



National Stakeholder Workshop: Green Export Review

VANUATU

*Port Vila, Vanuatu
27-28 August 2014*

Sandalwood



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Importance...

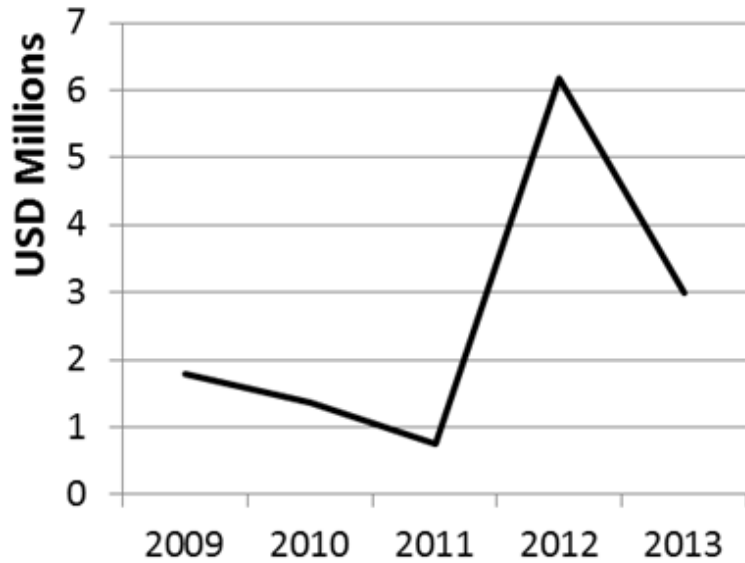
- Aromatic oils produced from sandalwood trees are one of the world's most valuable tree products.
- Traded internationally for centuries, sandalwood is used to make high-value, low-volume, non-perishable products for global markets.
- A key crop that generates much needed income in the remotest areas of the country.
- Its uniqueness as a source of income for people in remote areas has encouraged the government to develop it into a sustainably managed industry.

Production...

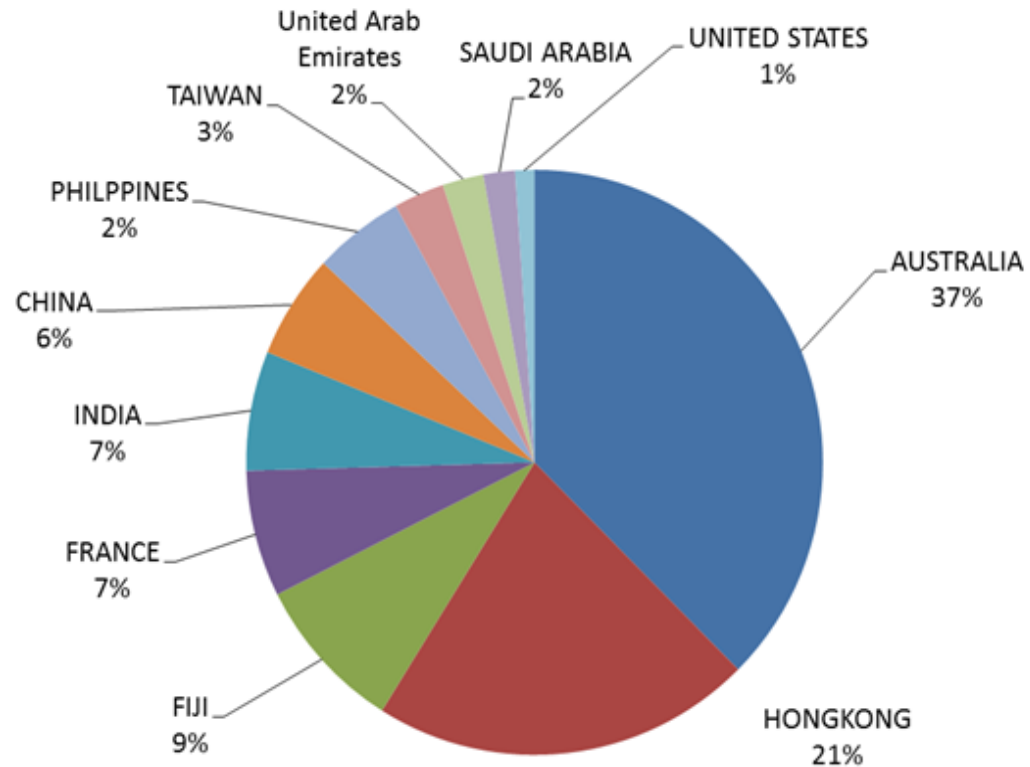
- Although only small volumes are harvested from wild sources in Vanuatu (80–120 tonnes annually, representing about 2% of world supply), sandalwood contributes significant export revenue and provides significant income to sandalwood harvesters.
- Vanuatu processors are issued licenses) for purchasing wild sandalwood (a maximum 80 tonnes of sandalwood per year combined – limited by the estimated annual sustainable harvest from the native resource as estimated by the Vanuatu Department of Forests)

Trade...

Sandalwood Exports



Sandalwood Exports (2009-2014)



Value Chain...

Sandalwood Value Chain (preliminary draft - to be elaborated by stakeholders)

Shaded green areas are products that can be marketed in tourism sector

Primary	Added Value (1)	By-products	Added Value (2)
Sandalwood tree	Sandalwood logs Large sandalwood carvings	Sandalwood powder (input to distillery to produce oil) Sandalwood scrap wood	Sandalwood oil Sandalwood soap Perfume Medications Small sandalwood carvings

SWOT...

Sandalwood SWOT Analysis (preliminary draft - to be elaborated by stakeholders)

Strengths	Weaknesses
<ul style="list-style-type: none"> - Regulated and controlled industry - Native trees suited to local conditions - Significant value-added product possibilities - Low maintenance plantation management - Suited to intercropping - No major disease risks - Well-established plantations - Over 30,000 seedlings planted each year - Annual harvest quota of 80MT to rise to 300MT by 2020 - Rising sandalwood prices in global market - Vanuatu sandalwood oil is readily accepted in foreign markets - Organic certification 	<ul style="list-style-type: none"> - Long latent investment period (15 years for trees to mature) - Insufficient legislation to protect long term investors - Lack of funds committed to the planting of sandalwood by the government - Land tenure disputes - Adverse extreme weather events - High local cost of processing and shipping in Vanuatu - Insufficient awareness of sector in the remote locations of Vanuatu - Lack of standards and poor marketing strategies that ruin the reputation of certified oil
Opportunities	Threats
<ul style="list-style-type: none"> - Collaboration between private sector and government to improve product standards - Good chance of establishing niche markets through ethical certifications (Fairtrade) - Carbon credit farming - Establish funding programmes geared towards local communities - Target higher value buyers with more valuable and convenient products - Improve linkages to tourism sector to tap local market for artisanal coconut products - Improve quality and food safety to meet growing world quality standards - Add value across entire product line 	<ul style="list-style-type: none"> - Farmers losing land to leases - Increasing incidence of disease - Competition from other crops for valuable sandalwood growing land - Theft and illegal harvesting of young sandalwood trees and seedlings - Clearing of natural sandalwood land by developers - Poor planting practices, removal of topsoil and erosion - Well financed corporations with investments that do not enhance local livelihoods



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