



# **Policy Brief: Linking Pacific Islands Farmers to Tourists**

Exploring the potential for suitcase export - connecting Pacific Islands farmers to travellers, selling high value products directly to tourists, rather than exporting.

**info@**[pacificfarmers.com](mailto:info@pacificfarmers.com)

**www.**[pardi.pacificfarmers.com](http://pardi.pacificfarmers.com)



Pacific Agribusiness Research in  
Development Initiative Phase 2

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## List of acronyms

EU	European Union
FO	Farmer Organisations
FSA	Farm Support Organisation
GI	Geographical Indication
PICs	Pacific Islands Countries
TC	Tanna Coffee
VV	Venui Vanilla



## Background

In the Pacific, the value of non-commodity agricultural exports (for example, horticultural products and spices) remains low and is yet to reach USD 100 million from PICs to all markets. This situation is particularly worrying considering the large trade imbalances of island countries (importing far more than they export), with the exception of Papua New Guinea. Even the relatively large Fijian economy imports nearly twice that of its exports. At the extreme end of the spectrum are the microstates. For example the Cook Islands imports around 35 times more than it exports. Tonga, Samoa and Vanuatu respectively, import some thirteen 13, 6 and 4 times more than they export. For all Pacific Islands countries (PICS), food makes up the lion's share of these imports.

This overall poor performance of the agricultural sector is particularly disappointing considering that: in varying degrees these rural based economies often have highly suitable agro-ecological conditions; and considering the impressive global growth performance of a number of other developing countries in the export of horticultural and other high-value agricultural products. The disappointingly poor export performance can be explained by a combination of factors, including: small size; lack of access for many farmers to international sea ports and/or airports; the unavailability of air and sea freight capacity to target markets at reasonably competitive freight rates; inadequate private sector marketing capability; and the inability to resolve phytosanitary and other market access issues. Many of these export barriers are proving to be stubborn and sometimes intractable. Thus alternative approaches to market development for these products need to be explored. The selling of high value products to tourists, rather than directly to their home markets, is one such approach.

**NON-COMMODITY  
AGRICULTURAL  
EXPORTS ARE  
DOWN IN THE  
PACIFIC WHILE  
IMPORT BILLS  
CONTINUE TO RISE.**

Nearly all PICs are experiencing an upward trend in tourist numbers. For some PICs, the number of visitor arrivals approaches or even exceeds the resident population. Countries such as Samoa and Tonga also have significant and growing tourist arrivals.

**KEY MESSAGE: NEARLY ALL PICS ARE EXPERIENCING AN  
UPWARD TREND IN TOURIST NUMBERS. THE CHALLENGE IS  
HOW WE CAN LINK TOURISM TO AGRICULTURE.**



## Lessons from Hawaii

The substantial opportunity to link agriculture to tourism has long been recognized, with the Hawaii experience often presented as an example. The development of Hawaii's large papaya and floriculture export industries was a direct bi-product of the outward freight capacity at reasonable cost created by tourist arrivals into Hawaii.

For some high value products, tourism can provide a domestic demand base upon which an industry can be established. Hawaii's macadamia nut industry, the largest in the world, is built around exporting via the "suitcases" of tourists.

Supplying hotels is the basis of Hawaii's anthurium, orchid, and other floriculture industries. The Kona coffee industry is based entirely on selling the ambience of Hawaii to visitors and former visitors.

## Key Opportunities

Working together, Pacific island tourism operators and farmers can promote locally sourced food and other agricultural products as an integral part of the tourism experience.

This can be categorised into 3 broad areas.

1. Selling local fresh fruits and vegetables to feature on hotel menus.
2. Developing the "flower culture" in the tourism sector so locally grown flowers and floriculture products a highlight in hotel rooms, foyers and restaurants.
3. Tourists taking appropriate local value added products back home with them in their suitcase, known as "suitcase exports"

Tourists visiting a country often want to take home products as gifts and souvenirs to remind them of the experience. Generally in the Pacific islands, there tends to be very limited number of suitable products available and/or appropriate for this purpose. Subsequently tourists return home disappointed, valuable promotion is lost and most importantly farmers miss out on an income earning opportunity.

Suitable products must be of high unit value and fit into the traveller's suitcase, capture the ambience and romance of the places visited, satisfy the biosecurity requirements of the importing country, which essentially means that they need to be non-perishable.

In PICs, the type agricultural based products that fit this bill are:

- Processed and packaged spice, nut, coffee and confectionary products
- Handicrafts that are made from local raw materials



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Macadamia nuts in Hawai'i provide an example of major agricultural industry being developed around selling value added products to tourists as 'suitcase exports'.

## Case Studies | Vanuatu

Vanuatu has a small but growing tourism industry. In addition to the general tourists who stay in a hotel or resort, Vanuatu also has a growing cruise ship industry. In 2016 there are projected to be 260 cruise ships exploring Vanuatu. At a modest scale, producers, processors and retailers have made progress in capturing tourism revenue through suitcase exports, notably spices, coffee, kava and nangai (canarium) nuts.

Vanuatu demonstrates an indication of what can be achieved in a small PIC that has a significant tourism sector. And particularly encouraging from the Vanuatu experience, is that village based farmers supplying the raw materials for these products are located in more remote locations.



### 1. Venui Vanilla & The Spices Network

Although spice production is still a minor industry in Vanuatu, spices can provide a commercial life-line for farmers in more isolated areas. Over 300 households now supply Venui Vanilla (VV), the only commercial spice processor and exporter. These village based farmers are mainly located in remote locations such as Big Bay (Santo), North and North East Ambae, North and North West Malekula, Malo, Aneityum and Tanna. All spices are organically produced, although only a third has achieved organic certification due to the high logistical costs involved in attaining 3rd Party certification.



The commercial spices value chain Vanuatu spices began nearly 30 years ago with the establishment of Venui Vanilla (VV) in South Santo. When it quickly became evident that the South Santo location was not climatically well-suited to vanilla production, with poor flowering (lack of cool dry season), the company expanded production to outgrowers in more suitable areas.



To facilitate the outgrower programme, a long-lasting partnership was established with a Farmer Organisation (FO), the Farm Support Association (FSA) and its Spices Network. Together VV and the FSA provided joint training and distributed curing equipment, leading to increasing production

In parallel, high quality packaging and labelling was developed, organic certification systems established and market development progressed in a step-by-step process.

Vanilla was first marketed locally. An encouraging market response prompted VV to add other spices – peppercorn (green and black), ginger, turmeric and chilli. Although volumes were small, the quality was exceptionally high. By the mid-1990s, production exceeded local demand and export markets were developed in Australia, New Zealand, New Caledonia, Japan and Europe. Given viable export marketing required a greater volume than what was being supplied suitable outgrowers were identified on Ambae and Malekula, and to whom training and extension services were provided through FSA and the Spices Network.



Over time the availability of attractively packaged premium quality spice products saw significant growth in local market demand, primarily for sale to tourists. The overall growth in demand (both local and export) has been such that supply has become a limiting factor for a number of spice products, particularly vanilla.

Every effort has been afforded to maintain both export and local markets, particularly given the development of these two markets was found to be highly interrelated. However, preference is often given to tourist based local markets because of significantly lower marketing costs and market access constraints.



## 2. Tanna Coffee

Differentiating products by geographical origin (otherwise known as geographical indication or GI) is a well-established marketing tool applied to secure price premiums.



Long-standing traditional examples are wine (Champagne from the Champagne region of France), cheese (Parmigiano Reggiano and Pecorino Sardo), ham (Prosciutto di Parma) and olive oil (olive Taggiasche). For tropical products Jamaican Blue coffee, Darjeeling tea, and Fiji Water are among the best known.

Genuine origin products are protected, or attempted to be protected by a myriad of certification arrangements, particularly within the European Union (EU). The Pacific Islands have just begun to venture into GI with “Fiji Red Papaya” and Tanna Coffee, although these are yet to be involved in any form of certification. For some Vanuatu products, GI can offer the prospect of delivering the same benefits as organic and Fairtrade certification at a much lower cost.

Tanna Coffee (TC) provides an example of what can be achieved. TC is selling its premium-quality roasted coffee beans with brand Vanuatu (or more specifically brand Tanna) featured prominent across the company’s marketing efforts. The romance and imagery of Tanna is an integral element of TC’s coffee story.

TC purchases dry parchment Arabica coffee from 550 smallholders (who utilise 40 pulperies) on Tanna. The roasting and packaging is then undertaken at TCs Port Vila facility. The company, prior to Tropical Cyclone Category 5 Pam in 2015, was producing approximately 75 tonnes of roasted beans every year. Some 60% of this production was sold locally, most of which was consumed by tourists in hotels and restaurants or carried home as gifts and reminders of the Vanuatu experience. Tanna Coffee now supplies 90% of Vanuatu’s domestic coffee market markets with ground roast coffee and roasted beans. The balance of TC’s production is exported as packaged coffee to





high-value export markets, principally to Australia. For this premium quality packaged product, the availability of supply rather than markets is proving to be the major constraint. With successful marketing VV has found itself to be in an identical situation to TC.

### **Major Themes & Key Lessons Learnt**

The major themes and key lessons to emerge from Vanuatu's spices and coffee value chain over 25 years of experience are:

- The importance of tourist focused domestic markets when developing and expanding the market for the product.
- Developing tourist focused domestic markets provides a foundation for developing niche export markets.
- As niche export markets evolve they provide a stimulant for the further expansion of the tourist focused domestic market. The development of these two markets is closely interdependent.
- Ni-Vanuatu farmers from remote locations, with the right information and training, can produce the raw materials for first-class value added spice products.
- Premium quality products are imperative for commercial viability for producers - there is no place for bulk or second grade products for PIC farmers.
- There is a need for agribusinesses to "pull" these products through the value chain.
- Gradual stepwise progression has been a key feature of successful niche market development.
- An important secondary benefit of FSA's field involvement in organic certification has been the resulting improvement in spice productivity and quality. In the longer term, this impact has probably been more important than the organic certification itself.
- VV's longer-term association with FSA, through the Spices Network, has made the necessary training required for organic certification feasible. This service would not have been provided by a cash-strapped Vanuatu government agency. However it is important to note that the Department of Agriculture has been strongly supportive of this capacity building arrangement.

### **Way Forward**

To realise these opportunities, linkages need to be built or strengthened between agriculture and tourism. It is necessary to simultaneously ensure that local products meet the demands of the tourism operators (volume, consistency, quality and convenience) and



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these operators appreciate the commercial value of using local products. High quality local products often do not make it to the “mouths and hands” tourists due to gaps and weaknesses in the value chain.

FO's are now starting to play an important role in improving the linkages between farmers and tourism operators in all these areas. This policy brief deals with FO efforts to develop suitcase exports – with a particular focus on the lessons learnt from the Vanuatu experience. Separate policy briefs deal with FO efforts in bridging the tourism sector fresh produce ‘supply gap’ and developing the flower culture amongst tourism operators.

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