



PHOTO: USAID / A.G. KLEI

“This is an excellent example of how simply empowering the private sector can allow them to take the lead, which is a key to long-term sustainability”

-Carrie Antal, Director of USAID Madagascar’s Office of Food Security and Disaster Assistance

USAID MADAGASCAR: GROWING AMERICAN BUSINESS IN MADAGASCAR

Vanilla farming in Madagascar is a volatile endeavor, with crop theft, price fluctuations, and limited market access among the biggest obstacles working against success. Yet some farmers in the dense, rain forested, Ranomafana area of central Madagascar have recently turned to vanilla and are finding success thanks to a partnership with Lafaza, an American agribusiness, founded by a pair of former Peace Corps volunteers.

Lafaza works directly with smallholder farmers to cultivate, prepare, package and export specialty Malagasy food products. Lafaza supports the farmers by providing training and investing in local storage, curing and packaging facilities to ensure adherence to international standards for safe and sanitary food handling. In 2015, Lafaza brought a young, female farmer, Felicité Solondraibe, to their training center where she could learn the proper techniques to cure vanilla – transforming it from ‘green’ freshly picked produce into the dark, luscious product we think of as a vanilla pod. Lafaza also helped the family build a station where they cure both their own vanilla and vanilla from other farmers in the region.

Curing adds both flavor and value to vanilla, with properly prepared and packaged vanilla fetching up to twenty five times the price of uncured vanilla, allowing Felicité and her family to greatly increase their income. “(This) is the second year we are getting income from the vanilla business. Now vanilla accounts for 50 per cent of our total annual income,” says Felicité with a smile.

Lafaza came to Felicité out of necessity. In 2015, Lafaza secured an order for a large quantity of gourmet vanilla. To fulfill the order Lafaza needed to expand their operations, but didn’t have the necessary capital. They found a solution through an innovative engagement with the USAID Development Credit Authority (DCA) Guarantee in partnership with Root Capital, an agricultural impact investor, and Catholic Relief Services (CRS).

CRS paid the loan subsidy cost so the U.S. Treasury (through USAID) could assume 50% of the risk of a credit agreement. This allowed Root Capital, the lender, to take on the higher risk of extending the loan to Lafaza. CRS and USAID also provided training and worked with the farmers to create new income opportunities.

The deal worked for farmers like Felicité and it worked for Lafaza. According to Lafaza CEO Nathaniel Delafield, “The DCA guarantee has provided a critical foundation for Lafaza to expand business activities over the past year.”

The loan has been fully repaid and Lafaza was able to fill their order, expand into the Mananjary area, and touch the lives of more farmers like Felicité - with no cost to the U.S. taxpayer.

