

Vanuatu National action plans for copra, coconut, cocoa and sandalwood products agreed by stakeholders at National Green Export Review workshop

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UNCTAD and the Ministry of Trade, Industries, Cooperatives, and Ni-Vanuatu Business (MTICNB) jointly organized the 2nd National Stakeholder Workshop of Vanuatu's National Green Export Review (NGER) to develop recommendations and national action plans aimed at enhancing value added and export capacity for copra, coconut, cocoa and sandalwood products. This 2-day workshop brought together over 40 participants including policymakers, farmers, agriculture and forestry experts, civil society, and entrepreneurs in the downstream industries using copra, coconut, cocoa and sandalwood for the production of related food, essential oil, healthcare, cosmetic, chocolate and handicraft products.

In opening the meeting, Ms Mary Navaika, Executive Officer of the Ministry's Office of the Director-General expressed the Government's appreciation for UNCTAD's support to national stakeholders engaged in Vanuatu's NGER aimed at advancing production and export, including through diversification into value added products, in three important economic sectors of the country. She further noted the timeliness of the workshop given the valuable contributions it can make to economic recovery efforts following Cyclone Pam, including by supplementing the Government's Overarching Productive Sector Policy (OPSP) developed to provide for better coordination in addressing issues and challenges face by the productive sector.

After summarizing results of the 1st National Stakeholder Workshop held in August 2014, UNCTAD representatives Mr Robert Hamwey and Mr David Vivas Eugui stressed that a successful workshop requires stakeholders to actively contribute to discussions, not only in those of the sectors which they operate, but in all three sectors under discussion as these sector present many common opportunities and constraints.

On the first day of the workshop, the NGER's national team of experts (Mr Roy Pakoasongi, Mr Jimmy Rantes and Mr Noel Kalo) presented the results of their detailed studies of the three sectors, which included extensive consultations with producers in the field. Each study, included in Vanuatu's NGER Report, described the main obstacles to enhancing levels production and quality by farmers and expanding product diversification and supply volumes by downstream processors. Each expert proposed sector specific recommendations and an action plan to address these issues which were thoroughly discussed, expanded upon and revised by stakeholders in dedicated discussions focussed on each sector. Vanuatu's full NGER report will be published by UNCTAD later this year.

Mr Pakoasongi presented findings in the copra/coconut sector. He recalled that copra/coconut continues to be a mainstay of Vanuatu's economy and the next largest income earner after tourism. A 2014 assessment indicates that of the 45% contribution of the three main cash crops to exports, copra/coconut constitutes 90% whereas cocoa and sandalwood make up only 10%. But participants recognized the need to strengthen copra/coconut production, emphasizing the need to replant and rebuild declining tree stock levels, first in response to damage to plantations caused by Cyclone Pam, but also

more generally due to the advancing age of trees in many plantations and in response to reduced farmer interest in the copra/coconut market, resulting in overall declines in quality and yields. Participants also noted the need to promote coproduction of copra/coconut and livestock in order to increase export earnings for farmers and enhance economic resilience to dips in future demand for one or another of the coproduced commodities.

Mr Pakoasongi noted that Vanuatu exports 71% of its copra to the Philippines where it is processed into a wide range of value added products. Despite substantial exports as an agricultural commodity, he emphasized slow growth in the production and export of value added products. At the same time, participants acknowledged increased global demand for many coconut products, particularly coconut oil as a household cooking oil with significant health benefits relative to more widely used kitchen oils, and as an essential oil used in cosmetic and healthcare products.

Many participants pointed to the need to raise awareness among current and potential farmers of new trends in consumer markets and robust future demand for coconut, and to encourage entrepreneurs to engage in value added production. Several participants emphasized the need for more local production of animal feed using copra/coconut and their waste products. This could provide cheaper feedstock for the growing livestock industry in Vanuatu.

Mr Pakoasongi stressed that timely national and global production data and market information related to pricing and value added opportunities would be critical to enhancing production and profitability. Even more important is the need to raise awareness of successful ventures of entrepreneurs in Vanuatu that have recently entered national and export markets for coconut products. Ms Rona Garae (Oils of Paradise) described her company's success in producing healthcare and cosmetic products based on coconut oil and other native biodiversity inputs for sale in the national market, particularly to visiting tourists. Participants also discussed the recent emergence in 2015 of locally produced refined organic coconut cooking oil (Mr Nicholas Monvoisin, Epi Oil Mill) in the national market. The tourism sector (direct sales to tourists, spas, hotels, and cruise companies) is a primary initial channel for exports of value added coconut products, but consumption in the domestic market is also important. Coconut cooking oil is distributed by Epi Oil Mill through grocery stores to local consumers, and increases in production capacity for direct bulk exports to foreign buyers will soon be brought online. Furthermore, exports to foreign markets will be facilitated because Epi Oil Mill coconut oil is organic certified. Export diversification into other areas such as activated carbon, coir, coconut water has yet to be realized, but participants agreed that by taking appropriate actions now, the sector would strengthen and market demand could support wider diversification in the future.

Discussing policy challenges, Mr Pakoasongi argued that the coconut market environment is characterized by a lack of effective legislation, clear policy directives, financing mechanisms for farmers, technical support for farmers, a sector strategy, and weak infrastructure for supporting and sustaining the quality required in global markets. Participants agreed that reforms in each of these areas were critical, particularly to support value added product production and export which is a new

development in the economy. The national action plan for coconut/copra adopted by stakeholders includes actions addressing needs in these areas.

Presenting the cocoa sector study, Mr Rantes recalled that the most recent national agricultural census of 2007 indicated that 25% of all households were engaged in cocoa bean production deriving from 3,042,000 trees but over half (55%) were more than 20 years old requiring replanting. Of the producing households, about 60% (4,882 households) sold cocoa beans in 2007. Several participants representing cocoa growers favoured a national cocoa training programme for producers to provide the farmers with the necessary technical skills to ensure improved yields and quality.

Mr Rantes noted that recent trade data indicates that in terms of total cocoa bean exports Vanuatu's largest export market is Malaysia accounting for 40% of Vanuatu exports, followed by Singapore with 33%, France with 9%, Indonesia 8%, Australia 5%, and Germany 3%. Value addition takes place in all of Vanuatu's export markets to produce chocolates, and cocoa powder, liquor and butter. Although cocoa exports account for about 5% of Vanuatu's goods exports, Vanuatu remains a very small player in the global cocoa trade contributing to less than 1% of global production. Some participants noted that although Vanuatu is a minor player in world markets, the uniqueness of single source Vanuatu chocolates could demand a high premium among sophisticated developed country consumers.

Mr Vivas Eugui from UNCTAD, presented the plant specificities, organoleptic characteristics and uses of three main varieties of cocoa plants originating from the Americas including: "criollo", "forastero" and "trinitario". He mentioned that his fieldwork and chocolate sampling in Vanuatu demonstrated a high quality of raw materials and processing. He also found a great diversity in the flavours in the chocolate of each island's mix indicating the use of several types of cocoa varieties and a rich diversity of unique flavours. He recommended undertaking a genetic analysis and mapping exercise to better understand the characteristics of Vanuatu cocoa bean varieties. It is probable that after more than hundred years since the arrival of the first cocoa plants to the Vanuatu Islands, fully domesticated varieties have evolved, each with its own features and character making the Vanuatu's beans and chocolate unique in the world. Such an exercise would better position cocoa farmers to exploit their production and quantity to the fullest.

Ms Sandrine Wallez (ACTIV Association) described her success in establishing Vanuatu's first chocolate factory in Port Vila in late 2014. She noted high and growing levels of demand for single source Vanuatu chocolates produced by ACTIV in the hotel and cruise industries, and through direct sales to tourists, while stressing the need to substantially increase production capacity to meet growing demand. She noted key challenges to overcome in local chocolate production including improving bean quality, better access to production equipment and the high local cost of electricity which is a major input to chocolate processing. But she noted opportunities for entrepreneurs to enter the chocolate market would be large once consumers in developed countries learn about the superior qualities of Vanuatu chocolate and seek to purchase it in their own local markets.

UNCTAD proposed an international cooperation project between Vanuatu and Ecuador (where UNCTAD is also engaged in an NGER covering the cocoa sector), which would allow technical support of Ecuadorian cocoa experts to Vanuatu. Experience in improving the productivity of cocoa plants, setting up traceability systems, and in achieving high sanitary and production standards in Ecuador could be brought to Vanuatu in order to secure the consolidation and expansion of Vanuatu's infant chocolate industry.

Mr Noel Kalo introduced the study on sandalwood noting consistent growth in world demand. With levels of global supply declining, increasing demand is leading to significant growth in the value of both hardwood and oil. While the consumption of sandalwood in traditional markets such as China remain strong, demand is growing in the US and EU markets alongside increased use of sandalwood in the pharmaceutical, perfumery, cosmetics, flavour, traditional medicine and aromatherapy industries. In view of favourable market trends, Kalo projected that current prices of \$125,000/metric ton for wood and \$2,000 per kilogram for oil, are expected to rise 6% per year in the foreseeable future.

Mr Kalo emphasized that although Vanuatu supplies only 2% of the global sandalwood market annually (80 tonnes), demand for Vanuatu sandalwood continues to grow. Its exports are primarily based on sandalwood oil, hardwood, powder and wood carvings. Australia imports the largest share of Vanuatu's sandalwood exports (37%), followed by China (27%), Fiji (9%) and France (7%) among other less important importers. Mr Jim Batty (The Summit), a major Vanuatu producer, mentioned that Australia, a major producer of sandalwood, imports Vanuatu sandalwood solely for re-export to its principal export markets. He and other participants also explained that the quality of sandalwood oil depends on the level of *santalol* in the oil, and that while Indian sandalwood is of the highest quality, Pacific island sandalwoods are of similar quality, especially sandalwoods from Fiji, New Caledonia and Vanuatu. He further noted that experimental cultivation methods to enhance tree trunk growth are providing promising leads.

Several participants highlighted the importance of developing a sustainable sandalwood sector given that it is the only crop that generates income in the most remote areas of the country, and in many cases remains the only source of income in these isolated communities. Kalo noted that only since 1995 have sandalwood exports been regulated through licensing of sandalwood merchants and collection of export levies.

Some of the recommendations of participants already included in the national actions plan were: the provision of seedlings and training for farmers, increased support for the establishment of sandalwood processing facilities to enhance diversification in sandalwood products, improved access to financing for farmers, and the need to manage the adverse biosecurity risks of introduced species.

Concluding the workshop, Ni-Vanuatu stakeholders were unanimous in welcoming the findings and recommendations of the report and agreed on its proposed National Action Plan (NAP) and related revisions elaborated in workshop discussions. The NAP includes a set of strategic lines and a list of specific actions to be implemented by the Vanuatu Government and other stakeholders over the next four-year period. Some of the most

important recommendations included the need to: develop and implement a national seedling and replanting plan for coconut, cocoa and sandalwood; undertake a genetic and cocoa plant mapping; enhance training for farmers to improve productivity, pest control, quality in the planting, harvesting, drying and packaging; make better use of coconut and cocoa waste to produce animal feed; reform the Vanuatu Commodities Market Board (VCMB) in order to make it more transparent, effective and useful to producers; and improving inter-island logistics, advance collective marketing and branding. A strong call was made by all stakeholders to donors to provide support for the implementation of the agreed National Action Plan and UNCTAD would assist Vanuatu in making the donor community aware of its needs to enhance opportunities and address challenges in the copra/coconut, cocoa and sandalwood sectors.

On behalf of MTICNB, Mr Rantes closed the event thanking UNCTAD and all of the national stakeholders for their contributions to a successful NGER project. In his closing remarks he indicated that the UNCTAD NGER was a highly valued and welcomed experience for Vanuatu; representing the first technical assistance project which encouraged Ni-Vanuatu stakeholders, themselves, collectively to analyse, assess, and decide how to best support and promote their economy.