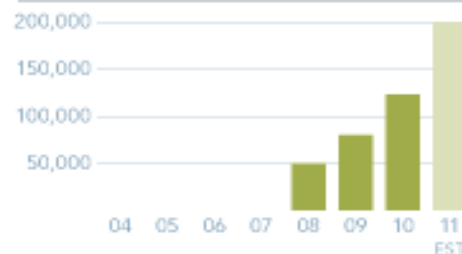


TEA

VOLUME CERTIFIED



CERTIFIED PRODUCTION (METRIC TONS)



BANANAS

VOLUME CERTIFIED



of total world market

ESTIMATES 2012

COFFEE: → 3.26%

COCOA → 3.3%

TEA → 9.4% and Bananas 20%



TEA IN THE LAST 12 MONTHS

TEA	2,011	2,010	GROWTH
PRODUCERS	132,506	15,085	778%
CERTIFICATES	54	18	200%
VOLUMES	242,330,293	123,007,179	97%

Trained 430,000 smallholders in Kenya, Rwanda, Malawi, Tanzania, Sri Lanka and Indonesia. Includes 35 KTDA factories.



RA ROLE: EXPANDING TO ADDRESS FINANCING NEEDS

- Demand for certified products far outpaces supply
 - To increase production, significant investments will need to be made
 - RA now working to increase capital available and improve access to finance for producers
 - ✓ Our traditional role:
 - provide TA /capacity building to producers focused on farm/forest/tourism BMPs
 - Conduct certification or verification audits to high standards (FSC, SAN,)
 - Get product to market through work with our corporate partners - across the value chain
 - ✓ Our *newer* role:
 - Assess credit needs of producers and educate the financial sector about the opportunity
 - Augment our TA with more focus on business planning and financial literacy
 - Build capacity of local financial institutions to lend in agriculture/forestry
- Create new partnerships between financial institutions, producers and NGOs

CASE STUDY: GUATEMALA

BUILDING NEW CREDIT FACILITIES FOR FORESTRY SMEs

- Over the past 3 years, RA has developed new partnerships and advised in the structuring of 3 new financing mechanisms for forestry SMEs.
- Each one is progressively larger and more innovative
 1. Arigidius Foundation – BANRURAL working capital fund (~\$300,000)
 - First commercial credit mechanism for forest SMEs in Guatemala
 - Microloans (\$10,000-\$30,000)
 - Terms: 6 month to 3 yrs; 9%
 - Collateral: real estate, property borrowers pledge to lend, fiduciary guarantees
 - Loans extended: 28
 2. IDB – Financiera de Occidente S.A. – FIDOSA credit facility (\$3.4M)
 - Revolving Line of Credit: (\$50,000-\$300,000).
 - Terms: 3 years, flexible draw based on operational cycle; 10.5%
 - Collateral: conventional hard collateral OR purchase order for partial

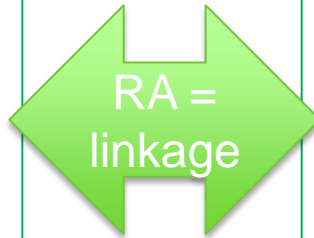
GUATEMALA: RA SHAPING NEW FINANCING VEHICLES

- 3. USAID (DCA) - BANRURAL (\$17.2M with \$8.6M guarantee)
 - Larger credits: (\$30,000-\$500,000).
 - Terms: 5 years (with 2 year grace period); 12%
 - RA – TREES is TA provider and formal facilitator between banks and SMEs
 - Purchase orders used as collateral
 - Use of funds: working capital, value added process, certification
 - Loans extended: 3 anticipated in the next quarter
- All three vehicles enable or require FSC certification
- Current repayment record: zero default; all payments on time
- RA's role: design, advise, enable (TA), ensure sustainability of borrowers, provide pipeline, capture lessons, tighten execution from banks, expand

WORKING TO SHAPE SUSTAINABLE FINANCE

FOR PRODUCERS

- Increase organization and formalization of producers
- Continue to provide top TA and capacity building on BMP
- Improve business acumen and financial literacy of producers
- Certify
- Bring producers into high value markets and keep them there
- Highlight benefits of good practice



FOR LENDERS

- Assess and document the credit needs of producers
- Address financing risk through certification:
 - Productivity is enhanced
 - Producer income is less volatile and growing
 - Supply chains are more resilient and stable
- Create new partnerships (foundations, local banks and development banks)
- Help design product tailored to need
- Deliver high quality pipeline of borrowers

- HIGHLIGHT SUCCESS STORIES
- REPLICATE



BUILDING A SUSTAINABLE ECONOMY THAT PROTECTS BIODIVERSITY AND ENSURE SUSTAINABLE LIVELIHOODS

Challenges:

- Build awareness regarding the environmental and social cost of goods

- Scale up

Opportunities:

- Growing market for sustainable goods

- Success stories demonstrating triple bottom line benefits to producers and companies (small and large)

Scaling Up:

- Reach tipping points





Rainforest Alliance

The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior.