



## Promoting regional trade and agribusiness development in the Pacific 2<sup>nd</sup> PACIFIC AGRIBUSINESS FORUM

### LINKING THE AGRIFOOD SECTOR TO THE LOCAL MARKETS FOR ECONOMIC GROWTH AND IMPROVED FOOD AND NUTRITION SECURITY

Organised by PIPSO, CTA, IFAD, SPC and SPTO

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## BACKGROUND NOTE

### Context: Linking agriculture, health and nutrition

The Pacific region is currently facing a health crisis that is directly linked to agriculture, food and nutrition. Obesity rates within PICs are among the highest in the world – regularly over 60% in some islands – which has in turn led to a corresponding increase in the rate of late onset Type 2 diabetes, heart disease, morbidity and mortality. Subsequently, PICs have the greatest number of Disability Adjusted Life Years (DALYs) lost to overweight and obesity among all developing countries.<sup>1</sup>

Dependency on imported cheap, calorie dense, and low nutrition foods in the Pacific is the primary cause of this crisis, and a number of economic and demographic factors are contributing factors.

Agricultural production in the Pacific has decreased dramatically, decade on decade, and with the limited capacity of individual islands to achieve economies of scale (largely due to geographic factors), this means that insufficient volumes of food is produced in PICs to satisfy domestic demand, and the price of production is too high for locals to then afford domestically grown fresh fruit and vegetables.<sup>2</sup> As Islanders are increasingly living in urban or semi urban areas, purchase choices have leaned towards processed, longer lasting (preserved, canned) foods. Families in the PICs are bigger than they were in the past, which in turn has led to greater demand for food which is cheaper and with more calories per serving. Many households also receive a significant share of their income from remittances, which can vary sharply according to currency exchange rates, and thus make it ever more challenging for families to spend more money on healthy food.<sup>3</sup>

Turning around the dire food and nutrition situation in the Pacific region will depend on many factors, but certainly cannot be done unless there are incentives to improve access to healthy, local and varied agricultural produce at an affordable price for consumers. One of these is by pushing for a recognition and promotion of traditional Pacific cuisine, which includes seafood, roots and tubers, dark leafy vegetables and other nutritious and healthy products. With a greater prominence of traditional and local recipes, a better

<sup>1</sup> Towards Healthy Islands: Pacific Noncommunicable disease response. WHO.SPC. 2013. [SPC Healthy Islands - Healthy people](#). SPC Public Health Division Strategy 2013–2022.

<sup>2</sup> FAO. 2015. "Improving Domestic Market Linkages: Policies to Improve Agriculture Sector Competitiveness in the Pacific". Sub-Regional Office for the Pacific Islands. Pp 5-9

<sup>3</sup> *ibid*

understanding of ingredients and their preparation, chefs are able to act as ambassadors both for healthier food and also for taking pride in, and valuing the heritage of the islands.

The development and support of local cuisine can only be realised if infrastructure and connectivity within the value chain is expanded – smallholder and family farmers, who are the primary producers in PICs, largely produce for subsistence, rather than to supply buyers. As there is limited domestic demand for agricultural goods, agribusinesses are largely geared towards export markets, particularly those with large diaspora communities (Australia, New Zealand, the United States etc.). It is the buyers and middle men for the export markets who will play a key role in providing farmers with inputs, finance and transportation for their goods. However, when it comes to the domestic market, these key linkages and actors are largely absent. As the tourism sector is based in the PICs and includes hotels, resorts, cruise ships, restaurants and many other facilities, by purchasing locally, they in turn can increase the incentives for the development of these linkages and services within the value chain. This reduces the barriers for farmers and small scale producers to then also service local consumers through other non-tourism outlets (retail, markets).<sup>4</sup>

To ensure that agricultural potential and rural growth and transformation also improve diets and nutritional status, specific, targeted actions are needed to ensure that nutritious foods are available, accessible and consumed. Actions can occur all along the supply chain to make sure more nutritious foods are available and accessible; others, such as more accessible nutrition information and behavior change communications, can lead to improved food choices and diets.<sup>5</sup>

### **Promoting linkages between agriculture and tourism markets**

Development of agriculture in PICs is limited by a number of geographic characteristics of the region, with limited availability of land for agricultural production, high levels of exposure to environmental and climate related events, and isolation. Collectively, this results in an inability to establish economies of scale and in turn, has a negative effect on the price competitiveness of local products over imported goods. One area where the Pacific region can identify, strengthen and broaden their comparative advantage over imported goods is in relation to the link between local agricultural products, cuisine, culture and the islands themselves. This aspect of provenance is attractive to tourists, especially those who factor authenticity, sustainability, and social considerations into their holiday choices. By capitalising on the provenance factor, and using this as the basis for marketing local produce to the tourism sector, farmers and agribusinesses can differentiate their products and develop a lead over similar imported goods. This advantage can be maximised further through value addition and transformation of agricultural products, which farmers and agribusinesses can sell for more than they would at the farm gate or as raw products. Using tourism to strengthen the domestic agrifood sector on the basis of locally grown produce, local ingredients, traditional cuisine and the history and cultural diversity of the Pacific region is possible through targeted marketing and campaigns. Attractions and activities to further enhance the profitability of smallholder and family farming through tourism include supporting tourist friendly food and farmer's markets, ecotourism and agritourism, such as tours of farms.

Strengthening the linkages between agriculture and tourism in the Pacific should also take recognition of the degree of variation in the contribution of tourism to GDP in a number of countries. Tourism receipts as a percentage of GDP range from as low as 2% in Timor-Leste and between 6-10% in Tuvalu, Solomon Islands, Micronesia and Tonga, to as high as 36% for Vanuatu, 54 % for Palau and exceptionally high contribution of 60% in the Cook Islands. For PICs at the lower end of the scale, this means making the most out of every tourist and tourism dollar, and for those at the higher end of the scale, it also calls for improving diversification to strengthen other economic sectors through synergies with tourism.<sup>6</sup>

In addition to promoting local cuisine and ingredients, improving value chain connectivity and services, and lowering the barriers for access to local produce in the domestic market, a major synergy between

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<sup>4</sup> FAO. 2015. "Improving Domestic Market Linkages: Policies to Improve Agriculture Sector Competitiveness in the Pacific". Sub-Regional Office for the Pacific Islands. Pp 6-9

<sup>5</sup> [Mainstreaming Nutrition-Sensitive Agriculture](#). IFAD Action Plan 2016-2018. December 2015.

<sup>6</sup> Asian Development Bank. 2015. .

agriculture and tourism that can lead both to improved nutrition and to generation of greater income relates to quality. The tourism sector, whether it is mass or niche, depends on the availability of food that meets minimum standards, reliability in supply in terms both of time and volume, as well as affordability.<sup>7</sup> If agribusinesses are to service the tourism sector and certainly if the benefits of enhancing the synergies between the two are to be reaped, quality in domestic food production will certainly have to be addressed.

Agribusinesses can play an important role in supporting smallholder farmers to improve quality and to also encourage the tourism and food service industries to buy local. Demand is there, but many constraints have to be overcome with important roles to be played by both the private and public sector. Creating awareness, and educating farmers and chefs about the importance of local ingredients for enhancing profitability in their operations, improving competitiveness and realising sustainable economic development requires increased investment into training, learning facilities, knowledge sharing and also accessibility to the necessary data and information resources.

### **Promoting healthy and nutritious food: the role of marketing, standards and packaging**

Establishing stronger integration and connectivity between the islands can play a very important role for the islands to overcome some significant hurdles in terms of scale of production and sourcing of inputs, but also for cooperation in expanding the tourism portfolio and diversity of visitors that can be attracted.

There is considerable concern in the region regarding the effects of changing diets on health. There is a need to better understand the supply of food in the region, sources, and nutrient content, to better guide interventions to improve diets.

A critical feature of supplying agricultural goods to the tourism industry and export markets is the ability to satisfy and often exceed, very specific standards related to safety, packaging and labelling of consumer products – both food and non-food (e.g. cosmetics). Systems and controls have to be instituted throughout the value chain, and require investments to be made by all parties. These can be in the form of inputs – using the approved seeds, fertilisers, preserving agents, packaging materials, and such – as well as in the form of processes, such as storage, transportation, transformation. Examples of successful implementation of standards and certification in order to enter into, or expand, supplies for export and the tourism sector with quality agrifood products can provide important lessons for farmers, agribusinesses, chefs and hotel operators.

There are many quality processes and indicators that need to be developed and supported for the whole market. A critical aspect of this is ensuring mandatory minimum standards related to food safety (sanitary and phytosanitary standards) are in place for all the region, which also serves to protect the reputation of local Pacific cuisine and ingredients. For some agricultural products, especially those that are considered “exotic”, and which may in turn provide a greater appeal to certain tourist segments (e.g. kava), additional investment into research and collaboration would likely be needed to develop production standards.<sup>8</sup>

Development of good quality food safety and labelling legislation still needs more work in the Pacific Island region, with many countries still not requiring nutrient information panels on food labels.<sup>9</sup>

PICs could adopt regional strategies for better packaging and labelling of local products for domestic consumption, with a stronger emphasis on providing information on content, provenance, nutritional information and so on. Equally important is to invest in marketing of Pacific food and produce, and creating identifiable and common branding that can enhance the visibility of Pacific goods. Existing platforms or avenues which already have a wide audience in the region and beyond, such as sport (rugby, diving etc.), television and entertainment should be used to maximise brand recognition.

Besides market opportunities, organic agriculture could increase PICs food self-reliance and therefore, contribute to reducing the trend of dependency on food imports, as well as improving nutrition. Worldwide,

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<sup>7</sup> FAO. 2015. “Improving Domestic Market Linkages: Policies to Improve Agriculture Sector Competitiveness in the Pacific”. Sub-Regional Office for the Pacific Islands. Pp 11- 14

<sup>8</sup> 1<sup>st</sup> Pacific Agribusiness Forum. Nadi, 1-3 July 2015.

<sup>9</sup> [Processed foods available in the Pacific Islands](#). Wendy Snowdon, Astika Raj, Erica Reeve, Rachael LT Guerrero, Jioje Fesaitu, Katia Cateine and Charlene Guignet. 2013.

organic agriculture is growing speedily and the increasing consumer demand for organic commodities provides a viable opportunity for PICs farmers and processors to benefit from this growing market.

### **Easing access to finance and promoting favourable policy frameworks**

After the issue of standards and quality, a key challenge is the limited finance available for agribusiness entrepreneurs to develop businesses that carry out value addition and transformation due to the nature of risk involved. In part, this is exacerbated by a reluctance by established financial institutions to the agribusiness sector, poor data collection, accessibility and processing to fill information gaps and carry out the relevant research and analysis, and a lack of opportunities for improving financial literacy through education and skills development programmes in the agricultural sector. Beyond finance, infrastructure is also a major barrier to processing development, as poor roads, expensive transportation, a shortage of reliable and fast communication links (either physically or digitally) mean that the value chain operates under capacity.

The agribusiness fora aim at linking agribusinesses with financial institutions and development partners in order to expand and upscale the operations. In this context, public-private partnerships are identified and further developed.

Another critical area is the policy-setting which promotes cross-sectoral collaboration as shown by the agritourism policy-setting in Vanuatu. Government incentives and measures to promote local food in order to decrease the food import bill (i.e. taxes on imports of cheap food; further dialogue with the hospitality sector) are key and create a conducive environment for business to operate. Equally important is the support given to farmers' organisations to enable them to meet consumer and public demand in quantity and quality terms.

There is a need for a collaborative effort by the private sector actors (including farmers' networks, processors, artisans, service providers and investors) to work with the various ministries to put in place policies and strategies that bring together the tourism and agriculture industries.

### **Objectives of the Samoa Agribusiness Forum**

The Agribusiness Forum is part of an annual initiative that was launched at the UN SIDS Conference held in Samoa in September 2014 by CTA and the Pacific Private Sector Organisation (PIPISO). There are organised now as part of the strategic partnership between IFAD, CTA and PIPISO with a number of strategic partners.

The agribusiness forum in Samoa will take stock of lessons learned from successful agribusiness models in local, regional and tourism-related markets. It will consider the key drivers of change for the development, expansion and profitable exploitation of these links to support sustainable economic and nutritional goals objectives in the region. A review and debate of the necessary inputs for realising better organised, integrated and competitive value chains in the Pacific agriculture and agribusiness sectors will be considered – notably skills development, finance/investment, data and information services and favourable policies. The three-day meeting will involve analysis and discussion of selected successes value addition in the Pacific, focusing on marketing, branding, labelling for greater food and nutrition security, and strengthening market access in selected markets.

The specific objectives are:

- Review policy and marketing strategies that can help countries to realise and increase demand for higher quality and healthier foods and agricultural products
- Identify further opportunities for linking small-scale farmers to consumers in local, regional and tourism markets to increase sustainable local sourcing and healthy diets
- Generate ideas for a regional project on sustainable sourcing by the tourism industry from small-scale farmers and the local agribusiness sector, and
- Identify support, institutions and strategic alliances needed to strengthen relations between chain actors on selected markets in the Pacific

**Target group** Around 100 experts representing private sector, farmers' organizations, policy-makers, research networks, development practitioners, and international organizations.