RETURN: Agroforestry for Regenerative Ranching and Agriculture

Return-María Celia-R1 Project

Executive summary.

RETURN proposes a **return of the tree** to livestock and agricultural systems that displaced forests in their unsustainable expansion strategies. We believe that this return of the tree can scale if innovative business models are created that generate an attractive **financial return** to forestry investors.

RETURN is an open source regenerative model created by **Flora People&Planet** available for use and improvement by those who want to promote ranching and agriculture integrated with forestry.This project, called "**Return-María Celia-R1**", is initiating two innovations: on the one hand, the **RETURN** business model and, at the same time, it represents the first project that will use **Forest Maker** to attract the necessary funding to boost agroforestry. This makes it an iconic project for the first Forestinvestors.

María Celia SA is an Argentine family business with more than 20 years of experience committed to productive sustainability and is seeking financing to reforest 22 hectares with native forest species and implement a regenerative livestock production model.

María Celia SA is seeking USD 31,900 to meet the initial costs of planting 22 hectares by offering **31,900 RTF** tokens to Forestinvestors at the value of 1 USDC per RTF, which will have a coupon of **8% annually** and will amortize the capital in **bullet** form at the end of **year 15**, counting from the planting.

Asociación Cultural para el Desarrollo Integral (**ACDI**) has accepted María Celia SA's application to act as Validator of this project. ACDI has extensive, proven experience in leading forestry projects that uphold the highest environmental and social standards.

The environmental challenge.

The Gran Chaco Americano is a large biome that extends over four countries (Argentina, Paraguay, Bolivia and Brazil) and occupies approximately 1,000,000 km2, representing the second

largest forested region in Latin America after the Amazon rainforest and the largest continuous dry forest in the world.

In recent decades, this region has been subjected to an intense deforestation process, leading to highly fragile ecosystems due to soil erosion, desertification and loss of biodiversity.

Numerous studies highlight the risks to food systems and human livelihoods due to the loss of forest ecosystem services. In the Gran Chaco region, the sustainability threshold has already been exceeded. To restore balance, it's essential to convert agricultural and ranching areas back into forests, as simply halting deforestation is no longer sufficient.

In this context, reforestation with White Carob in an innovative system created by Flora People&Planet for the southern end of the Gran Chaco, near Calchaquí, Santa Fe province (Argentina). This project aims to set an example for restoring degraded lands, promoting biodiversity and revolutionizing land use practices by integrating native trees, livestock and sustainable forage production.

These first 22 hectares of afforestation will become a model to promote in this region:

- **Sustainable land management:** promoting ecological restoration, improved soil health and water use, and the reconversion of livestock production towards a regenerative productive model.
- **Economic opportunities:** Creating jobs, diversifying income sources and contributing to the rural development of local communities through a superior production system.
- **Diversified income streams:** Mobilizing the local economy through forestry production, nutritious fruit crops and sustainable ranching.

Project Description.

Location: Calchaquí District, Vera Department, Province of Santa Fe (Argentina)

Total area: 22 hectares

Tree Species: White Carob (Neltuma alba)

Number of trees per hectare: 240

Project duration: 40 years

Project goals and objectives:

- Restore the ecological balance of 22 hectares of degraded areas through the planting of a native species.
- Implement a sustainable silvopastoral model that integrates the harvesting of carob fruits, timber production, and livestock grazing, all managed under a holistic approach.
- Generate a sustainable productive system that provides economic benefits.
- Showcase the viability and profitability of silvopastoral systems to encourage their widespread adoption.

Implementation plan:

1. **Selection of seedlings:** Selection and acquisition of high quality white carob seedlings from regional nurseries with high production standards.
2. **Land preparation:** Land preparation and demarcation of the lines to be planted.
3. **Planting and establishment:** Carry out planting in double row pattern alternating with 20-meter spacing for forage production. Irrigation immediately after planting.
4. **Pasture sowing:** Sow a polyphytic pasture between the rows of trees for livestock grazing.
5. **Monitoring and maintenance:** Regularly monitor tree health, pasture growth and soil conditions. Perform pruning and thinning when necessary.
6. **Harvesting and marketing:** Harvest and market the fruits of the carob trees, market pruning or thinning residues as firewood or posts.

Project Developer:

María Celia SA is a family farming company that has been carrying out regenerative ranching on 1,500 hectares for the past three years and in 2023 has added another 800 hectares to the same management. The company's management specializes in Holistic Management and receives advice

and monitoring of the functioning of ecosystemic processes from Ovis 21, a member of the global network of the Savory Institute.

Team experience:

María Celia SA will be technically supported by Flora People&Planet, which has professionals with extensive experience in different areas, including:

- **Forestry:** experts in forestation with native species in the Gran Chaco region, dissemination of sustainable native forest management practices and production and marketing of carob flour.
- **Agriculture:** Agricultural engineers specialized in regenerative and sustainable production practices that improve soil fertility and increase forage and forest production.
- **Finance and project management:** Project managers with experience in risk management, analytical and teamwork skills, to ensure the correct development of projects, meeting established budgets and objectives.
- **Social and equity:** development of social safeguards and gender-responsive designs.

Sustainability focus:

María Celia SA acquired this property in 2003 with highly degraded and deforested areas from previous owners and the historical cycles of unsustainable logging over the last 100 years. Since its acquisition, Maria Celia SA has introduced practices for its restoration and sustainable management, but there are still areas that require financial effort for its restoration, such as these 22 hectares proposed in this Project.

Our silvopastoral model will positively impact the environment in the following ways:

- **Ecological restoration:** Regeneration of degraded land, promotion of biodiversity and improved soil health as a result of planting White Carob.
- **Sustainable land management:** Silvopastoral systems promote soil conservation, reduce erosion and optimize the use of water resources.

- **Carbon sequestration:** Trees will sequester carbon, mitigating climate change and contributing to emission reduction goals.
- **Sustainable development:** A productive model that diversifies income generates greater economic opportunities and more resilience for the company, while generating more jobs.

Financial analysis.

Main assumptions:

To calculate the project's profitability, the project duration was set at 40 years, which is the same period used for monitoring in the voluntary carbon market. At the end of the project, the standing forest is valued at net realizable value.

The projected accounting statements are presented in US dollars (USD). The model variables are presented at current values, adjusted for expected inflation in dollars.

Cashflow:

The following is a 40-year cash flow of the project in 5-year ranges, which already reflects the impact of the requested financing and the contributions of the project developer:

	TOTAL	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Years 31-35	Years 36-40
INCOMES	**USD 1.057.074**	**USD 70.839**	**USD 37.670**	**USD 57.290**	**USD 83.387**	**USD 136.655**	**USD 167.968**	**USD 121.837**	**USD 381.427**
Posts	USD 34.891	USD 0	USD 0	USD 1.170	USD 3.596	USD 6.728	USD 9.917	USD 5.331	USD 8.148
Firewood	USD 91.146	USD 715	USD 2.196	USD 6.044	USD 17.678	USD 14.802	USD 21.818	USD 14.944	USD 12.949
Timber	USD 166.726	USD 0	USD 0	USD 0	USD 0	USD 44.082	USD 62.102	USD 26.995	USD 33.547
Fruits	USD 413.147	USD 0	USD 18.374	USD 40.075	USD 60.113	USD 71.042	USD 74.131	USD 74.567	USD 74.844
Forest valuation Year 40	USD 251.940								USD 251.940
Developer contribution	USD 68.600	USD 39.500	USD 17.100	USD 10.000	USD 2.000	USD 0	USD 0	USD 0	USD 0
Forest Maker tokenized loan	USD 30.624	USD 30.624	USD 0	USD 0	USD 0	USD 0	USD 0	USD 0	USD 0
OUTCOMES	**USD 354.842**	**USD 48.260**	**USD 35.522**	**USD 30.961**	**USD 59.876**	**USD 46.580**	**USD 53.895**	**USD 38.747**	**USD 41.001**
Pruning	USD 42.386	USD 15.538	USD 9.323	USD 0	USD 0	USD 6.215	USD 4.599	USD 3.356	USD 3.356
Thinning, commertial and delivery	USD 87.829	USD 215	USD 659	USD 2.164	USD 6.382	USD 19.684	USD 28.151	USD 14.181	USD 16.393
Harvest and commercial expenses	USD 61.972	USD 0	USD 2.756	USD 6.011	USD 9.017	USD 10.656	USD 11.120	USD 11.185	USD 11.227
Management	USD 92.475	USD 22.300	USD 10.025	USD 10.025	USD 10.025	USD 10.025	USD 10.025	USD 10.025	USD 10.025
Loan interests Forest Maker	USD 38.280	USD 10.208	USD 12.760	USD 12.760	USD 2.552	USD 0	USD 0	USD 0	USD 0
Capital repayment Forest Maker	USD 31.900	USD 0	USD 0	USD 0	USD 31.900	USD 0	USD 0	USD 0	USD 0
AFFORESTATION COSTS	**USD 22.495**	**USD 22.495**	**USD 0**	**USD 0**	**USD 0**	**USD 0**	**USD 0**	**USD 0**	**USD 0**
Carob seedlings	USD 5.375	USD 5.375							
Pre-Planting activities	USD 3.498	USD 3.498							
Planting and post-planting	USD 8.122	USD 8.122							
Seeds and pasture sowing	USD 5.500	USD 5.500							
ANNUAL BALANCE	USD 679.737	USD 84	USD 2.148	USD 26.329	USD 23.511	USD 90.075	USD 114.073	USD 83.090	USD 340.427
ACCUMULATED BALANCE	USD 679.737	USD 84	USD 2.232	USD 28.561	USD 52.072	USD 142.147	USD 256.220	USD 339.310	USD 679.737

Financial indicators:

The main financial indicators of the project are presented below:

Project Evaluation Criteria with Baseline Data	
40 Years	
Differential wealth generation	USD 650.693
MIRR	9,6%
NPV	USD 70.873
Payback Period (Years)	19,04
Discount rate for this business	5,86%
Need for founding	-USD 64.732

Risks and Mitigation Strategies.

To analyze the project's risks, they were identified and grouped into risks related to the production and market of carob wood and fruits. The probability of occurrence and impacts on the business were analyzed and mitigating measures were determined in order to control them.

Risks on production:

Risk	Likelihood	Mitigating measures	Impact on business
CLIMATE Excess or lack of rain, frost, wind or tornadoes can harm the plantation, especially at the beginning of the cycle	**LOW** The species withstands a much greater variation in conditions than most crops	Choosing the planting season according to long-term climate forecasts Good planting and care practices in the first two years	**HIGH**
FIRE	**MEDIUM**	Firewall maintenance Fire insurance Control, monitoring and prevention	**MEDIUM** Limited by the insurance

INSECTS, PESTS, DISEASES AND SOIL NUTRITION Especially at the beginning of the cycle	**LOW** The native species is naturally resistant	Monitoring of the weed management plan and insect control plan Control, monitoring and prevention protocols	**MEDIUM-LOW** Depending on the scale and response to the incidence
TECHNOLOGICAL For example, that the genetics have an unexpected behavior	**LOW** Being a native species Conservative growth projections	Use proven genetic materials as far as possible within the project's area of incidence	**LOW** A 20% reduction in timber productivity would lower the IRR to 9.14%

Risks on timber:

Risk	Likelihood	Mitigating measures	Impact on business
DEMAND Prices or volumes lower than expected	**LOW** The price estimates are conservative, and the market trend is consistent	Delaying harvesting or marketing until an opportune moment Search for alternative markets	**LOW** A 20% reduction in the price of timber sales lowers the IRR to 9.14%
SUPPLY Increase in competing or substitute products	**LOW** Unlikely that a new, superior non-synthetic wood will emerge	Increase sales efforts and lower costs	**LOW** A 20% reduction in the price of timber sales lowers the IRR to 9.14%

LOGISTICAL INSUFFICIENCIES IN THE SECTOR That the freight and transportation infrastructure is not improved	**MEDIUM**	Projections assume a costly scenario in terms of transportation Develop projects that add value in situ	**LOW** The projections assume a costly scenario in terms of transportation
MACROECONOMICS Changes in the exchange rate or cost increase greater than price increase	**MEDIUM** Conservative cost and revenue projections are used. There are signs of moving towards a convergence scenario with U$D inflation	Purchases and sales are made in the same currency Projections assume conservative price appreciation by industry	**LOW** By increasing all project costs from year 2 onwards to double, the IRR drops to 6.00%

Risks on carob fruits:

Risk	Likelihood	Mitigating measures	Impact on business
DEMAND Market development is not sufficient to place the expected volumes at the expected prices	**MEDIUM - LOW** Estimated prices are conservative. Good positioning to locate production.	Increase sales efforts through agreements with fruit processors. Lower prices.	**MEDIUM - LOW** A 30% reduction in fruit sales lowers the IRR to 8.53%

SUPPLY Increase in the supply of carob fruits	**MEDIUM - LOW** Any competitor will have to invest in market development	Collaboration in market development Increase sales efforts and lower costs	**MEDIUM - LOW** A 30% reduction in fruit sales lowers the IRR to 8.53%
LOGISTICAL INSUFFICIENCIES IN THE SECTOR	See timber market	See timber market	See timber market

Investment Opportunity.

Type of investment: Debt

Investment amount and minimum threshold:

We are looking for a total investment of USDC 31,900 with a minimum investment of USDC 1.

Return on investment:

Investors can expect a return on investment of 8% with annual interest payments according to the following schedule:

Year	Interests	Capital Recovery
1	8%	
2	8%	
3	8%	
4	8%	

5	8%	
6	8%	
7	8%	
8	8%	
9	8%	
10	8%	
11	8%	
12	8%	
13	8%	
14	8%	
15	8%	100%

Exit strategy:

Investors can liquidate their positions in the project in the following ways:

- **Sale of tokens on the secondary market:** Through Forest Maker's platform, investors can exchange tokens whenever they wish.

- **Token buyback:** The project will allocate 3% of the loan to a liquidity fund to ensure that investors who want to liquidate their position early can do so.

Agustín Dalla Fontana

Signature Certificate

Reference number: UE6NP-9NB9G-8BEQG-MUZFN

Signer	Timestamp	Signature
Agustín Dalla Fontana Email: agusdallaf6@gmail.com		Agustín Dalla Fontana
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