

Spices and their suitability for Vanuatu

There are a number of socio-economic factors that should favour spice crops such as vanilla and pepper for village farmers living in more remote locations:

- Vanuatu is an archipelago of some eighty islands extending from 13o to 22o south. Many farmers are isolated from markets and rely on expensive and often infrequent transport to sell their produce. For these farmers, crops that have a very high value-to-weight ratio and do not perish rapidly are inherently attractive.
- Traditional farming systems are based on horticultural gardening, where attention is given to individual plants such as yams and taro. Vanilla and pepper plants fall into this category.
- A reasonable income can be earned for a remote village farmer from a plot of 100 to 200 vanilla and/or peppercorn plants. The land area required is sufficiently small to be accessed through traditional land-tenure arrangements.
- These are ideal crops to be cultivated in home gardens where they receive the required regular care.
- Purchased inputs such as chemical fertiliser are not required.
- Properly cured vanilla or dried pepper can be stored and held over extended periods without loss of quality, and thus sold when the need or opportunity arises.











The worldwide experience has been that vanilla farming has tended to be successful in areas where there are limited other income opportunities available due to difficult market access. Vanuatu has proven to be no exception. Some of the best vanilla has been sourced from more remote locations such as North Ambae, West Big Bay Santo and the southern islands of Aneiytum and Futuna. However, this isolation has created particular marketing challenges.

A spice industry based on 300 to 400 village based farmers will never reach the volume required to enter bulk world spice markets. Nor would the price received on such markets justify the cost involved in producing and marketing small volumes from remote locations. Niche speciality markets need to be developed, where premium prices are paid for high quality products that market the "romance" of the product's origin. Vanuatu farmers have been able to meet the quality requirements of these demanding niche markets, through the information provided to them by the processing marketing company (Venui Vanilla) via the Spices Network.

Despite the ability of farmers in isolated locations to grow premium quality spices, the transition to a new crop such as vanilla is no easy task. Farmers are used to traditional cash crops such as copra, cocoa, kava, and coffee, that can tolerate a degree of neglect. Some production can be expected and this can be sold even if the quality is second grade. This is not the case for vanilla and pepper that is sold on demanding niche markets. These crops require the acquisition of new

knowledge and are management intensive. High quality training and extension support is required for farmers to successfully make the transition. While overall labour input is not particularly high, it is skilled and intensive during certain periods in the production cycle, with the timing of inputs critical. If the correct management regime is not followed there is little or no production and quality will be poor. There is no market for second grade in these niche markets. Even if quality standards are met there is no guaranteed market for spices, unless there is a company like Venui Vanilla, "pulling" products through the value chain.

The Vanuatu Spices Network

The Spices Network can be described as a strategic partnership between Venui Vanilla (VV), an agribusiness that "pulls" product through the value chain to the market and the Farm Support Association (FSA) that links farmers to that business. The creation of the network in 1996 marked a turning point in the development of the Vanuatu spices industry. VV identified and developed the markets, starting with the local market. The company provided the necessary quality control, processing value adding, packaging and marketing linkages to the buyer. However, VV, located in South Santo, needed to be linked to the small holder growers to have sufficient supply to be able to supply the market it was successfully developing. It was FSA who provided this linkage.

Venui Vanilla (VV)





VV was established in 1987 by Piero Bianchessi. Growing vanilla was initially as the main interest. With the first flowering in 1990 the focus shifted to vanilla curing and marketing. A facility was established for the processing of small and split beans into vanilla essence and vanilla paste. Vanilla products were first sold locally, targeting the tourist market. Niche export markets were developed through participation in Fine Food Trade fairs in Auckland and Melbourne. A very encouraging market response was received to the high quality vanilla products on offer. This prompted VV to add other processed spices - peppercorn (green and black), ginger, turmeric and chilli. Volumes were small but the quality was exceptionally good.

As niche export markets began to be developed, it soon became apparent that a far greater supply base was required, than the South Santo location could provide. It was found that South Santo was not climatically well suited to vanilla production, with erratic flowering experienced. Thus the company recognised that if it was to meet the market demand it was creating, supplies would have to be secured from small holder growers situated in more climatically suitable locations. The nearby island of Malo was the first area identified as a supply source for both vanilla and pepper. However, it was difficult and expensive for VV to make direct contact and establish the necessary relationship with these farmers to explain the quality requirements and how these were to be met. The company turned to Farm Support Association (FSA) for assistance to creating the necessary linkage and relationship with the Malo farmers and so the Spices Network was born in 1996.



The Farm Support Association (FSA)

Farm Support Association

-Farmers Helping Farmers-

FSA has as its origins in the Plantation Support Association (PSA) which was established in 1983 to assist in Vanuatu community groups with the management of alienated plantations whose ownership they had assumed at the time of independence. The FSA formally come into existence in 1992, replacing the PSA. By that time circumstances had changed and the emphasis needed to shift to providing for the needs of small-scale farmers. FSA operates under the banner of "Farmers Helping Farmers". The goal of FSA, which has been refined over the years, is to make a substantial contribution to the enhancement of financially viable and environmentally sustainable agriculture in Vanuatu. The core business has become the provision of services in support of commercially orientated small farmers. The organization generates income through the provision of these services, usually funded by various aid donors.



Why was the Spices Network created?

There were five (5) main reasons for establishing the Vanuatu Spices Network:

- To create the necessary link in the spices value chain between processing and marketing company and the widely dispersed small holder growers.
- To allow the agribusiness to specialize on the processing/ packaging/marketing, while leaving raw material production largely to small holder farmers.
- To generate the volume of supply required for the company to develop markets.
- To facilitate acquiring organic certification found necessary for market access.
- To provide small holder growers with the necessary information and guidance to produce premium quality spice products.

Vanuatu small holders, by and large, had not in the past been successful in growing spice crops such as vanilla and pepper, despite the attraction they offered. This can be explained by three (3) primary factors.

- Although remunerative export markets existed, there was no agribusiness entity providing long term access to these markets. The development of VV removed this barrier.
- Despite the development of an agribusiness that provided access to markets, there was a need to effectively and efficiently link farmers in remote locations to that agribusiness.
- Vanilla and pepper are not difficult crops they are different crops - different from other crops with which farmers are familiar. Farmers require clear and correct information on how to grow and handle these crops.

It was the second and third of these factors that the Spices Network addressed. Also through the Spices Network farmers from remote locations where made aware that there was a reputable buyer in place for the long term who could buy their spice products provided quality requirements were meet. It was the Spices Network that informed the farmers what these quality requirements were and how they could be meet. To be a successful vanilla farmer three (3) fundamental requirements must be met:

- Vanilla is an orchid with needs of its root system being different to other crops with which farmers are familiar. It must be planted, and looped, into dry mulch and not soil.
- Measures (such as the pruning of support trees) need to be taken to induce flowering and timing of these measures is critical.
- The processing (curing) of vanilla is a time consuming fermentation process – quite different from the simple drying of cash crops such as copra, cocoa and kava, with which farmers are familiar.



The early years of the Spices Network

In 1996 VV enlisted the service of FSA to develop linkages with small holders. The company sought increase supplies of good quality vanilla beans (green and cured), pepper (black, white and green), chillie (fresh and dried). An FSA staff member was trained in vanilla and pepper cultural practises. He was then sent to nearby Malo island where a considerable amount of vanilla and pepper had been planted in the past. As the result of this initiative a Malo Growers Association was formed and became a member of FSA. The FSA staff also became a buying agent for VV, for which they received a commission.

The start-up of the Spices Network coincided with an exceptionally good year for vanilla flowering on Malo. This provided VV with a large jump in vanilla supply to start building export markets. The following year was poor for vanilla flowering. Erratic vanilla flowering has proven to be a major problem for much of Vanuatu's central and northern provinces. Only in the southern province of Tafea has consistent annual flowering been achieved. Again in 1998 good vanilla flowering was achieved on Malo. In that year a team from the United Nations Economic and Social Commission for Asia and Pacific (ESCAP) who were assisting FSA in preparing a "Program for a Sustainable Future" visited Malo. The ESCAP Report concluded:

That the effort made since 1996 by FSA to link up with Venui Vanilla is perhaps the most significant development in the recent history of the Association. From a modest initial input an obvious impact was being made, which was worthwhile building upon. The Spices Network provided scope of expanding FSA membership, and for delivering broad based benefits to rural households. However, the FSA's Spices Network inputs tended to be by necessity somewhat ad hoc having to "piggy back" on other donor funded activities that were in operation at the time. It was necessary thus to secure donor support to focus specifically on the Spices Network and that would expand spice purchases to levels that would make the Spices Network sustainable.



Organic certification provided the avenue to secure donor funding that could be used to support the Spices Network. VV had recognised a small exporter located in a remote part of Vanuatu wishing to obtain credibility with international buyers that is was necessary to offer something special over and above good quality and first class packaging. To quote Piero Bianchessi the founder of Venui Vanilla: "As we keep repeating, the certification was more a status symbol (a business card) than a real necessity. Operating from the bottom of nowhere, we needed some kind of statement to demonstrate that we were 'trustable'. Organic certification was identified as the factor that could stimulate this initial interest" Thus FSA and VV jointly organised for certification by Bio-Gro (NZ) in April 1998, with funding by the New Zealand High Commission. The funding included a small allocation to support the FSA's spices field services.

In July 2002 donor funding for the Spices Network built around organic certification was secured from the EU's Centre for the Development of Enterprises Programme (CDE) Program. FSA received three years of funding to provide organic internal control (IC) for the Europe based EcoCert for 200 small holders selling spices to VV. Regular IC visits by FSA staff provided the opportunity to provide extension advice on spice crop husbandry, post-harvest handling and processing and to serve as a buying agent for VV.



The POPACA Project - a major boast to the Spices Network

In September 2004 support for Spices Network was substantially increased with French Aid funding through POPACA (Project d 'Organisation des Producteurs Agricoles pour la Commercialisation Association). POPACA specifically targeted cooperatives and farmer organisations. The focus was again on organic certification, with the third party certifying entity on this occasion being AgriQuality from New Zealand. Three FSA staff members were assigned to the Spices Network, with a particular focus on vanilla. An intensive extension effort specifically targeting more remote locations was initiated. Some 500 farmers were involved coming from nine (9) islands. Over a two year period a total 36 on-site training workshops were held, including 10 on Tanna. There were over 1,000 farm visits and 36 demonstration plots established, with numerous farmer meetings held. Through POPACA, the southern Province of Tafea was identified as the most suitable for vanilla production. This was due to the significantly cooler conditions in April/May, which induced regular annual flowering.



By 2011 national spice output had quadrupled due to impact of the Spices Network under POPACA. Over three (3) tonnes of spice products (vanilla and pepper) were sold in that year by VV for an ex-factory value of some 11 million vatu





6

The Vanuatu Spice Network has shown that farmers in remote locations can produce world class quality spices provided they receive appropriate support, the correct information, and have confidence in the buyer



The Spices Network post-POPACA

Since the ending of POPACA in December 2006, the Spices Network has not been able to secure any substantial ongoing funding. Despite this lack of core funding, and the change in Venui Vanilla ownership in late 2015, the Spices Network has been maintained. However, there has been a return to the somewhat "ad hoc" model of the past, where it has been necessary to "piggy back" on FSA's other funded activities. In recent years the Network has primarily focused on the Tafea Province, particularly Tanna and Futuna. This has been for two main reasons:

- The southern islands of Vanuatu have increasingly been proven to be climatically the most suitable for vanilla production.
- FSA had other funded projects in Tafea Province upon which they could "piggy back" Spices Network activities.

The FSA Office in Luganville, Santo has continued to operate as a VV buying point.

FSA now has two major advantages compared with when it embarked on the Spices Network some twenty (20) years ago:

- FSA now has a higher level of spice expertise within the organisation.
- The availability of high quality training material particularly Vanilla Handbook that was published by VV in 2012.

FSA also has in recent years been able to secure some funding to support a number of small specific Spices Network activities through the Pacific Island Farmer Organization Network (PIFON) and





through post-cyclone Pam funding. This has included the distribution of vanilla curing kits tailored to small holder producers.

Since the peak of 2011 spice product sales have steadily fallen. This down turn was not due to lack of markets, but rather insufficient supply coming from small holders. Most of W vanilla supply now comes from Tafea Province. Following Cyclone Pam, in March 2015, there has only been sufficient vanilla available to supply the local market - at a time when the demand for the company's high quality product continued to grow. The marked decline in vanilla production can in part be explained by the unfavourable climatic conditions for vanilla flowering in recent years in the main traditional production areas. Yet, significantly more production might have been expected to come from the over 300 growers' located in Tafea Province, who had experienced favourable weather conditions, at least up until Cyclone Pam. The decline in vanilla supply highlights the need for an on-going extension effort that links growers to the agribusiness processor/marketer. This is seen to be particularly in the case of growers in Tafea Province, who are relatively new entrants to the industry and are logistically isolated from the buyer VV located in South Santo.

In late 2015 Venui Vanilla was sold, with the new owners maintaining the relationship with FSA and the Spices Network. The challenge now is to restore, and even expand, spice product sales to the level achieved in 2011. However, as past experience has shown achieving this will need sustained and focused extension effort, needing core funding support. The substantial livelihood and economic benefits expected to accrue would fully justify continued donor support.

Lessons learned from twenty years of the Spices Network

There are a number of key lessons that come from the twenty (20) years of experience with Vanuatu Spices Network:

The type of company that can develop a spice export industry in the Pacific islands

- Niche speciality markets need to be developed, where premium prices are paid for high quality products that market the "romance" of the product's origin.
- The Vanuatu spices value chain demonstrates that the
 agribusiness that develops niche speciality markets is best
 placed to develop the entire supply chain, "pulling" the product
 through the chain. Such a company is far better placed than an
 NGO, a farmers' cooperative or the government extension
 service to assess the quality and certification needs of the
 market.
- There is little or no prospect of scattered producers in isolated rural areas initiating production and successfully 'pushing' it into export markets.
- To obtain the necessary supply, the agribusiness needs to be proactively involved in the development of the sector.
- To be successful the agribusiness needs to have a long term presence and make significant investment over time. This business is likely to start relatively small and grow incrementally, gaining experience overtime. In the case of Venui Vanilla the local tourist based market was first targeted.

The linking small holder farmers to agribusiness

- A spices agribusiness in the Pacific islands will need to secure most of its raw supplies from small holders to be viable.
- A strategic partner is required to effectively and efficiently link the company to small holder suppliers. In this case, the strategic partner was the Farm Support Association, through the Spices Network.
- A regular and focused extension effort, that builds relationships with farmers, is required to achieve the desired sustained outcomes.
- Government extension services are not structured or resourced to provide such a service. While the support of government is necessary, the direct involvement of the public sector in providing these services is not desirable.

Small holders in remote locations can produce world class spices

- There is greater interest in spices such as vanilla in more remote locations where farmers have few alternatives.
- The Vanuatu Spice Network has shown that such farmers can produce world class quality spices provided they receive appropriate support, the correct information, and have confidence in the buyer.
- It has proven to be a greater challenge to get vanilla farms to adopt correct agricultural practices rather than correct curing practice. The reason for this is that farmers have engrained in them the agricultural practices they apply to growing their other crops, whereas vanilla curing is something completely new for which they have no practices that need to be changed.
- The ability to pay cash on delivery to farmers, perhaps more than anything else, provides the greatest incentive to farmers.
 Mechanisms need to be put into place to facilitate such payments.

Ensuring a sustainable future for the Vanuatu Spices network

- The Spices Network needs to focus on those geographical areas with the greatest potential. Sourcing small quantities from numerous scattered locations is not viable.
- For vanilla the focus should be on the Tafea Province. The climate there is well suited to vanilla and there remains a high level of grower interest. Much of central and northern Vanuatu has increasingly proven climatically unsuited to vanilla production, due to irregular flowering.
- For pepper, the main focus should be on semi commercial groups on northern Islands, such as now found on Malo.
- These is need for an on-going extension effort that links growers to the agribusiness processor/marketer. The expected livelihood and economic benefits accruing justify continued donor support for such programs.

The role of organic certification

- For spices, organic certification has been more important in accessing markets than generating price premiums. For Venui Vanilla organic certification was important to give buyers confidence to place orders with an unknown company located in "remote" Vanuatu. Now with a proven record in delivering a quality product, organic certification is now probably less important than it was in the past.
- The cost of securing organic certification for farmers in remote locations is particularly high – despite these farmers being the most deserving. There is increasing demand for food safety certification and it is difficult for small agribusiness to incur the cost of both certifications. Such companies need to closely evaluate benefits vs the cost of organic certification.
- Organic certification has proven to be a useful mechanism for securing donor funding support, which was used to develop the Spices Network. Donor interest in organic certification has probably waned.
- Future funding proposal to support the Spices Network should not be focussed on organic certification, although they should still include an organic certification component.





Suggested Reading

Bianchessi Piero (2012) . "Vanilla Handbook". Venui Vanilla Company, Santo Vanuatu. Published by CTA

ESCAP/POC (1998). "Vanuatu- The Farm Support Association: A Program for a Sustainable Future". June 1998

McGregor (2004). Diversification into High-Value Export Products: Case Study of the Papua New Guinea Vanilla Industry. FAO Agricultural Support Systems Division (AGS) Agricultural Management, Marketing and Finance Service (AGSF). Sept. 2004

McGregor A. (1998), Land Use Profile, SPICES, Vanuatu Land Use Planning Project, Port Vila Vanuatu, Nov 1998

McGregor, Andrew and Kyle Stice (2014). Agricultural Value Chain Guide for the Pacific Islands: Making value chain analysis a useful tool in the hands of farmers, traders and policy makers. Published by SPC/CTA. May 2014.





