Growing island exports

Aid-for-Trade and smallholder agriculture in the Pacific

Wesley Morgan
Understanding labour in Pacific economies

- Pacific island economies tend to have small formal sectors.
- Resource extraction (mining, logging, tuna) offers limited employment opportunities.
- Resource extraction also has adverse political effects and distorts non-resource sectors (the so-called ‘resource curse’).
- In most places tourism only offers limited potential for labour absorption.
- For many years to come the majority of Pacific islanders are going to rely on small-holder agriculture for livelihoods and food security.
‘Hidden strength’ of Pacific economies

- Pacific islanders are young. Populations are growing fast.
- Formal sector unlikely to provide sufficient employment opportunities in future.
- Traditional economy key to livelihoods and food security
- Vast array of fruits, vegetables, nuts, livestock are traded through traditional systems of cultural obligation and exchange
- Small holder agriculture is key to broad-based and sustainable development

Rodney Dekker/OxfamNZ
Majority of Pacific islanders live in rural areas.

Most rural citizens have limited access to electricity, water infrastructure, transport and state services.

In Vanuatu 73% of population uses woodfired stoves.
Vast majority of Pacific islanders rely on the traditional economy for their livelihoods

Based on estimates for formal-sector employment for 2015 (Duncan 2007)

Other estimates suggest just 15% of the Pacific’s people work in formal employment (Coates et al. 2010)
Colonial-era export crops key to cash

- Colonial plantations – copra, sugar, cocoa, coffee – link communities with global economy
- Half of all rural households in PNG rely on coffee for incomes (Bourke and McGregor 2009)
- Up to 200,000 people in Fiji rely on the sugar industry - directly and indirectly (IMF 2011)
- Copra important for communities across the region
- Small-holder sector is fastest growing
- Most export crops on customary land
Bulk commodities declining in value

- Global downward trend as supply outpaces demand
- Inherent features of Pacific islands make it difficult to compete in global marketplace
- Sugar in Fiji is a case in point
- Price ‘spikes’ for edible oils and copra are the exception.

“there is likely to be a permanent wedge between the cost of production in the Pacific and the world price in both manufacturing and services, making it difficult for the islands to compete in all but a few niche markets” (World Bank 2010).
The future: High value ‘niche’ exports

- Low volume
- High-value
- Non-perishable
- Differentiated / ‘Single origin’
- Value-adding
Building on the existing economy

- Complementing food production in the traditional economy
- Intercropping with food crops
- Pacific products: root crops, indigenous nuts (nangae), noni juice, virgin coconut oil, other oils (tamanu and fetau), kava etc.
- High value timbers (sandalwood)
- Linking traditional economy with formal sector – both urban markets and hotels/restaurants
- Using low technology solutions
Building on community strengths

• Maintaining social cohesion and food security
• Working with traditional systems of governance and family structures
• Complementing existing systems of land use
Community-based value chains
Marketing key to improved returns

• Using ‘the Pacific’ as a brand
• Growing market share
  - fine food australia
  - maketi ples
• Quality guarantee
• ‘Story marketing’
  - Single-source
  - Community trade
Growing fair-trade and organic markets

- Organic and fair-trade labelling a key way to ‘stand out’ from the crowd
- Can be high-cost – external auditors needed
- Steps being taken to develop ‘Pacific appropriate’ standards and labelling
- 10,000+ benefiting from fair-trade coffee exports in PNG
- 4000+ sugar cane farmers in Fiji receive ‘fair-trade’ premium
- Hundreds of farms in Samoa are certified organic
- Organic vanilla exported from Vanuatu
Islands of opportunity

High-value plantation timber, high-value Pacific arts (painting, tapa, mats), virgin coconut oil, cosmetics, fresh tuna (sashimi), fresh fruit and vegetables, cut flowers, ‘single source’ cocoa and coffee, kava, indigenous nuts, fair-trade sugar, preserved spices, organic beef, pearls, dried organic fruits, noni juice, coconut products, bottled water.

• Fiji leads the way for diversification: currently exporting 200 different products to 20 destination markets (McGregor, Gonemaituba et al 2009)

• Not just Melanesia: smaller island states are participating as well (particularly Samoa, Tonga, Cook Islands).

• Limited opportunities in micro states and atoll states
Quarantine issues a major barrier

- PICs face difficulties meeting the quarantine and labelling requirements of destination markets
- Australian market: politics and science are intertwined (ginger and taro examples)
- Quarantine assessments should be expedited
- Regional technical programs good for developing new ‘export pathways
Oxfam’s approach to livelihoods

• Long term engagement
• Working with local partners: ‘Producer support organisations’ 15 partners across the Pacific
• Support for agricultural production, transport, certification, value-adding infrastructure, marketing and market information.
• Above all, important to build relationships between growers and exporters
• Influencing policy environment: Sharing lessons learnt

1. Sustainable
2. Broad-based benefits
3. Appropriate
4. Scalable
(Coates 2009)
Oxfam’s approach to livelihoods

Tonga:
• Working with the Tongan National Youth Congress
• Focus is on virgin coconut oil and vanilla. Also markets for local organic vegetables.
• Installing coconut dryers/press in communities

Samoa:
• Working with Women in Business Development Inc.
• Focus is on virgin coconut oil. Also fetau oil, fine mat weaving, organic dried bananas, local organic vegetables.
Oxfam’s approach to livelihoods

Papua New Guinea:
- Working with a number of partner organisations.
- Microfinance for small enterprise, livestock, fish ponds, improving food security

Vanuatu:
- Working with FSA and VRDTCA
- Rural training centres
- Organics training, livestock projects, technical support for vanilla and spice farmers
Civil society should be seen as a partner

“Some people believe that as an NGO we should be doing workshops and advocacy, and leave income generation and trade to the private sector. This thinking is out of date and the main cause of the current problems with agriculture and trade throughout the region.”

Adi Maimalaga Tafuna’i.
Executive Director.
Women in Business Samoa Inc. (WIBDI)
Aid-for-trade is [rightly] a priority

<table>
<thead>
<tr>
<th>Project / Organisation</th>
<th>Project Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Horticultural and Agricultural Market Access (PHAMA) Program</td>
<td>Australian funded regional project</td>
</tr>
<tr>
<td></td>
<td>Intended to address market access issues</td>
</tr>
<tr>
<td>Pacific Agribusiness Research for Development Initiative (PARDI)</td>
<td>Australian funded</td>
</tr>
<tr>
<td></td>
<td>Intended to explore market opportunities</td>
</tr>
<tr>
<td>Pacific Regional Infrastructure Project (PRIF)</td>
<td>Australian funded.</td>
</tr>
<tr>
<td></td>
<td>Energy, telecoms, transport, waste, sanitation</td>
</tr>
<tr>
<td>Increasing Agricultural Commodity Trade (IACT)</td>
<td>EU funded.</td>
</tr>
<tr>
<td></td>
<td>Agriculture, forestry and aquaculture.</td>
</tr>
<tr>
<td>Pacific Islands Trade and Invest</td>
<td>Pacific regional institution</td>
</tr>
<tr>
<td></td>
<td>Marketing and market information</td>
</tr>
<tr>
<td>Australian Centre for International Agricultural Research (ACIAR)</td>
<td>Statutory body within DFAT.</td>
</tr>
<tr>
<td></td>
<td>Scientific research for agriculture</td>
</tr>
<tr>
<td>Technical Centre for Agricultural and Rural Cooperation</td>
<td>EU-ACP Institution</td>
</tr>
<tr>
<td></td>
<td>Information about agriculture and rural dev</td>
</tr>
<tr>
<td>Pacific Organic and Ethical Trade Community (POETCom)</td>
<td>Peak organics body for the region.</td>
</tr>
<tr>
<td></td>
<td>Developing organic standard/labelling</td>
</tr>
</tbody>
</table>
Aid-for-Trade needs to be carefully designed

- Need ‘joined-up’, long-term planning that addresses constraints on trade
- Aid should support an enabling environment for small-holder agriculture
- Aid should be directed to:
  - strengthening links between traditional economy and markets
  - producer support
  - transport
  - access to finance
  - market information and marketing
- Pooling specialised expertise to ameliorate quarantine issues appears to be a regional public good
  - Labour mobility is not a panacea!
  - RTAs not a good use of aid!
Thank you

wesleym@oxfam.org.au