

12:03 AM (GMT -03:00) – Sep 10 2018

## The business of keeping forests alive

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By Bettina Barros | Cananeia, São Paulo

Few farmers in the world can boast about getting Rothschild money. But an agroforestry project in São Paulo's Ribeira Valley last year drew the European banking family, which ordered one of its private-equity funds to make the first investment into a consortium producing hearts of palm, banana, eucalyptus and hardwood in a model farm located in Brazil's Atlantic Forest.

The Rothschild fund, dubbed Moringa, will invest R\$19 million until the end of 2019 into developing an agricultural and industrial project at Floresta Viva S.A., of which it holds a 60% stake along with filmmaker Fernando Meirelles and the founding partners, brothers Roberto, Mário, Eduardo and Ari Pini, and Italian investor Marco Curatella.

None of those surnames are known in Cananeia, a calm city of 12,000 inhabitants in the south coast of São Paulo, but the change they want to create with a new production system may affect the lives of several people here. "We are incubating an innovative idea, which for me is the future of agriculture," says Léo Godard, the young French agronomist of Moringa who moved to the São Pedro Farm to help lead project planning and execution.

Alongside Roberto, the oldest of the brothers and also the only one with an agronomy degree, Mr. Goard enthusiastically recalls when he pored over the "more than 400" farm projects asking for the fund's investment. "Once I read this project, I decided I had to come to Brazil."

What the investors are doing at Fazenda São Pedro is a part of an agroforestry movement now drawing investors, especially given the demand for sustainable food production in opposition to the social and environmental problems usually seen in rural areas. The basic premise is to avoid deforestation. The second premise is to increase biodiversity, and the quantity and quality of organic matter in the soil, which improves fertility and makes production more profitable. The third premise is to integrate economically people living around the project.

Because of its clear environmental appeal, including the forest's carbon-sequestration abilities, the project also qualified as a Brazilian example of climate-smart agriculture, another fashionable trend among the world's rich and powerful, and especially among their family offices. Floresta Viva recently was picked by Alimi Impact Ventures as one of six innovative agriculture ventures in Brazil due to its positive impact, proven economic model and high scalability potential.

With peach-palm as the leading product, the farm is starting to plant seedlings alternated with other species for economic and biological purposes. Peach-palms are now surrounded by banana and hardwood trees like African mahogany and guarandi, which ensure good revenue and help create the patchwork of rows with trees of different shapes, heights and tones of green. The result resembles a real forest instead of a farm.

Mr. Godard is now speaking Portuguese fluently after having lived nine months in the country and says the same happened with general director Hervé Bourguignon, investment director Clément Chenost and six other Moringa executives in Paris. Learning how to speak Portuguese shows how committed the group is to become a leader in Brazilian sustainable farming.

“And of course that it facilitates our work a lot,” he says. Try explaining to an investor what the trophobiosis theory is: the perfect physiological balance of a plant, through which an intricate chain of proteins and molecules makes its issues indigestible to bacteria, fungi and insects. Or about the role of eucalyptus, which is so well understood when it comes to the financial equation of forestry but which in agroforestry is just a bit player since its leaves and branches only provide sunlight protection to the soil’s vast and rich microbial world.

These are well-established concepts for agroforestry because they presuppose that nature when in balance is self-regulatory. Each microorganism has a fundamental role in harmonizing everything else.

Léo Godard (left) and Roberto Pini

“It goes beyond conservation here, we are allowing nature to regenerate. It’s something complex and, like any new business, with its risks. If they are narrow-minded investors, bureaucratic financiers, they quit,” says Roberto Pini.



The self-sufficiency ecosystem strategy is at the center of other initiatives at work in Brazil. Native, of Leontino Balbo, which is more advanced, and Fazenda da Toca, of Pedro Paulo Diniz, are doing similar work. The Alimi Impact Ventures study also found projects in Cerrado, Brazil’s savanna, in the Amazon and the Caatinga semi-arid region of the Northeast, which are seeking farming alternatives that are more sustainable and inclusive. With hits and misses, all of them adjusted their farming efforts along the way.

Once the French started considering an investment in Floresta Viva, the company’s business plan had already been redone “about 150 times,” says Mr. Godard, who appeared to find it normal. Adjusting a single economic variable affects the final cost composition. The labor-intensive work of agroforestry is one example that tips the scale.

With a portfolio worth €84 million, Moringa is focused on agroforestry development in Latin America and Sub-Saharan Africa. The fund is backed by Edmond de Rothschild Group and ONF International, a subsidiary of France’s National Department of Forests, and has invested in Belize, Nicaragua, Togo, Benin and Kenya, aside from Brazil. Floresta Viva is being followed with particular interest due to Brazil’s agriculture vocation and continental size. If it proves financially viable as expected, the fund will apply regenerative agriculture

systems to other areas in the country, including in coffee, cocoa, nuts and fruits.

Like any other private-equity fund, Moringa expects to post annual returns of 12% to 15% and stay six years with the business.

Mr. Pini says the company is still in the capital injection phase and will start harvesting next year. The expected heart-of-palm yield, of 1.3 stem per hectare, could generate an estimated annual revenue of R\$16,200 per hectare. Bananas, in turn, can yield R\$48,000. “Only taking into account gross data, not including hardwood, revenue will be 20 to 30 higher than with high-performance beef cattle farming, Mr. Pini says.

The investments allowed Floresta Viva to expand its plantation to 690,000 peach-palm trees, from saplings produced locally, and purchase a nearby farm to verticalize production of hearts of palm. With an initial processing capacity of 10,000 stems a day, the company plans to increase that to 40,000 in the next 12 months. They will be packaged and certified organic on site.

In parallel, Floresta Viva is training 200 people from family farms of the Ribeira Valley, seeking to disseminate the agroforestry concept in an impoverished region of São Paulo state. The farmers will cultivate vegetables with other plants in an integrated system where the company will back government-issued loans.

“They will get logistics and market access, without middlemen, and product delivery to consumer centers,” Mr. Pini says. “Little by little I’m doing my social revolution through agriculture.”