

1'st National Stakeholder Workshop
Vanuatu National Green Export Review
Warwick Le Lagoon Resort
Port Vila, Vanuatu
27 August 2014

Third Session III: Copra/Coconut

VCMB to Agri-Services Promotion and Regulation Authority:

**Building an Agri-Business Enabling Environment for the
Prescribed Commodities Sector**

Building an Agri-Business Enabling Environment for the Prescribed Commodities Sector in Vanuatu

NTDC Meeting – 13 of August 2014

The NTDC:

- i. **Recognised** agriculture as a critically important sector of the Vanuatu Economy;
- ii. **Recognised** that the empowerment of growers is a critical process in the building of a sustainable and green economy;
- iii. **Acknowledged** the work that has been undertaken so far by VCMB to prepare a draft bill for the establishment of an alternative to the VCMB (the APRA); and
- iv. **Tasked** DG MTTCNVB, DG MALFFB and VCMB to complete the process of consultation with the view of finalizing a Bill for the establishment of an alternative to the VCMB for presentation to Parliament by November 2014.

Building an Agri-Business Enabling Environment for the Prescribed Commodities Sector in Vanuatu

The Vanuatu Vision of APRA is to build an **Agri-Business Enabling Environment** for Prescribed Commodities in Vanuatu creating a platform for the revitalisation of the Prescribed Commodities Sector.

APRA aims to:

- i. Facilitate a foundation **for improved financial returns and VNPF member services** for growers,
- ii. **Improve productivity and quality environment** to encourage in country value add, through a **Registration and Business Licensing System**
- iii. Build an **Information Marketing and Management System** which will track and trace of people and product to ensure that relevant and current agricultural data is shared within the industry and **manage quality among all stakeholders**

After **Quality Control**, the core functions of APRA include third-party **organic certification**, provision of **data services** for marketing and management purposes, and facilitating access to **agri-superannuation** plans have shown successful outcomes under the pilots.

THIRD-PARTY ORGANIC CERTIFICATION

Certified organic products generally command price premiums, resulting in higher incomes for growers.

‘Growers group’ schemes can make certification accessible & financially-viable for smallholder growers. APRA will facilitate this process and coordinate with the certifier. Certifier to be selected by tender process.

Pilot certifications (COPSL, PRV, SANMA) have resulted in VUV5000/mt premiums being paid to growers for certified organic copra; 13% on top of the current commercial gate price. Anticipate premium rising to VUV10 000/mt.

The pilot has proven how, through organic certification, the Government of Vanuatu can ensure a sustainable method for supporting the producers, moving away from subsidies to “commercial premiums” for the prescribed commodities.

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INFORMATION, MARKETING & MANAGEMENT SYSTEM (IMMS)

Producers to regularly provide data on production, sales and transaction values as part of organic process. Incentives (eg agri-super) also encourage non-certified producers to also provide their data to the IMMS.

APRA to use this data to update the IMMS – an online database product based on the CertLink system. IMMS data to be provided to VNSO and used to share & coordinate with various Ministries.

IMMS also used to provide agricultural, market and climate information to growers via mobile phone.

Pilot of 100 growers commenced in South Santo in November 2013, and expanding to 1000 growers in South Santo and Malo during 2014.

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AGRI-SUPERANNUATION

Partnership with VNPF to enable growers access to agri-superannuation via voluntary contributions.

4% of copra gate price deducted by buyers and deposited into growers' VNPF account.

VNPF membership give access to retirement fund, Special Death Benefit, microfinance and incapacity benefit.

This unique initiative conceived in Vanuatu is unprecedented in the world, and has been enthusiastically adopted by both organic and non-organic producers of prescribed commodities.

Within the parameters of the Agri-Business Enabling Environment, the **Vanuatu Coconut Development Initiative** is VCMB/APRA's Vision for the coconut sector it is in line with its objective to significantly reduce the agricultural poverty, defined as "the current life of a Vanuatu copra producer" by 2016.

APRA - Vanuatu Coconut Development Initiative aims:

Its focus is on a "user pays" principle in which the copra farmer must receive improved financial returns and services through the transparent and professional management of APRA.

- i. **Minimum 5000 vatu premium** per mt of copra through organic certification earning him a 1 to 5 return on the levy paid to APRA (currently 800 vatu per mt of copra)
- ii. **Market information and linkages** to international buyer through IMMS
- iii. Significant Wealth leverage through the **VNPF membership and related services:**

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APRA - Vanuatu Coconut Development Initiative aims:

A Four Tier Approach:

Safety net for 80% copra growers through Nationwide Organic Certification Strategy (current VCMB project) in order to create the minimum value add for coconut growers of 5000 vatu premium per mt for copra.

Current private sector demand is around 5000 mt per annum of organic crude coconut oil at Rotterdam plus USD 100.00 premium and around 2000 mt of organic copra meal to Australia.

This output equates to around 10 000 mt of copra, or around 1/3 to 1/4 of annual production, depending on price and a 12.5% premium on conventional copra at the price of 40 000 vatu gate price Santo.

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Second Tier:

- **Increasing returns through investment in RBD refineries in Santo, Epi and Malekula.** This would increase returns as current price for organic RBD (Refined Bleached and Deodorised) coconut oil to be around USD2600/mt FOB, or around 100% increase on current organic crude price.
- The expansion of the RDB investment should allow for the organic premium to growers to rise to 10 000 vatu per tonne or an estimated return of 100 million vatu p.a. to growers across 10 000 tonnes.
- We believe that at a commercial premium of 10 000 vatu per mt, we will see a sharp increase in production of copra, especially in outer islands and thus will require investment in a national replanting initiative of Vanuatu Talls.

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Third Tier:

Virgin coconut oil plant in Santo, Epi and Malekula. The production of VCO is **limited to the transport of fresh/green copra** and will thus be centralised around these three investment hubs. Estimated private sector demand for organic VCO is estimated at **around 1000 mt per annum export price to USD3500/mt FOB** (organic) and allow the purchase of green copra at 25 000 vatu min. per tonne irrespective of the copra price.

Fourth Tier

In combination with the three tiers above, Vanuatu could further research the **possibility of a whole nut factory for milk, water, shell, coir etc. in Santo** as per the Pacific Coconut Initiative as outlined in the EU paper. This last section required a strong investment input from EU and on its own carried strategic risks for the Vanuatu Coconut Industry as a whole.

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Conclusion

APRA, as a transparent, grower focused and innovative service provider can have a significant positive institutional and economic impact in Vanuatu through the facilitation and the aims of the Agri-business Enabling Environment.

The **consultation process for the institution has made significant progress** with over 2500 growers consulted over the past months; however, much work remains with all stakeholders to achieve the aims as set out in the objectives tasked by NTDC.

As VCMB/APRA we are grateful for this opportunity to present to so many of the stakeholders, the Vision we have for the Prescribed Commodities Sector and look forward to your review and comments as well as further collaboration to achieve the revitalisation of Vanuatu Agriculture.