

Project snapshot

Type	Sustainable Agriculture
Region of interest	New Zealand
Blueprint owner	Envirostrat
Financial instrument	Hybrid bond (10-year term)
Proof of concept	In progress

In a nutshell

Dairying land use is a major contributor to elevated emissions, nutrient levels and water contamination in the Waipa catchment (New Zealand), where this blueprint is being piloted. Sub-scale dairy farmers are therefore under regulatory pressure to improve their environmental performance; however, they lack access to funding from the usual banking sources. This green hybrid bond represents a novel impact investment structure that will fund long-term environmental improvements and capture a market premium through organic certification.

Investment and operating model

This model proposes the purchase of a cohort of sub-scale farms and their conversion from a conventional, high-input farming system to an organic, low-input one to deliver improved environmental impact. Revenue is based on the production and sale of certified organic milk, for which long-term supply contracts are available at scale. This captures a significant price premium and reduces the market volatility risks for farmers.

A special purpose company issues a NZ\$100 million bond. The bond proceeds are managed by another company responsible for the acquisition of conventional target farms, ongoing organic management and environmental transactions, and managing long-term supply contracts. An independent board of directors is responsible for governance and holds the legal land titles on behalf of bond investors.

The bond pays a fixed, semi-annual coupon of 2.625%. The principal is expected to appreciate over time, based on annual valuations of the underlying farmland. On the bond's expiry in year 10, it is expected that this will be refinanced at the value of the farmland.

Investors can opt to reinvest or receive cash, based on the principal, plus a share of the land appreciation. The fund manager will also receive a share of the land appreciation.

Impact measurement

The main conservation benefits will include:

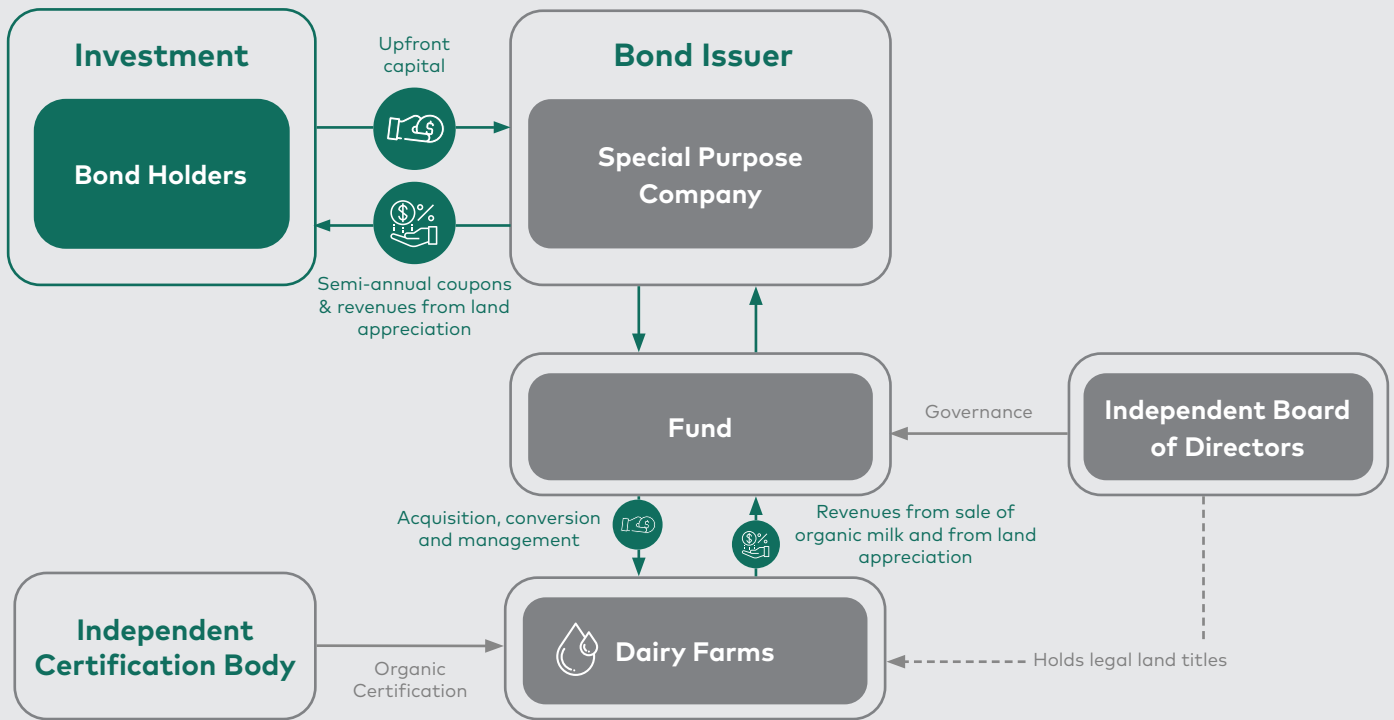
- improved water quality (assessed through nitrogen, phosphate and sediment loss measurements)
- greenhouse gas emissions reduction (against baseline emissions)
- increased coverage of native vegetation and creation and/or restoration of wetlands
- species protection (measured by the [STAR](#) metric)

In the catchment, abating threats to species within their existing habitat can contribute to a reduction of approximately 0.6% of New Zealand's threat abatement score. Similarly, restoring lost habitat in this area (and abating threats to species within the restored area) can reduce this score by an additional 0.6%.

Scalability and replication

The initial bond issued will aim to transform 361 ha of conventional dairy land into 330 ha of organic dairy land. This model can be directly replicated in other catchment areas where the dairy/beef industry is dominant, where access to premium organic markets is viable, and where there are investors available with the appetite to invest. There is also the potential to replicate the model in a range of other agricultural contexts, such as ranching for meat and dairy combined with afforestation and catchment types (e.g. the urban-rural interface and coastal catchments).

Investment and operating model



Would you like to know more?

The Coalition for Private Investment in Conservation (CPIC) is a global, multi-stakeholder initiative with a mission to enable conditions that support a material increase in private, return-seeking investment in conservation. These blueprints support this mission by providing replicable investment models that incorporate innovative finance solutions to encourage the participation of private investors.



More information on this blueprint is available [here](#).

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