



Okavango
Capital

Rungwe Avocado Company



Creating new livelihood alternative for rural populations who depend on the unsustainable exploitation of local natural resources.

- **PORTFOLIO:** AWF Conservation Bonds
- **COUNTRIES:** Tanzania
- **INVESTMENT DATE:** 2013
- **TRANSACTION:** \$1.4M Senior Debt
- **CAPITAL USE:** Seed stage investment to set up company and construct key business assets.
- **REVENUE: (Entry):** \$US 0 Mn
- **REVENUE (2018):** \$US 4 Mn
- **INVESTOR VALUE-ADD:** Integrating conservation farming practices and community engagement in protecting against poaching and charcoal production.

Context

Rapidly growing human populations combined with inefficient agricultural practices are causing vast areas of natural wildlife habitat to be converted to environmentally unsustainable, low-yield food production.

Rungwe Avocado Company (RAC) operates around a high-value conservation complex and important watershed comprising of the Rungwe Forest, Kitulo National Park and the Mt. Livingstone Forest Reserve in southern Tanzania. The area supports the largest grassland community in Tanzania and the local water catchments supply numerous villages and towns. Significant poverty-related threats exist in the area, driven by widespread logging, charcoal manufacture, illegal hunting and agricultural expansion.

Strategy

RAC produces export-quality avocados for retailers in international markets; serving rapidly growing international demand and filling a 3-month supply gap not served by existing global production.

The company grafts the export-quality varietal onto existing local avocado trees, thereby unlocking new value from an underutilized asset. RAC's innovative production model increases opportunities for scale while providing a new source of income for local communities which serves as an alternative to the unsustainable exploitation of local natural resources.





Partnering with the community In conservation



Contract farming benefits both smallholders and businesses, while improving sustainability along agricultural supply chains. When effectively designed and well managed, outgrowers schemes can address numerous sustainable agriculture objectives. This improves sustainable sourcing practices by bringing smallholder farmers into mutually beneficial partnerships with commercial buyers, increases farmers income by improving yields and quality through training.

RAC supports a community of 4300 outgrowers through the provision of seedlings, training and extension services simultaneously increasing their income while also promoting conservation through conservation covenants. The outgrowers conservation covenants restricts engagement by farmers in poverty related activities like poaching and unsustainable natural resource extraction . Through this partnership the farmers have a secure market from which they get a fair price for their produce.

Income earned by farmers from sustainable agriculture serves as an alternative to unsustainable natural resource extraction from, and conversion of, the forest and surrounding natural ecosystem. 75% of the Avocado's exported (2018) were from the smallholder farmers thereby uplifting the livelihoods of RAC's local community without any associated opportunity cost, as well as intensifying agricultural production and consequent economic benefits out of existing agricultural land thereby alleviating the need to encroach into and convert natural forest habitat.

130

COMMUNITY

The company has created jobs and income earning opportunities for 135 permanent staff.

4300

CONSERVATION

The farmers are bound by conservation covenants to conservation performance. RAC provides training on ecological value of the ecosystems and it's benefits. RAC supports 4300 outgrowers.

Impact



COMMERCIAL

\$8M

75% of Avocado sold in 2018 came from smallholder farmers resulting to an annual income of \$8M to the local community.

321 HA

CLIMATE

Mitigating land conversion by reducing agricultural expansion while increasing productivity and profits on existing land. 312 Ha of smallholder land is under production.