The cocoa sector in Vanuatu
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 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

• 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
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 a 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 need 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 to 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
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.
<table>
<thead>
<tr>
<th>Primary</th>
<th>Other inputs</th>
<th>Added Value (1)</th>
<th>By-products</th>
<th>Added Value (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw cocoa beans</td>
<td>Human capital</td>
<td>Dried and fermented cocoa beans</td>
<td>Cocoa pods, shells</td>
<td>Fertilizer</td>
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<td></td>
<td>Drying and fermenting surfaces</td>
<td>Roasted cocoa beans</td>
<td>Nibs</td>
<td>Animal feed</td>
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<td>Stockpiling</td>
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<tr>
<td>Dried and fermented cocoa beans</td>
<td>Energy</td>
<td>Chocolate liquor</td>
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<td></td>
<td>Water</td>
<td>Cocoa powder</td>
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<td>Machinery</td>
<td>Cocoa butter</td>
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<td>Sugar</td>
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<td>Roasted cocoa beans</td>
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<td>Chocolate liquor</td>
<td>Energy</td>
<td>Chocolates</td>
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<td></td>
<td>Water</td>
<td>Other chocolate products</td>
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<td></td>
<td>Machinery</td>
<td>Cocoa beverages</td>
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<td>Milk</td>
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<td>Nuts</td>
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<td>Sugar</td>
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<td>Know how</td>
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<td>Packaging material</td>
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<td>Strengths</td>
<td>Weaknesses</td>
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<tr>
<td>- Northern provinces are the producers of the top quality cocoa product branded to be one of the best in the world</td>
<td>- Poor fermentation techniques by smallholders resulting in a multitude of quality problems (could be addressed by using off the floor solar drying fermentation)</td>
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<td>- Relatively low labor requirements needed to farm cocoa</td>
<td>- Low productivity</td>
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<td>- Can be planted alongside and other food crops to diversify smallholder incomes</td>
<td>- Limited value-added production; reliance on raw commodities exports to foreign markets for processing</td>
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<td>- Established and functional cocoa growers cooperatives</td>
<td>- Lack of chocolate manufacturing capacity</td>
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<td>- Insufficient infrastructure for manufacture and transport</td>
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<td>- Lack of finance availability for smallholders</td>
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<th>Opportunities</th>
<th>Threats</th>
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<td>- International market demand for high quality ‘premium’ chocolate is expanding rapidly, including in Asia</td>
<td>- Volatile and fluctuating cocoa prices on world market</td>
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<td>- Improve linkages to tourism sector to tap local market for artisanal products</td>
<td>- Rising quality standards of markets and competing countries</td>
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<td>- Enhance bean size and quality to meet growing world quality standards</td>
<td>- Pests and disease</td>
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<td>Improvement of productivity will reposition Vanuatu</td>
<td>- Old plant stock</td>
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<td>- Add value through artisanal chocolate manufacturing</td>
<td>- Limited replanting program to replace old stock</td>
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<td>- Broaden organic and FairTrade certification</td>
<td>- Low know how on chocolate making</td>
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<td>- Strengthen exporting by encouraging entry of new exporters</td>
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