Agriculture-tourism
Policies and priority intervention to strengthen supply linkages
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Pacific Futures Conference, USP, Suva, Fiji
July 18th, 2016
In summary

Rising consumer demand for improved cuisine experiences provides an important opportunity for PIC tourism and agriculture to add value to both sectors.

A key challenge is facilitating investment to address gap between supply capacity and demand; whilst rewarding use of local content in tourism offerings.

This paper showcases examples of good supply side interventions including innovative financing models, examples of new farm extension and marketing service providers; as well as demand side interventions including tax deductions and branding benefits.
Tourism established as an important engine of growth and foreign exchange

The total value of PIC tourism is estimated to reach up to US$4.0 billion by 2019 (SPTO, 2014). As a result, policy-makers recognizing the importance of forging closer linkages between agriculture and tourism (Chapman and Caniogo, 2015).

**Figure 1: Pacific Islands: % GDP provided by Agriculture and Tourism**

**Figure 2: Average growth rate in agriculture production vs tourism arrivals 2007-13**
30 percent of tourist revenue in Pacific now derived from the sale of food and beverages (UNWTO, 2012). Increased demand for an authentic local food experience, tourism operators have begun to celebrate local cuisine that represents their distinct heritage (Blakely 2012).

This provides an important opportunity for local farmers to capture a greater share of the tourism food and beverage market (Ashley et al 2006).

Pacific Island tourism markets need to respond to demand for improved quality of cuisine experiences by increasing local content in food and beverage options (Martyn and Rogers 2014).
Need for supply consistency leads tourism to prefer food imports

In particular the gap between the peak tourist season (e.g. June to September) and the natural growing season for tropical fruit (e.g. November to February) is major barrier to establishing closer supply linkages; lack of consistency of vegetable supply; imports provide greater supply consistency

As a result, 60-80 percent of the food consumed by the tourism industry is imported (Schofield and Tamasese 2011; Young and Vinning, 2007).
The adoption of new off-season production technologies critical to bridging the gap between supply and demand.
Perceived riskiness of loans to agriculture a drag on investment in the sector

Caused by: low domestic savings rates, lack of collateral, the lack of access to secure, long-term leasehold of land, combined with the legal and traditional restrictions that prevent full transferability of land leases (Duncan and Nakagawa, 2006)
However new financing instruments driving investment in agriculture

Formal financial sector has played a very limited role in the provision of financial services to agriculture in developing countries (Miller and Jones, 2010).

Informal sources of finance mainly from agricultural value chain (AVC) actors (i.e. wholesalers, processors, traders, warehouse operators, producer associations, etc.) have enabled a significant share of investments in agriculture.
1. Internal value chain finance is that which takes place within the value chain such as when an input supplier provides credit to a farmer, or when a lead firm advances funds to a market intermediary.

2. External value chain finance is that which is made possible by value chain relationships and mechanisms: for example, a bank issues a loan to farmers based on a contract with a trusted buyer.
Contract Farming

Has benefits for buyers and farmers:

a) The farmer commits to sell agreed quantities of a specific agricultural product to a given buyer at a quality and time standard specified by the buyer.

b) The buyer agrees to purchase the product at agreed pricing conditions and, in some cases, supports production through, for example, the supply of farm inputs, land preparation and the provision of technical advice (Da Silva, 2005).

Therefore strengthens relationships between chain operators:
- Access to demand quality information and feedback
- Long-term predictable market volume and prices
- Improved access to inputs (credit, extension, fertilizer, transport etc)

PIC examples: Fiji crest chicken, BAT (tobacco), sugar; dairy; Tonga vanilla; cocoa

Disadvantages: monopsony (one buyer), sideline selling (to multiple buyers), preference for larger farmers or farmer organisations
Farmer Organisations

Critical to providing extension support and scale benefits in input supply and marketing. Have helped take over after retreat of state marketing authorities in 80’s

Not a long tradition of FOs in Pacific. Some examples of input supply (e.g. Syndicat Agricol Vanuatu). Some examples FOs providing extension support, quality control and group marketing (cocoa, coffee). But require large number of members. Scale not always possible, particularly in smaller PICs.

PIFON: Network 165 national farmer organizations in 6 Pacific countries runs many farmer to farmer exchanges. Yet less focused on marketing.

What models for tourism?
Participatory Guarantee Schemes, small group of smallholder farmers form a company and run their farm as a business. Aim is to improve off-season production, quality control and timing of deliveries. Have enabled farmers in Fiji to increase their direct marketing and service relationship with the tourism industry. Qereqere Company Ltd, Narata Company Ltd, and Nawamagi Company Ltd. E.g farmers from Qereqere in Fiji’s Sigatoka valley have managed to supply 400–800 kg a week of out-of-season vegetables (e.g. tomatoes) to the Fijian Shangri-La and Warwick Resorts. During the main season the PGS tomato farmers receive Fj$4 per kilogram, an improvement of around Fj$2 compared to sales made at municipal markets and roadside stalls. On the Off season the price goes up to F$7.50 per kilogram.
Lowering the cost of extension information and market intelligence through ICTs

The percentage of cell phones in Pacific households has risen from 49 per cent in 2007 to 93 per cent in 2014. The cost of mobile calls has declined by one third between 2005 and 2014.

**Esoko**: private-sector mobile phone based system to provide market and extension information. US$1 million to implement system. Annual US$35 subscription cost per user. Can be defrayed by permitting advertising and/or providing fee-based additional services to larger corporate clients.

**The Fiji Crop and Livestock Council** has already launched its mobile technology platform to provide market information and exchange information to its 10,000 plus members. Could also be an important link to tourism.
Collection Centres – improving supply consistency

Absence of pack houses and storage facilities in rural areas also contributes to reduce the quality of produce and increase transportation costs. These facilities also play a crucial role in the provision of agro-inputs, information and technical advice.

Past feasibility assessments for publically funded model for Fiji were not positive (Veit, 2009). However by working with the private sector to adapt existing infrastructure to cater to the needs of the tourism sector, collection centres may play an important role in helping to link farmers to markets. E.g Joe’s farm – extension, inputs, transport, marketing
Demand side interventions: Local content tax deductible?

PICs encourage investment in agribusiness through tax holidays and tax free zones, low-interest loans and reduced import levies on farm machinery; yet few tax benefits to incentivize increased purchase of local content by tourism.

Vanuatu cruise ship industry negotiated reduction in berthing fees (av. USD24,000 per boat per day) by increasing ‘local content’ to ensure minimum number (40) local workers employed on board.

Tax benefits, such as tax credits, can be offered by national governments to food establishments, based on the value of local produce purchased under contract with local producers during the tax year.

Iowa State Local Farmer and Food Security Act, 2010 offers a 20 percent tax credit to grocers against the cost of purchasing ‘Local Farm Products’
Several PICs are in the process of developing or strengthening their tourist sector certification and accreditation criteria, and may consider extending the rating to the hotel and restaurant industries.

The development of a regional tourism branding initiative (i.e. using True Pacific logo) could be explored by PICs.

Would provide marketing incentives to expand the use of Pacific region’s unique cuisine in tourism offerings.
Recommendations

a) Support of a more holistic and strategic approach for culinary or agri-tourism including establishing a national agriculture/tourism multi-stakeholder mechanism to address issues such as finance, private sector engagement and policy incentives including local food content marketing and tax incentives in an effort to realize the synergies between the two industries.

b) Support a regional branding/marketing initiative that highlights tourism operators who offer truly Pacific ‘cuisine experiences’ through their use of more local ingredients;

c) Consider the use of tax credits in return for the use of local food and beverages to incentivize demand from industry;

d) Work with the private sector to adapt existing infrastructure to provide collection centres (packing, input supply, extension, marketing) to help link farmers to markets;

e) Work with ICT companies to support the provision of market intelligence and extension information through farmer organisation networks;

f) Provide assistance to farmer organisations to help develop their capacity to provide extension and marketing support through the use of supply contracts with the tourism industry.
Vinaka Vaka Levu!