
II. Agriculture Sector Overview

- 2.1** The RMI consists of 29 atolls, each made up of many islets, and 5 single islands. The total number of atolls and islets in the whole RMI is approximately 1,225; spreading across a sea area of over 1.9 million square kilometers. The total land area is about 181 square kilometers. The mean height of the land is about 2 meters above sea level. The dispersed nature of the islands means that shipping plays a very important part in the economy. Agricultural production is relatively small but important to the livelihood of people and the economy of the Marshall Islands. It comprises food crops, small livestock and one cash crop, copra. Agriculture and fishing development, particularly for the outer islands, was emphasized as a people's priority to address hardship and poverty (ADB 2003¹⁸). There is some underutilized land offering potential for increased output of agricultural food crops, but this is limited and soil growing conditions are generally poor.
- 2.2** Over the years imports have grown rapidly and increasingly outstripped exports. The economy runs a deep trade deficit, which is covered by inflows on income and transfer accounts, especially Compact grants and payments associated with US military base at Kwajalein atoll. The Majuro Consumer Price Index (CPI) witnessed an unprecedented dramatic increase of 12.45% over the second quarter and 12% over the third quarter of 2008, food and utility groups were largely responsible for the increase, reflecting soaring global prices for food and oil. A constant flow of people moving from rural outer islands to Majuro and Kwajalein has resulted in very densely populated urban settlements with large-scale youth unemployment and associated social problems. The influx and consumption of less nutritious imported food have induced prevalent health problems such as diabetes, hypertension, obesity, gout and there is a high incidence of malnutrition among children.

¹⁸ Priorities of the People: Hardship in the Marshall Islands (ADB 2003)

- 2.3** Since the 1850's the Marshall Islands have been involved in copra production and the atolls are widely planted with coconut trees, but copra currently accounts for only about 1% of GDP¹⁹. Nevertheless, the coconut is still considered the “tree of life” with high potential to produce multiple valuable products both for food security and income generation – rehabilitation and replanting of coconut plantations therefore has high priority. Coconut value chain development is identified as a special programme in the Ministry of Resources and Development Strategic Plan 2005-2010, with objectives to increase the value of coconuts through value-added products and to reduce dependence of outer islands on imported fuel and copra subsidies. However, restructuring the industry, including deregulation, to include more private sector competition, diversification of products and decentralization of processing into oil, all need to be included in the strategy to reinvigorate the sector.
- 2.4** Livestock production in the country is visible mainly in the outer islands, at subsistence level. Most households keep a few pigs and a number of local chickens. Opportunities for import substitution are stipulated well in the Ministry of R&D Strategic Plan. Of particular importance is meat production, since the demand for pork, chicken and eggs is now almost 100% met by imports. A decisive factor determining increased livestock production is the cost of animal feed since such feed has to be imported. Therefore, further experimentation with local feed materials and appropriate animal breeds is warranted.
- 2.5** The importance of marine resources to the Marshall Islands economy cannot be overestimated. It is the sector with the greatest potential for providing income earning opportunities to people in the outer islands and enhancing the sustainable development of the fisheries sector is therefore given high priority. Total catch in the EEZ (including long line, purse seine and pole and line) for 2006 was 21,933 metric tons down from 86,000 metric tons in 1998.²⁰ Currently license fees and transshipments represent the main economic activities. However, marine resources are vital also for food security and livelihoods and the RMI Government therefore puts strong emphasis on sustainable management. Developing resource management plans based on fish stock assessments and scientific evidence and establishment of marine conservation areas are important activities being undertaken. There is a prodigious amount of subsistence fishing including sports fishing, but commercial fishing is limited to a few individual fishermen who sell their catch in the larger settlements. Marshall Islands Marine Resources Authority (MIMRA) has set up two markets; The Outer Island Fish Market Center and Kwajalein Atoll Fish Market Center which are the destination for distribution for the fish coming in from various atolls. Fish purchased from the outer island fishermen are sold in the urban centers of Majuro and Ebeye. Efforts to develop responsible income-generating fisheries activities in the outer islands in association with island councils and local governments pose a demanding challenge. It calls for a culturally sensitive approach that can embrace traditional resource management practices while also introducing new ideas and methods. Communities have to be trained in proper product handling, quality control processing and storage, as well as gain the basic business skills needed to not only ensure income-generating activities are environmentally but also financially sustainable.
- 2.6** The College of Marshall Islands (CMI) includes research facilities for aquaculture which is seen as an important area for further development to enhance employment and income opportunities. Aquaculture Black Pearl farms are presumed to hold great promise. Aquarium products, particularly giant clams are also a potential area for development. Mariculture farms for giant clams already operate, but require improved technical capacity. Export oriented aquaculture will continue to face stiff competition from countries with low production costs and efficient transportation links to major markets. There is already a body of knowledge

¹⁹ Asian Development Outlook 2006 (ADB)

²⁰ MI Economic Policy-Planning and Statistics Office - [EPPSO website](#)

available in the country on mariculture production and commercial aspects of such operations. The major task for MIMRA is developing models that can translate this knowledge, including ongoing research and experimentation, to the community level. A clear strategic programme for development which is well coordinated and has strong private sector involvement needs to be implemented. Innovative financing solutions for budding entrepreneurs need to be considered; including credit guarantee schemes coupled to business and technical skills training.

2.7 The government of RMI recognizes both external and internal challenges for environmental sustainability. Mitigating the threats of Climate Change and Sea level Rise is of paramount importance for continued survival and it is therefore vital to have in place contingency/adaptation plans. Community-based management of natural resources and maintenance of the environment is critical for sustainable growth in the agriculture, marine resources and tourism sectors. Increasingly, environmental policy is being mainstreamed into national and regional agreements and frameworks such as the Micronesian Challenge, a sub-regional programme aimed at effectively conserving at least 30 percent of near-shore marine and 20 percent of forest resources across Micronesia by 2020.

III. Key issues shaping priorities for FAO assistance

- High and volatile food and oil prices and a deep trade balance deficit.
- Limited capacity for food crop production.
- Limited water supply for competing demands between domestic and agricultural uses.
- Rapidly increasing levels of food and nutrition related non communicable diseases, which impact negatively on health system, families and national economy.
- Limited livelihood options particularly for outer islands.
- High level of youth unemployment particularly in urban areas.
- Lack of food quality and safety standards and capacity to implement regulations.
- Weak agricultural extension capacity and human resources for sector development.
- Need to sustainably develop coconut value added industries.
- Need to sustainably develop and diversify fisheries and aquaculture commodities for domestic and international markets.
- Vulnerability to adverse impacts of Climate Change and Sea level Rise

IV. Country programme framework

4.1 The RMI economy has registered many years of low or negative growth and per capita income is now 20 percent below what it was at independence in 1986. The government recognises that future growth depends on a thriving private sector and on promoting private sector friendly policies within a sustainable development framework. Past policies, in which the State plays a prominent role and dominates the economy, have hampered economic development. Large inflows of aid appear to have had, at best, a marginal impact and poverty remains commonplace. The development partner aid flows to RMI in financial terms are estimated to be about 69 per cent of current national budget revenues. In the budget for the 2008 financial year, the USA is contributing approximately US\$ 70 million and Taiwan US\$ 10 million.

4.2 In 2001 the Government charted the Vision 2018 as the Strategic Development Plan which incorporates the broad Vision of the Nation as to where the people would like to be in the year 2018 in terms of sustainable development. To attain food security for all people at all times and to substitute imports to the best extent possible and develop exports are priority objectives to achieve the goal of *Enhanced socio-economic self-reliance* (goal 2). The Strategic Plan of the Ministry of Resources and Development maps out an explicit food security framework subdivided into programmes and project areas. Strategies under

agricultural development advocate the increase in the output of local food and agricultural exports. Encouraging demand for local food through the establishment of Farmer's Markets in urban centers is seen as a necessary incentive to motivate communities to produce more. Encouraging small-scale agri-business for processing and value adding of local products is also highlighted.

4.3 The US provides an estimated 82% of ODA through the amended Compact of Free Association disbursements and various Federal Grants. Compact assistance targets six sectors: education, health care, private sector development, environment, public sector capacity building and public infrastructure. Japan also provides significant assistance focused on infrastructure including water, sanitation and waste management projects. Taiwan (ROC) maintains a technical mission working to support self-sufficiency in agriculture and livestock rearing. A horticulture project is assisting fruit and vegetable development and farmer training. The EU support focuses on renewable energy. FFA and SPC are supporting fisheries legislation review and WHO is supporting a review for food safety legislation. UNDP is supporting a sustainable livelihoods project implemented by the NGO WUTMI²¹ focused on manufacture and marketing of local crafts. The College of Marshall Islands Land Grant Program provides training and outreach support in the areas of agriculture, aquaculture, food and nutrition, water quality and youth. SPC DSAP project has supported rural appraisals and nurseries for home gardening. USDA Forest Service provides TA and support to the Ministry of R&D for forest conservation, training on pest and forest health surveys, and for nurseries and reforestation activities.

Overview of FAO on-going and recent assistance

4.4 Data is essential for policy formulation and planning and FAO technical assistance has helped in this area by strengthening food and agricultural statistics and supporting improvement of statistics on coastal fisheries and aquaculture. A case study has also been undertaken to assess potential impacts of climate change and develop strategic recommendations. Further TA has been provided to strengthen capacity in risk assessment in aquaculture. The RPFS and TCP project support has focused on improved agricultural production through pig and poultry development, home gardening and introduction of banana cultivars resistant to Black Sigatoka disease. Six Telefood projects have provided further support in this area.

V. Proposed Programme Framework

5.1 Based on the situation analysis and existing medium-term priorities of the Government and the UN System, and taking into account past and on-going FAO and partner's programmes, the following four priority outcomes will be pursued in the next four years:

- 1) Increased production, productivity and resilience of crop and livestock systems.
- 2) A strengthened and diversified copra industry.
- 3) Improved income and employment opportunities through sustainable development of aquaculture and inshore fisheries.
- 4) Strengthened institutional and human resource capacity for food safety and standards.

Increased production, productivity and resilience of crop and livestock systems.

5.2 The atoll environment is one of the most challenging for crop and livestock production. Poor soils, scarcity of the water resource, and vulnerability to environmental degradation and impacts of climate change limit options to increase production. Nevertheless, rapidly increasing population density in urban areas, soaring international fuel and oil prices and deteriorating diets, make it imperative that the level of self-sufficiency in food production is improved. Furthermore, opportunities exist to improve livelihoods (particularly on outer islands) through improved agriculture and fisheries productivity. Through the FSSLP and

²¹ Women United Together Marshall Islands

TCP resources support will be provided to strengthen traditional food production systems and services to the sector. Particular attention will be accorded to Marshall Island's vulnerability to the impacts of climate change and sea level rise.

A strengthened and diversified copra industry.

5.3 A thriving coconut industry remains vital for rural livelihoods and the economy. The sector needs to be restructured and revitalized with a stronger focus on whole nut processing and value added products. Extensive replanting is now required. The FSSLP will provide assistance for an integrated coconut development programme.

Improved income and employment opportunities through sustainable development of aquaculture and inshore fisheries.

5.4 Sustainable development of the marine resource offers the greatest potential for economic growth, sustainable livelihoods and food security in Marshall Islands. It is necessary to expand fisheries projects on marketable marine resources whilst also ensuring conservation of stocks of vulnerable species. Potential exists for mariculture development, but it is necessary now to effectively manage the transition from government research to commercial production. Resources from the FSSLP and TCP will be available to support sustainable development of aquaculture, inshore fisheries and value added products. Attention will also focus on finalisation of aquaculture management plans, and individual species management plans based on assessments of biology, economic feasibility and environmental/social aspects; and support for development of sustainable fisheries management plans (which include responsible income-generating opportunities) at atoll level.

Strengthened institutional and human resource capacity for food safety and standards.

5.5 Marshall Island's do not have any established food standards. They are not a member of Codex Alimentarius. Capacity building support in the area of food safety and standards will enhance opportunities for processed and value added products. Areas of assistance might include: National and regional training opportunities; support for development of standards, legislation, and regulations.

Priority NMPTF Outcomes and their Relationship to the to the Government and UN Medium-term Priorities

| National Medium-Term Development Agenda SDPF 2007-2018 | | UNDAF Results Areas: 1. Equitable economic growth and poverty reduction, 2. & 4. Sustainable environmental management | | |
|---|--|---|--|---|
| Strategic Goals | Key Issues/constraints | NMPTF Outcomes | NMPTF Outputs | Potential areas for FAO assistance |
| <p>Enhanced socio-economic self reliance (Goal 2)</p> <p><i>Food Security for all people at all times and to substitute imports to the best extent possible and develop exports</i></p> | <ul style="list-style-type: none"> <input type="checkbox"/> High and volatile food and oil prices and a deep trade balance deficit. <input type="checkbox"/> Limited capacity for food crop production. <input type="checkbox"/> Limited water supply for competing demands between domestic and agricultural uses. <input type="checkbox"/> Weak agricultural extension capacity and human resources for sector development. <input type="checkbox"/> Limited livelihood options particularly for outer islands. <input type="checkbox"/> High level of youth unemployment particularly in urban areas. <input type="checkbox"/> Need to sustainably develop coconut value added industries. <input type="checkbox"/> Need to sustainably develop and diversify fisheries and aquaculture commodities for domestic and international markets. | <p><i>Increased production, productivity and resilience of crop and livestock systems</i></p> <p><i>A strengthened and diversified copra industry</i></p> <p><i>Improved income and employment opportunities through sustainable development of aquaculture and inshore fisheries</i></p> | <ul style="list-style-type: none"> <input type="checkbox"/> Farmers self-help groups established, functioning nurseries in place and training provided <input type="checkbox"/> Increased planting of local food crops <input type="checkbox"/> Improved livestock breed stock available and evaluation of rural butcheries <input type="checkbox"/> Capacity building and trainings conducted <input type="checkbox"/> Market Infrastructure in place <input type="checkbox"/> Increased areas of new plantings, appropriate training on processing and equipment for processing <input type="checkbox"/> Fish processing equipment/facilities and training provided <input type="checkbox"/> Community management plans and legislation/regulations developed <input type="checkbox"/> Feasibility studies and management plans developed | <p>Expanded integrated home gardening (FSSLP)</p> <p>Reviving local food crops (FSSLP) TA on water conservation and irrigation practices (TCP) Livestock development (FSSLP)</p> <p>Capacity Building TA (FSSLP)</p> <p>Market infrastructure (FSSLP)</p> <p>Integrated coconut development (FSSLP)</p> <p>Fisheries development (FSSLP)</p> <p>Aquaculture development (FSSLP)</p> |

| National Medium-Term Development Agenda SDPF 2007-2018 | | UNDAF Results Areas: 1. Equitable economic growth and poverty reduction, 2. & 4. Sustainable environmental management | | |
|---|---|---|--|---|
| Strategic Goals | Key Issues/constraints | NMTPF Outcomes | NMTPF Outputs | Potential areas for FAO assistance |
| <p>Environmental Sustainability (Goal 10)</p> <p><i>Strengthen the relevant institutions to obtain optimum support in minimizing adverse impact of climate change</i></p> | <ul style="list-style-type: none"> <input type="checkbox"/> Rapidly increasing levels of food and nutrition related non communicable diseases <input type="checkbox"/> Lack of food quality and safety standards and capacity to implement regulations. <input type="checkbox"/> Vulnerability to adverse impacts of Climate Change and Sea level Rise | <p><i>Strengthened institutional and human resource capacity for food safety and standards</i></p> | <ul style="list-style-type: none"> <input type="checkbox"/> Training provided, standards, legislation, regulations reviewed and drafted | <p>Food safety/standards capacity building in HACCP and Codex. Support for review and formulation of Legislation/regulations (TCPF & FSSLP)</p> <p>Support for CC mitigation/adaptation under FSSLP (horizontal component)</p> |

The FAO activities have been determined through dialogue with the government and other sector stakeholders, and in accordance with the priorities set out in the Vision 2018 Strategic Development Plan.

