



Itza Wood is a X year-old Guatemalan social enterprise that designs, produces and sells home goods made of sustainably-harvested wood. The Company sells its products through online retailers and boutiques in the US as well as its own retail location in Antigua, Guatemala.

Itza Wood began operations in XXX and grew out of the The Jungle School, a pre-K through primary and vocational school in San Andres, a community 20 kilometers south of the Maya Biosphere. The Jungle School is a Christian school founded by husband and wife, Mario and Suzanne Babarczy.

In addition to providing education, The Jungle School focuses on promoting environmental sustainability (they have planted over 45,000 trees in their region) and economic development. Cooperative dos Agricultores do Vale do Amanhecer (COOPAVAM) purchases and processes Brazil nuts from smallholders and indigenous communities in the Amazon Forest located in the

IMPACT OVERVIEW

Provides quality direct jobs and indirect livelihood to dozens of Mayan carpenters and smallholder farmers who live in and near the Maya Biosphere Reserve.

- XX permanent staff, YY contract staff
- ZZ farmers earning XX/yr selling wood to Itza Wood

COMMUNITY



<u>Country</u>	Guatemala
<u>Department</u>	Peten
<u>Indigenous tribes</u>	Maya

northwest region of Mato Grosso and parts of Rondônia. It owns a processing plant that converts these nuts into oil and flour. COOPAVAM sells these to manufacturing companies in the food, health, and cosmetics sectors. COOPAVAM has offtake agreements to sell nut oil to partner institutions such as Natura (one of the world's largest beauty companies) and Jasmine (major health and food company in Brazil).

COOPAVAM has an established relationship (by way of a formal commercial agreement) with six indigenous tribes and employs more than 400 nut collectors. These tribes are noteworthy because they include the Surui, who have only had contact with the outside world for forty years, and the Apiaká who only number about 1,000. COOPAVAM pays its nut suppliers above average prices and provides free workshops to disseminate best management practices for non-timber forest products. Through these efforts, COOPAVAM supports the conservation of



thousands of hectares of Amazon Forest while providing a source of livelihood for multiple indigenous communities. The photo above, which refers to these indigenous communities as “*sentinelas da floresta*” (forest sentries) captures the essence of COOPAVAM’s work.

Impact Background

Petén is one of the poorest departments in Guatemala and covers 1/3 of the country’s area. Bounded by Mexico to the north and west, and Belize to the east, Peten is a sparsely populated region covered by dense tropical rainforests. It has become a main trafficking route for drugs and migrants and a resettlement area for Central Americans who have been expelled from the United States. Land disputes in Petén — linked to drug routes and illegal cattle ranching — have displaced hundreds of mostly poor Guatemalans.

Guatemala is the ninth poorest country in Latin America (out of 34 countries) with a poverty rate of more than 50%. Poverty, violence and food insecurity have motivated more than one million Guatemalans to emigrate in recent years with the United States as the number one destination.

Over 40% of the Guatemalan populations is categorized as indigenous, yet they represent 79% of the country's poor.

\worldwide. It also has one of the most diverse ecosystems, home to 10% of the world's species, with 1,300 bird species, 3,000 species of fish, and 430 species of mammals. More than half of this forest lies in Brazil.

Over the past years, there has been a growing global concern over the degradation of the Amazon rainforest due to uncontrolled and massive deforestation. Interventions have been made to dramatically reduce deforestation in the Amazon including commitments from major commodities traders and meat companies. Consequently, between 2009-2014, Brazil experienced the lowest ever Amazon deforestation rate on record. However, this progress was cut short in 2019 when the Brazilian government prioritized policies that weakened environmental protection laws. As a result, deforestation rates soared to its peak. In the Brazilian Amazon alone, the rainforest lost 13,235 square kilometers between August 2020 and July 2021, the highest recorded annual level of deforestation in 15 years.

One of the highest rates of deforestation occurred in the state of Mato Grosso in Brazil. Between 2018 and 2019, the state accounted for 17% of all deforestation in the Amazon and has lost 1,600 square kilometers of forest, most were done through illegal means.. The escalation of illegal deforestation also affected the over 40 culturally diverse indigenous groups living in the area. These communities suffer disproportionately from miners, loggers and cattle ranchers who encroach on their ancestral lands.

As Brazil seeks to weaken its legislation protecting indigenous reserves and to turn a blind eye towards illegal encroachment on indigenous lands, it becomes even more important that Amazonian tribes maintain their sovereignty and economic self-determination. To that end, there has been a growing call to encourage forest-based economic activities that do not deplete natural resources. Brazil nut extraction and processing is key to reconciling sustainable economic growth and forest conservation in the Amazon. Brazil nuts, also known as Pará nuts, are harvested from the fruit (bur) of the chestnut tree, which is one of the tallest trees in the Amazon rainforest.

Brazil nut collection provides livelihood to over 60,000 families in the Brazilian Amazon, including Mato Grosso, with an average of 40,000 tons of native nuts sold each year. It has boosted indigenous tribes' income by almost tenfold in some instances and has become the major source of revenue for the communities involved. It has also employed women particularly in the processing of these nuts.

Brazil nut trees produce at their highest levels in healthy and primary forests. Therefore, nut collectors are incentivized to protect the entire forest to access high-quality crops. This gives the collectors an important role in protecting the large areas of rainforest from deforestation and other predatory activities. By supporting the Brazil



nut industry, we are promoting a sustainable rural livelihood that directly contributes to the conservation of the world's most important forest.

Impact Delivery

Since its inception in 2008, COOPAVAM has worked to improve the Brazil nut supply chain and support native communities living in Mato Grosso. Its storage and processing facilities convert nuts into use for different manufacturing companies. It has offtake agreements to sell nut oil to business partners including Natura, Jasmine, and Carrefour Brazil. It continually expands the market for Brazil nuts and has even started exporting products to Swiss fair-trade company Gebana in 2020, despite the challenges posed by the COVID-19 pandemic.

COOPAVAM is the only enterprise in the Brazilian Amazon that has a long-term, contractual relationship with indigenous communities under mutually supportive fair-trade agreements. With this, nut suppliers are being paid above-average prices compared to what middlemen offer. COOPAVAM also ensures that indigenous communities have a voice in the negotiations of price and volume discussions.

Improved socio-economic conditions

- Provided USD 2 million of income for the indigenous communities since 2008
- Generated jobs and fair loans for 66 families of smallholder farmers and 400 families from six indigenous groups

Increased women involvement

- COOPAVAM itself is female-led and employs women in key areas of its organization
- Over 55% of its associates, 70% of plant workers, 50% of the board, and 66% of fiscal board members are women

Provision of technical, logistical, and operational support

- Provides trainings to indigenous communities on safety practices in nut collection
- Builds community capabilities for forest management and protection of indigenous territories
- Also provides accounting and financial management workshops to communities involved

LOAN OVERVIEW

Loan amount	USD 75,000
Purpose	To fund working capital requirements (for purchase of chestnuts)
Tenor and structure	9 quarters of interest-only payments followed by one quarter of interest and principal
Interest rate	8% per annum
Collateral	None

Financial overview

YTD October 2021 Revenue	USD 980 k
Outstanding Loans as of 1H2021	USD 1.1 k
December 2020 Net Assets	USD 186 k

Company information

Legal name	Cooperativa Dos Agricultores Do Vale Do Amanhecer
Incorporation year	2008
Corporate address	Vale do Amanhecer, Juruena, Mato Grosso, Brazil
Nature of operations	Collection, processing, and trading of Brazil nuts
Website	www.coopavam.org.br

Note: FX rate assumed at 1 USD = 5.61 BRL

Since it provides advance payments to nut collectors, one of the major challenges facing COOPAVAM is securing working capital. When payments are not made immediately to nut collectors, stocks are sold to middlemen at lower prices instead. Hence, working capital availability at the beginning of the harvest is essential to guarantee the organization's stock of raw materials and avoid production bottlenecks due to nut shortage.

COOPAVAM is seeking a USD 75,000 loan to fund its working capital requirements. This will help guarantee continuous supply of Brazil nuts to and sustain income to indigenous communities of Mato Grosso.

Financial Overview

in USD k	2018	2019	2020	YTD Oct. 2021*
Sales	494	423	436	980
Gross Profit	247	193	311	
EBITDA	80	29	64	

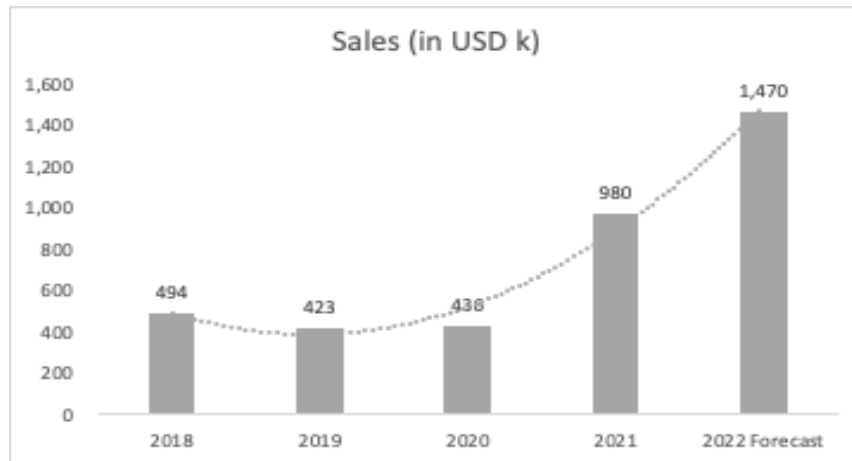
COOPAVAM consistently generated positive earnings with revenues of USD436K and net income of USD40K in 2020.

** only sales figure is available*

Margins are also healthy with an average EBITDA margin of 14%. As of October 2021, COOPAVAM already posted sales of USD980K, equivalent to a 125% growth from the previous year. This is attributed to the growing demand for non-timber forest products from the Brazilian Amazon in the international market. COOPAVAM pays its nut suppliers with above-average prices of R\$6/kg (USD 1.07/kg) compared to R\$2.5/kg (USD 0.42/kg) from the usual middlemen.

Asset base grew by 1.07x in 2020 due to increase in inventory and expansion of cash reserves. Majority of assets are composed of inventory (36.8%) and advance payments to nut collectors (18.7%).

Moving forward, the enterprise aims to take advantage of the increasing demand for Brazilian Amazon food products. It is estimated that the global market for health and wellness foods will grow at an annual compounded rate of 6% from 2020-2027. Moreover, it will capitalize on the largely untapped potential of the Brazilian nuts, as Brazil still accounts for 6% of global exports for Brazil nuts. In the domestic market, partnership with the Carrefour Brazil and strategic relationship with retail distribution partners will be strengthened to boost market share. COOPAVAM forecasts revenues in 2022 to grow by 50% and EBITDA margin to improve to 21.5%.



The targeted global expansion of COOPAVAM’s market will also require additional working capital. This is critical to ensure that sufficient inventory level will be maintained and advance payments will be made to the nut collectors.

Risk Assessment

Customer concentration is COOPAVAM’s major risk. In 2021, 53% of revenues come from the Natura Group. Natura is the fourth largest pure-play beauty company in the world, with market presence across 73 countries. It houses popular brands such as Avon, The Body Shop, and Aesop. COOPAVAM has an offtake agreement to sell nut oil to Natura. This partnership has been going on for over 10 years and is expected to remain as Natura continues

to grow their market. Natura expects its off taking of forest-compatible bioingredients to reach approximately USD 12 million by 2030. This will bode well with COOPAVAM’s targeted growth.

The organization continues to expand its portfolio to reduce the risk brought about by customer concentration. In 2020, it started selling to the international market to the Swiss fair trade company Gebana.

