

PROJECT SUMMARY

DEVELOPMENT OF A MACAUBA-BASED SILVOPASTORAL SYSTEM AND VALUE CHAIN

(BR-T1333 AND BR-Q0019)

In Brazil, a growing demand for palm oil has resulted in rising import costs and large tracts of forest land being cleared for palm plantations. The Macauba palm tree, native to Brazil, grows outside of typical rainforest zones and can be planted in agroforestry schemes (including on existing pastures), which represent an alternative to traditional monoculture palm plantations, whose expansion generally negatively impacts the environment by putting pressure on land degradation and deforestation. Macauba can produce palm oil to sustainably meet rising domestic and global demand without the need for land use change, and without reducing the yield of pastures for cattle grazing. The Macauba fruit is processed into plant oil, animal feed and a dense biomass granulate. Even though Macauba naturally flourishes on Brazilian lands (especially in the *cerrado*) it remains largely unexplored as it has lacked a structured commercial value chain: a third of the area of the project region of Alto Paranaíba, Minas Gerais would be sufficient to substitute the entire Brazilian palm oil imports. The long-term Macauba production potential in Brazil exceeds current global palm oil production volume by far¹ and represents a potential source of meeting a large part of global demand. If this market can be proven it could dramatically disrupt the global palm oil market and be scaled nationally and globally.

Leveraging resources from the Forest Investment Program (FIP, part of the Climate Investment Funds), this project seeks to develop the first sustainable Macauba oil value chain in the world by designing a model in which smallholder farmers harvest Macauba plants on their land and existing pastures, and receive payments for their labor during harvests and for the Macauba fruits grown on their land. The oil produced from the Macauba fruits will be sold to the growing palm oil market in Brazil and the other Macauba by-products will be sold to various other national industries.

This intervention will occur in an area with high seasonal unemployment and low incomes for smallholder farmers and agricultural laborers. It is expected to increase incomes of both laborers and farmers, create employment during the agricultural down season, and to create employment in the oil mill and the associated service sectors (transport, etc.). It is also expected to sequester 300,000 tons of CO₂, while avoiding emissions from deforestation and reducing pressure on a region suffering higher deforestation rates than the Amazon, which contributes to Brazil's Intended Nationally Determined Contribution (INDC) targets of reducing land use change and agriculture emissions, and supports the implementation of the Brazilian new Forestry Code.

A MIF contingent recovery grant of \$1M will help provide farmer and agricultural laborer training, structure the smallholder farmer involvement, and develop the business model. A small MIF grant will cover costs associated with legal structuring and knowledge, coordination, and partnerships for scaling. The MIF will administer an equity investment of US\$3M (FIP resources) to finance capital costs of the farmers of the intervention and the investee INOCAS.

¹ Macauba Feasibility Study, page 8

http://www.leuphana.de/fileadmin/user_upload/portale/inkubator/download/Summary_Macauba_Feasibility_Study.pdf