

Pacific Agribusiness: Learning From The Survivors

A synthesis of factors that underpin the success
and survival of agribusinesses in the Pacific

March 2020

Acknowledgements

This publication was co-written by members of the PARDI2 team, including Marita Manley, Salote Waqairatu, Patricia Bibi, Talei Goater, Lex Thomson, Lavinia Kaumaitotoya and Kyle Stice. We are sincerely grateful to everyone who supported the development of this report.

In particular, we wish to say tankyu tumas, vinaka vakalevu and malo 'aupito to all the agribusiness owners and managers who were interviewed and who readily shared their insights, knowledge and experience in order to support others in the industry.

Many thanks to those who coordinated interviews on behalf of the PARDI2 team, including GroFed in Tonga, and other members of the Pacific Island Farmers Organisation Network (PIFON). We are also grateful for the support of the team at PIFON.

We were fortunate to have expert reviewers contribute their time and provide valuable feedback, including Bronwyn Wiseman of the Pacific Horticultural and Agricultural Market Access (PHAMA) Plus programme, and Regina Scheyvens and her team at Massey University.

Whilst every effort has been made to accurately present the views of those interviewed and incorporate feedback, any errors are the authors' own and are truly regretted.

About Us

Funded by the Australian Centre for International Agricultural Research and facilitated by a consortium of implementation partners, Pacific Agribusiness Research in Development Initiative 2 (PARDI2) seeks to promote sustainable livelihood outcomes for Pacific Islands households through research and innovation, catalysing and informing a more vibrant, diverse and viable agribusiness sector.

The project spans 2017-2021, placing a geographical focus on Fiji, Tonga and Vanuatu. For more information, please visit www.pardi.pacificfarmers.com



Contents

06	List of acronyms
06	List of agribusinesses
07	Executive summary
14	Section 1: Introduction
17	1.1 Background
20	1.2 Market systems approaches
21	1.3 Methodology
22	1.4 Definition of success
23	Section 2: Success factors
24	Factor 1: Understanding the requirements of the market
25	Factor 2: Transparency across the value chain
26	Factor 3: Strong relationships across the value chain
27	Factor 4: Quality assurance / standards
28	Factor 5: Good staff management and employee satisfaction
30	Factor 6: Resilience and risk management planning
31	Factor 7: Diversification of revenue from a solid core business foundation
32	Factor 8: Provision of quality support services for growers
33	Section 3: Constraints to success
34	Constraint 1: The regulatory environment
35	Constraint 2: Incoherent government policy
37	Constraint 3: Supply issues, including seasonality, consistency and economies of scale
39	Constraint 4: Weak research capability
40	Constraint 5: Extreme events and climate change
41	Constraint 6: Human resource capacity
42	Constraint 7: Accessing finance
43	Section 4: Key lessons
44	Key lesson 1: Be consistent
45	Key lesson 2: Balancing business and culture
45	Key lesson 3: Reliability
46	Key lesson 4: Innovation and continuous improvement
46	Key lesson 5: Small can be beautiful
47	Key lesson 6: Managing risk will become increasingly critical
47	Key lesson 7: Partnerships are vital

48	Section 5: Recommendations
49	Do
50	Don't
51	Annex 1: Interview instrument
58	Annex 2: Case studies
58	Agrana Fruit (Fiji) Limited Sigatoka, Fiji
63	Civa (Fiji) Pearls Limited Taveuni, Fiji
67	Filipe Filihia Tonga
70	Forney Enterprises Luganville, Santo, Vanuatu
75	Kaiming Agro Processing Limited Navua, Fiji
79	Kava House Mele, Efate, Vanuatu
83	Lapita Café Limited Port Vila and Santo, Vanuatu
88	Nature's Way Cooperative (Fiji) Limited Nadi, Fiji
94	Nishi Trading Company Limited Tongatapu, Tonga
99	Pacific Reforestation (Fiji) Limited Wainibokasi, Fiji
103	South Pacific Sandalwood Limited (formerly The Summit Estate) Efate, Vanuatu
107	South Seas Orchids Nadi, Fiji
111	Tupu'anga Coffee Tonga
115	Tutu Rural Training Centre Taveuni, Fiji
119	Venui Vanilla Limited Limited South Santo, Vanuatu
124	Reference list



List of acronyms

ACIAR	Australian Centre for International Agricultural Research
ACP	African, Caribbean and Pacific countries
BLP	Business Link Pacific
CDE	Centre for the Development of Enterprise (ACP-EU)
Codex	Codex Alimentarius or "Food Code" (FAO/WHO)
CTA	Technical Centre for Agricultural and Rural Cooperation
FAO	Food and Agriculture Organization of the United Nations
FACT	Facilitating Agricultural Commodity Trade (EU/SPC)
IACT	Increasing Agricultural Commodity Trade (EU/SPC)
MDF	Market Development Facility
NWC	Nature's Way Cooperative
NGO	Non-Governmental Organisation
PARDI	Pacific Agribusiness Research for Development Initiative
PARDI2	Pacific Agribusiness Research in Development Initiative 2
PHAMA	Pacific Horticultural and Agricultural Market Access Program
PIFON	Pacific Islands Farmer Organization Network
PTI	Pacific Trade Invest
PSD	Private Sector Development
R&D	Research and development
SPC	Pacific Community

List of agribusinesses

Agrana:	Agrana Fruit (Fiji) Limited, Fiji
Civa:	Civa (Fiji) Pearls Limited, Fiji
Filipe:	Filipe Filihia, Tonga
Forney Enterprises:	Forney Enterprises, Vanuatu
Kaiming:	Kaiming Agro Processing Limited, Fiji
Kava House:	Kava House, Vanuatu
Lapita:	Lapita Café Limited, Vanuatu
Nature's Way:	Nature's Way Cooperative (Fiji) Limited, Fiji
Nishi:	Nishi Trading Company Limited, Tonga
PRF:	Pacific Reforestation (Fiji) Limited, Fiji
SPS:	South Pacific Sandalwood Limited, Vanuatu
South Sea Orchids:	South Sea Orchids, Fiji
Tupu'anga:	Tupu'anga Coffee, Tonga
Tutu:	Tutu Rural Training Centre, Fiji
Venui:	Venui Vanilla Limited, Vanuatu



Executive summary



Agriculture in the Pacific Islands is critical for food security, employment and income generation, social networks, health and wellbeing. As such the success factors and constraints that underpin agricultural development and agribusinesses in the region are of interest to a broad range of stakeholders.

In 2018, the [Pacific Agribusiness Research in Development Initiative \(PARDI2\)](#) team surveyed fifteen agribusinesses in the project's three focus countries of Fiji, Tonga and Vanuatu in order to document their lessons learned over decades of trial and error, success and failure. These agribusinesses collectively have more than 200 years of operating experience.

The [PARDI2](#) aims to ensure that programmes designed to strengthen agribusinesses and improve livelihoods are built on a firm understanding of the success factors and constraints to agribusiness operators in the region, particularly those factors that may be unique to the region.

Based on the findings of surveys and interviews undertaken, this paper attempts to address some key questions:

- ▶ What are the success factors that have underpinned the viability, resilience and sustainability of agribusinesses in Fiji, Tonga and Vanuatu?
- ▶ What are the main common factors that constrain agribusiness development?
- ▶ How can R&D programmes that seek to support agricultural development learn from the experiences of agribusinesses in the region to better target their support?

Pacific entrepreneurs are resilient people. The business regulatory environment is often hard to navigate, inefficient and can change with limited notice. Agriculture in the Pacific Islands is an inherently risky business and agribusiness owners and managers have to manage losses from extreme weather events, pest and disease outbreaks, post-harvest handling constraints and unreliable transport services. Support services for agribusinesses are not well developed and domestic markets tend to be small. The underlying cultural context and land tenure systems are also critical factors in the types of agribusiness and practices that will be successful.

Agribusinesses that have developed strategies to manage these constraints, risks and survive shocks have lessons for all agribusinesses in the region. The factors that affect the success of an agribusiness extend far beyond the technical issues of production and getting produce to market.

This report provides recommendations for research and development (R&D) and policy interventions. It is written primarily for those involved in supporting agribusinesses in the Pacific Islands region. This may include agricultural researchers, government agencies supporting agriculture and business development more broadly, farmer organisations, private sector organisations, business advisory services and associations, non-government organisations and development partners. It may also be of broader interest to agribusinesses, students and those interested in agricultural development.



Success factors and constraints

Based on the interviews, eight common success factors and seven common constraints were identified. Specific examples are given throughout the report of practices that illustrate the application of these success factors and constraints within the agribusinesses surveyed.

Success factors

1. Factor 1: Understanding the requirements of the market
2. Factor 2: Transparency across the value chain
3. Factor 3: Strong relationships across the value chain
4. Factor 4: Quality assurance / standards
5. Factor 5: Good staff management and employee satisfaction
6. Factor 6: Resilience and risk management planning
7. Factor 7: Diversification of revenue from a solid core business foundation
8. Factor 8: Provision of quality support services for growers

Constraints

1. Constraint 1: The regulatory environment
2. Constraint 2: Incoherent government policy
3. Constraint 3: Supply issues, including seasonality, consistency and economies of scale
4. Constraint 4: Weak research capability
5. Constraint 5: Extreme events and climate change
6. Constraint 6: Human resource capacity
7. Constraint 7: Accessing finance

Based on these success factors and constraints the following Key lessons emerged.

Key lesson 1: Being consistent

Being consistent emerged as a common theme across all agribusinesses. This applies not only to consistency in delivering quality products – but also consistency with pricing structures and decision-making. Being consistent can reinforce trust and relationships as partners know where they stand. Consistency in applying internal policies also emerged as important. Long term business-to-business relationships rely on predictability of supply and pricing to enable both buyers and producers to plan effectively into the future.



Key lesson 2: Balancing business and culture

The cultural context in the Pacific Islands means that many successful businesses have strong social elements to them. In the agriculture sector, agribusinesses may be working with a large number of smallholder farmers. Sustaining a successful business often relies on the business owners' knowledge and understanding of the cultural context to sustain good working relationships.

Many of the businesses interviewed have strong relationships with their partner communities (see Success Factor 3 above) but are also able to maintain a separation of the commercial business with any cultural obligations or have clear guidelines for how they are to be met.

Key lesson 3: Reliability

Maintaining reliability and a reputation for reliability is a common factor across all the businesses surveyed. This refers not only to reliability in delivering consistently high-quality produce to buyers, but also reliability in making payments, in following up on actions when once committed to doing so, in honouring contracts (formal and social contracts) and in acting with honesty and integrity. If farmers trust that a business will buy all of their produce and pay them on time (preferably at the farm or factory gate as produce is supplied), they can plant and maintain their crops with confidence. If buyers trust a supplier is reliable and will deliver as contracted, they are better placed to market the produce.

Many of the success factors listed above contribute to or are built on reliability (transparency, strong relationships and standards).

Another factor that several agribusinesses discussed was the importance of female staff in ensuring reliability. Several of the agribusinesses surveyed have a high proportion of female-workers in their processing facilities.

Key lesson 4: Innovation and continuous improvement

Markets are dynamic and constantly changing. Successful agribusinesses are always looking for new product opportunities and improvements. They are also successful at building networks of contracts and expertise that they can draw on to support them to understand changes in the market and how they need to respond and position themselves.



Key lesson 5: Small can be beautiful

Small businesses have some inherent advantages in achieving the success factors identified above. It is easier to maintain strong personal relationships across the value chain when you know everyone you are dealing with personally. It can be easier to enforce standards and control quality in a business with fewer farmers and workers. A key issue is therefore how best to support new and emerging entrepreneurs to establish small businesses and how to support small and medium businesses scale up their operations should they wish to do so.

Key lesson 6: Managing risk will become increasingly critical

Many of the businesses surveyed have successfully managed extreme events over the years. Extreme events are likely to increase in intensity over the coming decades as a result of climate change. Risk management strategies are therefore likely to become ever more important.

Key lesson 7: Partnerships are vital

For all of the agribusinesses surveyed, partnerships across other businesses, government departments and development partners, have played an important role in their success. Partnerships have promoted the discovery of new markets, strengthening producer networks and learning, and leveraging of finance for investments.



Based on the success factors and constraints identified above, a number of recommendations for different actors are recommended. Many of these recommendations are not new and the experiences of the agribusinesses surveyed validate the shift to a more market-oriented approach to supporting agribusiness development. They are written for researchers, government agencies and development partners - but many also apply to the agribusinesses themselves.

Do

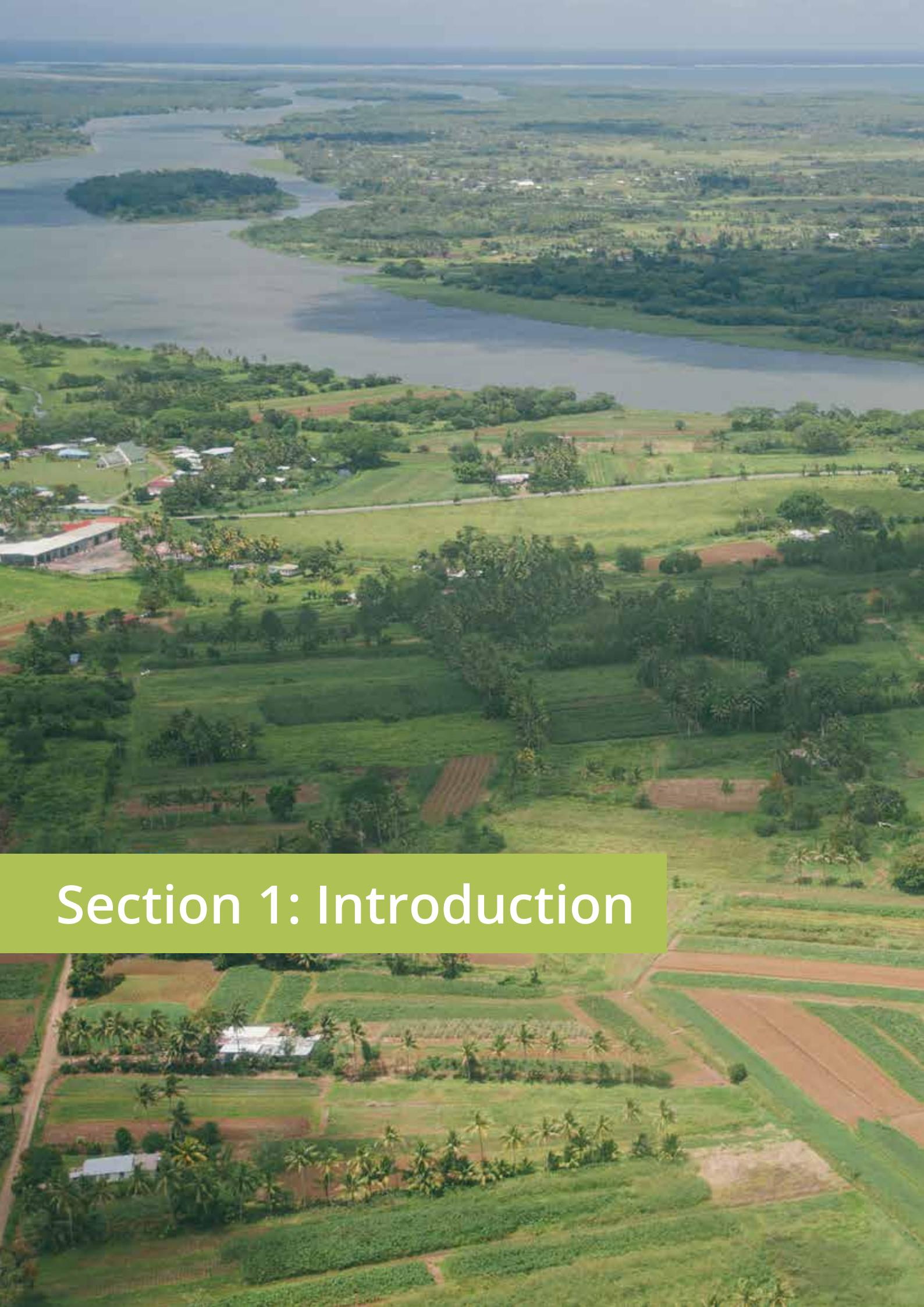
- ▶ Create the spaces and mechanisms to ensure agribusiness can articulate their needs. Established agribusinesses bring a wealth of experience, understanding and unique insight. It is crucial that consultative, accessible and appropriate spaces and/or mechanisms are developed to capture their views and priorities, alongside a commitment and process for ensuring research genuinely meets these priorities.
- ▶ Spend sufficient time cultivating a holistic and integrated view of the specific agricultural sub-sector within which you are working. Ensure you understand the complete value chain and the variety of actors, their interests, needs and culture.
- ▶ Work collaboratively with agribusinesses, supporting them to conduct market research, to understand the current markets and future potential, and the constraints to accessing these.
- ▶ Facilitate connections throughout the value chain, encouraging relationships between farmers, producers, processors and buyers. Business networks and relationships are critical and supporting these networks to develop can support agribusiness development.
- ▶ Support the development and strengthening of industry working groups, farmer organisations and other mechanisms that facilitate dialogue between all actors across the value chain.
- ▶ Promote peer to peer learning and mentoring between farmers and agribusinesses. The most effective learning is often from those in a similar position that have overcome similar challenges.
- ▶ Research the underlying business regulatory environment comprehensively and understand the constraints that the business environment itself creates. Many businesses struggle to address strategic priorities when dealing with a time-consuming regulatory environment. Tackling some of these constraints and simplifying the business regulatory environment through partnerships, both formal and informal, may unlock more agribusiness potential than 'agriculture-specific' interventions.
- ▶ Promote and support transparency, developing fit-for-purpose communication materials that ensure all stakeholders (within and/or external to the agribusiness) have equal access to current information - for example, establishing means for employees, producers and/or partners to stay informed across quality requirements, standards, pricing, weather and climate-related information and market information.



- ▶ Bridge the gap between finance providers and agribusinesses - effective partnerships and ongoing dialogue can stimulate the development of tailored financial products, specifically geared to meet the needs of agribusinesses.
- ▶ Connect agribusinesses with other business advisory service providers that can assist them in navigating compliance issues, developing and strengthening internal processes, cultivating a better understanding of market analysis and growth strategies.

Don't

- ▶ Don't place unreasonable demands on agribusinesses, expecting them to meet your needs and/or timing. Instead understand and appreciate the value of their time and plan your interventions around their availability.
- ▶ Don't undermine the existing value chain by attempting to substitute missing links within the value chain. Work alongside agribusinesses collaboratively, supporting them to identify the market opportunity and address the barriers as to why the opportunity has not been realised.
- ▶ Don't make assumptions. If at first glance, you identify key processes and/or decisions that do not appear to have commercial rationale, dive deeper - understanding the operational context of the agribusiness, particularly within the cultural landscape, is imperative.
- ▶ Don't presume that your particular research topic will be of interest to agribusinesses - initially your needs and priorities may not appear to be aligned with that of the private sector. Ensure you understand the livelihood implications of the research and communicate this clearly to the partners you are working with.
- ▶ Don't create unrealistic expectations, inflating the process with lofty goals or unrealistic promises. Frame expected outcomes of the research or programme realistically and provide clear information about how agribusinesses can engage with the work.



Section 1: Introduction



Pacific entrepreneurs are resilient people. The World Bank's Doing Business Report ranks Fiji, Tonga and Vanuatu as 101, 94 and 91 out of 190 for ease of doing business, respectively¹ – so simply staying in business is challenging.

In addition to a sometimes hard to navigate regulatory environment, agriculture in the Pacific Islands is inherently a risky business with losses from extreme weather events, pest and disease outbreaks, post-harvest handling, and unreliable inter-island transport services all contributing to a business environment in which risk management strategies are particularly important (Kumar, 2019).

Fiji, Tonga and Vanuatu have each experienced category 5 cyclones² over the last 4 years with devastating impacts on the agriculture sector. Agribusinesses that have survived these shocks have lessons for all agribusinesses in the region.

As small countries with thin domestic markets, support services for agribusinesses (such as seed and planting material suppliers, equipment suppliers, private extension services, business advisory services and financial services) are not readily available (MDF, 2015). Successful agribusinesses have often found a way to either provide these services directly (such as the Nature's Way Cooperative and Kaiming Agro) or partner with government or NGOs to support their provision (FAO, 2017).

Small markets also mean that value chain actors within a country often know each other personally and their relationships may extend beyond purely commercial relationships. This can be an advantage when it comes to strengthening relationships and trust along the value chain. However, in small communities this also means that agribusinesses are often contributing significantly to community cultural and social obligations (Scheyvens, R et al, 2019) and employ various strategies to manage these. This can mean that it is difficult to draw a line between family or social relationships and business relationships, with a consequent risk to the financial viability of the business (Manley, 2007). For example, family members working in the same value chain may find it difficult to reject produce or enforce payments, undermining the sustainability of the business operations.

¹<http://www.doingbusiness.org/>

²Tropical Cyclone Pam – Vanuatu 2015, Cyclone Winston – Fiji 2016, Cyclone Gita – Tonga 2018



Land tenure systems in the region, including high rates of customary land ownership, ensure that many people have access to land for food security, but the regulatory environment that accompanies them has implications for agribusiness and other land-based resources activities (Trenorden, 2013). Securing rights to land can be a lengthy process and where resource owners want to develop their own land, the market economy and the associated institutions that underpin the business environment may not be well adapted to the Pacific context and conducive to supporting businesses that are based on customary land. This also affects access to finance as many commercial financial institutions require secure land rights (e.g. a formal lease) as a prerequisite for obtaining loan financing.

The factors that affect the success of an agribusiness therefore extend far beyond the technical issues of production and getting produce to market.

The [Pacific Agribusiness Research in Development Initiative \(PARDI2\)](#) aims to ensure that programmes designed to strengthen agribusinesses and improve livelihoods are built on a firm understanding of the success factors and constraints to agribusiness operators in the region, particularly those factors that may be unique to the region.

In 2018, the PARDI2 team surveyed fifteen agribusinesses in the project's three focus countries of Fiji, Tonga and Vanuatu in order to document their lessons learned over decades of trial and error, success and failure. These agribusinesses collectively have more than 200 years of operating experience. The aim of the research is to provide recommendations for research and development (R&D) and policy interventions, that will be useful for agricultural researchers, government officials, farmer organisations, private sector development experts, development partners, business advisory services and associations, and emerging and existing agribusinesses.



1.1 Background

Agriculture in the Pacific Islands is critical for food security, employment and income generation, social networks, health and wellbeing. As such the success factors and constraints that underpin agricultural development and agribusinesses in the region are of interest to a broad range of stakeholders.

This paper attempts to address some key questions:

- ▶ What are the success factors that have underpinned the viability, resilience and sustainability of agribusinesses in Fiji, Tonga and Vanuatu?
- ▶ What are the main common factors that constrain agribusiness development?
- ▶ How can R&D programmes that seek to support agricultural development learn from the experiences of agribusinesses in the region to better target their support?

This paper is written primarily for those involved in supporting agribusinesses in the Pacific Islands region. This may include government agencies supporting agriculture and business development more broadly, research institutions, non-government organisations and development partners. It may also be of broader interest to agribusinesses, students and those interested in agricultural development.

It aims to provide a solid, evidence-based foundation for research activities undertaken by the PARDI2 programme and others, based on learning from the experiences of agribusinesses themselves and those that seek to support them.

Strengthening the market system

Pacific agribusinesses face multiple constraints to achieving success relative to those operating in larger markets. They are often located a significant distance from major population centres and markets, with poor and unreliable road networks and shipping schedules, resulting in high transport costs (Oxfam, 2010). The agriculture sector tends to be dominated by smallholders, making scaling up successful operations challenging. The regulatory environment for doing business is also generally poor with Fiji, Tonga and Vanuatu all falling in the bottom hundred countries in the World Bank's Doing Business ranking (World Bank, 2019).

Pacific agribusinesses are also constrained by inadequate public provision of research and extension services to farmers and traders (MDF 2015; FAO 2016).

In attempting to address these issues, over the last decade there has been a rise in development programmes taking a market systems approach to strengthening agribusinesses in the Pacific. These programmes recognise the critical importance of taking a private-sector led approach to market development and ensuring that the market system itself is supported and strengthened.



Market systems development programmes take a holistic view of the market and seek to create opportunities for employment and income generation via tailored partnerships and programmes with market actors (as opposed to working directly with producers necessarily). The rationale is that more producers can be reached, a greater scale of impact created and value for money can be achieved with this approach (DFAT, 2017).

Programmes will vary in their specific interventions as they are customised to specific contexts: they share the same objectives and principles of strengthening the market system such that it functions more effectively.

Features of a market system approach include³

- ▶ An aim to tackle the underlying causes of market failures, rather than just the superficial symptoms, for example developing research capability and supporting the market opportunities for seed and planting material suppliers as a key constraint to the industry.
- ▶ Recognition that while aid funding can have a powerful yet temporary influence, market systems approaches must ensure that desired behaviour changes reflect the genuine incentives and capabilities of permanent players to succeed over the long-term. Development partners must engage with all actors and strengthen the existing market structures. There are no quick fixes.
- ▶ Recognition of the complexity of market systems: each market involves many stakeholders, each with a particular set of unique characteristics and any intervention must take this complexity into account.

Many of these programmes seek first to analyse and understand the barriers and constraints to the current market system and value chains that comprise them and identify gaps that can be addressed. Interventions have included, for example, addressing barriers to accessing finance by co-financing processing facilities and other infrastructure⁴, developing quality standards to ensure buyers have confidence that produce supplied will be of consistent quality (PHAMA, Codex), addressing the lack of support services to businesses by developing new products that improve productivity (e.g. Market Development Facility's support to AgLime), supporting the availability of seed and planting material by expanding public-private partnerships of genetic resource centres and nurseries (SPC, PIFON, FAO), non-financial technical support and subsidising advisory services for small businesses (Business Link Pacific, Pacific Trade and Invest).

Much has been written about the common constraints that Pacific agribusinesses and businesses in general face to growing their businesses (see Box 1).

³<https://beamexchange.org/market-systems/key-features-market-systems-approach/>

⁴Various programmes including DFAT's Market Development Facility, EU-funded Facilitating Agricultural Commodity Trade and its successor IACT / direct support to businesses provided by the Centre Technical Agricultural -CTA),



Box 1: Common constraints to agribusiness development

- ▶ Thin markets, with few business support service suppliers (e.g. input suppliers, transport providers, equipment retailers, private extension services etc)
- ▶ Weak and/or complex regulatory environment (reflected in low rankings for ease of doing business)
- ▶ Poor coordination between the Ministry of Agriculture and other government ministries that play a regulatory role relevant for agribusinesses
- ▶ Gaps in knowledge on production, compliance, post-harvest and voluntary standards
- ▶ Lack of adequate processing infrastructure
- ▶ Weak financial markets limiting access to credit and other financial services
- ▶ Absence of agricultural insurance
- ▶ High transportation and poor communications infrastructure
- ▶ Increasing severity of extreme events (e.g. flooding, cyclones), disasters and climate change impacts

Adapted from MDF (2015), World Bank (2019), FAO (2017), Fargher (2018)

Value chain analysis is increasingly being used in the Pacific Islands (McGregor et al, 2014, PHAMA, 2018) to ensure there is a strong evidence base for interventions designed to strengthen the value chain and that the different and varied actors along the value chain are recognised for the key roles they play in bringing a product to market. Bringing stakeholders together to undertake value chain analysis jointly can help to build trust between value chain actors and identify ways in which stakeholders can collectively solve challenges (PIFON, 2019).

Importantly, market system development and value chain analysis can also help to reduce the risks of undermining and crowding out private sector activity inadvertently. In an effort to strengthen livelihoods, governments and/or development partners can stray into performing the role of the input supplier, intermediary or trader which can stifle entrepreneurial activity before it starts.

Recognising these risks a number of development programmes are working intentionally with private sector intermediaries and small and medium enterprises (e.g. the Market Development Facility and Business Link Pacific programmes) to strengthen the market system and improve access to advisory services to support businesses to grow their business effectively (BLP, 2019).

With carefully planned interventions, the private sector can be incentivised to provide services traditionally provided by the public sector in the Pacific (e.g. extension services through contract farming, private nurseries and planting material suppliers).

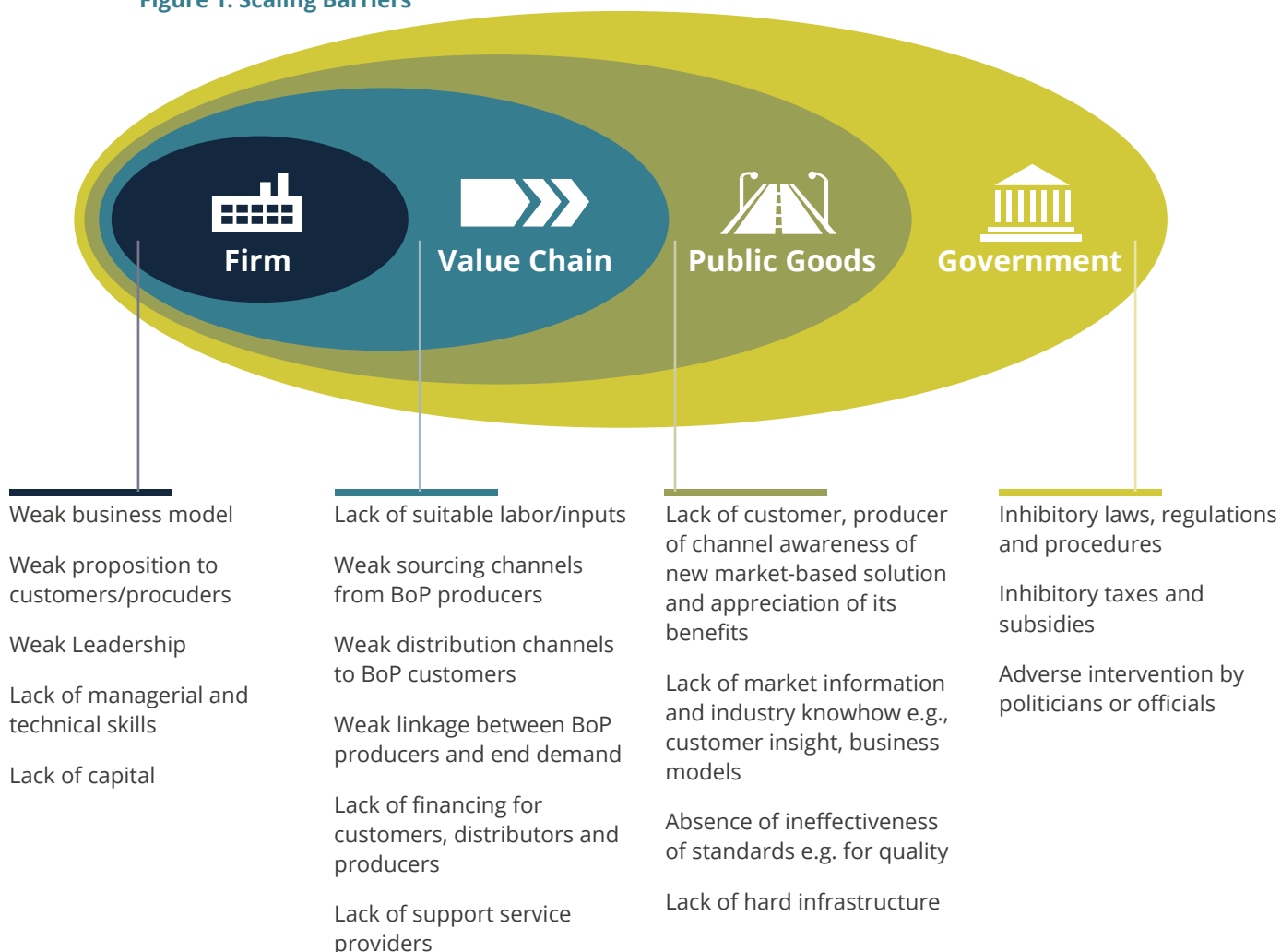


1.2 Market systems approaches

The market systems approach views the private sector as the driver for growth and the vehicle for solving some of the identified value chain constraints. Public sector interventions must therefore be designed to support and strengthen existing value chains – rather than substitute for absent links within them – and incentivise wherever possible the private sector to expand its service delivery to small holder farmers (e.g. as input providers, extension advisers, post-harvest handling equipment suppliers). By partnering with and supporting the private sector to expand its role in the provision of agricultural services resources within the Ministries of Agriculture may be available to focus on food and nutritional security.

Taking existing models that are working and scaling them up has also been a challenge in the Pacific Islands and globally. Sharing lessons from existing experiences can help to identify factors that have helped businesses to scale up and/or constrain them from doing so. Scaling barriers exist at all levels – the firm itself, the industry value chain including market access, government laws, policies and actions (see Figure 1, Koh et al, 2014).

Figure 1: Scaling Barriers



Source: Monitor Deloitte analysis



This review of 15 successful agribusinesses from Fiji, Tonga and Vanuatu identifies crucial factors associated with the longevity and success of various Pacific agribusinesses and provides recommendations for government, development partners and private sector businesses. The PARDI2 team will use these recommendations to identify targeted support to strengthen various value chains and livelihoods. These recommendations may also be useful for other actors working as part of Pacific agricultural market systems and value chains.

1.3 Methodology

Based on key criteria and expert views around 25 agribusinesses from across Fiji, Tonga and Vanuatu were selected and approached to take part in the research. Positive responses were received from 15 agribusinesses and they were interviewed face-to-face by a researcher from the PARDI2 team between January and December 2018.

A semi-structured survey tool (Annex 1) was developed and used by PARDI researchers to interview a key decision-maker, such as the owner or the general manager, within each agribusiness. This survey tool follows the same structure as an agribusiness assessment tool developed by the PARDI2 programme (Addinsall et al, forthcoming).

The questionnaire and the assessment tool were designed to better understand not only the business itself, its markets and future growth potential but also how it contributed to sustainable livelihoods and employment, how the enabling environment supported or hindered its development and how it managed risk.

Questions were grouped under five categories:

1. Background (nature of business, who is involved, what does the business do and how)
2. Market development potential (existing market, current and future market potential)
3. Livelihood factors (financial, social, human, natural, and physical capital)
4. Enabling environment (business networks, research, extension, policy and processes)
5. Vulnerability, risk, and the future (risk mitigation plans, strategies for maintaining success)

Desk research was conducted ahead of the interview. Each interview lasted around 45-90 minutes, and often included longer factory and field visits. Following the completion of the interviews, case studies were written up and shared back with the interviewees for accuracy.

It is worth highlighting that there is an obvious self-selection bias: businesses that are most likely to have received support or benefited in some way from ACIAR or other development programmes in the past are most likely to respond positively to an approach from a researcher for an interview.



1.4 Definition of success

Success, in the context of this report, is broader than merely financial success. The success factors and constraints highlighted below generally represent those that relate to successful agribusinesses that are seeking to run businesses that care about delivering quality products to their consumers, that want to operate in full compliance with the law, and who measure the success of their own businesses more broadly than their profit and loss statement. They may not all be measuring their own success explicitly according to a triple-bottom-line but they are generally agribusinesses contributing where possible to sustainable agricultural methods, delivering broad based benefits, and operating in a culturally respectful and appropriate manner (Oxfam, 2010).

There are likely to be many other agribusinesses in the Pacific that meet this broader definition of success that are not captured within this report and many more for which the narrow definition of financial success applies but would not be viewed as successful from this broader definition of success.

Far too often, success has been defined through the narrow financial lens of revenue growth, profits and expansion. In the Pacific context, this narrow interpretation of success is unlikely to capture some key Pacific-specific criteria of success that relate to society, culture and environmental sustainability (Scheyvens, R et al, 2019).



Section 2: Success factors



Eight common success factors were identified from the 15 case studies. These success factors were not all in place for each of the agribusinesses before the start of their business operations, nor do they apply to all of the agribusinesses equally. Many of them interrelate or compensate for weaknesses elsewhere. For example, strong relationships across the value chain (Factor 3) leads to naturally higher levels of transparency (Factor 2), both of which are enablers to quality assurance (Factor 4).

This section provides a description of the success factor and examples from the case studies that illustrate this success factor. Examples of possible interventions that can be supported by researchers, development partners, private sector organisations and networks and civil society organisations are given at the end of each section.

Factor 1: Understanding the requirements of the market

A critical factor in the success of longstanding agribusinesses across the three countries is a high degree of knowledge and business acumen of owners and managers in understanding the requirements of their niche markets and in targeting that market effectively. This includes the ability to track changes in market conditions and adapt accordingly.

Many of the owners and managers surveyed had previous experience owning or managing other businesses and/or had developed key skills relevant to the business prior to establishment. All underwent some on-the-job learning, with a characteristic of many of the owners being the ability to learn and adapt quickly. Where it was not possible to quickly personally acquire knowledge, this was acknowledged and external expertise brought in to meet this need.

- ▶ Owners of Civa (Fiji) Pearls Limited (Civa), Claude Michel Prevost and Danielle Belanger, had prior business experience in Canada and have carefully targeted their markets, including through engaging a Japanese specialist dealer.
- ▶ John Fordham from Forney Enterprises correctly identified a market opportunity for high quality, safe 'klin' kava made from only noble varieties. His previous business and his experience in accountancy, quality assurance and farming in New South Wales also contributed to the success of the business.
- ▶ Votausi Reur-Mackenzie founder of Lapita Café Limited (Lapita) is a nutritionist and was able to use her training and traditional knowledge to develop over 100 recipes using gluten-free cassava flour.
- ▶ Don Burness' horticultural expertise enabled South Sea Orchids to pioneer the development of a local floriculture industry in Fiji.



- ▶ Nature's Way Cooperative (Fiji) Limited (Nature's Way) members have developed expertise in understanding and applying the strict biosecurity requirements involved in exporting to the Australian, New Zealand and Japanese markets. The Australian market for papaya has changed rapidly and the cooperative plays a role in supporting members to understand those changes.
- ▶ The management team of Pacific Reforestation (Fiji) Limited (PRF), and its parent company, identified a niche market as genetically improved seed of fast growing trees for large-scale tree growing companies in Asia.
- ▶ The current owner of Venui Vanilla Limited (Venui), Rosemary Lo, is a highly successful and well-regarded local business woman with proven business acumen and management skills.

Supportive interventions: Provision of training in assessing markets and monitoring market changes including market analysis tools; conducting market research including support to conduct consumer focus groups and tasting sessions; supporting product development; facilitating market exchanges and sales visits.

Factor 2: Transparency across the value chain

Many of the agribusinesses recognised that transparency across the value chain was critical to sustaining their relationships (see Factor 3) and therefore their businesses. Transparency ensures producers have an understanding of the market, are motivated by the needs of their eventual market and customers, are aware how many actors are required throughout the chain to make it all work, which actors are involved in adding value, and how much they receive for their inputs. Mistrust, particularly about distribution of revenues, is a common reason for value chains collapsing. Several of the agribusinesses interviewed paid suppliers promptly on delivery or at farm-gate to ensure they are considered a reliable purchaser and as a simple way to maintain transparency.

- ▶ South Sea Orchids have a clear and transparent seasonal payment system with one set of prices during the high season and another during the low season. These price structures are known to all growers.

“Sometimes growers will sell to others who give them a one-off higher price – but they always come back – and they know with me what price they’ll get when they do”

Aileen Burness, South Sea Orchids



- ▶ Forney Enterprises sources from around 2000 growers across the northern islands of Vanuatu. They have strict record-keeping requirements and make prompt payment to their suppliers (within 2-3 hours) cementing relationships as trusted partners.
- ▶ Kaiming Agro Processing Limited (Kaiming) maintains a good relationship with growers by providing a steady price, so growers know what they can earn in a season and in turn produce quality ginger.

Supportive interventions: Training for value chain analysis practitioners; conducting value chain analysis; producing value chain awareness materials; holding farmer to buyer meetings; formalising peer to peer exchanges; supporting assessments of gross and profit margins.

Factor 3: Strong relationships across the value chain

All agribusinesses surveyed gave examples of the importance of personal relationships and associated trust with their producers, their buyers and community partners.

- ▶ Minoru Nishi from Nishi Trading Company Limited (Nishi) provided an account of how the strength of his relationship with his buyers may have saved his business from bankruptcy. As a result of human error on the wharf in Nuku'alofa a consignment of squash arrived in Japan completely spoiled. The consignment was 48% of the season's total exports, equating to approximately 1,000 metric tons. Minoru loaned money from his family to fly to Japan and apologise in person to the buyer. He also maintains good producer relationships through regular farmer meetings, held fortnightly during the season at the company office or at one of his suppliers' farms.

“Part way through working out a repayment plan with the buyer's account manager, the owner walks in and asks what's happening. I explained the situation and he instructed his account manager to write off the debt based on past reliability. I walked out elated!”

Minoru Nishi, Nishi Trading

- ▶ Tupa'anga Coffee (Tupa'anga), who grow and retail coffee through their own coffee shops in Auckland, have strong relationships with their final consumers allowing them to predictably grow their Tongan production operations. Opportunities for expansion are partly constrained as the NZ-based owners do not have the time to identify all the possible opportunities in Tonga for expansion.



- ▶ Nature's Way as a farmer cooperative uses a model which intrinsically strengthens the relationships between their members through formal governance arrangements. They also hold quarterly meetings with the Ministry of Agriculture, Biosecurity, Farmers, Exporters, Extension services and Research services. This helps to ensure everyone can make informed decisions and stay ahead of the market.
- ▶ Tutu Rural Training Centre (Tutu) have strong relationships not only with the young farmers who train at the school, but also with their communities to ensure that they are supportive of the student's efforts, and also with local and regional agricultural, agribusiness and forestry experts.
- ▶ Kava House have strong relationships with the adjacent Mele community, supporting school initiatives and sporting clubs.
- ▶ During its establishment phase, Venui owner Piero Bianchehessii used his excellent interpersonal skills to forge good relationships along the value chain, including the Farm Support Association and Pacific Trade Invest (for marketing). Good relationships with stakeholders have been continued through Venui's new manager, Michael Louze.
- ▶ SPS particularly through its management team of Stephen Bartrop and Steve Nilwo maintains a close relationship with the Departments of Agriculture and Forestry and are highly inclusive and supportive of ni-Vanuatu sandalwood growers.

Supportive interventions: bringing sellers and buyers together locally to meet face-to-face and discuss each other's needs and priorities; providing finance to support upfront costs associated with assessing and expanding to new producers and communities, and in assessing international markets/market matching for identified products.

Factor 4: Quality assurance / standards

All agribusinesses interviewed had management and control systems in place to ensure their products are consistently of good quality.

Many international buyers require some form of quality assurance certification. Some of the agribusinesses surveyed have formal certification (organic, HACCP, ISO, Halal) as a way of demonstrating to their buyers that requisite standards are being met. In some cases, HACCP certification was supported by development partners and has had (in combination with other factors) positive impacts on production, such as increased processing efficiency in the case of Agrana. Lapita has identified HACCP certification as necessary to tapping into the cruise ship market in Vanuatu.



- ▶ Forney Enterprises has built a reputation on sourcing only noble-varieties of kava. At their processing plant in Santo each kava root is inspected to ensure no false kava or other impurities enter their product. They have their own on-site laboratory to test for bacterial contamination and confirm noble status (specific kavalactone profiles). All machinery at their processing plant is sterilised every day. They also run a promotion with their suppliers – with every farmer supplying at least 30kg of accepted green noble kava varieties entering a draw to win a 4WD vehicle each year. This has helped to maintain standards.
- ▶ South Sea Orchids developed a training programme to ensure all out-growers understand the standards they need to meet to sell to the company and for the company to on-sell.
- ▶ Nature's Way and Nishi both enable compliance with various export standards and HACCP compliance for their members / producers. Nishi also provides a HACCP-compliant facility that other exporters can pay to use.
- ▶ Organic certification can be prohibitively costly for individual farmers. Agrana has a collective arrangement whereby the company pays the costs associated with bringing auditors to Fiji once a year and renewing their collective certification.
- ▶ Kaiming has achieved various certifications including HACCP, ISO 22000, third party organic, Kosher and Halal. Kaiming has also worked with SPC in partnership with ACIAR for research towards improving the production of disease-free ginger seeds.
- ▶ Lapita has developed a reputation for high quality produce and this has been aided by the installation of a HACCP-compliant kitchen.
- ▶ Venui has formal organic certification for vanilla and coffee in Vanuatu.
- ▶ PRF provides certificates of seed origin, specifying the geographic origins of the supplied seed, as well as advice on optimal seed pre-treatments, as well as phytosanitary and forest produce certificates from Biosecurity Agency of Fiji, and Department of Forests confirming appropriate chemical treatments and origin.

Supportive interventions: developing industry standards through a participatory process with industry; supporting firms to attain standards and formal certification; supporting the development of locally appropriate standards; providing training to producers to understand the requirements of certification and specified standards; supporting negotiating systems and processes with importing agencies; providing support for adjusting and localising standards and certification programmes.



Factor 5: Good staff management and employee satisfaction

Many of the agribusinesses surveyed highlighted the importance of a cohesive and contented team approach, and the imperative of retaining trained, experienced and competent staff.

Some of the agribusinesses surveyed are classed as social enterprises – and recognise themselves as such (e.g. Tupu'anga). In all cases the agribusinesses surveyed recognised the importance of providing their employees and out-growers with fair wages and good employment conditions in maintaining a healthy, productive workforce. Complying with the local labour laws is a first step, but many of the agribusinesses go beyond this.

In the Pacific this role extends, for example, to ensure that staff management is culturally appropriate and recognises the important role of family obligations and functions (weddings, funerals) within the community.

When asked, most businesses stated that they did not have any particular policies to recruit from marginalised groups. They mostly responded that they recruited based on merit, a good work ethic and living nearby. However, during the interview, almost all gave examples of employment practices that took the specific circumstances of employees or out-growers into account. This could be through flexible working hours, leave granted due to care responsibilities or providing micro-loans to staff.

- ▶ Several businesses made reference to paying above market wages and providing other benefits to employees (Civa, PRF).
- ▶ In an effort to reduce staff absenteeism Kaiming built a hostel on site at their processing factory in Navua to reduce the commuting distance and cost for their employees.
- ▶ Forney Enterprises is the major private-sector employer on Santo employing 120 female staff in their processing facility. The plant provides a safe, clean working environment and staff are provided with clean uniforms daily. A trained nurse provides regular hygiene and health advice.
- ▶ Several agribusiness owners employ immediate family members and see their involvement as a critical part of succession planning (Forney Enterprises, Lapita, South Sea Orchids).
- ▶ Nishi empowers its employees and out-growers with rewards and talanoa sessions in the hope that they fully understand how valuable their contributions are in the value chain and take ownership of their roles. There are also annual awards for performance.



Supportive interventions: providing human resource management training for agribusiness owners and managers; supporting peer-to-peer exchanges to discuss how different businesses manage staff and other human resourcing issues; training for agribusinesses to design success incentive schemes, including bonus systems linked to performance and profitability, and a share in the company for critical management and technical personnel.

Factor 6: Resilience and risk management planning

Pacific agriculture is vulnerable to extreme events. Cyclones, droughts and flooding are relatively commonplace across all three countries. Fiji, Tonga and Vanuatu have all experienced category five cyclones in the last four years. In the absence of careful planning and substantial resources, many agribusinesses would struggle to recover from events of that magnitude.

- ▶ Agribusinesses that are largely processors, sourcing from many growers (e.g. Forney Enterprises, Kava House, Agrana, Venui) are partly insulated from extreme events as they are not dependent on a single source for production and in the aftermath of a disaster can source from the areas in the country least affected.
- ▶ Many of the agribusinesses surveyed combined production from their own farms – from which they can tightly monitor and control the quality of production – with a network of growers that they source from (Kaiming, Nishi, South Sea Orchids, Lapita). This allows the business to manage risks of non-delivery by producers and maintain consistency of supply.
- ▶ For those businesses that are processing and value-adding to raw materials this also allows them to develop a stock of processed products by taking advantage of gluts in production (e.g. Kaiming, Lapita). Both Tutu and Lapita stockpile raw products in freezer storage and maintain an independent power source.
- ▶ Product diversification (see Factor 7) has also been a key risk management strategy employed by several agribusinesses surveyed. South Sea Orchids income from farm tours acted as an insurance policy when they lost their anthurium nursery due to flooding. PRF replanted with more cyclone-resistant tree species such as mahogany and *Acacia cincinnata* after TC Kina.
- ▶ Personal resilience is not a trait that can easily be taught. However, sharing the experience of overcoming challenges can help others. Several companies faced significant challenges, including as extreme as an assassination attempt. Others have had their operations sabotaged or had competitors enlist government support to close down their operations.
- ▶ Nature's Way places 5% of all revenue in a contingency fund that can be used to manage the aftermath of a disaster.



Supportive interventions: documenting and sharing risk planning and management strategies; facilitating dialogue between businesses and government to explain the role of smaller scale agribusinesses; creating post-disaster micro-grant schemes to support agribusinesses and their producer networks to recover faster; establishing contingency funds; supporting the development of business continuity plans; developing and expanding producer networks, including through participatory guarantee schemes and other group production schemes.

Factor 7: Diversification of revenue from a solid core business foundation

Agriculture is an inherently risky business and extreme events and market shocks can have a significant impact on the short- and long-term viability of agribusinesses. Diversifying revenue streams to be able to manage downturns in the performance of one part of the business can be a critical risk management strategy.

Tourism – and the sustained growth of tourism across all three countries – is offering opportunities to support relatively low-risk revenue diversification, through farm visits and the carry-on and suitcase tourist market created by cruise ships and visiting friends and relatives (Lapita, Venui, South Sea Orchids, Tupu'anga, Stice, 2019, forthcoming).

Diversification is also a hallmark of lead firms in thin markets as they often have to develop new market opportunities and the services they require themselves, given the absence of pre-existing service providers for their commodity. These services can also provide generalised benefits to others, an additional revenue stream and serve to grow the sector more broadly.

- ▶ Tupu'anga has opened a coffee shop at their plantation in Tonga with a view to growing the tourism potential of their operations in Tonga.
- ▶ Civa have opened a boutique store on Taveuni and are supplying resorts locally as well as their core export market.
- ▶ Kava House in Vanuatu were principally an export business until 2017 when they identified a growth opportunity to enter the domestic and tourism market – markets which they now dominate.
- ▶ Nishi has demonstrated the benefits of being willing to diversify. In 2003 they expanded their operations to launch a construction supplies arm to the business and their packing facility also provides packing services to other exporters.
- ▶ Nishi have also recently identified a value-adding opportunity and have launched pumpkin hummus trials for the domestic market. By processing pumpkins, including utilising produce that may otherwise have been wasted, the company can grow their revenue base.
- ▶ Agrana has been able to diversify into the local market by producing juices and tomato sauce for the hotel and catering industry, and has been able to test the success of different products.



Supportive interventions: Conducting market analysis of alternative products and revenue streams; providing training to support financial analysis; creating business mentoring schemes; and supporting business plan development.

Factor 8: Provision of quality support services for growers

It is acknowledged that Government agricultural research and extension services in the region are weak and insufficient for meeting the advisory needs of producers seeking to commercialise (University of the Sunshine Coast, 2015). Many agribusinesses surveyed have either partnered with government extension services or NGOs to improve advice given to farmers, or developed their own extension systems.

Quality agricultural inputs (seeds, tools, information) can often be a constraint to expansion (MDF, 2015). Many agribusinesses support farmers to access quality inputs and post-harvest handling equipment. This is sometimes issued as a micro-credit loan that is repaid upon harvest and sales.

- ▶ South Sea Orchids developed a grower network and wrote a floriculture manual to support their growers in understanding key concepts relating to growing orchids, but also to understand key financial and business concepts.
- ▶ Venui has produced publications on how to grow and process vanilla, initially for Vanuatu, but now used in other Pacific Island countries.
- ▶ Kaiming works in partnership with the Ministry of Agriculture in Fiji to ensure ginger farmers are supported by the Ministry's extension services.
- ▶ Tutu supports its student farmers through both formal training and close monitoring of their farms, providing practical planting and management advice as required.
- ▶ Agrana maintains a relationship with a large number of contracted farmers, providing many with planting materials, facilitating roadside or farm-gate collection of produce, and managing their organic certification.
- ▶ The Nature's Way research and extension programme (in coordination and partnership with the Ministry of Agriculture research and extension services), provides on-farm and value chain training to its members. This builds strong trust-based relationships with farmers, in turn benefiting the exporter connection to farmers. NWC also sells a small range of agro-inputs to its members.

Supportive interventions: delivering training and advisory services through private sector partners; supporting such partners to develop training approaches where needed.



Section 3: Constraints to success



Seven common constraints were identified from the 15 case studies.

Constraint 1: The regulatory environment

A challenging regulatory environment and the associated additional costs of doing business were flagged as factors that constrain growth by almost all of the agribusinesses surveyed. This is reflected in Fiji, Tonga and Vanuatu being ranked 101, 94 and 91 respectively in the World Bank's Doing Business rankings.⁷

Respondents mentioned constraints relating to the number of different regulatory authorities that they had to interact with and the slow processes in obtaining various approvals. Common approval challenges related to biosecurity requirements, importing agricultural inputs and packaging. The complicated processes of the Biosecurity Agency of Fiji (BAF) was raised as a constraint to trade to/from Fiji with suggestions that the Agency would benefit from a reduction in staff numbers with retained staff given appropriate training to enable them to perform their jobs in a professional and service-oriented manner.

Respondents also shared that the issue wasn't only the compliance processes that took them away from their core businesses but the uncertainty around them, and the expectation that procedures could change with little notice. This uncertainty acted as a constraint to future business planning and investment.

Respondents gave concrete examples of where regulation and policy incoherence (Constraint 2) directly affected their businesses.

- ▶ In Fiji, the Ministry of Agriculture is seeking to encourage organic production, but BAF can take a significant amount of time to clear imported organic fertiliser.
- ▶ PRF has been exporting tree seed from Fiji for more than 20 years but BAF have convoluted processes for issuing phytosanitary certificates. Staff turnover in BAF creates new challenges for exporters.
- ▶ Agrana shared their frustrations in getting packing materials approved for import. Materials required by exporters can sometimes be delayed by the Ministry of Environment. Obtaining the necessary permits to import packaging materials can sometimes take months.

⁷World Bank ranking for ease of doing business is based on several factors, including the length of time it takes and the expense of obtaining relevant permissions and permits, and complying with requirements (e.g. obtaining a business licence, registering for and paying taxes etc).



- Kaiming experienced a lack of clear processes and limited policy coherence across government departments. Additional time and resources are dedicated to compliance because processes are at times unclear, can be inefficient and involve multiple departments operating in information silos.
- Venui categorised the enabling environment for the private sector in Vanuatu as generally poor and suggested that the agribusiness sector is not well understood. Government regulations such as the duty exemption processes are complicated and time consuming.
- Forney Enterprises highlighted the damage that can be caused by an uncertain legislative and regulatory environment. Recent proposed changes included introducing a 50% local ownership requirement, income tax hikes and a proposed levy by the Quarantine Department on kava exports. Whilst most of these proposed changes have not proceeded, in large part due to concerns raised from the kava industry and stakeholders (including kava farmers and Forney Enterprises workforce), they have created uncertainty which have led to delayed and reduced investment in the sector.

Supportive interventions: providing guidance and information to new and emerging businesses on regulatory requirements; providing support services to farmers and producers to get business and legal advice; working with government agencies responsible for business support to streamline processes and explain them more clearly; supporting agribusinesses to assess their regulatory constraints and communicate them clearly; supporting peer-to-peer exchange; convening appropriate forums to bring together decision-makers and agribusinesses; and educating biosecurity agencies.

Constraint 2: Incoherent government policy

The multiple legislative, regulatory, policy, procedural and enforcement requirements that are administered by various national and local government departments, from biosecurity to business licencing to taxation, have the potential to impact agribusinesses. These impacts are at times unseen by Ministries of Agriculture, Forestry or Fisheries, and can consequently conflict with agricultural, forestry and fisheries policy. It is critical that these line ministries responsible for supporting agribusiness development engage with other government ministries to promote a more coherent approach to growing the primary industries sectors.

Changes in government policy can happen relatively quickly, but ensuring all government officials and particularly extension officers change the advice given to farmers can take time to achieve.



“As one of Vanuatu’s major industries there is a need to strengthen the regulatory environment relating to the cultivation, sale and testing of tudei kava given the risks to Vanuatu losing international market share if tudei⁸ and adulterated kava makes its way into the international market due to unscrupulous kava processors (Kava House).”

Frank King, Kava House

In all three countries, various government policies exist to promote improved access to local, nutritious food, but few incentives exist to promote local processing and production.

- ▶ Civa on Taveuni referenced inconsistent policies on promoting the sustainable development of the pearl industry, for example, inadequate support regarding certification, licensing and permits.
- ▶ Agrana identified the potential contamination of organic produce that is supplied to them by farms that are close to other non-organic producers, as a key risk to their business. The Ministry of Agriculture can provide conflicting messages to different farmers they are advising.
- ▶ Agrana also shared that whilst the government was making efforts to promote local procurement by the tourism sector and addressing non-communicable diseases they had difficulties in marketing their fruit juices to the large domestic market, including the tourism industry, as there are no recognised standards in Fiji about what can be called a fruit juice. Consumers and hotels will often opt for cheaper, lower quality products but may not be making fully-informed decisions. Government standards in this regard could assist to expand their domestic market and reduce imports of lower-quality products.
- ▶ Kaiming provided an example of trying to source reusable/recyclable packaging in line with government efforts to reduce waste. However this effort is made more costly due to government tariffs protecting domestic production of food packaging.
- ▶ Lapita shared that aside from the Department of Trade and Industries there was limited government advice available to the private sector. Whilst applauding the government efforts to promote local food, they had not seen this objective at the policy level translate into political will, action and resources.

⁸Scholars make a distinction between the so-called “noble” and non-noble kava. The latter category comprises the so-called “tudei” (or “two-day”) kavas. The concerns about the adverse effects of non-noble varieties produced by their undesirable composition of kavalactones and high concentrations of potentially harmful compounds (flavokavains), that are not present in any significant concentration in the noble varieties Lebot, Vincent; Merlin, Mark; Lindstrom, Lamont (1997). Kava: The Pacific Elixir: The Definitive Guide to Its Ethnobotany, History, and Chemistry



- Several sectors referenced the lack of support from the Government for their particular industry (e.g. Kava in Vanuatu, Floriculture in Fiji). South Sea Orchids have recently supported the development of a Floriculture Association. A primary motivator for the association's establishment was the desire to have a stronger collective voice to government.
- Nature's Way works closely with government to contribute to market access applications. Despite several attempts, including through PHAMA, no new market access has been achieved for HTFA products in the past ten years. Government support is needed to increase market access approvals into Australia and New Zealand.

Supportive interventions: Promote multi-sector discussion groups / task forces on particular topics (e.g. organic agriculture, market access) to work to: address inconsistencies of government policy affecting businesses; support farmer organisations to submit policy and budget submissions to advocate for change in the policy environment; support an improved awareness among government officials of how various policies may conflict and the impact this conflict has on meeting government policies and strategies; support legislative reform that removes policy inconsistency; and support training for agricultural extension officers to ensure advice given to farmers is consistent with overall policy objectives.

Constraint 3: Supply issues, including seasonality, consistency and economies of scale

Several businesses surveyed (Kaiming, Nishi, Agrana, Kava House, Forney Enterprises) could sell more through their existing markets if there were greater quantities of produce available at the price the international market requires.

Given the smallholder nature of many farms across the three countries, there is often a tension between smallholders that do not wish to expand their production volumes and would prefer to sell a lower volume at a higher price, than expand their production and earn more overall but with a significantly higher time input.

Accessing finance to buy equipment is a frequent constraint for enterprises wanting to expand, value-add and process more product:

- Nature's Way runs an irrigation technology transfer scheme to support farmers obtain access to new irrigation technologies in order to improve consistency of fruit supply.
- While Tutu's chips are selling well in the domestic market, they sometimes are unable to meet the demand because they do not have the drying and processing equipment to mass produce.



- ▶ Filipe Filihia (Filipe) of Tonga, like Tutu, is not able to meet demand and needs to improve the quality of his chips. He needs better equipment to be able to increase production and improve quality.
- ▶ Theft is also an issue that compounds supply shortages. At the Forney Enterprises factory installation of CCTV cameras has led to a reduction in theft and improved compliance with safety standards (e.g. wearing hair nets). Theft of crops is an increasing problem in Fiji, including for Kaiming and Tutu, with overall rates of crop theft anecdotally increasing from 10 to 30%.
- ▶ Agrana often experiences a shortage of supply (especially for bananas) and particularly at prices that the company is able to pay to small scale farmers. The company needs a lower price for pineapple and passionfruit in order to compete in export markets, but this produce is not available at this price. Compounding fruit supply has been a shortage of planting material due to the destruction of their nursery by TC Winston.
- ▶ Kaiming experience insufficient supply of raw ginger. Although Kaiming contracts around 400 individual farmers throughout Viti Levu and Beqa, in addition to running its own farm, a shortage of supply of raw ginger is a significant constraint. Ginger production is increasing, but many small farmers are reliant on the Ministry of Agriculture to provide disease-free materials and support during growing. When the Ministry is not providing assistance, there is a decline in ginger farming, crop care reduces and subsequently, supply is limited.
- ▶ Lapita experiences constraints relating to securing sufficient supply of raw materials such as breadfruit and canarium nuts. Raw materials are expensive (in Port Vila) and unreliable due to cyclones and other natural hazards, and a lack of surplus production over and above household consumption. Compounding the issue is that increasingly farmers are focussed on kava production (rather than food crops) as kava prices are high with demand extremely strong and growing.
- ▶ Venui experiences limited and uncertain supply of two major spices with established export markets - black pepper and vanilla. Vanilla cultivation by ni-Vanuatu smallholders is being impacted by climate change (both extreme events and warmer, wetter weather preventing floral initiation of vanilla); widely fluctuating world prices; and attractive alternative crops notably kava, being fuelled by a booming international demand.
- ▶ It has been challenging for Kava House to maintain consistent supply of raw material due to supply/demand imbalance and damage to kava crops caused by severe cyclones.



Supportive interventions: Support to enable agribusinesses to conduct feasibility assessments for larger areas of land to produce at scale; identification of land-owning clans and farmers keen to expand production and facilitate access to and security over land; support to introduce key traders to potential farmers and farmer groups interested in supplying the market; support to formalise farmer groups and associations that can act as intermediaries between small holder farmers and traders; training to assess supply constraints; support with farm planning; and support for risk planning and risk reduction measures.

Constraint 4: Weak research capability

In all countries the research and development capability of the Ministries of Agriculture, Forestry and/or Fisheries does not meet the requirements of most agribusinesses to develop new ideas, plant new crops/varieties and innovate. As small and medium businesses, individual companies rarely have the resources to develop their own research capability and require partnerships with research institutions to fill this gap.

Tensions can exist related to assisting private sector support programmes in this regard. In some cases, market development programmes, the success of which is often measured in terms of economic impacts – such as jobs created, income growth, may conflict with research projects which understand that research, by its very nature, involves trial and error. Innovation requires risk taking.

- ▶ Agrana rates research and extension services as very important to their business, however the provision of and access to these services is considered inadequate. More research is needed into organic pest control.
- ▶ South Sea Orchids and PRF rely predominantly on their in-house expertise and assistance from personal/professional networks in this area to meet their research needs.
- ▶ Nature's Way has had various incidences of scalding of eggplant linked to an environmental condition making the fruit less tolerant of the heat treatment, but don't have the research capability to solve the issue alone.

Supportive interventions: Where there are commonalities in relation to a research question, a national or regional approach can be pursued to undertake the research, promote partnerships between private sector partners, research institutions and development partners such as ACIAR, USP and SPC.



Constraint 5: Extreme events and climate change

As weather events (tropical cyclones, flooding, droughts) get more extreme as a result of climate change there is a need to better manage these risks.

Introducing specific risk reduction measures can assist to lower risks to the business e.g. planting vetiver grass to reduce soil erosion, using small-scale irrigation, using shipping containers to store planting material in the event of a cyclone.

- ▶ Civa were impacted significantly by cyclone Winston and faced significant production losses. As a result they have adapted their business operations to lower their oyster lines between Dec – May and have identified alternative sites with different wind exposure. They have also introduced cyclone preparedness drills for staff post-cyclone Winston.
- ▶ Previous cyclones and flooding have severely restricted supply and affected nurseries and planting stock of Agrana. After TC Winston out-growers were unable to harvest bananas for more than six months.
- ▶ South Seas Orchids was severely affected by flooding in 2009, which almost resulted in business closure, with approximately two-thirds of anthuriums and orchids lost. This was compounded by biosecurity restrictions on the importation of new orchid stock from Hawaii. Extreme weather continues to be a threat.
- ▶ The majority of Kaiming's ginger farmers are based on Viti Levu, and in areas which receive climatically good rainfall amounts annually (central and eastern Viti Levu). On-farm production can be disrupted by weather where unusually high amounts of rainfall may degrade the ginger quality and yield.
- ▶ In recent years (2012, 2016, 2018) Nature's Way experienced supply problems, of papaya in particular, as a result of severe weather and climate events. Some commodities took over a year to recover to pre-event export levels.
- ▶ Cyclone Pam had significant impacts on Lapita. The company had stock-piled substantial and valuable Canarium in freezer storage in Vila and only a swift re-location of a portable generator from Teouma was able to keep the product from degrading.
- ▶ Cyclone Pam caused enormous damage to spices and coconuts in most parts of Vanuatu including farmers that supply Venui. Vanilla requires a period of cooler, dry weather to trigger vanilla flowering: climate change has meant that the necessary conditions for vanilla fruit set are now only met about one year in five on Santo and other northern islands.
- ▶ Strong winds and flooding associated with Cyclone Kina in early 1993 devastated PRF acacia seed orchards near the Rewa River in Naitasiri. Subsequently additional seed orchards were established on less flood-prone land near Naila, Tailevu.



Diversifying products, production sites, suppliers and revenue streams can be a useful strategy to minimise these risks. Identifying value-added products that make use of produce that would otherwise be wasted can support the development of an additional revenue stream. Nishi have recently launched a pumpkin hummus which is being sold locally and exported to New Zealand. South Sea Orchids run farm and garden tours, events and weddings to earn revenue from the tourism industry.

Developing procedures and emergency plans can also help to ensure that all staff know how to prepare and what to do in the event of an emergency.

Using cloud-based software to manage business accounts, orders and sales also help to reduce risks should equipment be damaged (PIPSO, 2017).

Supportive interventions: Support to develop business continuity plans; support to digitise documentation and use cloud-based software; market analysis of diversification opportunities; support to develop risk reduction measures, e.g. planting of vetiver grass to prevent soil erosion, small scale irrigation to cope with drought; development of agroforestry systems, storage infrastructure; development of crop specific disaster mitigation measures; and improvement of tailored seasonal outlook forecasts for crops.

Constraint 6: Human resource capacity

Recruiting and maintaining a committed, well-trained workforce represented a constraint to many of the agribusinesses interviewed. Staff turnover and skill shortages were issues for many agribusinesses.

Several agribusinesses shared their frustrations that graduates from agriculture and business courses seemed more interested in becoming teachers or working for government rather than using their skills to expand farming and agribusiness opportunities.

- ▶ Agrana faces a relatively high turnover of staff due to competition for employment with the hotel industry in the Sigatoka area. Staff vacancies are advertised via a vacancy board at the facility, with word of mouth from existing employees proving a good avenue for recruitment. As a subsidiary of a global company in-house management training provided through the parent company is not necessarily relevant to the Fiji context.
- ▶ Lapita faces some turnover of staff due to competition for employment with New Zealand's Recognised Seasonal Employment (RSE) scheme. This can be frustrating and also act as a drain on in-house training resources, as unskilled workers are trained by Lapita for food processing, handling and safety and then leave for RSE or other opportunities.



- There is an on-going need to train farmers in Venui's supplier network, but this is difficult to maintain without external support. The extension service of the Agriculture Department has little knowledge of spice production, is under-resourced and unable to provide the required training.
- There is a lack of appropriate technical/vocational training for young people in the farming and agribusiness sectors in Vanuatu (experienced by Forney Enterprises and Kava House) limiting the opportunities for young people to develop careers in this growing industry.

Supportive interventions: Support businesses to assess potential for locating operations in areas where there are employment shortages; support skills development and training responding to private sector and employer needs; support businesses to develop human resource policies including professional development programmes and other incentives to retain and upskill staff.

Constraint 7: Accessing finance

Agribusiness development is often constrained by the availability of finance to procure capital items such as key machinery, and to further develop and improve processing facilities.

- Agrana receives financing from its parent company and a subsidy from the Austrian government. This covers any losses, however, the parent company has invested significantly and has high expectations that the local entity has not always been able to meet.
- A substantial proportion of South Sea Orchids' company's out-growers are women, yet women have limited access to productive assets, including land, and it is therefore difficult for them to access credit to support their business ventures. The company has had to find alternative sources of finance in order to support these women.
- Lapita borrowed and/or had an overdraft from National Bank of Vanuatu in their early years. Their overdraft has been reduced and converted into a loan at an interest rate of 12.5%. In order for Lapita to increase production they need to expand their processing infrastructure close to greater sources of affordable farm produce – with the chosen location being Santo. They are however struggling to raise capital to do this.

Supportive interventions: Provide advice on financing options; develop specific agricultural financial products; create incentives for investment.

A close-up photograph of a flower petal, likely from a bird of paradise, showing vibrant red and yellow stripes. Several small, clear dew drops are visible on the yellow stripe. The background is dark and out of focus.

Section 4: Key lessons



Several Key lessons emerged from these experiences that are relevant for agribusinesses owners, managers and those trying to support them.

Key lesson 1: Be consistent

Being consistent emerged as a common theme across all agribusinesses. This applies not only to consistency in delivering quality products – but also consistency with pricing structures and decision-making. Being consistent can reinforce trust and relationships as partners know where they stand. Consistency in applying internal policies also emerged as important. Long term business-to-business relationships rely on predictability of supply and pricing to enable both buyers and producers to plan effectively into the future.

- ▶ When kava prices increased dramatically post-cyclone Pam in Vanuatu, the Kava House noted that a number of new buyers entered the market paying unsustainable prices for green kava and damaging long standing trusted relationships across the value chain.
- ▶ Minoru Nishi shared that one of the toughest decisions he has made as a business owner was dealing with a case of stealing by one of his longest-serving and most trusted staff members. Applying policies consistently was an important principle of fairness to other employees.

“We have a zero-tolerance policy when it comes to stealing and even though it broke my heart I knew I had to let him go as an example to everyone else. If I’d not applied our own policies others in future would know that they were negotiable.”

Minoru Nishi, Nishi Trading

- ▶ Nature’s Way operations require them to be consistent in rejecting produce that doesn’t meet the quarantine standards required of the overseas markets.

Supportive interventions: Support to develop and communicate long-term pricing structures and quality requirements; support to develop internal policies and communication tools (e.g. posters, online material, social media groups) relating to company expectations on quality, standards, behaviour etc; peer to peer training; and support for business mentoring.

Key lesson 2: Balancing business and culture

The cultural context in the Pacific Islands means that many successful businesses have strong social elements to them. In the agriculture sector, agribusinesses may be working with a large number of smallholder farmers. Sustaining a successful business often relies on the business owners’ understanding of the cultural context sufficiently to navigate its complexity and to sustain good working relationships.



Many of the businesses interviewed have strong relationships with their partner communities (see Success Factor 3 above) but are also able to maintain a separation of the commercial business with any cultural obligations or have clear guidelines for how they are to be met.

Many agribusinesses, given their relationships to their producer networks, could be classed as social enterprises even if they don't identify themselves as such. There is a growing interest in impact investing⁹ (e.g. through programmes such as Pacific Rise)¹⁰ and understanding the market for potential investments and positioning Pacific businesses with an interest in attracting investors to be impact-investor-ready could support medium firms to scale up their enterprises.

Supportive interventions: Support for businesses to develop formal social policies; support for value chain analysis training to bring stakeholders together to better understand the social/cultural obligations and associated costs that all stakeholders along the value chain face; support to link businesses to impact investors.

Key lesson 3: Reliability

Maintaining reliability and a reputation for reliability is a common factor across all the businesses surveyed. This refers not only to reliability in delivering consistently high-quality produce to buyers, but also reliability in making payments, in following up on actions when once committed to doing so, in honouring contracts (formal and social contracts) and in acting with honesty and integrity. If farmers trust that a business will buy all of their produce and pay them on time (preferably at the farm or factory gate as produce is supplied), they can plant and maintain their crops with confidence. If buyers trust a supplier is reliable and will deliver as contracted, they are better placed to market the produce.

Many of the success factors listed above contribute to or are built on reliability (transparency, strong relationships and standards).

Another factor that several agribusinesses discussed was the importance of female staff in ensuring reliability. Several of the agribusinesses surveyed have a high proportion of female-workers in their processing facilities.

'Women are more reliable workers. They take less sick days and are more likely to turn up to work on time'.

Kaiming Qiu, Kaiming Agro Processing

- Forney Enterprises' factory on Santo employs exclusively women (120) at their processing plant.

⁹Impact investing refers to investments made into companies, organisations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.

¹⁰<http://www.pacificrise.org/>



Key lesson 4: Innovation and continuous improvement

Markets are dynamic and constantly changing. Successful agribusinesses are always looking for new product opportunities and improvements. They are also successful at building networks of contacts and expertise that they can draw on to support them to understand changes in the market and how they need to respond and position themselves.

Part of this process often requires trial and error as a key way to identify market needs. Small failures are often a necessary part of the process. Many government agencies and development partners that support agribusinesses face so much pressure to generate immediate impact that they compromise some of the other success factors highlighted above and fail to invest in vital longer-term, environmentally sustainable ventures such as agroforestry and forestry.

- Nishi built a packing factory addressing the company's own internal need, but also recognising the market opportunity to sell services to other exporters. They have recently launched pumpkin hummus which allows them to make use of some of their excess and waste produce and expand into value-added processed foods.

Market research can help to identify possible future market trends that businesses need to be aware of and catalyse small businesses to progress faster than would otherwise be the case.

Supportive Interventions: Support for new product development support; market research; and market intelligence.

Key lesson 5: Small can be beautiful

Small businesses have some inherent advantages in achieving the success factors identified above. It is easier to maintain strong personal relationships across the value chain when you know everyone you are dealing with personally. It can be easier to enforce standards and control quality in a business with fewer farmers and workers.

A key issue is therefore how best to support new and emerging entrepreneurs to establish small businesses and how to support small and medium businesses scale up their operations should they wish to do so.

As businesses grow from small to medium sized, they often need to develop or document processes to accompany that growth. Many of the essential processes for sustaining businesses require strong process management. For example, being able to attract, retain and manage quality staff requires best practice human resource processes, while being able to attract finance for further investment requires strong financial recordkeeping and management.

It is also often a general assumption made by government agencies and development partners that all businesses want to scale up their operations – but this assumption may not always hold. Scaling operations almost always results in more complexity and higher revenues do not always lead to higher profits. Businesses may wish to remain small, agile and not overexposed with debt from borrowing in order to expand.



Supportive Interventions: Support to document processes and develop internal administrative processes; support to calculate gross-margins of different products; support to assess growth strategies and their implications for the business.

Key lesson 6: Managing risk will become increasingly critical

Many of the businesses surveyed have successfully managed extreme events over the years. Extreme events are likely to increase in intensity over the coming decades as a result of climate change. Risk management strategies are therefore likely to become ever more important.

Supportive interventions: Support to access timely weather and climate related information; support with business continuity and disaster preparedness planning; support to access climate-resilient varieties and production systems (especially agroforestry).

Key lesson 7: Partnerships are vital

For all of the agribusinesses surveyed, partnerships across other businesses, government departments and development partners, have played an important role in their success. Partnerships have promoted the discovery of new markets, strengthening producer networks and learning, and leveraging of finance for investments.

Business networks such as industry associations and chambers of commerce can be a valuable way to exchange business skills and knowledge. Maintaining relationships across the value chain (Success Factor 3) relies on strong partnerships with buyers, suppliers, transport providers and others.

The provision of quality support services (Success Factor 8) for growers are often partly delivered through the agribusinesses own services but in many cases producers also rely on advisory support from others such as the Ministry of Agriculture, research providers and NGOs. Maintaining strong partnerships with Ministries of Agriculture and/or NGOs can ensure consistent messages are delivered to farmers and suppliers.

Formal market research can promote an improved understanding of the requirements of the market (Success factor 1) and the identification of new partners. Strengthening existing value chains and brokering new partnerships can promote agribusiness development.

Supportive interventions: Support peer to peer learning and exchange; promote producer and agribusiness networks; promote regular dialogue with all actors across the value chain; promote regular dialogue between relevant government Ministries and Agencies and agribusinesses; promote partnerships with export promotion agencies, investment facilitation bodies and marketing agencies.



Section 5: Recommendations



Based on the success factors and constraints identified above, a number of recommendations for different actors are recommended. Many of these recommendations are not new and the experiences of the agribusinesses surveyed validate the shift to a more market-oriented approach to supporting agribusiness development. They are written for researchers, government agencies and development partners - but many also apply to the agribusinesses themselves.

Do

- ▶ Create the spaces and mechanisms to ensure agribusiness can articulate their needs. Established agribusinesses bring a wealth of experience, understanding and unique insight. It is crucial that consultative, accessible and appropriate spaces and/or mechanisms are developed to capture their views and priorities, alongside a commitment and process for ensuring research genuinely meets these priorities.
- ▶ Spend sufficient time cultivating a holistic and integrated view of the specific agricultural sub-sector within which you are working. Ensure you understand the complete value chain and the variety of actors, their interests, needs and culture.
- ▶ Work collaboratively with agribusinesses, supporting them to conduct market research, to understand the current markets and future potential, and the constraints to accessing these.
- ▶ Facilitate connections throughout the value chain, encouraging relationships between farmers, producers, processors and buyers. Business networks and relationships are critical and supporting these networks to develop can support agribusiness development.
- ▶ Support the development and strengthening of industry working groups, farmer organisations and other mechanisms that facilitate dialogue between all actors across the value chain.
- ▶ Promote peer to peer learning and mentoring between farmers and agribusinesses. The most effective learning is often from those in a similar position that have overcome similar challenges.
- ▶ Research the underlying business regulatory environment comprehensively and understand the constraints that the business environment itself creates. Many businesses struggle to address strategic priorities when dealing with a time-consuming regulatory environment. Tackling some of these constraints and simplifying the business regulatory environment through partnerships, both formal and informal, may unlock more agribusiness potential than 'agriculture-specific' interventions.
- ▶ Promote and support transparency, developing fit-for-purpose communication materials that ensure all stakeholders (within and/or external to the agribusiness) have equal access to current information - for example, establishing means for employees, producers and/or partners to stay informed across quality requirements, standards, pricing, weather and climate-related information and market information.



- ▶ Bridge the gap between finance providers and agribusinesses - effective partnerships and ongoing dialogue can stimulate the development of tailored financial products, specifically geared to meet the needs of agribusinesses.
- ▶ Connect agribusinesses with other business advisory service providers that can assist them in navigating compliance issues, developing and strengthening internal processes, cultivating a better understanding of market analysis and growth strategies.

Don't

- ▶ Don't place unreasonable demands on agribusinesses, expecting them to meet your needs and/or timing. Instead understand and appreciate the value of their time and plan your interventions around their availability.
- ▶ Don't undermine the existing value chain by attempting to substitute missing links within the value chain. Work alongside agribusinesses collaboratively, supporting them to identify the market opportunity and address the barriers as to why the opportunity has not been realised.
- ▶ Don't make assumptions. If at first glance, you identify key processes and/or decisions that do not appear to have commercial rationale, dive deeper - understanding the operational context of the agribusiness, particularly within the cultural landscape, is imperative.
- ▶ Don't presume that your particular research topic will be of interest to agribusinesses - initially your needs and priorities may not appear to be aligned with that of the private sector. Ensure you understand the livelihood implications of the research and communicate this clearly to the partners you are working with.
- ▶ Don't create unrealistic expectations, inflating the process with lofty goals or unrealistic promises. Frame expected outcomes of the research or programme realistically and provide clear information about how agribusinesses can engage with the work.



Annex 1: Interview instrument



The following interview template follows the approach of the Agribusiness Assessment Tool with questions divided across the same broad high-level criteria:

1. Scale /Target Group (People involved / geographic locations / background)
2. Market Development Potential (Current and future market potential)
3. Potential for income and livelihood Improvement (livelihood factors)
4. Enabling Environment (Structures and Processes)
5. Vulnerability and Risk

With a final section (6), asking questions about the future of the business.

Interview questions are broadly structured with a lead question, and a series of follow-up questions, probes, or prompts to ensure sufficient information is gathered. At the start of each section, relevant information from desk-research can be added in advance to support the interviewer during the interview, and to reduce the number of questions needing to be asked.

Some questions may be considered sensitive by the interviewee both personally and for the business. The interviewee should be reassured that they can veto any information they provide during the interview and do not wish to enter the public domain.

Building Rapport

“Thank you for agreeing to participate in this study. As mentioned in our email correspondence the interview has five parts. First we will explore a bit (1) about the development of your agribusiness. Then, we will move onto questions about (2) market development potential, followed by (3) livelihood factors, the (4) enabling environment, and (5) risks. We’ll wrap up with questions about the future of the business.”



1. About your agribusiness

1.1 Summary of desk research

1.2 Can you tell me a little about yourself, your business and what motivated you to start the business?

- ▶ What are your main products?
- ▶ How long have you been in business?
- ▶ How long did it take to get it established?
- ▶ How did the idea of this business come about?
- ▶ Was it due to an event/situation?
- ▶ Is this the first business you have run?
- ▶ What happened to previous businesses?

1.3 Please describe your business and your business model?

- ▶ What is the legal status of your business? (e.g. partnership, sole operator, limited liability company, cooperative, private or public)
- ▶ How would you categorise it? (e.g. family enterprise, nucleus estate model, fully commercial, SME)
- ▶ How do your main sources of revenue split in percentages?
- ▶ Where in the country do you source your product or its component parts?
- ▶ Who do you source them from? (e.g. own farm, contract farmers, other farmers, middlemen, group)
- ▶ How many farmers or suppliers are involved?

2. Market development potential

2.1 Summary of desk research

2.2 Could you tell me about your markets/customers?

- ▶ What/where are they?
- ▶ How did you identify them? Any support in identifying them? E.g. own research/ knowledge, advice from others, who?

2.3 Would you share statistics on sales to your different markets over the last 3-5 years?

- ▶ Statistics of any kind, either specific or broad percentages



2.4 What opportunities are there for you to expand?

- ▶ Opportunities to expand in your current markets?
- ▶ Are there constraints to this?
- ▶ Opportunities to expand to new markets?
- ▶ Are there constraints to this?

3. Livelihood factors

3.1 Summary of desk research

Financial Capital

3.2 How did you finance your start-up?

- ▶ For example, own capital, loans, grants, third-party investors
- ▶ If you obtained a loan, how easy was that to obtain?
- ▶ If you received grants (or capital equipment, who was this from, and how straightforward were they to apply for?
- ▶ What was your forecast break-even point, where you stopped drawing down on investment/loans and could start repaying?
- ▶ How accurate was this?

Social Capital

3.3 How would you describe your relationship with producers and how do you manage this relationship?

- ▶ What challenges / issues have you faced with your farmers or from your own farm?
- ▶ How did you/the farmers overcome these challenges?
- ▶ On a scale of 1 to 5, with 1 being weak and 5 being strong, how would you rate your relationship with producers?
- ▶ How do you ensure consistency of quality and reliability of supplies from your producers/suppliers?
- ▶ Do you have any specific arrangements in place to promote loyalty from your suppliers?
- ▶ What is the male/female proportion of your suppliers?

3.4 How would you describe your relationship with end markets/customers and how do you manage this relationship?

- ▶ On a scale of 1 to 5, with 1 being weak and 5 being strong, how would you rate your relationship with end markets?
- ▶ Do you have any specific arrangements in place to promote loyalty from your buyers?



- 3.5 Do you have strategies in place to promote the inclusion of minority groups in your business activities (women, young people, people with disabilities etc.)?**

Human Capital

- 3.6 Can you give an approximate breakdown of your employees?**

- ▶ How many people do you employ?
- ▶ What proportion are full-time/part-time?
- ▶ What proportion are seasonal?
- ▶ What proportion are casual?
- ▶ What is the male/female split?

- 3.7 Could you briefly describe your recruitment process?**

- ▶ Do you have an equal opportunities policy in recruitment?

- 3.8 Do you face any particular challenges with your staff?**

- ▶ Turnover rate?
- ▶ Reliability?
- ▶ Training needs?
- ▶ Other?

- 3.9 Do you run training programmes either yourself or through a training provider?**

- ▶ Is this for employees or for others in the value chain e.g. farmers/suppliers?

- 3.10 Have you received training to help run your business?**

- ▶ Was this useful?
- ▶ If you haven't undertaken any training, why?
- ▶ Natural capital

- 3.11 What is the ownership status of the land you utilise?**

- ▶ What proportions? E.g. freehold / government lease / NLTB lease by company (Fiji); freehold / customary ownership (Vanuatu); own family plots (Tonga)
- ▶ What proportion of your produce comes from land you have legal rights to (as compared to deriving from land owned by others)?
- ▶ Please describe your access to land / forests / marine areas (as relevant)



3.12 What environmental practices do you employ?

- ▶ What practices do you use to maintain and/or improve soil fertility on your farm or your supplier network farms?
- ▶ What happens to the waste generated on the farm and down the supply chain?
- ▶ Do you use or purchase produce from farms using low input farming practices?

Physical capital

3.13 What infrastructure and assets do you own and/or lease as a company?

- ▶ Has your infrastructure/assets been growing?
- ▶ Can you describe the growth?
- ▶ How was infrastructure/assets financed e.g. government grants / commercial loans / leasing arrangements?
- ▶ If you lease infrastructure/assets from other entities, please describe the arrangement.
- ▶ Do you lease your own infrastructure/assets to other entities? If, so please describe the lease arrangement.

3.14 Are you HACCP certified or hold other certifications?

- ▶ How was this financed e.g. Government grants / commercial loans?

4. Enabling environment

4.1 Summary of desk research

4.2 On a scale of 1 to 5, with 1 being not at all important and 5 being very important, how important is research and extension to your business?

- ▶ Can you give an example?

4.3 How do you access research and extension services?

- ▶ Do you conduct your own research and extension services, rely on government, rely on other providers e.g. NGOs, rely on online platforms?
- ▶ Do you have sufficient access to research and extension services?

4.4 What policy or regulatory constraints are there to your operations?

- ▶ Specific to your products or sector?
- ▶ General for business?



4.4 How could the enabling environment for your business be improved?

5. Vulnerability and risk

5.1 Summary of desk research

5.2 What are the main risks to your business?

- ▶ What systems do you have in place to mitigate these risks?
- ▶ Does your business have a business continuity plan / disaster risk management plan?

6. Closing question - the future

6.1 Summary of desk research

6.2 Where do you see the biggest opportunities for your business in terms of market growth / expansion / working with farmers and other agribusinesses?

6.3 What factors do you think have contributed to your business's survival / success?

- ▶ What do you think you are doing right?

6.4 What is your hope for the future of your business and all other players involved in this agribusiness sector?

6.5 What are your ideas for succession and do you have a written succession plan?



Annex 2: Case studies



Agrana Fruit (Fiji) Limited | Sigatoka, Fiji



Summary of business

Agrana Fruit (Fiji) Limited is a fully commercial food processor. The business started in Fiji in 1963 as South Pacific Foods, and is now owned by the Vienna-based Agrana Juice & Fruit Holding GmbH. The parent company started with a focus on sugar in the 1960s, and around 2000, bought a fruit division. Agrana globally consists of approximately 60 companies, and operates a fruit company in only four locations: Fiji, Mexico, Ukraine and Morocco. Most companies within Agrana process dairy, sugar or starch. The Fiji business reports directly to the Head Office.



Main products

The company processes tropical fruits (mainly banana, mango and guava) at its facility in Sigatoka, Fiji, to produce puree in both organic and non-organic certified forms which is packaged in 20 litre aseptic packs, as well as canned drinks, drink concentrates, jams and tomato sauce.



Markets

Products are primarily exported to the parent company in Europe for use in baby food, and subsidiaries elsewhere including South Korea. Domestically, products are supplied to large hotels and restaurants.



Employees

42 full time employees, with 60% of these engaged seasonally from December to May. Approximately 80% are female. Additionally there are a small number of casual day workers.



Outgrowers

Sources from 420 individually certified organic outgrowers through farmer groups, individual collection and from organisers within communities. Approximately 50% of produce comes from the Sigatoka area, and 50% from Naitasiri.



Outsourcing

Bus transport for employees is outsourced. Agricultural product supply transport is outsourced.



Infrastructure

The company owns their factory facility and has established a laboratory for propagating planting stock.



Certifications

Agrana Fruit (Fiji) is HACCP certified, an initiative funded by the European Union's Facilitating Agricultural Commodity Trade project (EU-FACT). It also has organic certification as a producer and processor through Australian Certified Organic. Agrana manages the visits of the auditor.

Constraints and weaknesses identified by Agrana Fruit (Fiji)

Shortage of supply to the plant

There is a shortage of supply (especially for bananas) and particularly at prices that the company is able to pay -small scale, non-commercial farmers are selling small quantities at higher prices in market stalls. More farmers viewing farming as a business would make a difference. For example, Agrana Fruit (Fiji) need a lower price for pineapple in order to compete in the export market, but it is not available at this price.

Shortage of planting material

Compounding this is a shortage of planting material. Agrana Fruit (Fiji) received support through the EU-FACT project to establish nurseries and obtain planting material to supply to farmers. The nurseries were subsequently destroyed by flooding and TC Winston. Agrana have now invested in a tissue culture laboratory to propagate planting material. The first batch of planting material from their own laboratory has recently been distributed to Lomawai and Volivoli villages.

Local market not driven by quality

Large hotels or restaurants in Fiji are not necessarily interested in the quality of the product, so would choose cheaper non-organic, lower-fruit content juices over Agrana's products. Government does not regulate or have standards in this area which makes it more difficult for customers to compare products.

No connection to international end market

As the parent company purchases most of the product that is exported, it is the parent company that is responsible for conducting market research. Agrana Fruit (Fiji), therefore has a relatively weak relationship with its main customer (the parent company) and end markets. The Fiji company has limited contacts in other markets locally, such as Samoa and Tonga, where opportunities to export may exist.



Limited external research support and advice

The company rates research and extension services as very important to their business, however provision of and access to these services is considered inadequate. Subsequently Agrana Fruit (Fiji) has invested in the creation of a tissue culture laboratory, which once fully established will help in this area. More sharing of research on best practice with regard to pest control, especially with a view to organic certification, is needed.

Lack of clarity and consistency in government rules and policy

Biosecurity clearance processes are slow, and authorities are unable to give clear information at the outset on what the approval process is and how long it should take. Clear processes and clarity on timing would be beneficial. Increased coherence and consistency in government policy across departments would also be advantageous. For example, the Department of the Environment and Biosecurity are not always aligned. Packaging materials that are necessary to comply with Biosecurity requirements for export need approval from the Department of the Environment and take months to be released. There is a requirement to demonstrate they cannot be produced locally which also slows things down.

Contamination risks could affect organic certification

The company will only source from organic farms, and so all outgrowers are certified as organic. However farms can be contaminated by chemicals from neighbouring farms, many of whom apply herbicides and insecticides without appropriate controls and safeguards. There is also a need to maintain good practice across the supply chain, for example organic fruits must be stored away from fruit being farmed conventionally to avoid contamination. The company needs to know what is happening on outgrowers' farms.

Limited mitigation for future extreme weather events

Previous cyclones and flooding have severely restricted supply and affected nurseries and planting stock. After TC Winston outgrowers were unable to harvest bananas for more than six months. However, no clear mitigation plan has been devised.



Other potential constraints and weaknesses identified

Finances reliant on the parent company

Agrana Fruit (Fiji) Ltd receives financing from its parent company and a subsidy from the Austrian government. Although this covers any losses, given the parent company has invested significantly it has high expectations which the local entity has not always been able to meet. Consequently the relationship can be difficult. The parent company is reported to have invested FJD 2 million in the Sigatoka plant and laboratory.

Difficulties in retaining staff

The company faces a relatively high turnover of staff due to competition for employment with the hotel industry in the Sigatoka area. Staff vacancies are advertised via a vacancy/no vacancy board at the facility, with word of mouth from existing employees proving a good avenue for recruitment. Candidates submit their documents with a medical report, and suitable candidates are added to a list, which is also referred to when vacancies arise.

There are no strategies in place to promote the inclusion of minority groups in business activities. Although the majority (80%) of employees are female, no information is gathered on the gender of outgrowers, although it is assumed that most will be male. Although there is no formal equal opportunities policy, management believes that there is equal access to opportunities within the business.

Challenges to make training relevant to the Fiji context

The company runs demonstration farms as a way to train outgrowers. In-house management training provided through the parent company is not necessarily relevant with many things not being applicable within the Fiji context.

Limited availability of land and security over land tenure

All outgrowers plant on mataqali land, although it is not known whether any hold leases for this land. None of the company's supplies come from land that they directly own or lease. They have also offered to work with the Fiji Sugar Corporation to support farmers diversify from sugar cane, with no interest reciprocated.



Factors associated with Agrana Fruit (Fiji)'s longevity and success

- 1. Established early** – The original company established at a time when there was less regulation and constraints within the agriculture sector.
- 2. Support of a globally established parent company** – While also a potential weakness, the fact that the parent company is able to provide finance and absorb losses, and purchases everything produced for export, has enabled Agrana Fruit (Fiji) to ride out periods of limited supply resulting from extreme weather, and compensate for limited external research and support services.
- 3. Diversification into juices and local market** – The company has been able to diversify into the local market by producing juices and tomato sauce for the hotel and catering industry, and has been able to test the success of different products.
- 4. Development of a laboratory in Fiji** – The creation of a laboratory enabling the production of virus-free planting material allows research to be conducted in-house and contracted farmers to benefit.
- 5. Maintaining good relationships with outgrowers** – Agrana Fruit (Fiji) maintains a relationship with a large number of contracted farmers, providing many with planting material, facilitating collections and managing blanket organic certification.

Agrana Fruit (Fiji) Ltd
Sigatoka, Fiji
www.facebook.com/AgranaFijiSgtka

This case study is based on desk-research and a face-to-face interview with Managing Director, Juan Rodriguez in May 2018.



Civa (Fiji) Pearls Limited | Taveuni, Fiji



Summary of business

Civa (Fiji) Pearls Limited is a small, fully commercial business founded in 2006 by a French-Canadian couple who were attracted into pearl production in Fiji by the extraordinary colours of pearls and a belief in untapped potential.

They leased the western half of the Vurevure Freehold on Taveuni, called Sere ni Wai, and started Civa (Fiji) Pearls. The farm is now at two locations: the pearling station in Wailoa Lagoon which is 37.8 ha. and the nursery in the southern part of Vurevure Bay, which is 12.8 ha. Access to the pearl farming sites is negotiated through the Vanua Trust of Laucala. The business commenced operations in 2007 with the first harvest after three years.



Main Products

Loose pearls and pearl jewellery, produced from the local marine pearl oyster (*Pinctada margaritifera*).



Markets

Civa Pearls has a Japanese auction partner. From 2016, the company gave greater emphasis to the Fiji market, opening a boutique store on Taveuni and reserving 50% of export quality pearls for local markets, including four resort partners on Taveuni, Qamea and Vanua Levu.



Employees

The company has six full-time employees with a 50:50 gender balance. Civa Pearls gives village contracts to women groups to clean up lines after harvest. This is the equivalent work of 2 employees per year.



Outgrowers

There are no contract farmers as the pearls are produced on Civa's own pearl farms.



Outsourcing

The newly established Mabe farm on Qamea Island will be managed by the Women's group (Soqosoqo Vakamarama) of the Vanua Trust of Laucala. Community production of both juvenile oysters and half pearls supports income generation and employment and provides training opportunities



Infrastructure

The company owns an over-the-water implant shed (adjacent to Vunivasa Estate, Taveuni). In collaboration with Noel Douglas from Matagi Island Resort, Civa Pearls has been developing two giant clam hatcheries on Qamea and on Matagi. The modest infrastructure includes pipes, pumps, diesel generator, cement and fibreglass ponds.



Certifications

Civa Pearls do not hold any specified certification. However, they have four sustainable commitments including converting all bio-fouling waste from pearl oyster cleaning to organic composted fertilizer for use on certified organic farms.

Constraints and weaknesses identified by Civa Pearls

Complex enabling environment

Successful operations are hindered by a lack of clear and effective policy and excessive red tape, including poor support regarding certification, licensing and permits, which limits the pearl industry's development. Uninformed policies and regulations results in confused and misinformed government action and affects lending institution support.

Adverse weather conditions

Civa Pearls considers extreme weather to be the major risk to its business, and in particular tropical cyclones. Tropical Cyclone Winston (2016) had a major negative impact on the company, with severe losses of building infrastructure, equipment and oyster lines. A previous tropical cyclone in 2011 (TC Tomas), also had similar significant negative impacts on the growth of the pearl oysters. By July 2018, Civa Pearls was back to pre-TC Winston levels of operations and business, with revenue growth projected for 2019, indicating that TC Winston had a nearly three-year long impact. Operations during the cyclone season have now been adapted, such as lowering of oyster lines during December-May, and establishing additional sites with differing exposures to wind and wave. Cyclone preparation drills are also undertaken each year.

Factors associated with Civa Pearl's longevity and success

- 1. Prior business experiences and private capital** – Civa Pearls has built on the owner's prior business experiences in North America before migrating to Fiji. Part of its adaptation to pearl farming in Fiji include its own outlook on employment strategies particularly where they can be supportive of the local communities by offering jobs security while being tolerant of learning mistakes for growth of its own workers. It has brought to bear its own capital for investment in its pearl operations, including the recovery of the company from the loss impacts by the tropical cyclones of 2011 and 2016.



- 2. Relationship with and investment in local communities** – Civa Pearls has developed deep relationships with its local communities. Not only has it provided employment (paying above minimum wage levels to invest in the long term loyalty and retention of its staff), but it has made significant investments in partnering with local communities to develop their own half pearl (Mabe) farms that communities will manage with their technical help and advice, and whose harvests will be sold to Civa Pearls. Other initiatives supported by the company include actions such as pearl shell carving and handicraft training, giving women's groups and individuals further socio-economic opportunities within their communities. These very tangible interactions with the qoliqoli and their representative Vanua Trust of Laucala, build trust and local support for the company. Civa Pearls reports no issues at all with regard to its lease arrangements for the coastal sea and land areas leased from the Vanua Trust of Laucala.
- 3. Careful market identification, including locally** – The company exhibits a high business acumen for finding the right markets for its pearls, and choosing carefully its strategy to secure preferred markets to suit its preference for high end presentation, locking in local high-end hotels and resorts for tourist targeted sales, an online presence and e-market, and engagement of a specialist dealer for its pearls on the Japanese market.
- 4. Clear principles underpinning the business** – From the owners' past experiences, and how they want their business to interact with the environment and the local community they have identified four key pillars which underpin their business:

 - ▶ Working to best practice standards and measures
 - ▶ Being a driving force for sustainable development of local communities
 - ▶ Long term profitability associated with long term environmental protection
 - ▶ Being an educative force for the sustainable development of aquaculture in Fiji
- 5. Supportive network exchanges** – The owners were not experienced pearl farm operators before establishing Civa Pearls. They give credit to the local network of pearl farmers and the informal exchanges and access to expertise of other operators that lent practical training and advice, and in research institutes that provided technical and scientific R&D advice. While a small network of pearl farmers exists in Fiji, these operators have fairly matured experiences that have been shared around to encourage growth of the industry as a whole. A likely reasoning for the genial attitudes to supporting others within this network is the increasing recognition and value for the uniqueness of Fiji produced pearls, and the current unmet market demand for them.



- 6. Improved enabling environment** – Civa Pearls believes the enabling environment from a technical perspective has grown in support over the years, with a complete and rare institutional mindset change within the Department of Fisheries. The previous top-down approach has been replaced by a ground-up approach in support of the pearl industry and related services. Pearl oyster spat collection by the Vanua Trust of Laucala started slowly, and was aided in the first two years by the Department of Fisheries. Civa Pearls' partnership with ACIAR through SPC has benefited through access to research and development and scientific/technical assistance. Civa's partnership with the Department of Fisheries has given it access to the department's research and extension services.
- 7. Environmental sensitivity** – Civa Pearls success in producing high quality, and exquisitely colored pearls is tied to the health of the lagoons in which its pearl farms are located. The company is well aware of the impacts of high rainfall and fresh water runoff from nearby rivers and streams that have the potential to kill oysters. While the company has little control over runoff issues, its advocacy for environmental conservation and safeguards is in line with its responsive adaptability in its oyster line operations through its routine quality assurance actions (e.g. setting minimum separation distances between lines of oysters), to guarantee the optimum health of its oysters.

Civa (Fiji) Pearls Limited
Taveuni, Fiji
www.civafijipearls.com
www.facebook.com/civafijipearls

This case study is based on desk-research and a face-to-face interview with owner, Claude Prevost in July 2018.



Filipe Filihia | Tonga



Summary of business

Filipe Filihia is a Tongan farmer with a young (4 months old) family enterprise business in cassava chips. Filipe is a lead farmer for his farmer organization, often used as an illustrative example for skills deployment and transfer. He acts as a trainer, with many farmers now benefiting from his experience and knowledge. Through the training he has received and the support of his farmer organisation, Filipe now grows about eight acres of cassava, two acres of taro, one acre of yams, three acres of corn, three acres of peanuts, 100 kava plants and 100 sandalwood trees, a lot more than he was five years ago. Many of these are new crops for him and provide additional income security for his family. In fact, his income has risen from around TOP 100/week in 2013 to around TOP 300/week today.¹¹



Main Products

1. Farming
2. Chips



Markets

Farm produce is sold on the local fresh food market, with chips sold through different vendors. His revenue is split at 60% from farming, 40% from chips making.



Employees

Filipe employs 2 (female) workers on a part time basis.



Outgrowers

Filipe has no outgrowers for his small business as yet. Currently all his cassava chip needs are supplied by his own farm on his leased land.



Infrastructure

Filipe's business is essentially operated out of his own home, and primarily his kitchen where he processes his cassava for slicing and frying into chips. He operates his chips making business at some level of fire risk to his house and property.



Certifications

None. Filipe only intends to sell locally to schools.

¹¹<http://www.asiapacificfarmersforum.net/tonga-filipe-filihia/>



Key constraints

Small operator with limited financial and capital resources

Filipe Filihia's family owned home based business is a modest start up that began out of an avoidance of wastage of planted crops that the intended buyer did not come through on (two cassava chip makers Filipe was engaged to supply cassava to did not take up their end of the commitment). Filipe's participation in training programmes¹² offered to small farmers through the MTCP2¹³ and other programmes for members of farmer organizations have provided some exposure to planned and well managed planting of crops for processing and value adding, and to which he has seemingly applied to cassava for chips production. Despite this, Filipe Filihia's small business lacks and by default has limited current opportunity to improve the scaling of his outputs to gain better returns for his business.

As a small operator thus and perhaps typically, Filipe Filihia has financed his operation personally using personal funds to finance (including the use of his family members to provide labour to) the business. Filipe's limited resources however limits his current wishes to expand his production to supply a potentially large market in terms of local schools where his chips can be sold. He currently uses a domestic oven in his family home to make his cassava chips (at some risk to his house and belongings to fire), which limits his production and quality (feedback says the chips are too oily).

The desk researcher of this case study points to the obvious situation that Filipe Filihia needs assistance on a number of fronts, from technical operations to improve quality and higher production levels, to procurement of proper equipment and safety operations, business planning, market research and more. The ambition of the farmer is clear, that there is understood market potential of his product that he would like to meet in expanding the business to supply additional markets in Chinese shops, and export also. At the same time, the farmer would prefer to only be his supplier of raw materials, his dependency on others he would prefer to be kept low, while deploying family labour. Market access and information is likely at a basic level (Filipe was advised by the Ministry of Agriculture to approach schools to sell his chips, advice he followed to find this niche market). While the many fronts for improvement to his business are many, it is unknown what opportunities if any that Filipe is participating in and taking part in for external partners/ investors to his business to help it to grow (e.g. government grants, supplying his chips to a larger manufacturer or producer). Filipe's business astuteness however shows through in continuing to also support and develop his farm for other opportunities (e.g. supplying papaya and other crops to other exporters)

¹²<http://www.asiapacificfarmersforum.net/tonga-filipe-filihia/>

¹³Medium Term Cooperation Programme with Farmers' Organisations in Asia and the Pacific, Phase II (MTCP2)
<http://www.fao.org/family-farming/detail/en/c/416488/>



Other potential constraints

Market pauses and competition

Currently Filipe Filihia's cassava chips are sold at local schools where he has developed good relationships with the administrators to sell his product on his behalf. School weeks in Tonga number 41 weeks annually interspersed with one to two weeks in the remaining weeks of the year with school holiday breaks. Filipe needs to find alternative markets for his production if he wants to maintain some momentum with his sales. He has identified the potential to expand his market to local shops and markets. As a new entrant to the cassava chips market however, Filipe faces some considerable competition with his default economy of scale up put up against larger operators as well as imported varieties.

Weather extremes and theft impacts

Tropical cyclones pose a risk to Filipe's cassava, with reference to an impact on the texture of the cassava afterwards. Added to this impact on his supply, theft has been a problem for Filipe, a problem ameliorated to some degree by his moving to live closer to his farm.

Success factors

Personal drive and commitment

Filipe Filihia's personal drive and commitment is clear, he has tripled his income¹⁴ through his farm improvement (since participation in the MTCP2 programme), which includes the development of a breadfruit orchard that he has produced for himself. While only four months into his cassava chips business, he has developed partnerships already, identified his investment needs to grow his business and the potential issues that pose some constraint to his medium to long-term success. As a model farmer, he no doubt has the opportunity, and likely the pressure as well, to succeed as an example for other farmers in the farmer organization that has supported him to date.

Filipe Filihia

Tonga

<http://www.asiapacificfarmersforum.net/tonga-filipe-filihia/>

This case study is based on desk-research and a face-to-face interview conducted by GroFed (a Tongan farmer organisation) with Filipe Filihia in November 2018.

¹⁴<http://www.asiapacificfarmersforum.net/tonga-filipe-filihia/>



Forney Enterprises | Luganville, Santo, Vanuatu



Summary of business

Forney Enterprises (historically at times known as Klin Kava, after it's product) has been processing and exporting kava at an increasing scale from Vanuatu for 13 years, with the agribusiness attaining profitability after five years. Forney Enterprises is a family business largely owned by Australian expat Mr John Fordham, and one of his sons. The value of KK's exports have been growing on average by about 25% per year, e.g. from 800 million to 1 Bn Vatu from 2016/17 to 2017/18, with jump to 1.5 Bn Vatu in 2018/19 (USD 13.3 million) associated with major upgrades to its processing facilities in Luganville, Santo.



Main products

Forney Enterprises' product is a highly soluble 'instant' kava powder which is exported. About 1 kg of KK's kava powder makes c. 25-30 litres of kava drink. KK mainly buys in green kava, some dried kava, almost wholly of noble (traditionally consumed) varieties. The kava is then hygienically processed into powder for export. Each root is individually inspected at the factory to make sure no false kava or other impurities reach its powder product.



Markets

The main markets for Forney Enterprises products are the USA (mainland and Hawai'i). Currently KK supplies about 70 of the approximately 137 kava bars in the USA, mainly through five wholesalers/importers; and has two buyers in each of Kiribati and New Zealand. KK also exports to New Caledonia, Romania and other countries, with a small quantity sold locally mainly for carry-on exports. Approximately 21 kg of green kava converts to one kg of powder. One kg of 'instant' kava powder is made up into about 25-30 litres of kava drink in USA kava bars and elsewhere.



Employees

In addition to its founder and General Manager, Mr John Fordham, the company employs three ex-patriots in managerial roles, viz. Production, Quality Control and Laboratory. KK almost wholly employs ni-Vanuatu women in its Luganville processing facility including all supervisory roles. KK has become the major private sector employer on Santo employing 120 women, and ten men (in security roles). Workers operate in a clean, safe environment and are supplied with clean uniforms each day. Worker hygiene is promoted with a trained nurse regularly brought in to educate and advise the female workforce.



Outgrowers

Forney Enterprises mainly buys green kava. Kava is sourced from approximately 2,000 kava growers mostly in the northern islands. KK mill gate price is 950 Vatu (c. AUD11-12) per kg green kava (and 500 Vatu/kg lateral roots which accounts for 25% of the plant, an average buying price of 873 Vatu per kg). Forney Enterprises buys almost wholly noble kava varieties and tests every sample: plant age is typically 4-6 years (but ranges from 3 to 35 years). The company has excellent relations with its kava growers and suppliers. Farmers drop off samples in the morning which are then checked and analysed with farmer payments being made within 2-3 hours after product delivery. The farmer/place/date/amount and genotype are recorded with samples and records retained for 12 months. Each farmer who supplies 30 kg of green noble kava variety receives a ticket to enter into the draw for a new 4WD vehicle: this annual promotion has helped ensure a strong supply of noble kava to KK.



Outsourcing

All growing of kava and its transport to the mill gate is undertaken by KK's growers and suppliers.



Infrastructure

Forney Enterprises has its own state-of-art processing facility on the outskirts of Luganville. The infrastructure is valued at approximately AUD 2 million and the installed machinery has a similar value. The machinery and facilities are currently undergoing a major overhaul and upgrade.



Certifications

KK's processing facility has been HACCP certified and undergoing continuous improvement with inspections undertaken every two months. The company has its own on-site laboratory which tests for bacterial contamination. The General Manager has previously worked as a food manager and places top priority on product safety and has invested considerable funds and resources to ensure that bacterial contamination of their kava products is at near-undetectable levels. All machinery, drums, dryers and surfaces are sterilized every day using FDA-approved chemicals such as hypochlorous acid. Only food-processing grade and approved chemicals are permitted in the manufacture of KK's kava products.



Constraints and weaknesses identified by Forney Enterprises

Legislative and regulatory uncertainty and new Government charges

The major challenges that KK have faced have involved mooted Government changes to legislation such as a proposed 50% local ownership requirement, income tax hikes and proposed levy (10%) by the quarantine department on kava exports. Whilst most of the kava business-unfriendly legislation and regulations have not proceeded, in large part due to backlash from the kava industry and stakeholders (including kava farmers and KK workforce), they have created uncertainty which have led to delayed and reduced investment in the sector.

Weak enabling environment

There is minimal support from Government for the kava sector, and limited Government assistance to the private sector in Vanuatu in general. There is a need for education programs about sustainable growing of kava, using noble varieties and pricing.

Risk of extreme climatic events and natural disasters

Cyclones and natural disasters have major adverse impacts on the supply of kava to Forney Enterprises, and there is an increasing risk of more intense cyclones impacting perennial crops in Vanuatu, especially kava which is vulnerable throughout almost its entire 3-5 year growing cycle. Cyclone Pam in March 2015 caused enormous damage to the kava crop in most parts of Vanuatu.

Other potential constraints and weaknesses

Cultural issues versus private business needs

Lying and theft are frequently encountered problems in Vanuatu commerce. KK has installed a high-tech video surveillance system for its entire operation which has minimised theft and enables culprits to be identified and dismissed. It has also enabled better compliance by staff of food safety and handling – such as wearing hair nets and face masks.

Unscrupulous kava buyers and exporters

There are other Vanuatu kava buyers and exporters which operate in an unscrupulous manner and jeopardize the good name of the Vanuatu kava industry. These activities include misleading Vanuatu Government officials, promoting tudei kava, amending kava with impurities including false kava and used kava dregs.



Factors associated with Forney Enterprises' longevity and success

1. **Identification and development of a new business opportunity** – the proprietor John Fordham identified a major market opportunity in the kava trade. His idea was to provide a much higher quality and completely safe product, an 'instant' kava powder, using different and improved hygienic processing, made exclusively from noble kava varieties.
2. **Willingness to make substantial investment** – Forney Enterprises has invested more than AUD 4 million in its infrastructure and equipment alone and the total investment including R&D would be much greater. Such a scale of investment in a new product is exceptional in the Pacific Islands and indicative of the commitment and confidence of the owner in their product and local operation. The owner is an astute businessman, long-time loyal to his original bank (ANZ) but then changed to BSP (after bad experiences with ANZ) which has resulted in an annual savings of AUD 150,000 in interest payments and charges.
3. **Multi-skill set of the General Manager** – John Fordham has the ideal and diverse skill set and experience for running such a business in the Pacific Islands. This includes a family background in mixed farming (from Moree, NSW, Australia) and excellent understanding of the rural sector and primary production; a thorough understanding of commerce and business through his training as an accountant and running other businesses such as a highly successful Indoor Sports Centre in Armidale for 17 years; and in workplace, health and safety through a postgraduate study at Rockhampton University and as food manager in a food processing factory.
4. **Determined attitude and mindset of the General Manager** – Through a single-minded determination John Fordham has been able to effectively deal with often under-handed tactics of competitors, including a failed assassination attempt, and extremely challenging regulatory environment which has included threatened legislation and regulations which would have made his business impossible.
5. **Continuous improvement** – The GM has a determination to continually upgrade, innovate and make improvements to their operations. Such an approach has enabled KK to remain well ahead of its competition and be well placed to meet increasingly stringent food and safety regulations in their overseas markets.
6. **Interpersonal skills** – The GM has developed effective working relationships with both his kava growers and suppliers and his Santo workforce, and also has excellent marketing skills (based on a premium product).
7. **High quality produce** – Forney Enterprises developed an international reputation for high quality produce and this has been aided by their focus on quality control at all steps of their procurement and processing operations.



8. **Processor and therefore partly Insulated from impacts of climatic disasters** - being a kava processor, rather than grower, KK have been less exposed to natural disasters such as tropical cyclones, droughts and floods than if they had sourced most of their product from their own farm(s).
9. **Succession** – The GM has been involving family members in key roles in the company including giving a small shareholding to one of his sons. The business has been developed in such a way that it might either be continued as a family business or sold off as a profitable going concern.

Forney Enterprises
Luganville, Santo, Vanuatu
www.forneyenterprisekava.com

This case study is based on desk-research and a face-to-face interview with General Manager and owner, John Fordham in July 2018.



Kaiming Agro Processing Limited | Navua, Fiji



Summary of business

Kaiming Agro Processing Limited (KAPL) is a limited liability company, initially established in 2005 as a processor and exporter of ginger under the brand name Zing Fiji Ginger. The company started out with a focus on providing safe and good quality ginger, frozen cassava and taro. Having exported their first consignment in 2006, today they currently export an estimated 1,300 tonnes of processed ginger per year. Export volume has doubled in the last four years.



Main products

The company produces and exports a range of ginger products, including crystallised ginger (accounting to 60-70% of its revenue), glazed ginger, sushi ginger and ginger juice.



Markets

The United States and Canada account for approximately 60% of exports, Australia and New Zealand for 20-30% and Europe, 10%.



Employees

KAPL employs approximately 150 people full time, with generally another 10 seasonally employed when extra ginger comes into the Navua facility. About 80% of the employees are women.



Outgrowers

KAPL sources ginger from approximately 400 contracted growers/suppliers, mostly small farmers all over Fiji whose livelihoods depend on having a market for their produce.



Outsourcing

The company outsources technical support, marketing, certification and buys in packaging, usually sourced from overseas.



Infrastructure

The company owns its own farm, as well as a processing and packaging plant in Navua on Crown Lease land. They also acquired and own processing equipment worth around FJD\$500k.



Certifications

- ▶ KOSHER Australia
- ▶ Hazard Analysis and Critical Control Points (HACCP)
- ▶ AS/NZ ISO 22000:2005 (relating to food safety)
- ▶ Certificate of Compliance: Australian Certified Organic

Constraints and weaknesses identified by Kaiming

Insufficient supply of raw ginger

Although KAPL contracts around 400 individual farmers all around Fiji, in addition to running its own farm, a shortage of supply of raw ginger is a significant constraint. After historic issues with disease, ginger production is increasing, but many small farmers are reliant on the Ministry of Agriculture to provide disease-free materials and support during growing. When the Ministry is not providing assistance, farming and crop care reduces, limiting supply. This is compounded by quality issues associated with post-harvest and handling practices.

Maintaining food safety standards and organic certification

KAPL outgrowers do not use chemical pesticides or fertilizers, helping to keep its recently awarded certificate of compliance by Australian Certified Organic. These farmers were provided technical training, assistance facilitated by the European Union through The Pacific Community and the Ministry of Primary Industries, around supporting skills in areas ranging from land preparation to harvesting and storage methods, and KAPL's own extension services monitor and support best practice. Continual training support along the value chain to assure food safety standards and organic certification is a necessity.

Adverse weather conditions

The majority of KAPL's ginger farmers are based on Viti Levu, and in areas which receive adequate rainfall annually (central and eastern Viti Levu). On farm production can be challenged severely by weather where unusually high or low amounts of rainfall may degrade the ginger quality and yield.

Quality of local packaging

KAPL sources packaging material from overseas, and consequently is required to dedicate time and resources to import logistics and admin, as they face common challenges with other agricultural exporters in finding cost effective materials and components for packing for their products to meet food safety certification and export standards.



Other potential constraints and weaknesses identified

Access to regional and local markets

Additional to ginger products are KAPL's frozen taro and cassava exports to regional markets in particular, although this is not a large part of the business. These exports are constrained by irregular regional shipping services, high freight costs, poor port infrastructure for storage and preservation, as well as distribution partners in those markets.

Lack of clear processes and limited policy coherence across government departments

Additional time and resources are dedicated to compliance because processes are at times unclear, involve multiple departments, and are burdensome. Similarly, effort is expended pursuing something one department is promoting (primary production), only to be hindered by another (employment terms ???). Clearer coherency and consistency in government policy and processes across the relevant departments could avoid delays and additional expense to exporters.

Factors associated with Kaiming's longevity and success

- 1. Good relationships with buyers** – KAPL has established strong relationships with its five distributors who supply the (mostly niche) markets internationally, regionally, and locally for all KAPL products.
- 2. Good relationship with growers** – the company provides a steady price, so growers know what they can earn in a season and works with them to produce high quality ginger.
- 3. Supported by a good enabling environment** – Assistance provided by the EU through SPC in 2012 and 2013, including support from the Fiji government line ministries involved, has supported KAPL with farm production, processing, post-production and marketing. KAPL received a government grant and an FDB loan, to establish a processing and packaging plant. Its technical capacity was further assisted through its participation with the EU/SPC FACT project resulting in HACCP certification and ISO 22000 certification in 2012 enabling compliance with food safety regulations in importing countries. In addition, SPC in partnership with ACIAR have provided research support towards improving the production of disease-free ginger seeds, which has begun to increase the annual tonnage of ginger production.
- 4. Quality of product** – KAPL ginger products have inherent attractive features in terms of their high oleoresin/flavour to fibre ratio, low heavy metal content (compared to Asian region produced ginger), utilization and adherence to international certified organic practices, that give them some default comparative advantages. KAPL and its distributors understand these advantages and recognize these as the key potential for expansion beyond the markets they have secured to date as excess demand has been identified for their type of products.



- 5. Entered a niche market** – The market for processed ginger is relatively niche, involving a limited number of actors. Although this could be a disadvantage, for KAPL it meant they were quickly able to establish relationships and were not overwhelmed by engaging with too many entities.

Kaiming Agro Processing Limited (KAPL)

Navua, Fiji

<http://www.gingerfiji.com>

This case study is based on desk-research and a face-to-face interview with Owner and Managing Director, Kaiming (Calvin) Qiu in May 2018.



Kava House | Mele, Efate, Vanuatu



Summary of business

Kava House is a family business involved in kava processing mainly for export, with some local sales including through tourist visits to their processing and distribution centre in Mele.



Main products

Kava House buys in dry or green kava and processes it into dried chips or powder for export.



Markets

The main kava markets for Kava House are export markets in the USA. Supplying to the pharmaceutical market commenced in 2003 and has since expanded to become their core business. Kava House currently supplies dried whole roots to a pharmaceutical company in North Carolina, USA (Gaia herbs) which converts the kava into pill form. Since the lifting of the European kava ban, Gaia is selling these kava products into Europe. Kava House also sells their kava to a USA wholesaler who then on-sells Kava House products to over 100 kava bars across the USA. Kava House also sell their product locally in gift shops, Bauerfield Airport, Au Bonne Marche supermarkets and from their Mele distribution centre.



Employees

The General Manager of Kava House is Mr Frank King. His wife Julia is the marketing and CSR manager and Kava House has 10 full time workers, including several immediate family members, at Mele of which 50% are female. Kava House has set up three buying stations with drying facilities in outer islands (Pentecost, Ambrym and Ambae). The five buying agents employ up to 100 workers on a part-time or casual basis in the outer islands.



Outgrowers

Kava House procures its kava from smallholders (Pentecost, Ambrym and Ambae) via buying agents. The kava is estimated to come from about 1,000-1,500 smallholder growers, of which about 30% are female kava farmers, mainly on Pentecost Island where land ownership is matrilineal. Currently Kava house does not grow its own kava, but is exploring developing its own kava plantation on Efate.



Outsourcing

Procurement of kava, including its transport from buying stations to Mele, is outsourced to buying agents.



Infrastructure

Kava House has its own processing and distribution centre on the outskirts of Mele which includes several buildings and under cover solar drying facilities.



Certifications

Kava House does not hold any formal certifications, although their kava is grown in (uncertified) fully organic farming systems. The company strives to buy kava only from noble varieties which is then tested in local accredited laboratories prior to export.

Constraints and weaknesses identified by Kava House

Shortage of and disruption to supply

There can be difficulties dealing with suppliers. This is especially the case with demand currently greatly outstripping supply. It has been challenging for Kava House to maintain consistent supply of raw material due to supply/demand imbalance and damage to kava crops caused by severe cyclones. The price has gone up more than three-fold in recent years, in part fuelled by an increase in the number of actors in the supply chain. New buyers may pay excessive and unsustainable prices for green kava which can lead to damage and disruption of established grower-buyer relationships.

Weak enabling environment and risk of reputational damage

There is no or very limited support from government for the kava sector, and limited Government assistance to Vanuatu's private sector in general. There is a need for education programs about sustainable growing of kava, using noble varieties and appropriate pricing. The regulatory environment concerning the cultivation, sale and testing of tudei kava needs to be strengthened as there is a high risk of Vanuatu losing its international markets, as more tudei and adulterated kava makes its way into the international market due to unscrupulous kava processors.

Risk of extreme climatic events and natural disasters

Cyclones and natural disasters have major adverse impacts on supply of kava to Kava House, and there is an increasing risk of more intense cyclones impacting perennial crops in Vanuatu, especially kava which is vulnerable throughout almost its entire 3-5 year growing cycle. Cyclone Pam in March 2015 caused enormous damage to the kava crop in most parts of Vanuatu.



Other potential constraints and weaknesses identified

Cultural issues versus the needs of private enterprise

The Melanesian culture can create problems whereby strangers may be befriended and treated very well, while neighbours and family members can be treated with indifference or hostility. Kava House deals with these issues by focussing on its own business and trying not to get involved in local disputes and politics.

Lack of appropriate training opportunities

There is a lack of appropriate technical/vocational training for young people in the farming and agribusiness sectors in Vanuatu. This will reduce the number and productivity of young people going into these sectors, including the kava industry. There is a need to change the generational mindset, such that prospective young farmers can see that kava farming is a viable and commercially-rewarding occupation.

Factors associated with Kava House's longevity and success

- 1. Complete focus on a viable business opportunity** – Frank King's sole business focus has been on kava processing and export, where he correctly assessed Vanuatu had a strong and almost unique comparative advantage, building on his learnings from his father who originally developed one of Vanuatu's first kava export businesses.
- 2. Adaptability and taking advantage of new market opportunities** – Kava House was principally an exporter until 2017, but they have introduced local products and are now dominating the local market.
- 3. Complementary skill sets of owners** – Frank's wife Julia was a marketing manager with Evergreen until it folded due to mismanagement. She has been working with the business for the last 12 months. Julia has been giving the business more marketing exposure, and has made the Kava House brand better known locally.
- 4. Good relationships with the local community and other actors in value chain** – Frank and Julia King have good interpersonal skills and used these to build solid relationships with their local Mele village community including through investing in CSR activities with the schools and local sporting clubs, and with other actors in the supply chain including their buying agents and clients in Vila and USA.



5. **High quality produce** – Kava House has developed a local reputation for high quality produce and this has been aided by their focus on quality control (both varieties and drying). They are also working with the local community to grow and distribute more propagules of noble kava varieties and thereby helping to ensure a high quality of future kava produce.
6. **Bolstered by a strong tourism/visitor sector for carry-on exports** – Vanuatu has had a strong tourist sector over the past two decades, and this has provided Kava House with a market segment which can pay higher prices for their premium products (carry-on tourist exports).
7. **Processor and therefore partly insulated from impacts of climatic disasters** - being a kava processor, rather than grower, KH have been less exposed to natural disasters such as tropical cyclones, droughts and floods than if they had sourced most of their product from their own farm(s).

Kava House
Mele, Efate, Vanuatu
www.facebook.com/TheKavaHouseVanuatu/

This case study is based on desk-research and a face-to-face interview with Director, Frank King in June 2018.



Lapita Café Ltd | Port Vila and Santo, Vanuatu



Summary of business

Lapita Cafe Ltd is a small food processor using local farm produce as ingredients for its value-added processed food products. The business started in the mid-1990s and is owned by wife and husband couple, Votausi and Geordie Reur-MacKenzie.



Main products

The company processes tropical nuts, fruits and root crops (including Canarium, cassava, chilli, coconut, tamarind, taro, mango, banana and ginger) into Canarium oil and dried nuts, gluten-free flour, cookies, chips (cassava, banana, taro) and condiments. Their main products and income stream in 2017 came from local-product cookies (2 M Vatu), canarium nuts (1.8 M Vatu), cassava flour (1.6 M Vatu), and tamarind & mango chutneys (0.5 M Vatu and growing rapidly).



Markets

Early on the challenges for Lapita were product development and identifying markets. Their business only survived through production of cassava flour and cookies. In recent years product diversification has been vital for survival of the business. Products are sold domestically into major supermarkets including Au Bon Marche and Lo Chan Moon Store, as well as Air Vanuatu, hotels and resorts and restaurants, speciality shops (drug store, organic paradise), tour operators and some schools. A proportion of their products are sold through the carry-on export market. There is also a substantial cruise ship market which they would like to tap into, but need HACCP certification to progress this opportunity.



Employees

Lapita employs 20 full time and five casuals, including several immediate family members. About 2/3rds of employees are female.



Outgrowers

Local farm produce is sourced from municipal markets in Port Vila and Santo, as well as from about 2,000 farmers on Efate, Paama, south west Bay Malekula, Atchin (off Malekula), Santo east coast and south, Malo, Tutuba, and Araki island. Produce may be supplied either via buying agents or purchased directly from farmers and market vendors.



Outsourcing

Procurement of local farm produce, including its transport to processing centres, is mainly outsourced to buying agents. Solar dryers and cassava processing units provided through an FAO project for the production of cassava chips (for processing into flour by Lapita), and outsourced to villages and communities on Efate, have not been effective, partly due to difficulties in monitoring and ensuring quality.



Infrastructure

Lapita owns a HACCP-compliant (as yet uncertified) kitchen and processing facility in Port Vila and is planning to establish a larger HACCP-compliant factory in Luganville, Santo. The Vila facility would then be mainly used for production of cookies, distribution and as an administrative centre. Lapita has two solar dryers mainly for drying cassava flour: only the one on Santo is operational, with the one at Teouma not being used due to lack of supply. They use electric dryers for Canarium but can only process small quantities per load, 10 kg nut-in-testa dried takes 7-8 hours.



Certifications

The HACCP-compliant kitchen facility was funded through EU-FACT. Lapita have only recently started to source produce from organic certified farmers, and they plan to increase from this source in future.

Constraints and weaknesses identified by Lapita

Limited access to additional financing

In the early days Lapita borrowed and/or had an overdraft from National Bank of Vanuatu. Their overdraft has been reduced and converted into a loan at an interest rate of 12.5%. In order for Lapita to increase production they need to expand their processing infrastructure nearer to greater sources of lower cost farm produce – with the chosen location being Santo. Lapita need a new HACCP-certified factory on Santo but lack the capital (and borrowing potential) to do this by themselves. They are currently seeking EU-donor assistance to build this factory.

Expensive and unreliable supply of raw material

Supply of raw materials is expensive (at least in Port Vila) and unreliable due to cyclones and other natural disasters, lack of surplus production over and above household consumption, and increasingly farmers are focussed on kava production (rather than food crops) as prices are very high and demand extremely strong and growing. Hence the need to move the processing base to Santo. They have decided to make less chips due to difficulty of sourcing good quality cooking oil at a reasonable price – even with N-flush of their processed chips the shelf-life is only 3-6 months.



Barriers to market access, including need for HACCP certification

Failure to obtain HACCP certification will increasingly lock Lapita out of domestic markets, such as cruise liners, (and stifle any opportunity to develop export markets). Canarium products have in the past had difficulty getting access into Europe where it has been claimed that they need to go through a 'novel food' application (despite the fact that they have been a staple of Melanesian diets for thousands of years).

Limited external assistance and inconsistent government policy

There is limited Government assistance and advice to the private sector in Vanuatu, aside from the Department of Trade and Industries. Whilst there have been pronouncements to promote local food, this has not been accompanied by political will, actions and resources. Lapita believes that cheap, highly processed and nutritionally poor foods need to be banned from Vanuatu to help avoid an epidemic in NCDs. There is also a need for coherence and consistency in government policy across departments would also be advantageous. Lapita has been supported through several donor assistance projects but these have not always generated the sought-after changes and benefits, aside from ACIAR fruit and nut tree crop research and EU-FACT which were better targeted to Lapita and market needs.

Impact of extreme climatic events and natural disasters

Cyclone and natural disasters have major adverse impacts on the supply of agricultural produce to Lapita. Lapita needs to have surplus stocks of preserved ingredients to deal with periods of no or low supply due to natural disasters. However, Cyclone Pam came close to wiping out Lapita: the company had stock-piled substantial and valuable Canarium and raw product in freezer storage in Vila and only swift re-location of a portable generator from Teouma was able to keep the product from degrading. Lapita, and their smallholder produced network, need varieties of trees (Canarium, mango, coconut) that can deal with cyclones, e.g. stouter trunks etc, which will be increasingly vital in future to better deal with stronger cyclones (Category 4 and above).

Other potential constraints

Maintaining a stable workforce

The company faces some turnover of staff due to competition for employment with New Zealand's Recognised Seasonal Employment scheme. This can be frustrating and drain on in-house training resources, as often unskilled workers are trained by Lapita for food processing, handling and safety and then leave for RSE or other opportunities



Risk of a breakdown in traceability

A breakdown in traceability due to inadequate training and/or documentation might lead to loss of confidence in customers.

Lack of appropriate technology

In the humid environments in Vanuatu, the solar dryers may be ineffective in properly drying cassava and are unsuitable for Canarium. Solar/biomass hybrid dryers have much more potential for the products that Lapita requires to be dried for preservation and processing.

Lack of resources to capitalise on identified value-adding opportunities

There are considerable opportunities to value add to Lapita's cassava flour into a range of gluten-free products such as pre-mix pancake mix, custard mix etc, but Lapita lacks the critical mass of staff, processing facilities, finance, and raw material to capitalize on these.

Factors associated with Lapita's longevity and success

- 1. Identified a gap and viable business opportunity** – Votausi identified that there was excess local agricultural production which was going to waste, but which could be processed, preserved, value-added and turned into nutritious foods, especially snack foods.
- 2. In-house research and development** – Votausi is a nutritionist and was able to develop her own recipes based on her traditional knowledge and training, e.g. she has developed 100 recipes for her gluten-free cassava flour. Also, together with Geordie (formerly Head of Agricultural Extension), she was able to conduct her own research into available sources of crops and also markets for her products.
- 3. Complementary skill sets and resources of owners** – Votausi and Geordie have worked well as a team and bring complementary business and technical skills, and human networks. At times when Lapita has struggled, Geordie has been able to inject resources and funds from his other business.
- 4. High quality produce** – Lapita has developed a reputation for high quality produce and this has been aided by the installation of a HACCP-compliant kitchen and excellent branding and packing (with support from EU-FACT project).
- 5. Motivation and resilience** – For Votausi and her family, Lapita is a 'labour of love'. She has not been motivated entirely by profit, but rather how to improve livelihood opportunities for ni-Vanuatu farmers, and how to promote better nutrition in Vanuatu. Her attitude and motivation have helped tide her and Lapita through challenging times, such as when raw supply has been devastated by cyclones.



6. **Bolstered by a strong tourism/visitor sector** – Vanuatu has had a strong tourist sector over the past two decades, and this has provided Lapita with a market segment which can pay higher prices for their premium products.
7. **Mitigation for extreme weather events** – Being a food processor that buys in their raw materials they have been less directly exposed to natural disasters such as tropical cyclones, droughts and floods than if they had sourced most of their product from their own farm(s). They have also taken measures to ensure business continuity by, for example, stockpiling raw products in freezer storage and maintaining an independent power source.
8. **Succession plan through owners' family** – The owners have been progressively involving their own children in the company's operations and this will provide for a natural succession when Votausi eventually retires. Succession among proven existing staff is a key for focus and vital for further progress within the manufacturing facility.

Lapita Café Ltd

Port Vila and Santo, Vanuatu

www.natural-organic-living.com/products/organic-vanuatu-brand/lapita-cafe/

www.facebook.com/LapitaCafe

This case study is based on desk-research and a face-to-face interview with owner, Votausi Mackenzie-Reur in June 2018.



Nature's Way Cooperative (Fiji) Limited | Nadi, Fiji



Summary of business

Nature's Way Cooperative (Fiji) Limited (NWC) was established in 1995 to carry out High Temperature Forced Air (HTFA) quarantine treatment of fruit fly host products under the Bilateral Quarantine Agreement (BQA) between New Zealand, Australian and Fiji.

NWC business revolves around the treatment of BQA commodities before shipment for export using the High Temperature Forced Air (HTFA) technology. The exporters, who are also cooperative members, pay NWC a treatment fee computed on a per kilogram basis right after the service is completed. The exporters buy their products for exports from other cooperative members who are focused on growing the BQA commodities.



Main Products

The core business of NWC is the operation of its four High Temperature Forced Air (HTFA) Chambers which provide the mandatory quarantine treatment for fresh exports of papaya, eggplant, breadfruit and mango. Produce is sourced by exporters from Sigatoka to Tavua, which is then treated at NWC. Eggplant and papaya is mainly sourced from Sigatoka Valley, breadfruit from Sigatoka, Nadi, Lautoka and Ba and Mangoes from Nadi, Lautoka, Ba and Tavua.

Additionally, NWC provides an effective field service closely supporting the core HTFA operations business. Research activities have been incorporated into several commodity projects such as the Fiji Papaya Project and the Pacific Breadfruit Project, both funded by the Australian Centre for International Agricultural Research (ACIAR) and based at the NWC complex.

Finally, NWC has commenced a program of bulk purchase of field crates and papaya seed on behalf of its members. This small-scale activity has proven highly successful – providing a valuable service to members and a small profit to the business.



Markets

Products are exported mainly to New Zealand (papaya, eggplant, mango and breadfruit) and Australia (papaya) under the Bilateral Quarantine Agreement (BQA).



Employees

NWC employs a total of 13 staff positions: CEO, Manager Accounts, Manager Operations, Admin, 3 R & E staff and 6 Operational Staff. All are full time with currently seven male and four female staff.



Cooperative membership

The cooperative has over 260 shareholding members, made up of growers and exporters, who are also shareholders in the company. The vast majority of NWC shareholders are small farmers who without the services provided by NWC would not have access to export markets.



Outgrowers

There are currently 7 active exporters who bring their produce for treatment at HTFA and each exporter sources their produce from approximately 3 – 9 farmers for each consignment.



Infrastructure

NWC was established in 1995 to own and operate the new quarantine treatment facility, the High Temperature Forced Air (HTFA), on behalf of Fiji's fruit growers and exporters. The requirement of USAID, who provided the technology and the equipment, was that the quarantine treatment facility be operated by the private sector (the industry). The establishment of the premises, onsite facilities, and other capital investments were a result of cooperation between public and private institutes. NWC has invested in infrastructure, systems and equipment. The facilities of four heat-treatment chambers and the SPC-LRD (IACT)-supported mezzanine floor, a new fruit grading machine and a power generator and handling and grading equipment (along with its non capital related assistance programmes to farmers) have increased capacity to around 5,000 tonnes per year.



Certifications

The NWC treatment facility does not use any form of chemicals and the complex is Hazard Analysis and Critical Control Points (HACCP) compliant. The international standards followed by NWC include the following:

- ▶ SPS (Sanitary and Phytosanitary measures)
- ▶ ISPM (International Standard Phytosanitary Measures)
- ▶ IPPC (International Plant Protection Convention)



Key constraints identified by Nature's Way Cooperative

The link of sufficient produce supply and the challenge of expanding markets/Improving market access

NWC facilitates the export of HTFA treated produce on behalf of the local exporters to two current markets (NZ and Australia). While the current range of produce (papaya, mango, breadfruit, eggplant) is limited, NWC identifies a high demand in the current market for Fiji produced fruits and vegetables. NWC has had limited success to further expand the list of commodities and markets (beyond the four aforementioned commodities, and the two key market destinations), and to some degree it has limited control on the market access challenge. The latter being that its counterpart public institution (Ministry of Agriculture) is primarily responsible for market access negotiations.

In turn, NWC recognizes the link and continual challenge of insufficient primary supply of fruits and vegetables to exporters due mainly to the restricted geographic scope and available suitable planting areas for the four main commodities under the Bilateral Quarantine Agreement (BQA). Additionally, the issue of supply is compounded by the preference of farmers for a shorter return commodity to select, in preference for papaya (to some degree) and eggplant than mango and breadfruit, in turn adding to supply issues and exposure to risks of extreme weather impacts.

Adverse weather risks

In recent years (2012, 2016, 2018) the supply problem has been compounded by severe extreme weather and climate events impacting the recovery of some of the commodities by up to a year to return to normal levels of export.

Other potential constraints

Expansion of BQA commodity farmers require expansion of services

The current BQA commodities of papaya, mango, breadfruit, and eggplant currently have only two markets (NZ and Australia). To improve the current export throughput, NWC and its exporters understand that increasing the geographic spread of the growing areas of these commodity crops is key. To do this they will need to conduct further field surveys to find the appropriate suitable farming areas, and attract new farmers to become involved and interested in BQA commodity crops, and in so doing will need to expand their current outreach as well.



Expansion of market access

NWC wishes to expand upon the current BQA commodities roster as well as the addition of the US market to the existing NZ and Australian markets. While NWC has provided much assistance to exporters in market research on end-user and customer preferences and needs, expansion to other markets is not within its control (it is led by the Government of Fiji principally through the Biosecurity Authority of Fiji). This limitation potentially limits NWC's future outlook for its members on opportunities to include more fruit fly host commodities to current markets, and new markets, and for the exporters to decide upon strategic investments to grow their partnerships with outgrowers and other service providers. It also limits its own outlook on the investment it needs to grow its core services, from the HTFA facility to its research and extension services.

Success factors

Good management

Online sources of assessments (see additional sources below) of NWC show that the sustained success of NWC is connected to the top-quality managerial work delivered by its CEO and the dedication of its technical staff, from its inception in 1995 to present. Despite NWC being a cooperative and highly accountable to its shareholders, i.e. farmers and exporters among others, the NWC's management has maintained a rigorous control over the key decisions, not allowing too much influence from shareholders and other external components.

Formulating a proper business structure within a cooperative was probably a major contributing factor to NWC's success. By enabling the organisation to generate revenue and therefore, to pay for its own repairs & maintenance, invest in business expansion, and to make provision for the "rainy days", NWC moved towards a sustainable business model. Moreover, it helps the cooperative to live beyond the initial fund and become financially less dependent on other sources of funds. Adding on to the business structure, the good management has been able to focus on driving financial results yielding positive cash flow, through sound business decisions. In this case, the introduction of the eggplant to the product line in 1998 to complement and even surpass papaya was a major factor.

It has also been understood that the role of the management has been to mediate between the various stakeholders and to keep them together, and engaged over common goals. Last but not least, as NWC owns and operates the quarantine treatment facility, NWC's management is able to act as a marketplace for its shareholders, who are also its customers, thus enabling exporters and growers to interact with transparency and build long-lasting business relationship together.¹⁵

¹⁵Case Studies on Industrial Innovation in the Pacific Islands – PACENet Plus report (2016)



Provision of a key service for the long-term

The success of the HTFA operations as its core business has provided NWC with assured business as the only link of BQA commodity exporters to its current overseas markets. The expansion from the initial HTFA investment to its current capacity, as well as other investments in the recent sea freight loading bay development, reflects NWC's commitment and partnership with its exporters to work toward a vision of growing Fiji's exporting capacity of these commodities. The continual investment, and the anchoring and developing of its research and extension services to the HTFA business, further illustrates NWC's ongoing commitment and investment in realizing the export potential of Fiji products.

Excellent and close relationships with shareholders and farmers through quality of services provided and NWC leadership and support

The deterioration of Fiji's sugar industry has potentially been a major contributing factor to the diversification of agricultural products, i.e. expanding to fruit and vegetables. It is part of the Fiji government national strategy to boost exportation to help organisations directly (and also indirectly) involved with overseas trade. Funding is available for organisations requesting financial assistance: For instance, to upgrade their facilities. NWC has made use of government grant support opportunities to improve its operational efficiency by upgrading its facilities.

The Fiji government has played a relatively hands-off role in the success of NWC by being the provider of initial capital and conducting the core quarantine functions needed by the organisation. Following the initial assistance, little interference from the government has proven to be beneficial when combined with good management (as stated previously), although the market access challenge requires action to aid NWC and its partners in the long term. NWC is thus a good example of solid public-private-partnerships in Fiji, and possibly the Pacific region.

NWC maintains a close healthy relationship with its exporter partners. It supports them well through the HTFA facility use but also extends their market access information through the research information NWC provides them with. Through the R&E program, NWC is present in the field (in coordination and partnership also with the Ministry of Agriculture research and extension services) with farmers, providing in the field training and value chain training as well. This builds strong trust based relationships with farmers, in turn benefiting the exporter connection to farmers once NWC connects one to the other. NWC is seen thus as a trust broker at the community level and is engaged accordingly with other NGOs and community-based organizations working in local communities in its areas of operations.



Nature's Way Cooperative

<http://nwcfinji.com/>

This case study is based on desk-based research and an electronic submission of responses by Mr Kyle Stice, acting General Manager, in July 2018.

Sources include:

1. Case Studies on Industrial Innovation in the Pacific Islands – PACENet Plus report (2016)
2. A Review of the Nature's Way Cooperative (Fiji) Ltd. Research and Extension Program and Proposals for the Future (2006-2016) – compiled by Andrew McGregor, Koko Siga Pacific (2016)
3. Natures Way Cooperative (Fiji) Ltd : A Case Study of Agriculture for Growth in the Pacific – FAO, A. McGregor, W. Gonemaitabua, K. Stice (2009)



Nishi Trading Company Limited | Tongatapu, Tonga



Summary of business

Nishi Trading Co Ltd is a Tongan-based fully commercialised family company originating in the 1970s when founder, Minoru Nishi Sr. started exporting fresh produce as a sole trader. Nishi Trading became a limited liability company in the 1990s growing and diversifying over the years with the inclusion of imports and complementary services, such as a store for farming supplies. The company strongly supports investment in local produce, working with farmers, government and others to expand the agriculture sector in Tonga.



Main Products

Nishi Trading has a number of arms to its business operations, including:

1. Commercial Farming: including export of watermelon, squash, butternut, onions, kumara, and cassava.
2. Nishi Foods: to grow exports and promote import substitution Nishi Trading has moved into pre-prepared foods. The company has recently added pumpkin hummus to their product range as a vehicle to promote healthy eating options for locals whilst adding value to farmers' otherwise rejected produce.
3. Quarry: the company attained the quarry in 2003 with an aim to provide quality building supplies in Tonga. The quarry provides building blocks, pavers, corals and aggregates, concrete mix, and concrete slabs.
4. Farming Supply Store: their shop stocks produce and farming products, and provides consultation services.

In addition to its main business services Nishi Trading is also involved in the following areas:

1. Training Centre: Nishi Trading Training centre was established to build the capacity of farmers.
2. Pest Management Service: established in July 2011 with an objective to provide pest control services in domestic homes, hotels and restaurants and hospitals as well as Tongan handicrafts.
3. Nishi Trading Foundation: supports projects that contribute to raising the standard of living for locals like MAIE5, Vaiola Children's Hospital, PEA week and Tongan Rugby Union/League.



4. Farm and community tours: their website advertises tours to allow visitors to witness and experience how the company operates its agricultural, horticultural and agribusiness. During the interview they shared that these tours had not commenced yet but it was an area that they are keen to move into.



Markets

Nishi currently exports to New Zealand, Japan, China, Korea and Samoa.



Employees

The company employs about 30 full time staff, and 200 seasonal workers. The pack house consists of 70% female and 30% male workers. Nishi's farm comprises 60% male and 40% female. The office has a 50:50 gender balance.



Outgrowers

Nishi sources agricultural produce from their own farm and about 26 smallholder farmers.



Outsourcing

Nishi's pack house provides packing services to others. The company works with three exporters that export to China and uses the company's pack house.



Infrastructure

Nishi owns the pack house, building and machinery.



Certifications

- ▶ November 2014, Nishi Trading officially opened the Pacific's first Sea Container Hygiene System (SCHS) certified facility and Tonga's first international standard food processing and manufacturing facility partnering with Increasing Agricultural Commodity Trade (IACT).
- ▶ Hazard Analysis and Critical Control Points (HACCP) Certification - with Technical assistance provided through IACT.



Constraints and weaknesses identified by Nishi Trading

Limited supply and availability of planting material

Nishi contracts around 26 smallholder farmers to complement their own production. Nishi's products can sometimes be constrained by insufficient quantity, and inconsistent quality, of the supply. Nishi is also constrained by being unable to access reliably the varieties of seeds and planting material it needs.

Weak enabling environment

Gaps that exist in the general agribusiness space that affect Nishi are in the areas of agribusiness policy and regulatory frameworks, alignment of duty and tax policy and biosecurity processes and requirements across various government ministries, and infrastructure for storage and transportation for the agribusiness sector. These areas are in the remit of the public sector to lead development on, and currently constrain Nishi's export market potential and efficiency of its products.

In some of these areas Nishi has had to develop its own research and extension services capacity to help maintain and improve the quality of raw materials for its products, improving roads to and from its processing plant and other commercial farm sites, and building its own HACCP-certified packhouse and refrigerated storage.

Extreme weather conditions

Extreme drought, flash floods, and tropical cyclones severely impact primary production. Extreme events have also damaged Infrastructure, factory buildings and equipment.

Factors associated with Nishi Trading's longevity and success

- 1. Financing** – Nishi Trading was initially established through loans and personal financing from relatives and family. The business has grown slowly and looked for diversification opportunities as they have arisen. Their limited financial exposure and strong relationships across the value chain have meant that they have been resilient to downturns in their export markets and product losses. In one instance, a significant financial obligation caused by damaged produce was written-off by a buyer based on their shared historically strong relationship.
- 2. Business and community leadership and engagement** – Nishi has strong engagement with its farmers and uses various methods to maintain strong partnerships with its contracted smallholder farmers. These include the use of farm diaries (to record production and input



use) that are scored based on a traffic light system, frequent group meetings and lunchtime talanoa sessions on farms on a rotating host basis that supports peer learning. Additional actions include using a rewards system for performance on quality maintenance / improvement and an annual awards ceremony. The goal of using these tools, from Nishi's perspective, is in having its outgrowers realise the importance of their contribution to the value chain, and that their collective progress and constraints have an impact on all. While Nishi does not have a strategy specifically focused on the inclusion of minority groups and individuals, it is vocal about promoting opportunities to any interested growers. At its facility, Nishi currently employs about 75% female staff.

Nishi's CEO, Mr Minoru Nishi Jr., has a hands-on approach with outgrowers and his processing plant staff. He maintains good relationships with actors across the value chain through regular visits and dialogue with importers and buyers to review the performance and quality of its products. He acknowledges the approach is a high maintenance ("hand holding") relationship system, but believes it to be critical to maintaining trust. Nishi's interpersonal relationships with its outgrowers are also inclusive of cultural Tongan values and familial ties. His belief that "doing the right thing" for the outgrower and his/her community reflects back on loyalty to the company. The trust placed in other value chain partners and employees is also maintained through strong principles – for example, a zero tolerance on theft. He shared that one of the hardest decisions he's ever had to make was letting go a long-standing trusted employee when he was caught stealing.

- 3. Partnerships** – Nishi maintains strong partnerships locally and regionally that have assisted the company in overcoming some of the technical constraints to production and processing. It is a founding and active member of the Pacific Island Farmers Organisation Network and is open to sharing their experience and knowledge with others. Partnerships with the EU/SPC FACT and IACT projects supported procurement of equipment and certification, and related training.

Nishi's operations and growth has also benefited from a good relationship with its bank which has enabled it to finance investments to grow its business and services. It has raised finance to buy its own infrastructure and equipment, including a pack house at its head office in 'Utulau, which has become a part of its revenue stream through allowing access to other companies. It has also financed road improvements to assist the transportation of its own products from its processing plant as well as its own production farms.

Partnerships with SPC and ACIAR projects have enabled the company to access research by Australian universities to address supply and quality issues and have supported the



establishment of Nishi's own research and extension services. The use of participatory research methods with its contracted farmers (an approach derived from working with university research partners) has helped to build and strengthen Nishi's ties with producers while providing them with additional training.

- 4. Maintaining and diversifying markets** - Nishi has more than three decades of export market experience, having started initially with squash in the 1980s. It has since developed more international markets for its products, including those in neighbouring Pacific countries, and has done so by developing its own market research capabilities. Nishi repeatedly underscores the importance of developing brand trust and personal relationships in its partner markets.

As a result of its efforts and commitment to its buyers, Nishi has built strong brand recognition and endorsement in its markets. The company has formed strong relationships with business partners built on trust and interpersonal relationships, in the same way it has with outgrowers. These personal relationships have helped Nishi previously when a buyer wrote off an obligation as a result of damaged produce.

Market variability and other associated risks that have resulted in previous losses have contributed to a strategy of diversification of products and services, including expanding to establish an aggregates business to meet the growing construction opportunities in Tonga, and conducting continual market research into import substitution options using local crops. Nishi places an emphasis on improving the nutritional value of local crops and contributing to reducing the high rates of NCDs in Tonga.

Nishi Trading Company Limited
Tongatapu, Tonga
<http://www.nishitrading.com/>

This case study is based on desk-research and a face-to-face interview with owner and manager, Mr Minoru Nishi in June 2018.



Pacific Reforestation (Fiji) Ltd | Wainibokasi, Fiji



Summary of business

Pacific Reforestation (Fiji) Ltd (PRF) has been operating commercially in Fiji since 1992 and is a wholly owned subsidiary of the Pacific Australia Reforestation Company Pty Ltd (PARC). The core business of PRF is to develop reforestation technologies for degraded ecosystems in Fiji and improved germplasm of tropical timber tree species, especially Acacia species (*A. auriculiformis*, *A. crassicarpa* and *A. mangium*), but also Eucalyptus species (*E. cloeziana* and *E. pellita*), *Santalum* (sandalwood) and *Dalbergia cochinchinensis* (Thai rosewood). Since 1993, PRF has been commercially exporting tree seed mainly of tropical acacias to Australia, Indonesia and Malaysia.

PRF owns 46 hectares of freehold land at Laulau, Naitasiri and Pacific Harbour, much of which has been reforested with high value trees including sandalwood, rosewood, and mahogany over the past 25 years. PRF also holds a long term lease at Naila, Tailevu where it produces acacia seeds and essential oils which are sold locally. PRF have pioneered agroforestry technologies using nitrogen-fixing tree species (*Acacia*, *nokonoko*, *velau* etc) which have restored soil fertility, such that for example mahogany trees have reached more than 60 cm dbh in less than 20 years.



Main products

PRFs main products are Acacia seeds (*A. auriculiformis*, *A. crassicarpa* and *A. mangium*) for reforestation and plantation projects in Indonesia, Malaysia, Fiji and other tropical countries (through CSIROs Australian Tree Seed Centre). The company also produces agricultural intercrops, mainly dalo and cassava, for sale into local markets and agro processors as well as essential oils (*Melaleuca alternifolia*/Ti-tree, *Leptospermum petersonii*/Lemon Ti-tree and other *Melaleuca* species) for sale in local markets, into manufacturers of body care products (Pure Fiji and Mokosoi).



Markets

The key markets for PRF are Indonesia and Malaysia. Local markets for agricultural crops, honey, essential oils, seedlings and tree seed provide supplementary cash flow.



Employees

PRF employs eight full-time and casual staff. During the hectic period of Acacia seed collection (Sept-Nov) the number of casual employees rises from four to about eight to ten. Several hundred Fijians are involved in contract seed processing during the period October -December.



Outgrowers

PRF does not engage outgrowers as it needs to protect its intellectual property in the improved seed sources.



Outsourcing

The main outsourcing is for hand processing of acacia seeds. Large amounts of mature fruits are distributed to villagers who hand-clean the seed at home in their village, in their own time. Such employment is a perfect match for Fijian lifestyle as the seed cleaning by hand can be undertaken in the cool of the evening, after dinner, by men and women while consuming kava and/or telling stories.



Infrastructure

PRF's critical infrastructure is its nursery, seed cleaning equipment (six-inch thresher and industrial fans for winnowing), and stainless steel steam distillation equipment.



Certifications

PRF does not currently hold any certifications.

Constraints and weaknesses identified by the company

Reducing global demand for Acacia seed

Asian forestry companies are increasingly developing their own seed stands and/or using hybrid clones which has reduced demand for seed supplied by PRF. Furthermore, in some areas in Indonesia and Malaysia, acacias are no longer able to be successfully planted due to the appearance of new diseases such as monkey-transmitted *Cercospora* fungus.

Extreme climatic events and natural disasters

Extreme climatic events, especially Category 3-5 tropical cyclones and associated flooding are major ongoing threats to PRFs plantations at Laulau, Naila and Pacific Harbour. The company's valuable Acacia seed orchards at Laulau (c. 1.5-2 years old) were devastated by Category 4 Cyclone Kina winds and Rewa River flooding on New Year's Day of 1993.



Theft

Theft is an ongoing risk in Fiji with PRF incurring modest losses of crops, livestock, equipment, building materials and seedling stock (especially sandalwood).

Wandering livestock

Wandering cattle from neighbouring properties is a problem at Laulau where valuable seedlings and saplings have been destroyed by grazing.

Fire

PRF has had two of its buildings at Laulau destroyed by fire due to employee's children 'playing with matches'.

Biosecurity Agency of Fiji

BoAF (and its predecessors) which issues phytosanitary certificates have proved a continual source of frustration of PRF with issuance of certificates due to their ignorance and technical incompetence.

Factors associated with PRFs longevity and success

- 1. Focus and determined approach to developing a viable business opportunity** – Identification of an excellent business opportunity in the early 1990's, viz. the potential to quickly and cheaply produce bulk quantities of seed of superior provenance of origins of selected Acacia species which were in high demand for SE Asia's rapidly growing forestry plantation programs.
- 2. Early cash flows while plantations mature** – PRF has been able to generate excellent early cash flows (and profits) from its seed sales, of the order of several hundred thousand Fijian dollars per year, from the third year. This has placed the company in a very sound financial position from its early days, with profits able to be invested in a diverse portfolio of shares and term deposits and available when needed for expansion activities (such as land purchases).
- 3. Management and involvement of competent forestry professionals** – the direction and activities of PRF are determined by highly experienced forestry professionals, including in the areas of forest research, tree improvement, seed production, essential oil production. There has also been the involvement of major shareholders who are professionals with complementary skill sets in diverse areas such as farming, labour relations, gender equity and architecture/building design.



4. **High quality products produced in low cost production systems, including tree seed, essential oils and honey** –The quality of honey produced at Laulau is excellent due to the abundant and diverse nectar and pollen sources, both those planted by PRF and in adjoining secondary forest. Likewise the essential oil being produced at Naila is of much higher quality and lower priced than imported sources.
5. **Business competence** – The local management team has a high level of business competence, with the local manager coming from the banking sector, and generally aware of business risks, and how to avoid and mitigate their impact.
6. **Good relationships with Fijian workforce** – The local manager and expat Australians involved in running of the company rapidly developed good working relationships with their Fijian workforce, understanding and respecting local customs and work norms and Fijian language.

Pacific Reforestation (Fiji) Ltd
Wainibokasi, Fiji

This case study is based on desk-research and is written by Dr. Lex Thomson, as PARDI2 Team Leader and as a former representative of Pacific Restoration.



South Pacific Sandalwood Ltd (formerly The Summit Estate) | Efate, Vanuatu



Summary of business

South Pacific Sandalwood Ltd (SPS) has been growing high value forest trees mainly *Santalum austrocaledonicum* (sandalwood) on a long-term lease property of about 200 ha near Mele Village, Efate, Vanuatu. Trial sandalwood plantings were initiated in 1994, with larger-scale planting commencing in 2004 when about 2,500 sandalwood were planted. The company also grows some *Calophyllum inophyllum* – tamanu, *Canarium indicum* – nagai nut and Tahitian lime, with the latter providing a useful source of cash flow. SPS is a Vanuatu registered company wholly owned by a public unlisted Australian company, South Pacific Sandalwood Holdings Ltd with about 200 investors.



Main products

Currently revenue is received from the sale of sandalwood heartwood to mainly Asian clients: this sandalwood is sourced from outer islands (not SPS plantings). Cash flow is also received from Tahitian limes sold to NZ and some sandalwood oil to the UK, Europe and the USA. It is envisaged that oil production will grow substantially over the next 12-18 months. As its plantations mature, SPS's main product will be sandalwood oil and value-added products based on the oil and spent charge.



Markets

South Pacific Sandalwood Ltd (SPS) aims to market into all geographic regions and markets where sandalwood is in high demand and high prices being paid, including Europe, East and South Asia, North America and the Middle East.



Employees

SPS's Summit Plantation is currently managed by the Australian Pinata Farms Ltd (part of Gavin Scurr's companies). The full-time General manager is ni-Vanuatu forester Mr Steve Nilwo. The company employs about 15 local staff, all full-time employees (90% male and 10% female), and recruited from nearby villages.



Outgrowers

Currently SPS sources its sandalwood from up to 100 farmers/growers and sandalwood cutters (which is declining each year as Vanuatu sandalwood becomes almost wholly sourced from planted trees).



Outsourcing

In addition to buying in its sandalwood heartwood, SPS outsources some farm inputs with management advice coming from Macquarie-Franklin and Pinata Farms Ltd (both Australian firms).



Infrastructure

South Pacific Sandalwood Ltd (SPS) has substantial building and nursery infrastructure at its Summit Plantation, as well as a significant amount of plant and machinery and a well-maintained road network



Certifications

SPS does not currently hold any certifications, but is licensed by the Government of Vanuatu to buy sandalwood.

Constraints and weaknesses identified by the company

Internet presence and marketing

SPS needs to develop their website and improve on their marketing strategies

Extreme climatic events and natural disasters

Extreme climatic events, especially Category 4-5 tropical cyclones and other natural disasters, can have major adverse impacts on sandalwood plantings, however the local species have proven remarkably resilient, including to Cyclone Pam (which was almost a direct hit on the Summit Plantation but caused minimal damage).

Sandalwood theft

Theft is a major risk for sandalwood plantings in Vanuatu and the company will need to improve security as its plantations mature and contain large quantities of the high value heartwood.

Other potential constraints and weaknesses

Increased competition in the international market for high quality sandalwood

Vast plantations of sandalwood have been developed in northern Australia which, in combination with new and planned plantations in Asia and the Pacific, have the potential to oversupply the current market demand. This risk is considered minor as the niche market for Santalum austrocaledonicum oil can be further developed.



Plantations established at too close spacing with risk of stagnation

Plantations established in some years are at risk of stagnation due to high sandalwood planting densities and an inadequate host regime associated with a low host/sandalwood ratio. A change in plantation management including judicious thinning of sandalwood, and better hosting is needed. Permanent sample plots, a plantation forestry imperative, have not been established at the Summit Estate and concomitantly there has been a limited iterative improvement in management and plantation performance until recent times.

Factors associated with South Pacific Sandalwood Ltd longevity and success

- 1. Focus and determined approach to developing a viable business opportunity –**
The directors believed that plantation grown sandalwood using the local species *S. austrocaledonicum* would have strong appeal in the international market place. The global demand for sandalwood remains strong and the demand has considerably outstripped supply in recent years and decades. As a consequence, prices continue to rise at rapid rates. SPS and its forerunners have exhibited patience, hard work and a determination that is needed to make a successful long term business in the Pacific Islands.
- 2. Technical competence and research support –** SPS has had a chequered history in terms of its plantation management and technical advice, but its periodic access to Australian sandalwood experts (including Dr Tony Page and Dr Lex Thomson from the University of Sunshine Coast) has enabled the company to develop plantations to a reasonable standard. This has included a vital and valuable shift to seed sources of better chemotypes – Santo origins - in the most recent plantings as a result of an ACIAR research project.
- 3. Business competence –** The current management includes highly successful and experienced tropical agribusiness operators in Australia. Management is generally aware of business risks and their mitigation, and a new disaster risk management plan is under development.
- 4. Financial backing from Directors / Management –** When needed SPS has been able to raise finance in-house which is a distinct advantage when developing a long-term and risky business (and likely to make obtaining bank finance problematic).
- 5. Cash flow while plantations mature –** SPS has been able to generate a modest cash flow largely through sales of green limes to NZ and some sandalwood oil to international and local markets, as well as eco-tourism associated with production of body-care products. These activities have helped to partially offset plantation establishment and early maintenance costs.



- 6. Good relationships with sandalwood growers and the Departments of Forestry and Agriculture-** SPS, especially the General Manager Mr Steve Nilwo, has close relationship with the Departments of Agriculture and Forestry and are highly inclusive and supportive of ni-Vanuatu sandalwood growers.
- 7. Appropriate value adding –** The future success of the business and sandalwood industry in Vanuatu will be driven by a sustainable, reliable and quality oil export industry. SPS are planning a state-of-the-art distillation facility with in-house laboratory capacity to facilitate efficient production of high quality and standardized oils. These facilities are necessary to better compete in the international sandalwood oil market. They will also enhance SPS's export market development for sandalwood sapwood which is used for the incense market.
- 8. Regulated Sandalwood Industry -** The quantity of sandalwood harvested from Vanuatu has been the most consistent of any Pacific Island country over the past two decades. The more even production has been the result of close Government oversight through its sandalwood regulations.

South Pacific Sandalwood Ltd (formerly The Summit Estate)
Efate, Vanuatu
Website under development.
Previous website: <https://www.thesummitvanuatu.com/>

This case study is based on desk-research and a face-to-face interview with Managing Director Mr. Stephen J. Bartrop, and General Manager, Mr Steve Nilwo in July 2018.



South Seas Orchids | Nadi, Fiji



Summary of business

South Sea Orchids is a floriculture-based business first started in Suva, then re-established in 1987 at Saweni Beach, Lautoka and later moved to Nasau in Nadi in 2002. In 1996, it started an outgrower programme and began running workshops for growers, both locally and regionally, promoting best growing and harvesting practices. Although started as a partnership, it is currently a limited liability company.



Main products

The company sells both cut flowers and plants, mainly, heliconia, anthuriums and orchids, of which the latter provides the most income. It also hosts home and garden visits for tourists.



Markets

South Sea Orchids supplies plant and uncut flowers to Tadra Flowers, Kokosiga, other small scale florists, to market vendors and to interested locals. It also runs garden tours which are marketed through ATS Pacific as part of a cruise package.



Employees

South Seas Orchids is a family run enterprise with 6 part-time and 3 full-time employees, 6 of which are women and 3 men. The company also employs students during the school break.



Outgrowers

The company sources plants and cut flowers from approximately 100 outgrowers, comprising women sole-traders, mostly from rural communities, as well as from some larger growers who also sell direct to customers. Outgrowers were initially contracted, but had a limited effect on who delivered consistently, who side-sold, resulting in supplier relationships based more on trust.



Outsourcing

South Seas Orchids do not outsource, but performs the functions of consolidating, transporting and distributing products to florists or corporate customers in the supply chain themselves, as well as at time harvesting on behalf of outgrowers. The company outsourced supply on one occasion previously, importing flowers from Thailand, to deal with a shortage following extreme flooding.



Infrastructure

The building and land on which South Seas Orchids is based is owned by the company. There are two nurseries and an open event area which is used for workshops and small events.



Certifications

None.

Constraints and weaknesses identified by South Seas Orchids

Floriculture not recognised within wider agricultural sector

A lack of recognition of floriculture as an industry is a constraining issue. As a result, it is difficult for the company to receive dedicated support for its needs within the broader agriculture sector. To help address this the company has made submissions to the Minister of Agriculture for the recognition of floriculture.

Limited external research and extension support available

Research and development is considered very important to the company, however to date they have received limited support in this area. The company relies predominantly on their in-house expertise and assistance from personal networks in this area. They also attempt to offer extension services to their outgrowers, but the geographical spread can make it difficult to make regular visits.

Financing difficult to access for female outgrowers

A substantial proportion of the company's outgrowers are women. Given women's limited access to productive assets it is often difficult for them to access credit to support their business ventures. To support these women the company has had to find alternatives for supporting these women, such as guaranteeing their business to assist them with securing loans and securing loans through alternative sources such as a New Zealand loan scheme.

Vulnerability to extreme weather

South Seas Orchids was severely affected by flooding in 2009, which almost resulted in business closure, with approximately two-thirds of anthuriums and orchids lost. This was compounded by biosecurity restrictions on the importation of new orchid stock from Hawaii. Extreme weather continues to be a threat.



Challenges with outsourcing

The company is exploring the idea of importing more plants for resale, however biosecurity regulations remain a consideration before this can be done.

Maintenance of outgrowers

South Sea Orchids has strong relationships with most of its outgrowers, who are mostly women from rural communities. They have experienced growers side-selling to florists or by the roadside, cutting short the supply chain. One reason for doing so is that they get paid quicker even though in small amounts. This income is helpful for covering every day expenses that cannot be delayed for payment. South Sea Orchids provides payments in a monthly lump sum, which is often not convenient for small growers who have limited access to finance and therefore are more suited to getting paid consistently in smaller amounts.

Other potential constraints and weaknesses identified

Difficulty planning for future management

Given that the company is a family run business it has faced challenges with regards to the younger generations leaving for further education and not returning to the business. The company has held off external interest to purchase the business and is grooming an adopted grandson to manage the business.

Limited ability to invest in diversification

The company has used most of its resources to manage difficult periods, as a result there has been limited capital available to look at further diversification of products and services.

Factors associated with South Sea Orchid's longevity and success

- 1. Strong market demand** – the business is in the fortunate position of rarely being able to meet demand. It can therefore afford to maintain its policy of buying all flowers supplied by its outgrowers in the knowledge that it will be able to sell the produce. It uses its own stock not only to supply customers but also as safety stock for erratic supply and spikes in demand.
- 2. Blend of owners' skills** – Owners, Aileen and Don Burness, have demonstrated strong leadership and tenacity that has seen the company recover from environmental and political setbacks. Their approach has meant that they have invested in social capital and developed strong relationships with their outgrowers, which underpins the business. Don Burness is also a horticulturalist, which ensures the business has in-house technical expertise and personal connections to other experts.



- 3. Resilience to extreme events and fluctuations in supply and demand** – The company was almost put out of business by flooding events, but it has managed to get back on its feet each time. The variety, number and geographic spread of outgrowers mean that supply is not disrupted by any single supplier being affected. They have diversified into new varieties, tourism and the development sector; as well as making changes to growing techniques, for example, lifting plants off the ground in containers.
- 4. A reputation for consistency and honesty** – Growers know they can come to South Seas Orchids and their produce will be bought, that they will get consistent pricing (two seasonal prices) and treatment, that they will be paid, with no excuses or surprises.
- 5. Provision of training and support to outgrowers** – In the knowledge that most of their outgrowers are not professional growers, South Seas Orchids provides technical training to outgrowers and have produced a small manual. They have also worked with outgrowers to understand the value chain and market demand. The company also at times helps outgrowers with harvesting and transport.

South Seas Orchids
Nadi, Fiji
www.facebook.com/southseaorchids

This case study is based on desk-research and a face-to-face interview with owner, Ms Aileen Burness in May 2018.



Tupu'anga Coffee | Tonga



Summary of business

Tupu'anga Coffee from the Kingdom of Tonga, is a family owned and operated social enterprise with Fair Trade certification. Tupu'anga's main product is organically and sustainably grown coffee made from plantation grown Arabica beans from the islands of 'Eua and Ha'apai.

The company prides itself on the Farm to Cup dimension of its business. The owners, who have a background in agriculture, are the grower and farm manager and oversee all aspects of Tupu'anga's coffee production. The green beans are harvested from the Tupu'anga plantation and sourced from six other coffee growing farms. A commercial coffee bean roaster is used to roast the beans. The business has recently opened a new café at the plantation which has become a growing tourist attraction.

Tupu'anga's cassava chips are the company's biggest seller in Tonga. To make the chips, fresh cassava is procured daily from local growers. The company has had to expand to 20 ha of cassava in Kolonga Village in Tongatapu to keep up with the growing demand, and have had to work hard to improve quality and taste in order to increase exports to New Zealand (NZ).

Currently the business splits its revenue as 60% from coffee, and 40% from chips produced from root crops.

Tupu'anga's coffee and cassava chips are both supplied to Auckland City's Community Cafes at the Mangere Arts Centre and Mt Roskill in Auckland. The Community Cafes are social enterprises run by the company owners under the company name AW (formerly Affirming Works, a mentoring and educational programme working with young people based in South Auckland started in 2001).



Main Products

- ▶ Chips (cassava, taro, kumala and kape or giant taro)
- ▶ Coffee



Markets

Coffee is exported to NZ where it is primarily sold at cafés owned and operated by the company in Auckland. Chips are currently sold in local Tongan markets through different vendors, with potential for export.



Employees

Tupu'anga Coffee employs a total of 11 staff. Nine are full time with two as casuals. There are currently five male and six female staff.



Outgrowers

Coffee: The company has its own coffee plantation and sources green beans from three other outgrowers. The coffee bean plantation and its on-farm café is fast becoming a growing tourist attraction.

Cassava: The company sources its cassava and other root crops supply from four growers.



Infrastructure

The company owns its own processing facilities for coffee and chips production. For the coffee production, the company has procured a roaster, hulker, purifier, sorting machine, and a grinder. For chips production, the company has invested in a slicer, fryer, and sealer.

In terms of the main plant facility, this has not been expanded since the inception of the business.



Certifications

Currently, the company does not hold any certifications, but acknowledges that it needs to gain HACCP certification to enable its products to be exported to third parties in NZ.

Key constraints identified by the company

Owners are remotely based from Tongan operations

The NZ-based owners need to visit and monitor the Tongan operations more closely and to have a definite. Inclusive plan for the future. The coffee side of the business has gained recognition and attraction to the product, having featured in NZ trade shows and having some prominence in exposure and promotion as a product of Tonga. However, production has not grown despite there being a potential to expand in the NZ market. Root crops chips are only sold on the local market, but the number of local vendors is indicative of the product's success and demand.



The owners' remote location from Tonga impedes their capacity to fully grasp local opportunities for improvement, expansion and partnerships, and those in need of more investment. There is a need to build on local partnerships in order to create a vision for the company to better access more international and regional markets. The business needs to gain HACCP certification so that its root crops chips products can be exported as well as an infrastructure upgrade with a new slicer for the chips processing (the current one being there since 1995).

The business needs to plan for the future including a continuity and succession plan and disaster risk management plan.

Other potential constraints

Upgrade of infrastructure, potential outgrower issues, quality control, business planning.

The local manager indicated financial constraints to meet expansion possibilities to include more products (e.g. vanilla extract, banana chips), and to reach potential markets such as Japan and UK .

While this agribusiness has a limited number of outgrowers (presently three for coffee and four for cassava and other root crops), expansion of markets will require higher production and more outgrowers. The company recognizes that for coffee, there is limited suitable land available, while for chips, additional infrastructure and capital investment are needed. There is a pressing need for improved quality control during processing as customer feedback has identified over-roasted coffee beans and variably-salted chips as problems .

In relation to the feedback on the quality of its products, the company does not have its own research and extension capabilities, and is unaware as to how to access these services (indicating it is in urgent need for both market access and extension advice to its outgrowers).

Tongan company tax is a heavy burden on small family enterprises such as Tupu'anga Coffee; as a flat 25% tax is applied to chargeable income, regardless of business size.

Success factors

Social and community investment

The social and community aspects of the parent company (AW) are supported in part by the returns of the company (according to online resources). This in turn generates positive feedback and engagement of the community to the business at least in its NZ operations. Familial links and cultural traditions are important to the company's brand and marketing in Tonga and NZ. The company also engages in local promotional activities as well, donating its coffee and chips products to schools' prize giving functions, and to women and youth organized events, among others.



The employees of the company in Tonga are mainly youth, with a balance in gender representation, and with high loyalty to the company. Technical training needs however are an on-going requirement while an upgrade of equipment and infrastructure is needed to ensure future success.

Additional sources

<https://pacificperiscope.wordpress.com/2017/07/24/tongas-top-coffee-and-cassava-chips-at-auckland-food-show/>

<http://www.affirmingworks.org.nz/what-we-do/tupuanga-coffee/>

<https://www.fijitimes.com/sustainable-coffee/>

<https://tcci-tonga.weebly.com/taxation-in-tonga.html>

<http://www.looptonga.com/tags/tupu%E2%80%99anga-coffee-and-cassava-chips>

Tupu'anga Coffee

<http://www.affirmingworks.org.nz/what-we-do/tupuanga-coffee/>

This case study is based on desk-based research and an interview with the owner by GroFed in Tonga in August 2018.



Tutu Rural Training Centre | Taveuni, Fiji



Summary of business

The Tutu Rural Training Centre is a not-for-profit training institution and active farm that promotes education, nutrition, and assistance to the isolated rural areas of Fiji. It was established by the Society of Mary on Taveuni in 1969 on a freehold estate of 1,109 hectares of which thirty percent is used by the Centre. Since inception, Tutu has been a three-way collaboration between the Society of Mary, the community of the Cakaudrove province, and the Fiji Government. The organisation focuses on supporting young people to attain rural self-employment and to make a positive and productive contribution to their communities combating issues revolving around food security and agriculture, and water and sanitation. About 2,000 young people have completed the various courses on offer over the past decade.



Main products

Tutu's main traditional agricultural products are kava and dalo, as well as increasingly fresh fruit and vegetables, value-added products such as flour and fried chips produced from breadfruit, cassava, vudi (plantain), dalo-ni-tana; chilli sauce and mulberry jam.



Markets

Tutu plants, harvests and sells their produce. Gluten-free breadfruit flour is sold to Taveuni-based hotels, to bakeries (e.g. Raiwaqa bakery), and to families in Taveuni. Dalo and cassava chips are sold to school kids as a healthier substitute for processed snacks. Produce is also sent to Suva for sale.



Employees

The Training Centre employs about 40 staff. Casual staff members are mostly from the nearby communities.



Outgrowers

The Training Centre trains its trainers in-house to increase yield level and productivity through the training courses that its students are enrolled in. The Centre is a traditional commercial agribusiness, so it has no outgrowers as such, however its outputs are from the farms operated by its students.



Outsourcing

Tutu provides training outreach for sustainable farming practices. For example, Tutu has spearheaded a "soil school" program with the financial aid from Caritas Australia. When projects arise, external specialists train in-house staff who can then facilitate the projects and provide the training to others.



Infrastructure

Tutu Rural Training Centre has a number of buildings for offices, housing, and classrooms. It also owns a truck and farming equipment. Some equipment is donated, but the majority is bought by Tutu from their own funds.



Certifications

In addition to an end of program certificate, Tutu also supports its students to create a Five Year Life Development Plan, which acts as a guide to help them earn an income through self-employment, utilizing their own resources. The course curriculum is flexible and can be modified to meet changing circumstances.

Constraints and weaknesses identified by the company

Equipment and capital for expanding production

One of the constraints identified by Tutu is the lack of equipment to boost its current production. Farming equipment (e.g. tractors) are few in number and expensive for the centre to have regular access to. Transportation is an additional hassle for the centre as its roads require frequent repair particularly after heavy rains or cyclones.

Adverse weather conditions

The February 2016 Tropical Cyclone Winston impacted Tutu severely, damaging much of the newly planted crops at the time (in particular the cash valuable kava and dalo crops), as well as valuable tree crops like coconut and breadfruit. Several of its office and housing buildings were significantly damaged as well. On a positive note, the change in climatic conditions in recent years has seen a positive response in the breadfruit variety (Balekana) that it grows, with the crop no longer being seasonal and fruiting year-round.

Access to markets

Tutu lists the local market on Taveuni and local hotels as the primary markets for its farm fresh products. Its breadfruit flour (marketed as gluten-free) is of particular success with the local hotels and bakeries, and it also lists a Suva-based bakery as a buyer as well. While the costs for transportation and marketing are unknown, it is likely that supplying local markets is relatively low cost. As a non-profit outfit, these low costs make it more attractive to supply locally than to find markets beyond Taveuni. Additionally, while its value added products are finding success in the local markets, it does not have the equipment it would need to increase production levels.



Commercialisation of products dependent on others

Tutu has a modest value-added product line of snacks (in the form of chips) produced from breadfruit, cassava, vudi, and dalo-ni-tana which have the potential to be consistently supplied from its farms. These particular snacks have good appeal in their potential as substitute options for processed snacks in school canteens, hotels, and supermarkets. While there is export potential, Tutu is only comfortable with, and focussed on, the demonstration aspect, but is willing to work with a middleman for further value adding to the products and to find bigger Fiji market places, and overseas markets for export to. Of particular potential value is its breadfruit flour. Commercialisation is ultimately dependent on its student farmers and others to take responsibility for the market potential.

Factors associated with Tutu's longevity and success

- 1. Maintaining networks and partnerships** – Tutu has benefitted from maintaining long term partnerships with the Fiji Government, Catholic donor agencies (notably Caritas), and the New Zealand and Australian governments, who have provided project funding. Tutu's success has recently prompted the government to provide additional funding to Tutu on provision of expanding its coverage from its Cakaudrove province base, to include parts of Bua and Macuata.
- 2. Maintaining an outstanding reputation** – The Centre has built an outstanding reputation over four decades of work on Taveuni, and this is integral to its ability to attract funding.
- 3. Freehold land ownership and availability** – Tutu operates on a freehold estate owned by the Society of Mary (approx. 1,109 hectares in total), of which it uses approximately 300 hectares for its farms and the training centre. As such Tutu is free of any leases and commitments to landowners, and it is secure in its long term operations.
- 4. Ongoing innovation, including in response to extreme weather** - While Tutu is a not-for-profit institution, it has been able to trial value-added products such as breadfruit (gluten-free) flour, and vudi/dalo/breadfruit/ dalo-ni-tana chips in local markets. Initiatives such as the expansion of varieties of fruit trees, agroforestry, and the development of a breadfruit orchard are spurred on from experimenting with value-adding, while providing additional training resources and options for Tutu trainers and students. Training courses also evolve with new courses relating to climate resilient techniques for growing crops being developed in the wake of tropical cyclone impacts. Mitigation and adaptation measures have been developed, including for example, using a shipping container to store vegetable seedlings during cyclones for replanting and enabling Tutu's vegetables to return to the local market first; using the same container to store fruit tree seedlings; using their own power generator to rescue damaged kava for drying and processing; and procuring a chipper and using felled trees to produce wood chips.



- 5. Resilience to disasters through network and community support** – Partnerships with neighbouring communities, local and overseas institutions, and donors saw relatively quick responses in donated funds and in-kind help for repairs to get the training centre back into operation again relatively quickly after TC Winston.

Tutu Rural Training Centre
Taveuni, Fiji
<http://www.pacificfarmers.com/tutu-rural/>

This case study is based on desk-research and a face-to-face interview with Fr Petero Matairatu and Ms Serenia Madigibuli during 2018.



Venui Vanilla Ltd | South Santo, Vanuatu



Summary of business

Venui Vanilla Ltd is a family-owned limited liability company on Santo, Vanuatu. It produces and processes spices (including vanilla, black pepper, ginger and chilli) as well as virgin coconut oil for both domestic and export markets. Venui Vanilla was established in 1987 by Mr Piero Bianchessi and was sold to local businesswoman Ms Rosemary Lo in 2015.



Main products

Venui Vanilla's main current product is centrifuge-processed virgin coconut oil. Minor products include spice powders and pastes (turmeric, ginger and chill), vanilla (whole beans and extract) and pepper.



Markets

Venui Vanilla products are sold locally and exported to Australia, Fiji, France (including New Caledonia), Japan and New Zealand. South Seas commodities distributes Venui Vanilla products locally, including Au Bon Marché Supermarket chain, and into New Caledonia.



Employees

The Manager of Venui Vanilla is Mr Michael Loze. The company employs about 15 local staff, which are mostly full-time or near full-time employees (70% male and 30% female) and recruited from nearby villages.



Outgrowers

Venui Vanilla has about 40 registered ni-Vanuatu growers or farmers mainly producing organically certified vanilla and pepper on different islands of the archipelago. Its out-grower program has been facilitated through a long lasting partnership with an NGO, the Farm Support Association and its Spices Network.



Outsourcing

Local marketing of produce, including to New Caledonia, has been largely outsourced to South Seas Commodities.



Infrastructure

Venui Vanilla has its own processing and storage centre located in South Santo. Infrastructure includes a factory with various drying facilities (tunnel, electric and gas-fired), grinders and a centrifuge for virgin coconut oil production.



Certifications

Venui Vanilla's South Santo farm and its supplier growers are organically certified through NZ Biogro. Previously the company has held HACCP certification but this has been allowed to lapse as it was not required by their clients.

Constraints and weaknesses identified by Venui Vanilla

Limited and uncertain supply of two major spices

A major constraint with expansion is limited and uncertain supply of the two major spices with established export markets, viz black pepper and vanilla. Vanilla cultivation by ni-Vanuatu smallholders is being impacted by climate change (both extreme events and warmer, wetter weather preventing floral initiation) and widely fluctuating world prices and attractive alternative crops such as kava, being fuelled by a booming international demand.

Organic certification is prohibitively expensive

Organically certified product is desired for higher-paying spice markets, but is prohibitively expensive in Vanuatu where external auditors need to travel from overseas (i.e. New Zealand) and with a high cost of certifying a somewhat dispersed group of smallholder producer networks.

Poor enabling environment

The enabling environment for the private sector in Vanuatu is overall poor and the agribusiness sector is not well understood. Government regulations such as the duty exemption process are complicated and time consuming.

Risk of extreme climatic events and natural disasters

Tropical cyclones and other natural disasters, especially drought, have major adverse impacts on production and supply of agricultural produce in Vanuatu. There is an increasing risk of more intense cyclones impacting farmers that supply Venui Vanilla, e.g. Cyclone Pam in March 2015 caused enormous damage to spices and coconuts in most parts of Vanuatu. Vanilla requires a period of cooler, dry weather to trigger vanilla flowering: climate change has meant that the necessary conditions for vanilla fruit set are now only met about one year in five on Santo and other northern islands.

Retail packages restricted to niche markets, bulk packages non-competitive

Apart from the small local market, the outlets for Venui Vanilla's retail packages are largely restricted to niche markets in Australia, New Zealand and New Caledonia and previously in Japan. Some gift packs can be sold through the internet, but the export market is essentially limited to the larger (vacuum packed and nitrogen-flushed) bulk and catering packages. The difficulty and cost of transport, biosecurity and other costs make it impractical for Venui Vanilla to compete on most overseas retail markets where buyers prefer to brand and package for their own markets.



Other potential constraints and weaknesses identified

Increased competition in the international market for Virgin Coconut Oil

The price of virgin coconut oil has fallen in the international market place due to larger amounts of cheap VCO becoming available from Sri Lanka and SE Asia, and this may impact on Venui Vanilla's VCO although organically certified centrifuge VCO may be able to enter higher paying niche markets.

Need for ongoing training of Venui Vanilla's farmer network

There is an on-going need to train farmers in Venui Vanilla's supplier network, but this may be difficult to maintain without external support. The extension service of the Agriculture Department has little knowledge of spice production, is under-resourced and unable to provide the required training.

Factors associated with Venui Vanilla's longevity and success

- 1. Focus on a viable business opportunity** – Venui Vanilla commenced with a strong and clear focus on production of vanilla and other higher value spices which can be produced in Vanuatu's climate and soils, including pepper, chilli, ginger and turmeric, and for which there are some comparative advantages. This includes farmers in more isolated areas, with high inter-island transport costs, being interested to grow high value, low volume/weight, non-perishable produce such as cured vanilla and dried pepper.
- 2. Appropriate market promotion and branding** – Persistent and dedicated promotion at food fairs, cultivating industry contacts and the establishment of a functional website for internet sales have been key elements of a successful marketing and promotion strategy. This has been coupled with the development of effective and high quality packaging and branding of its retail spice products, and aided by the clean, green image of Pacific Islands produce.
- 3. Technical competence** – The owner/founder Piero Bianchessi developed a high level of technical competence in the cultivation and processing of vanilla and other species, including writing a book on vanilla. This has enabled him to undertake spice production efficiently and to provide invaluable training, along with the Farm Support Association's Spice Network, to VV's ni-Vanuatu farmer supplier network.
- 4. Business competence** – The current owner of Venui Vanilla, Rosemary Lo, is a highly successful and well-regarded local business woman with proven business acumen and management skills.
- 5. Good relationships with the local community and other actors in the value chain** – During its establishment phase Piero used his excellent interpersonal skills to forge good relationships along the Venui Vanilla value chain, including the Farm Support Association and Pacific Island Trade and Invest (for marketing). Good relationships with stakeholders have been continued through VV's new manager, Michael Louze, and owner.



- 6. High quality, organically-certified produce** – Given the limited spice production in Vanuatu, an effective business strategy was developed to supply high-paying niche markets which demanded organic certification. Venui Vanilla has produced consistently and exceptionally high quality spice products which have been organically certified. Organic certification has enabled VV to pay slightly higher prices to farmers to ensure quality products are being produced and delivered. The naturally fertile environs in much of Vanuatu and agroforestry production systems have enabled spices to be produced in pristine environments without addition of chemicals, hence value has been added through formal third-party organic certification of existing 'de facto' organic production systems. It has, however, proved difficult to capture much of the added retail value of organic certification in the smaller regional markets into which VV sells much of its product.
- 7. Efficient, cost-effective organic certification** – Venui Vanilla has engaged different international organic certifiers at different times (including BioGro, Ecocert, AssureQuality NZ) in order to keep costs manageable whilst meeting organic certification requirements of key markets and IFOAM. From the outset the internal control for the organic certification process has been provided by the FSA, which in turn has been recipient of donor support; and thereby reducing costs to VV for certification.
- 8. Appropriate value adding** – Venui Vanilla has effectively added-value to its spice products and range, such vanilla essence and paste and more recently virgin coconut oil, which has considerably boosted revenues. Less than 50% of the vanilla crop can be sold as premium beans in the retail market. The remnant beans (short, over-split, blemished) still have a high vanillin content and are ideal for processing into essence and paste.
- 9. Bolstered by a strong tourism/visitor sector for carry-on exports** – Vanuatu has had a strong tourist sector over the past two decades, and this has provided Venui Vanilla with a market segment which can pay higher prices for their premium nicely packaged products (carry-on tourist exports including for gifts).

Venui Vanilla Ltd
South Santo, Vanuatu
www.venuivanilla.com
www.facebook.com/Venui-Vanilla-898763403614533

This case study is based on desk-research and a face-to-face interview with manager Mr Michael Louze in July 2018.

Reference list





Addinsall et al, forthcoming. Agribusiness assessment tool.

Business Link Pacific, 2019. About section of the website. <https://about.businesslinkpacific.com/>

Department for Foreign Affairs and Trade, Government of Australia (2017). Operational guidance note. Market Systems Development.

<https://dfat.gov.au/about-us/publications/Documents/operational-guidance-note-market-systems-development.pdf>

Fargher, J and Associates (2018). PHAMA Plus Investment Design Document. Prepared for the Department for Foreign Affairs and Trade (DFAT), Australian High Commission, Suva.

Food and Agriculture Organisation (FAO) 2017.. Background paper prepared for a private sector development roundtable, Suva.

Food and Agriculture Organisation (FAO), 2015: Background Paper: Challenges to pro-poor Private Sector Development in Pacific Island agriculture. FAO of the United Nations, Rome.

Market Development Facility (2015), Horticulture and Agro Exports Systemic Change Pathways. http://marketdevelopmentfacility.org/wp-content/uploads/2016/05/160513_Systemic-Change-Horticulture-Pathways.pdf

Koh et al (2014), Beyond the Pioneer. GETTING INCLUSIVE INDUSTRIES TO SCALE <https://assets.rockefellerfoundation.org/app/uploads/20140508153451/Beyond-the-Pioneer-Report.pdf>

Kumar, M (2019). Understanding and mitigating risks for Pacific Islands Agribusiness. ACIAR internship report. PARDI2, Nadi, Fiji. 24 pp.

Manley, M (2007). Do community-based approaches to natural resource management? Pacific Economic Bulletin.

<http://www.devpolicy.org/PEB/2019/07/03/do-community-based-approaches-to-natural-resource-management-work/>

PHAMA (2018). Fiji Kava Value Chain Analysis.

<http://phama.com.au/wp-content/uploads/2018/06/Fiji-Kava-Value-Chain-Analysis-Report-FINAL.pdf>

Pacific Island Private Sector Organisation (PIPSO), 2017. Disaster proof your business.

http://www.pipso.org.fj/wp-content/uploads/2017/05/DISASTER_PROOF_Factsheet_April2017.pdf

Trenorden, C 2013. REDD-plus and Forest Carbon Rights in Fiji: background legal analysis. SPC/GIZ, Suva, Fiji. 57 pp.



Scheyvens, R et al, 2019. Reshaping understanding of economies in the South Pacific: beyond customary land as a barrier to economic development. Abstract contained in the Australian National University / University of the South Pacific: Pacific Update 2019 (3-5th July) Abstracts Book.

https://devpolicy.crawford.anu.edu.au/sites/default/files/uploads/devpolicy_crawford_anu_edu_au/2019-07/2019_pacific_update_abstracts_book_with_covers.pdf

Sustainability Research Centre, University of the Sunshine Coast (2015). Pacific Examples of Good Extension Practice.

<https://pafpnet.spc.int/attachments/article/514/Pacific%20Islands%20Extension%20Strategy%20Consultancy%20Report%20to%20SPC.pdf>

World Bank (2019), Doing Business. Economy Profile, Fiji.

<https://www.doingbusiness.org/content/dam/doingBusiness/country/f/fiji/FJI.pdf>

World Bank (2019), Doing Business. Economy Profile, Tonga.

<https://www.doingbusiness.org/content/dam/doingBusiness/country/t/tonga/TON.pdf>

World Bank (2019), Doing Business. Economy Profile, Vanuatu.

<https://www.doingbusiness.org/content/dam/doingBusiness/country/v/vanuatu/VUT.pdf>

