The Moringa Fund: Private Equity for Agroforestry Solutions

Delivering a just rural transition by strengthening community and supply chain resilience through investment in agroforestry

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Just Rural Transition  wbcsd  MERIDIAN INSTITUTE
Investing in Agroforestry through the Moringa Fund

Deploying equity to support sustainable, socially impactful Nicaraguan coffee production

Location
The Moringa Fund works across Latin America and sub-Saharan Africa, while its partnership with Nica-France is focused in Nicaragua.

Context
Moringa is an investment fund which targets agroforestry projects. It works with partners to develop sound and sustainable projects combining economic benefits with high environmental and social programs.

Cafetalera Nica-France is a Nicaraguan agroforestry company specialized in the production of high quality shade-grown coffee and timber for high-end applications.

Challenge
Following an outbreak of ‘coffee rust’ in 2012, coffee production in Nicaragua declined by 40%, exacerbated by the effects of climate change, and with devastating effects on local livelihoods.

In order to support the Matagalpa region’s recovery from the outbreak, Cafetalera Nica-France sought to develop a large-scale agroforestry project, which it believed would strengthen resilience amongst coffee growing communities in the face of further climate disruptions, and command a price premium to make up for the smallholders’ lost income. This required an investment of several million euros.

“(...) We need to develop more resilient agricultural systems and more virtuous agricultural business models. ‘The Moringa Project’ is a model that we [want] to promote and replicate worldwide.”
Clément Poncon, CEO of Nicafrance

Solution
To provide stronger incomes for smallholders in Nicaragua, alongside commercial returns for its shareholders, the Moringa Fund invested USD $13.3 million in Cafetalera Nica-France’s vision for agroforestry from 2015 - 2020.

The EUR €84 million fund, which today has a portfolio of six agroforestry companies across Latin America and Sub-Saharan Africa, invested in Cafetalera Nica-France’s five-year land rehabilitation program on its outgrower farms, sharing and implementing state-of-the-art agroforestry techniques and specific high-yield rust-tolerant coffee varieties developed through extensive research by the French Agricultural Research Centre for International Development (CIRAD).
The outgrower program targeted small and medium-sized farms in the Matagalpa region affected by the 2012 outbreak of coffee leaf rust, funding them to create a premium coffee production cluster for international high-end roasters (the company already supplied large international roasters and leading coffee brands).

Alongside investment, Moringa also brought technical expertise to farmers participating in the project through its partnership with the French Office National des Forêts.

"This transaction builds a bridge between small and medium sustainable farmers in Nicaragua, and socially and environmentally responsible investors such as Moringa."

Clément Poncon, CEO of Nica-France

Impact
Moringa’s investment in Nica-France combined robust financial performance requirements with widespread social and environmental benefits. The growing use of agroforestry techniques amongst smallholders enabled farmers to create optimal coffee-growing conditions, now certified by the Rainforest Alliance and UTZ, as well as provide a supplementary income from the production of mahogany, which is in high demand from furniture manufacturers.

The program has helped to tackle poverty by supporting diversified producer incomes, and creating an estimated 6,000 permanent and seasonal jobs.

The use of agroforestry has had further, indirect benefits for farmers in improving soil health, reducing the risk of landslides and improving water retention capacity in soils, increasing resilience to external climatic shocks and better preparing farmers for future disruptions caused by climate change.

Land restoration was a central pillar of the project, as more efficient techniques allowed for smaller planted areas, freeing up land in the process. Restoration was strengthened by a commitment to rehabilitate 2,000 hectares of degraded land through coffee cultivation.

Finally, the provision of knowledge and expertise from Moringa’s Agroforestry Technical Assistance Facility has helped outgrower communities to prepare themselves for future disease outbreaks and an increasingly unpredictable climate.

"[The project] combines robust financial performance requirements, with a positive and direct environmental impact while also reducing poverty."

Hervé Bourguignon, Senior Venture Partner at Moringa

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