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INTELLIGENCE

Report Series

BOLIVIA, The World Is Nuts About You

Bolivia has become the world's top exporter of Brazil nuts. Despite the environmental and logistical challenges of collecting these nuts in the thick of Amazonian rain forests, the Bolivian Brazil nut market is booming thanks in part to sound advice and opportune financing from the Fairtrade Access Fund (FAF). By providing financing and business development services to Brazil nut [harvesters, traders, processors, exporters, etc.] with fair trade and other sustainable certifications, FAF has helped to improve local livelihoods and bolster the Bolivian economy while promoting good agricultural practices and forestry protection.



The companies that have received these funds have progressed tremendously. Soon enough, we'll be calling the Brazil nut, the Bolivia nut.



The Amazonian Treasure

The product.

The Brazil Nut, known as castaña or nuez in Spanish, is a non-timber forest product (NTFP) that depends on mammals and insects for its reproduction, on humans to preserve its environment, and on a cycle in perfect harmony with the Amazon Rainforests of Bolivia, Brazil, Peru, Colombia, Venezuela and Guyana. It comes from the *Bertholletia excelsa*, a tree that grows in the depths of the Amazonian jungles thanks to the pollination of bees and the agouti, a large rodent, that buries the nuts. This natural process, complex yet completely flawless, is thus free of pesticides and human intervention. The tree can take 12 to 15 years to produce its

fruit and can reach heights of up to 60 meters, producing pods that resemble coconuts and that each yield about 18 seeds. Because of its benefits, not only are Brazil nuts considered a “superfood” for their health benefits, but are also widely used in soaps and other beauty products for their natural oils.

Currently, there are no industrial-scale Brazil nut plantations whose production is steady enough to meet export demands. Instead, the nuts are collected in the wilderness between the months of November and March when *zafreiros*, *castañeros* or seasonal collectors migrate to

the regions in Bolivia where the Brazil Nut grows. This season is characterized by heavy rains thus the number of seeds that can be collected depends highly on the weather. Changing climate patterns that make rainfall unpredictable present further obstacles to a successful harvest, upon which many Amazonian communities depend for their livelihood.

Consequently, environmental preservation is a top priority for investors, associations, companies and small collectors preserving this intricate tropical environment.

Bolivia's nut numbers.

Within Bolivia's borders lies a majestic and leafy portion of the Amazon that has enabled the country to become the world leader in Brazil nut production. Let's take a look at some of the figures that illustrate this market:

1

According to Instituto Boliviano de Comercio Exterior (Bolivian Institute of Foreign Trade), IBCE, Bolivia is the number one global exporter of Brazil nuts without skin followed by Brazil and Peru. These nuts are primarily shipped to five main countries.

U.K.	(25%)
Germany	(22%)
United States	(20%)
Australia	(14%)
Netherlands	(4%)

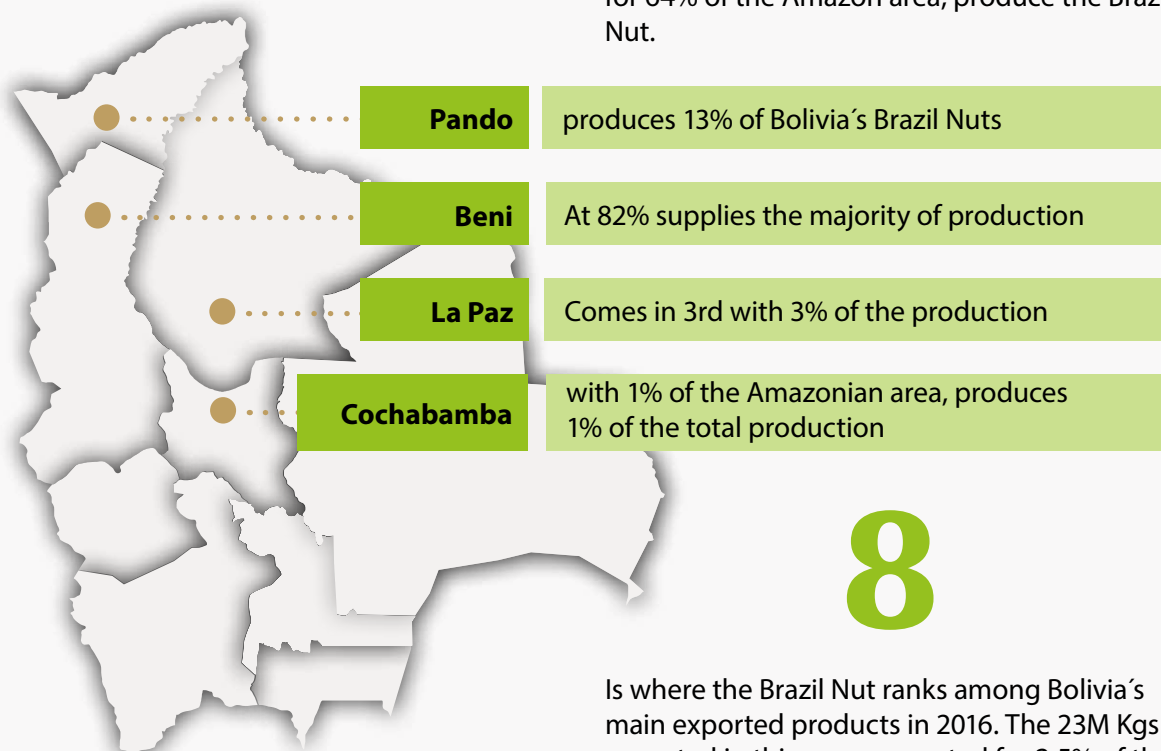
10%

Of Bolivia's total surface area is covered by the Amazon. With an area of approximately 100.000 Km², it is estimated that there are 17.000.000 *Bertholletia excelsa* trees in the Bolivian Amazon.



4

Out of 9 Departments in Bolivia, accounting for 64% of the Amazon area, produce the Brazil Nut.



8

Is where the Brazil Nut ranks among Bolivia's main exported products in 2016. The 23M Kgs exported in this year accounted for 2.5% of the country's exports.



The rise of the castaña.

The rapid growth of the Brazil nut began in the late 1980s. By the 2000s, Brazil nut exports had gained prominence in the Bolivian economy, rising from the 10th largest export in 2013 to the 8th largest in 2016, according to the ICBE.

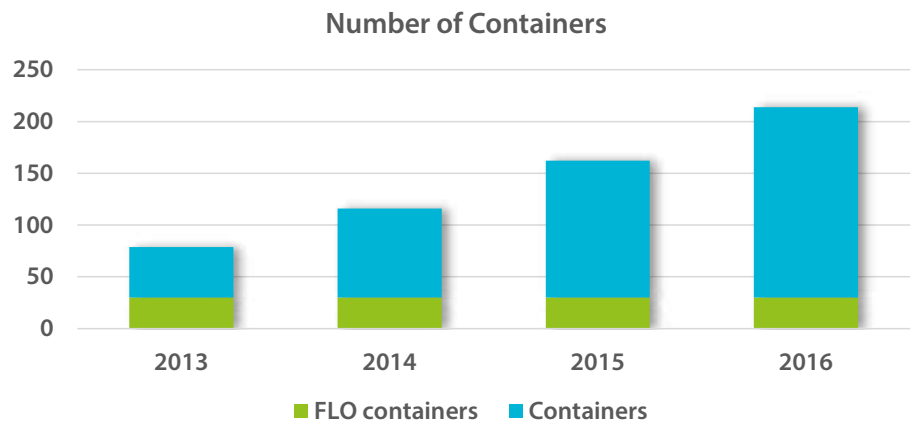
This evolution comes as a result of different policies implemented by the country and because of the role international funds, such as the FAF, have played in promoting sustainable agro finance.

FAF, the seed to a financial journey

The economic and social development of the Bolivian Amazon region depends not only on its people's capacity to manage the land and forest resources, but on their ability to do it in a sustainable manner. However, without complementary guidance and export financing, the possibilities to accomplish this remain limited.

In this context, the FAF focuses on identifying profitable and sustainable businesses, supporting them to expand their operations and impact among local communities.

In 2013, FAF entered the Bolivian Brazil nut market. The market showed a Bolivian Brazil nut market with a stagnant production of seeds but with the potential to expand. A mind-set that preferred donations over financial advice but with the readiness to learn. An informal business setting that was willing to formalise. And a local market with a lot of nuts that were ready to be packed, shipped and exported.



It has been a long and fruitful journey since 2013. Over the course of 4 years, the FAF has helped export 2.3 billion Brazil nuts and the four SMEs involved have profoundly improved their businesses, becoming role models of environmental sustainability for the region.

This comes as a result of always taking into account that erroneous or excessive usage of natural resources could eventually mean less production.

The FAF philosophy.

Extensive research by the World Bank and the United Nations Food and Agriculture Organization (FAO) has shown us that supporting smallholder farmers is

an effective approach to reducing rural poverty and increasing food security, especially given that small farms produce the majority of food in developing countries.

Our thorough analysis of the Brazil nut market in Bolivia unveiled that investing directly in associations or collectors would not create the ripple effect this economy needed. Our strategy since 2013 has thus focused on investing in SMEs with the potential to grow and that, at the same time, benefit the different links in the entire supply chain, i.e. associations, zafreros, etc. FAF's intervention has enabled the successful performance of these companies, actively contributing to the sustainability and growth of Bolivian communities in the Amazonia.



FAF's holistic approach includes three levels of engagement.

1.

Financing:

Providing the right amount of financial support along with sound financial advice. The goal is not to simply make resources available to the SMEs, but also to advise on crucial financial decisions, such as policies that stabilize cash flows, decrease debts, increase liquidity and provide a cushion for any financial difficulties that may arise in the future. Simultaneously, the FAF also encourages its investees to take up industry best practices, such as conducting thorough internal and external audits that

will enhance the quality of the financial information they present to the world.

The FAF has financed almost 5 million USD; this has helped the SMEs to acquire sustainability or quality certifications like ISO, FTO and CERES, and to strengthen their businesses in aspects such as being able to get funds from local banks with much lower interest rates as they used to have.

Significant shares of FAF's funding are used to purchase castañas from harvesters and to build up reserves in case of natural disasters (mainly flooding that often occurs during harvest season).

1.7 M
USD yearly avg.

of FAF financing per
Brazil Nut SME



2.

Certifications and trainings:

Addressing environmental, social, communal, and product quality dimensions.

Having a robust cash flow allows these SMEs to reinvest profits into training staff and into acquiring certifications, under which the Brazil nuts garner higher prices on the international market. These not only guarantee the quality of their product to the world but also address open market failures, reincorporate their cost into the product supply chain and help invest back in the community.

By maintaining these sustainable certifications, these SMEs are able to distribute on average 390,720 USD per year in fair trade premiums to the communities in which they work, which is used to fund social projects such as [insert example]. Furthermore, fair trade premiums allow SMEs to train employees in specialized skills and to adopt new technologies that make their businesses more competitive and sustainable. .

391K
USD avg.
 received in FLO
 premiums per SME

3.

Environment and community:

Environmental protection and rural livelihoods.

Given that the quality of the Brazil nut depends largely on preserving the Amazon rain forest in its natural, wild state, the every step of the business development process should seek to protect the tropical environment, while promoting the livelihood of local communities.

In order to ensure compliance with labor regulations and with the Bolivian Forest Protection (ABT) laws, the FAF requires investees to maintain forest intervention licenses for protected lands, sustainable certifications and environmental and work permits.

With FAF's support, SMEs are able to directly invest in local communities, building infrastructure such as new roads that make transport easier for farmers and travel easier for indigenous communities, and constructing quality housing for workers. This model has also set in motion a generational shift in many Amazonian communities, wherein children are taking over family Brazil nut businesses, armed with new academic knowledge and skills to secure economic prospects for themselves and their families.

Milestones in This Finance Journey

The companies that FAF partners with vary in size, location and business strategy indicators.

Though they're affected in different ways by market trends and have different strategies and production processes, they share a common passion for Brazil nuts and for supporting the communities whose livelihood depends on their production.



(Companies' profiles)

**Green Forest Products S.A.
(GFP).**

Founded: 2006

Certifications: CERES, BOLICERT,
Fairtrade Organic, BRC

ROA: 13.57%

Employees: 331

Suppliers: certified associations

"These type of businesses helps the poorest sectors of our Bolivian society and our aim is to keep assisting the community. By maintaining a mixed processing system for the nuts (both manual and technical), we benefit more than 60 families."

Carlos, CEO GFP

EXIMCRUZ	PAMOC	Beneficiadora San Agustin (BSA)
Founded: 2011	Founded: 2010	Founded: 2006
Certifications: Kosher, ISO 22,000, Organic-IMO, Fairtrade	Certifications: Organic "FLO CERT, FTO, HACCP	Certifications: Organic Ceres, FTO, ISSO 22000, BRC (in process)
ROA: 8.30%	ROA: 7.71%	ROA: 0.91%
Employees: 72	Employees: 146	Employees: 197
Suppliers: contractors, farmers communities and FTO associations	Suppliers: Zafreros of the union, indigenous and farmer associations and communal organizations.	Suppliers: indigenous associations and others.

"Holistic development is our motto. Our objective will continue to center around helping the communities we work with, by creating greater opportunities for long-lasting jobs in the region"

Pablo, Commercial Manager, PAMOC

The financials of the Brazil nut.

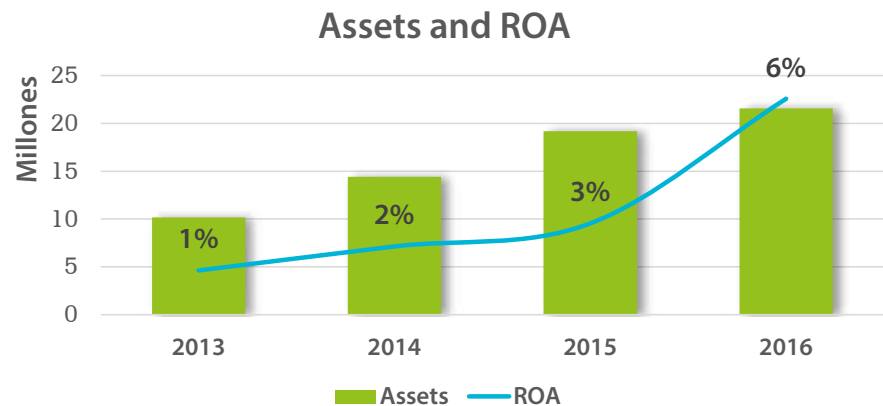
The evolution of these companies can be partly described by their financial performances in terms of sales and financial indicators. The following graphs show the progress of the four SMEs from 2013 to 2016.



There has been a steady growth of sales since 2013 for the four SMEs. Having available funds has allowed them to secure purchases from certified suppliers and thus increase their sales. In addition, their sales are now 100% exports rather than for domestic consumption.

Capitalizing on returns

With the same trend as sales, the amount of total assets for the four SMEs has increased since 2013 as well as the ROA indicator, showing an enhancement in their efficiency to generate earnings through their assets; this has come as a consequence of practicing appropriate financial policies in their companies, thanks in part to coaching from FAF advisors.



What comes next?

Steady sales growth coupled with sound management put them on track for success, though, as with any company, they are aware of the unique challenges they will have to overcome in the future.

Some of these include obstacles to collection and transportation, made difficult at times by weak

infrastructure and therefore higher costs and potential delays in exports. Others relate to price setting - because there is no international price reference for Brazil nuts and because some buyers remain reluctant to pay the fair trade premium, much remains to be done to formalize this aspect of the market.

Finally, they will continue to acquire certifications that will allow them to show the quality of their product to the world. Despite these challenges, Bolivia's Brazil nut market, with the help of international funders such as the Fairtrade Access Fund, looks poised to continue expanding in the years to come."





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