



National Stakeholder Workshop: Green Export Review

VANUATU

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The cocoa sector in Vanuatu



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Content

- Cocoa production
- Cocoa exports
- International market trends
- The situation of organic cocoa
- Adding value
- Product linkages
- SWOT of the Cocoa sector



Source: MAGAP Ecuador (2014)

Cocoa production (1)

- Cocoa originated in the Americas but it has been produced in Vanuatu since the XIX century (domesticated)
- The main cocoa varieties in Vanuatu are mostly “forastero”. Some cultivation of “trinitario” (hybrid), and criollo (full body and no acidity).
- Cocoa is grown throughout Vanuatu’s islands but production is concentrated in Sanma, Penama and Malampa provinces
- About nearly 9,000 smallholders engaged in cocoa production
- Productivity needs to be reassessed: substitution of old plants, fertilization, potentially introduce new varieties (e.g. CN-51) and cutting of trees.

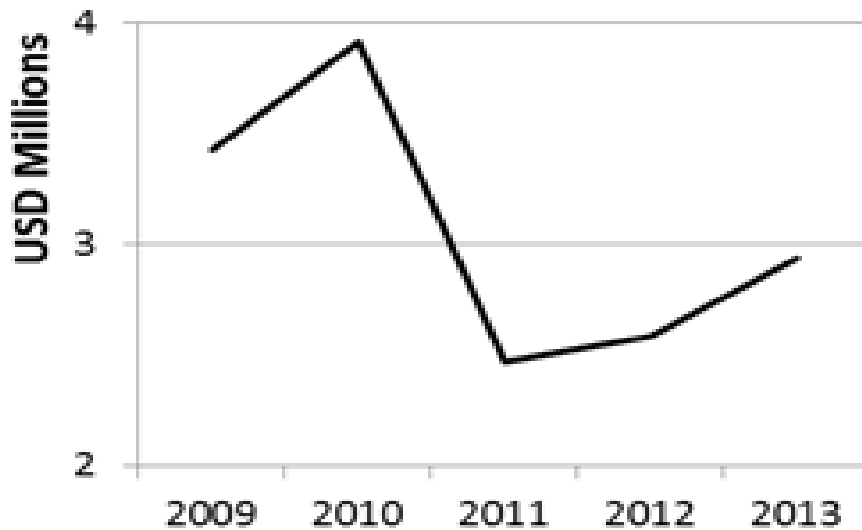
Cocoa production (2)

- Vanuatu's cocoa industry is regulated by the Vanuatu Commodity Marketing Board (VCMB).



- Cocoa standards are regulated by the Vanuatu's cocoa act (2006)
 - Fermenters and dealers need a license
 - Application of international standards (e.g. ISO-2451-1973)
 - Cocoa for exports are subject to inspection
 - Cocoa industry fund (the proceeds of certain cocoa sales plus 1% of export duty)

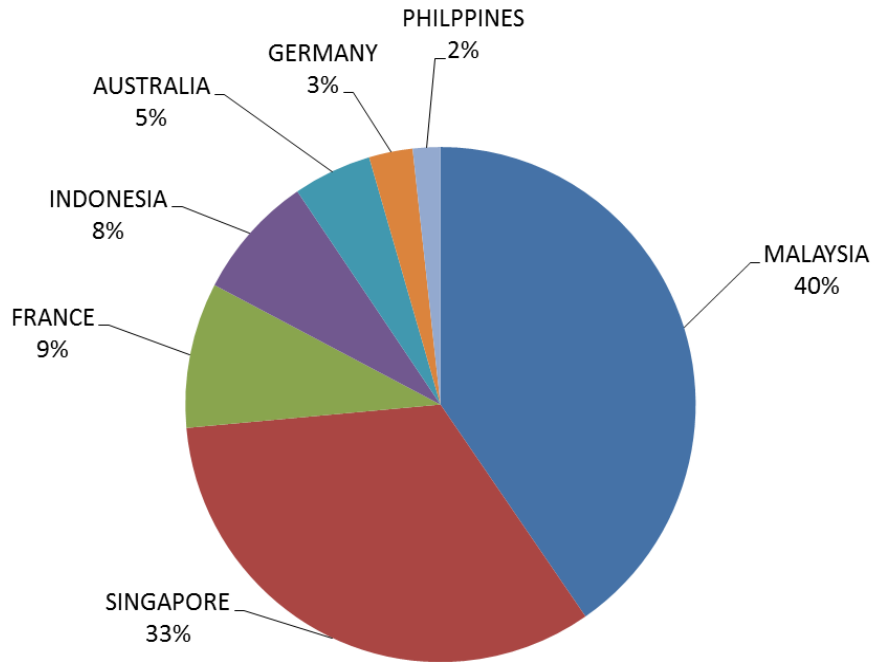
Cocoa Exports



- Vanuatu exported on average 1,300 tons of cocoa beans between 2009-2013
- Cocoa exports from Vanuatu have averaged about 3 million USD in value over the last 5 years

- Cocoa beans RCA was **74** in 2011
- Exports of value added derivatives such as cocoa butter, powder and chocolate did not show in statistics.
- Cocoa exports accounted for about 5% of Vanuatu's goods exports

Cocoa Exports (2009-2014)

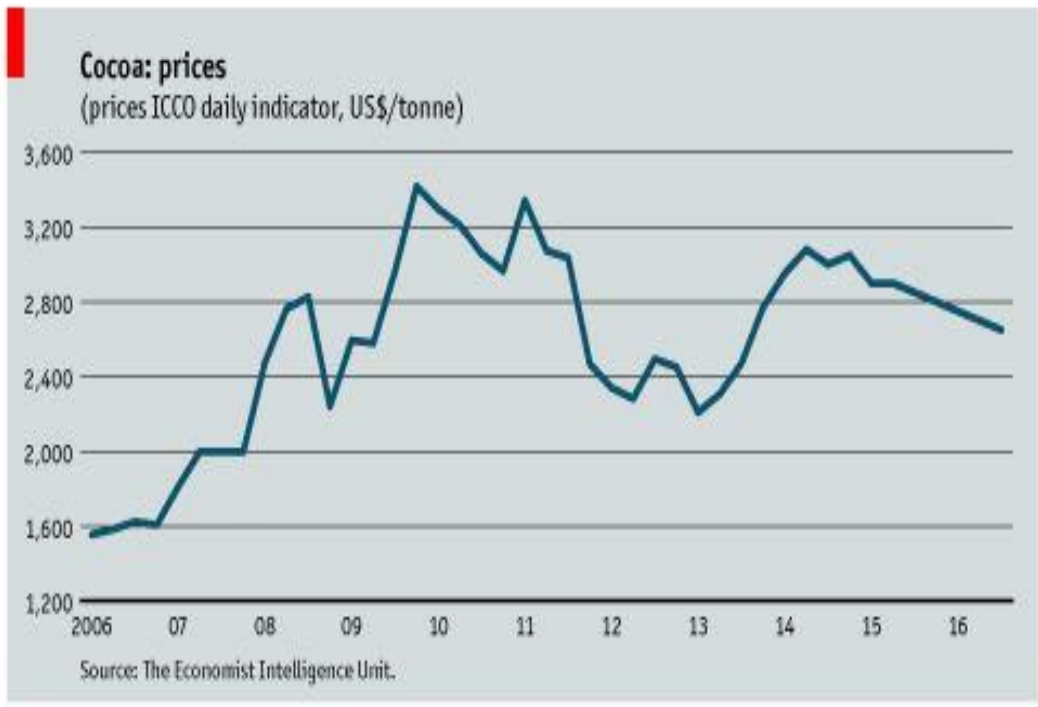


- Vanuatu remains a small player in the global cocoa trade representing less than 1% of global production

European markets prefer single origin and organic cocoa beans

Different models for certification: organic, fair trade, origin (AOC and CTM), industry association, etc.





- Price has continuous variations with an upward tendency since 2006
- It is foreseen that these prices will remain high during the next three years
- The French company Kaoko has expressed interest in purchasing premium quality and organic beans (2009). What has been the evolution?

- Activ is planning to link the artisanal production of cocoa derivatives to link it to the tourism market, jointly with other local products (2014)
- Quality needs to be reassessed: fermentation process, quality control and certification.

Organic cocoa production and exports (1)

- There are about 1200 smallholders and about 25 cooperatives involved in organic cocoa production
- The fact that one producer does not use pesticides does not mean it is automatically organic
- Organic in a method of production that implies the use of sustainable practices such as organic fertilization, crops shifting and natural pest control and biodiversity management
- Cocoa is a noble crop that is well adapted the climatic conditions of Vanuatu. It needs little maintenance and pesticide use and contributes to the capture of CO₂
- Cocoa can be planted along other agricultural products including coconut, banana, and coffee

Organic cocoa production and exports (2)

- Exports of organic cocoa have been about 400 tons (2009) about a fourth of total production
- There was an active association: the Vanuatu Organic Cocoa Growers Association. What happened to it?
- The premium price for organic cocoa usually ranges from 10 to 30% higher depending on the variety and the quality
- In the case of the NGER of Ecuador (2014) it was evidenced that when prices go down organic producers ensure access to markets as they are preferred to traditional beans

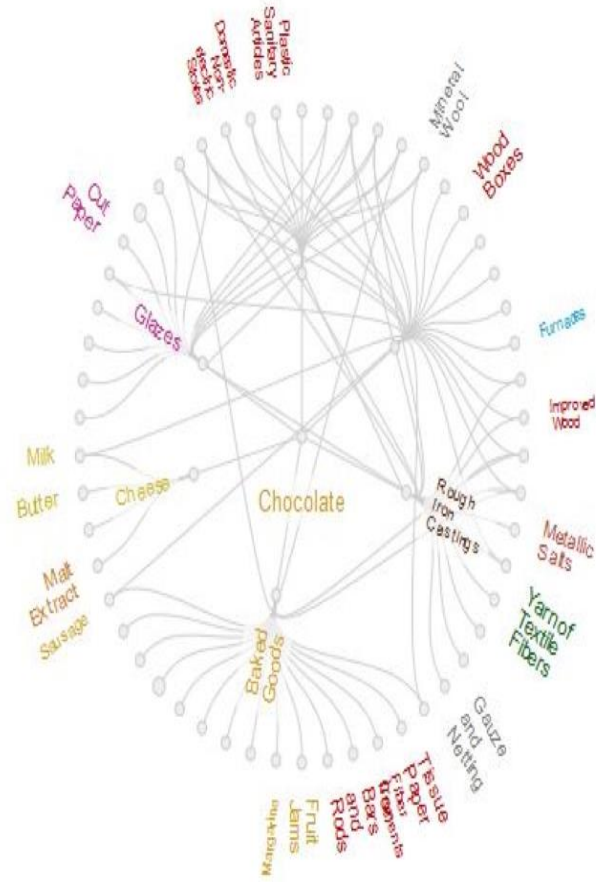


Vanuatu organic cocoa beans for export
Source: McGregor et al, FAO

Adding value

- Adding value to cocoa is key to capturing more rent
- The Vanuatu Cocoa Development Programme (2012-2014) of the department of Industry has already identified several steps to improve productivity, quality and marketing
- There are interesting prospects to add value to cocoa powder, butter and chocolate. There is not yet a chocolate production in Vanuatu.
- Tourism is a fundamental market to value added cocoa products. Chocolates are one of tourists' favorite souvenirs
- Improving value addition is already part of Vanuatu's Cocoa Development programmes and the Agricultural Sector Policy Strategic and Operational Plan.

Total: \$3.13M



Source: UNCTAD (2014), based on the application of the atlas of the Observatory for complex economy of the MIT. Last accessed, August 2014. See <http://atlas.media.mit.edu/>

Primary	Other inputs	Added Value (1)	By-products	Added Value (2)
Raw cocoa beans	Human capital Drying and fermenting surfaces Stockpiling	Dried and fermented cocoa beans Roasted cocoa beans	Cocoa pods, shells Nibs	Fertilizer Animal feed
Dried and fermented cocoa beans Roasted cocoa beans	Energy Water Machinery Sugar	Chocolate liquor Cocoa powder Cocoa butter		
Chocolate liquor Cocoa powder Cocoa butter	Energy Machinery Milk Nuts Sugar Know how Packaging material	Chocolates Other chocolate products Cocoa beverages		



Strengths	Weaknesses
<ul style="list-style-type: none"> - Northern provinces are the producers of the top quality cocoa product branded to be one of the best in the world - Relatively low labor requirements needed to farm cocoa - Can be planted alongside and other food crops to diversify smallholder incomes - Established and functional cocoa growers cooperatives 	<ul style="list-style-type: none"> - Poor fermentation techniques by smallholders resulting in a multitude of quality problems (could be addressed by using off the floor solar drying fermentation) - Low productivity - Limited value-added production; reliance on raw commodities exports to foreign markets for processing - Lack of chocolate manufacturing capacity - Insufficient infrastructure for manufacture and transport - Lack of finance availability for smallholders
Opportunities	Threats
<ul style="list-style-type: none"> - International market demand for high quality 'premium' chocolate is expanding rapidly, including in Asia - Improve linkages to tourism sector to tap local market for artisanal products - Enhance bean size and quality to meet growing world quality standards Improvement of productivity will reposition Vanuatu - Add value through artisanal chocolate manufacturing - Broaden organic and FairTrade certification - Strengthen exporting by encouraging entry of new exporters 	<ul style="list-style-type: none"> - Volatile and fluctuating cocoa prices on world market - Rising quality standards of markets and competing countries - Pests and disease - Old plant stock - Limited replanting program to replace old stock - Low know how on chocolate making

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