

GROWING ISLAND EXPORTS: HIGH VALUE CROPS AND THE FUTURE OF AGRICULTURE IN THE PACIFIC

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This paper, which explores prospects for agricultural production across the Pacific islands, offers some valuable insights that may be useful for Bougainville.¹

'Hidden strength' of Pacific economies

Agriculture is easily the most important economic sector for Pacific island countries – providing the greatest source of livelihoods, cash-employment and food security for more than eight million people across the region. While urbanisation is an increasing trend, most Pacific Islanders live in rural areas and are reliant on local systems of food production. Even in the cities and towns many people shop at outdoor markets stocked with fresh local produce. Typically then, food production dominates the profile of the Pacific's agricultural sector – where 'village-level'

farmers grow and distribute a large quantity and varied range of fresh vegetables, root crops, nuts, fruits and flowers. Because many of these farmers focus on growing food for their own families, or to share with others through socially-embedded systems of exchange, traditional food production is often under-represented in national account and has been identified as a 'hidden strength' of Pacific economies.² Localised food production also helps many Pacific communities to mitigate rising prices for imported foods. During the global food 'crisis' of 2008 for example (which saw spiraling prices for imported grains, meats, and dairy products) domestic food production helped to ensure food security in Pacific island countries.

With many people growing their own food the Pacific islands have among the lowest rates of monetisation on earth.³ But this doesn't mean people can get by without cash. Even in the most remote places money is all-important for

1. This is an edited extract of a longer paper that was originally published as an Asia and the Pacific Policy Studies (APPS) Working Paper Series (05/2013) in December 2013 by the Crawford School of Public Policy at the Australian National University. See: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2371452.

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transport and travel, for visits to the doctor, for medicine and family planning, for church and community trusts, for mobile phones and school fees. Cash crops, grown both for local and international markets, play a vital role in communities right across the region. On remote atolls in the Marshall Islands farmers harvest copra to be exported and processed into a versatile vegetable oil, and in the highlands of Papua New Guinea (PNG) more than a million villagers are reliant on coffee for their cash needs. Indeed, it is estimated that around half of all rural households in PNG earn cash from selling coffee beans destined for export.⁴ In many island states most commercial agriculture today is carried out by small-scale producers using inherited or negotiated access to customary land. It is the smallholder sector that is fastest growing, particularly in Melanesia, and the sector has proved to be remarkably price-sensitive with many farmers choosing what to grow based on the vagaries of international markets.

It is widely recognised that in the immediate future agriculture is, and will continue to be, the single most important source of livelihoods for Pacific islanders. Other sectors – particularly tourism and associated services – are important in some island states but are unlikely to provide the volume of job opportunities required to meet the needs of growing

2. Bamman H (2007) 'Participatory value chain analysis for improved farmer incomes, employment opportunities and food security', in *Pacific Economic Bulletin* 22(3) 113-125.

3. Feeney S (2010) 'The global economic crisis and the Millennium Development Goals in the Pacific' in *Pacific Economic Bulletin* 25(1) 136-150.

4. Allen M, Bourke M and McGregor A (2009) Cash income from Agriculture, In Bourke M, Harwood T (Eds) *Food and Agriculture in Papua New Guinea*, pp 283-424. Australian National University, Canberra.

island populations. Thus, the focus of policy for employment of the bulk of the population, and for economic growth, should be on promoting improved productivity in agriculture.⁵

Colonial-era crops face long-term decline

Whether grown by smallholders or through large plantations, a limited suite of traditional commodities has dominated export production across the Pacific over the past century. Today an emphasis on undifferentiated exports – especially copra, coffee, cocoa and sugar – continues to reflect the priorities of colonial-era plantation economies. For many island countries there has been little diversification of exports in the postcolonial period and 60% of agricultural exports are still destined for European markets.⁶

Unfortunately farmers around the world have faced a long-term downward trend in prices for 'bulk commodities' since at least the 1970s, as global supply has outpaced demand.⁷ This has led to smaller returns for growers in the Pacific and to serious stagnation for some industries. International prices for copra for example fell steadily throughout the 1980s and 1990s. For smaller Micronesian states the impacts of falling prices have been particularly pronounced as the islands have few other tradable resource-endowments. Countries like Kiribati and the Federated States of Micronesia continue to export copra at decreasing rates of return (though since 2008 prices have fluctuated, with periodic higher prices).

5. Duncan R (2007) 'Enhancing the labour absorption capacity of Pacific agriculture', in *Pacific Economic Bulletin*, 22(1) 164-174.

6. Morge-Rofarello L, Swindinsky M, Vanzetti D (2005) Sink or Swin? Assessing the impact of agricultural trade liberalization on small island developing states In Chand S (Ed) *Pacific Islands Regional Integration and Governance*, pp 55-85, Australian National University, Canberra.

7. World Bank (2008) *World Development Report 2008: Agriculture for Development* World Bank, Washington DC.

Another key export facing serious decline in terms-of-trade is sugar, a development that is of particular concern for Fiji. The Fiji sugar industry was established in the late 19th Century by the Australian-based Colonial Sugar Refining Company (CSR) when large numbers of labourers were shipped from India to cut cane on newly established plantations. For more than 100 years since, raw sugar exports to Britain have dominated Fiji's export profile and the sector has played a key role in the country's economic development. However, the industry has been heavily dependent on special trading arrangements with Europe, which saw Fijian farmers paid at above-world-prices. When these special arrangements were challenged at the World Trade Organisation (WTO) the European Union decided (in 2007) to withdraw preferential pricing for sugar sourced from its former colonies.

Fiji's experience with sugar underscores the fact that, in a liberalised global trading environment, the island countries simply cannot compete in the export of undifferentiated commodities. In the past trade preferences

have helped to ameliorate inherent costs faced by island exporters but the benefits of these preferences are eroding fast. The World Bank acknowledges that it is increasingly difficult for the island states to compete in 'all but a few niche markets'.⁸ In the face of these trading realities Pacific states need to develop a more diversified suite of agricultural exports, better targeted at higher-value markets.

There are two important caveats to the trend of declining commodity prices however, namely the potential presented by increasing energy prices (which are driving up prices offered for biofuels) and increasing prices for edible oils (including palm oil and coconut oil). Oil palm production is the fastest growing of PNG's agricultural exports and is increasingly important in the Solomon Islands as well. International prices for copra also spiked in 2008, 2011 and again in early to mid 2017, improving returns to growers and reigniting interest in the sector.

8. The World Bank (2009) Pacific islands development in 3D: Key findings from the World Development Report 2009. The World Bank Washington DC.

Table 1: Regional bounty

Region	Key niche agricultural products
Melanesia	High-value plantation timber, fair-trade sugar, bottled water, virgin coconut oil, coconut products (cosmetics, furniture etc), fresh tuna (sashimi), single-source cocoa and coffee, kava, fresh fruit and vegetables, indigenous nuts, fresh flowers, preserved spices, organic beef, pearls
Polynesia	Virgin coconut oil, cosmetics, black pearls, noni juice, dried organics fruits, spices, single-source cocoa and coffee, kava, fresh fruit and vegetables (particularly squash), indigenous nuts, fresh fish, vanilla
Micronesia	Virgin coconut oil, coconut products, import substitution

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Islands of opportunity: new incomes from high-value crops

Developing countries around the world are increasingly shifting their patterns of production toward higher-value agricultural exports including fruit and vegetables, livestock, cut flowers and organic produce. Indeed, some argue that a ‘revolution’ is occurring as high-value products from developing countries gain a dominant market share in destination markets.⁹

High-value, low-volume exports certainly make a lot of sense in the Pacific context. Island producers are unlikely to compete either on price or volume with low-cost, high-volume producers in South-East Asia for example. Island producers also face inherent cost disadvantages. ‘Village-level’ production involves small economies of scale, input costs are high, natural disasters are common and transport between islands is often expensive and/or infrequent. In short, growers need to receive considerable returns to compensate for these unavoidable costs.

The key to the future of Pacific agriculture is to focus on high-value, non-perishable, products (see Table 1 for example). In the forestry sector for example, round log exports are likely to decline as island countries face resource depletion (particularly in the Solomon Islands) and as countries move

9. McGregor A, Bourke M, Manley M, Tubana S, Deo R (2008) ‘Pacific island food security: Situation, challenges and opportunities’, in Pacific Economic Bulletin, 24(2) 24-42.

to ban the export of unprocessed logs.¹⁰ However, many high-value plantation timbers are suitable for growing in the Pacific – including sandalwood, mahogany, rosewood and ebony. Recent estimates indicate that there is a worldwide shortfall in production for sandalwood, a product which is in high demand in China, Taiwan, Singapore and Japan. Indeed a 2012 Pacific trade delegation to China found that buyers were willing to pay around AUD 400 per kilogram for the prized wood.¹¹

While some Pacific products are already high-value and non-perishable, others require additional processing, which itself helps to create local jobs and retain value in the region. In Samoa, Niue and the Cook Islands for example, a number of companies collect fruit of the Noni tree and process it to create an organic health juice that is exported around the world (particularly to China and Japan). Noni juice has been Samoa’s single biggest agricultural export for much of the past decade.¹² There is huge potential for other indigenous plants in the region as well, particularly for kava products and indigenous tree nuts.

Around 200 different agricultural products are currently shipped from Fiji to 20 different export markets and the value of major non-commodity agricultural exports is around FJD 40 million¹³ per annum.¹⁴

10. Secretariat of the Pacific Community (SPC) (2008) Increasing trade in island agriculture and forestry commodities. Paper prepared by the SPC for the Second Regional Conference of Ministers of Agriculture and Forestry. Apia, Samoa. September 2008. SPC, Suva

11. Radio Australia (2012) Opportunities for Pacific from China’s economic book. May 29, 2012.

12. Rogers T S, Tuioti-Mariner L, Tuoro M (2009) Agriculture for Growth: Learning from experience in the Pacific Samoa Morinda citrifolia (Nonu) Case Study. Food and Agriculture Organisation (FOA), Rome.

13. FJD 40 million is worth approximately USD 20 million based on current exchange rates.

14. McGregor A, Gonemaituba W, Stice K (2009) Natures’ Way Cooperative (Fiji) Ltd: A Case Study of Agriculture for Growth in the Pacific. Food and Agriculture Organisation (FAO), Rome.

Sharing benefits: commercialising community production

Across the Pacific, traditional knowledge accumulated over thousands of years of adaptation to life on small tropical islands continues to determine the nature of much economic activity. A key policy challenge then is to find ways to commercialise traditional systems of farming and improve cash-generating opportunities, without sacrificing community cohesion and local food security.¹⁵ Because Pacific island countries already possess a comparative advantage in the production of tropical timbers, nuts, fruits and vegetables, high-value agricultural exports offer an excellent opportunity to complement traditional economies without supplanting them.

15. Food and Agriculture Organisation (FAO), (2010) *Agriculture for Growth: Learning from experience in the Pacific*. FOA, Rome.

Sometimes it's as simple as growing food around and underneath high-value crops destined for export. Crops like sandalwood, coconuts, noni trees, indigenous nuts or kava are all suitable for intercropping in smallholder food gardens and village plantations. Indeed sandalwood, grown alongside nitrogen-fixing trees, is an excellent option for soil that is to be left fallow for a time to restore productivity.

While international markets are often fickle, agricultural exports still generally offer more sustainable and broad-based incomes than other sectors like mining and tourism. To maximise benefits policy makers need to pay attention to the inclusion of all community members – that is, both women and men – in the production process and the development of ethical value chains. Understanding how local enterprise fits into the global economy is vital if all members of the value chain are to benefit.

A focus on maintaining quality of supply is

Concilia in her garden where she grows peanuts, taro, banana, cocoa and other fruit and vegetables.



Photo credit: Christina Hill

Papaya



Photo credit: Christina Hill

also important – particularly for fresh fruit and vegetables. A key role for government is to provide training and outreach support for Pacific communities about the exacting demands of export markets (and domestic tourism markets). Growers need to understand when to harvest, and how to best handle, store and transport produce to maximise its value. Community-level technologies such as solar crop dryers, which preserve fruits and nuts for longer periods, increase the range of crops that can be transported for sale in local and foreign markets and ensure community food security in times of natural disasters.

Marketing key to improved returns

The flip-side of high costs associated with island agricultural production is that many places in the Pacific are inherently marketable. Remote and ‘exotic’ locations, warm and

happy people, and ‘clean and green’ production fire up the imagination for would-be consumers. Sophisticated marketing strategies which use the Pacific ‘brand’ to stand out from the crowd are one way of targeting discerning buyers who are prepared to pay more for island produce – a price premium that is vital to offset high costs of production. An example of successful marketing for a niche product is that of Fiji water, which has become a drink-of-choice in Hollywood. Indeed, in recent years Fiji Water alone has accounted for up to 20% of all Fiji’s exports.¹⁶ A number of agricultural exporters across the region are pursuing similar branding strategies. ‘Single-source’ marketing is also important, sharing the stories of Pacific producers with would-be consumers. New single-source labeled chocolate bars from Vanuatu are a prime example in this regard.

Another way to stand out from the crowd, and to improve returns to growers, is through fair trade or organic certification. Here, consumers are prepared to pay a price premium for Pacific produce if they know products are good for the environment and for people. In recent years sales of fair-trade labeled products have increased dramatically in Australia and New Zealand (particularly for coffee and chocolate). In Samoa hundreds of farms are certified as organic and a women’s business organisation sources organic coconut oil for a multinational cosmetics retailer and helps to export dried organic bananas to New Zealand. Both fair-trade and organic certification can be an expensive process, requiring regular assessment by external auditors, and costs can outweigh returns to growers. Improved returns require farmers working together – through growers’ cooperatives for example – to absorb these costs.

Government agencies and private-sector groups can help to market Pacific agricultural produce. Indeed, Pacific Trade and Invest – which has offices in Australia, New Zealand,

16. Lenzer A (2009) ‘Fiji Water: Spin the Bottle’. Mother Jones (magazine). Wednesday August 12, 2009.

China, Japan and Geneva – already works hard to link potential buyers with Pacific growers.

Quarantine issues are a major barrier

Developing accessible export pathways is key to growing Pacific agriculture. It's no good harvesting high-value papaya or ginger or cut-flowers if there is no way to get produce to consumers who are prepared to pay top dollar for them. A key challenge of course is transport – is there any way to get to market? But perhaps an even bigger issue is market entry. Agricultural economist Andrew McGregor argues that quarantine is the weakest link in the Pacific's horticultural export marketing chain.¹⁷ At the 'sending' end island governments have limited capacity to support exporters by negotiating new market entry and resolving ongoing access issues. In many cases vital infrastructure is missing, such as heat-treatment facilities to remove fruit fly and other pests, or port and air-freight facilities. At the 'receiving' end, developed country governments could do much to speed up the assessment of Pacific produce. The current timelines for clearing biosecurity requirements are agonisingly slow in markets like Australia, New Zealand and the United States.

Key to overcoming quarantine barriers will be cooperation between governments and the private sector to set priorities. Exporters (and would-be exporters) in each island country are often keenly aware of potential markets for their produce, but establishing and maintaining quarantine arrangements with destination countries is a role for government.

Regional cooperation is vital

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crucial. Current donor-funded projects aim to resolve quarantine issues, improve trade related infrastructure, provide information regarding international market opportunities, improve production techniques, maintain quality of supply, and develop new marketing and branding initiatives. Many of these 'aid-for-trade' projects are subject to short-term funding cycles, and much could be done to coordinate support to would-be agricultural exporters in the Pacific on an ongoing basis. However, the good news is that there is much potential for the export of high value crops and improving exports will reap widespread benefits for Pacific communities and governments for decades to come.

17. McGregor A (2007) 'The export of horticultural and high-value agricultural products from the Pacific Islands', in Pacific Economic Bulletin, 22(3) 81-99.