



Vanuatu Hand in Hand Initiative  
Ministerial presentation – FAO Investment Forum October 2023




# CONTENTS

## Objective:

- Seeking investment to transform Root Crops and Cacao Value Chains in Vanuatu

- 1 Overview
- 2 Enabling environment
- 3 Investment plan and opportunity



SECTION 1:  
Overview



# Vanuatu: overview

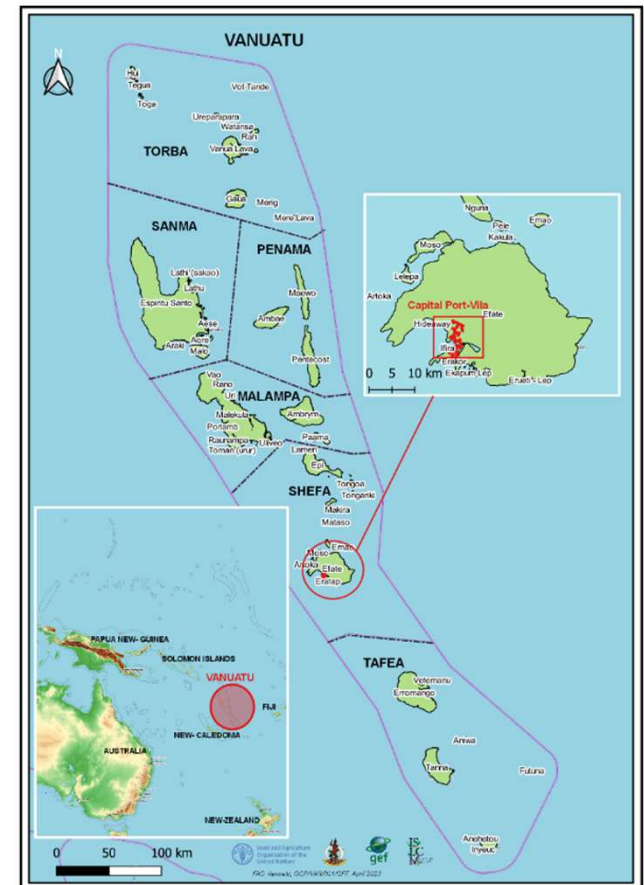


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- **Country area:** 12,189 sq. km
- **Population:** 300 019
- **GDP:** 983.5 Million USD (WB 2022)
- **Poverty rate:** 15.9%
- **Cropland** approx. 40% of land area
- **Soil type:** Highly productive uplifted calcareous/volcanic ash soils.
- **Natural Disasters:** Cyclones, Earthquakes, Tsunami
- **Climate:** tropical monsoon; few extremes of temperature
- **Three farming systems:**
  - smallholder subsistence agriculture ,
  - smallholder semi-commercial (cash crops, livestock)
  - commercial (plantations, livestock)
- **Agriculture, forestry and fisheries** together make up to 23% of GDP
- **Land access:** 85% of population has access to free customary land
- **Sectorial employment:** 37.7% of working population in farming sector; 8.9% in industry.





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# Vanuatu Poverty Statistics



Poverty rate 15.9% (2019)

Poverty headcount 47,700 people

## Top poverty areas

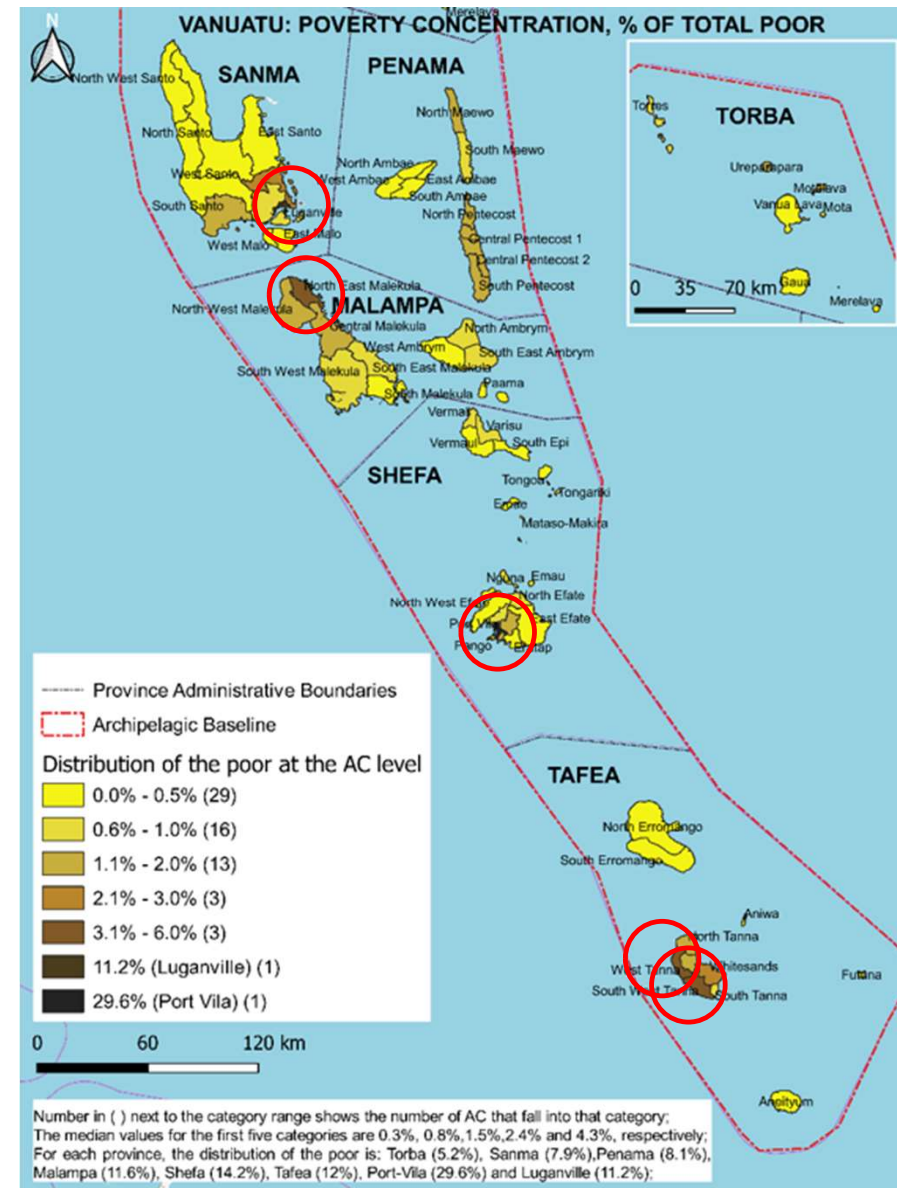
Port Vila 9,055 people

Luganville 2,553 people

West Tanna 1,336 people

NE Malekula 1,114 people

South West Tanna 1,001 people

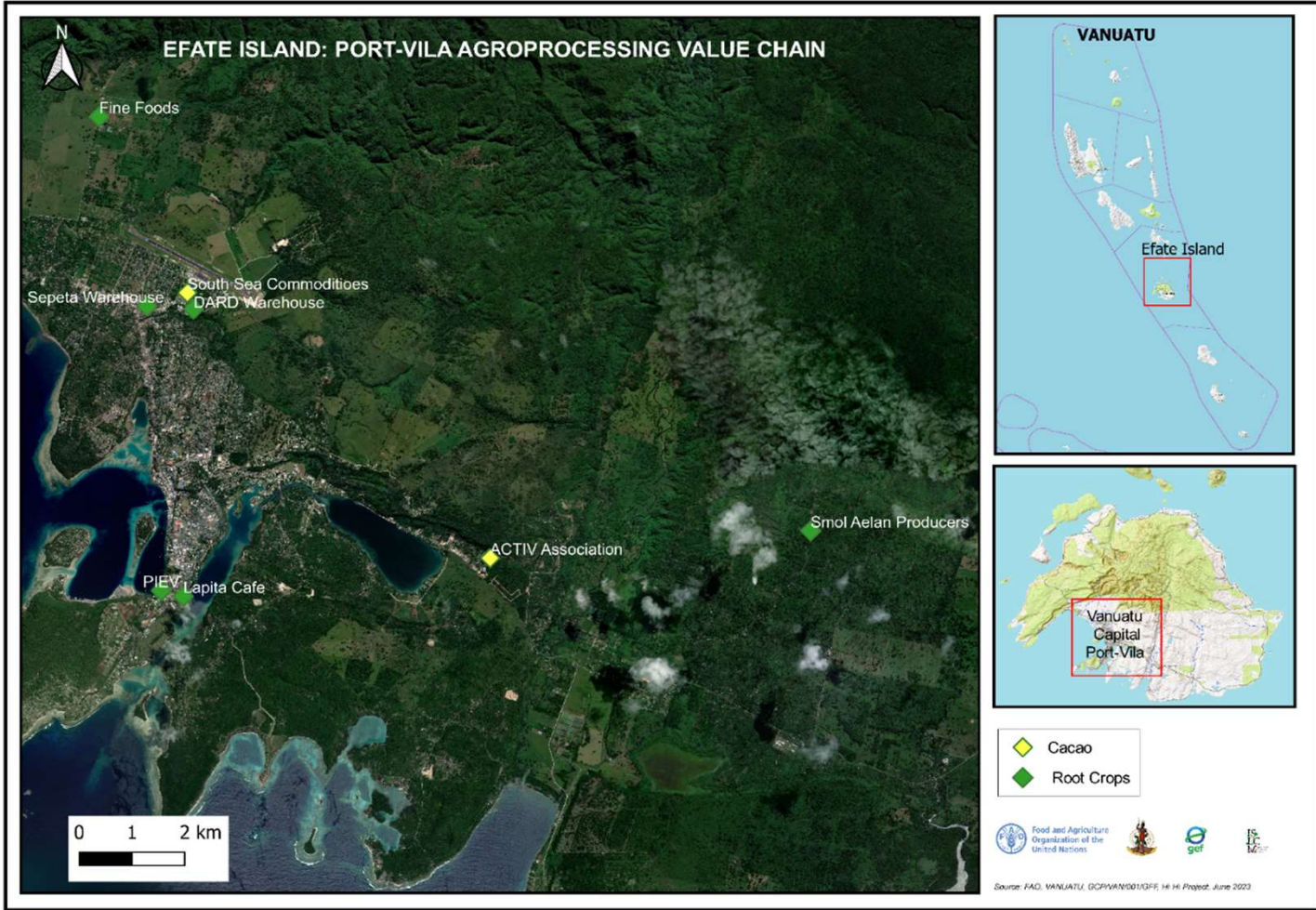


# Overview of Production and Agro-Processing Facilities



- Cacao Value Chain**
  - ACTIV Association Factory
  - Gaston Chocolat Factory/Cafe
  - Gaston Chocolat Warehouse
- Manioc and Taro Value Chain**
  - Sepeta Warehouse
  - DARD Warehouse
  - Smol Aelan Suppliers
  - PIEV export hub
  - Fine Foods

Production widespread across islands  
 Poor post harvest management and market access  
 Lack of capital investment and access to improved techniques





# Ease of Doing Business



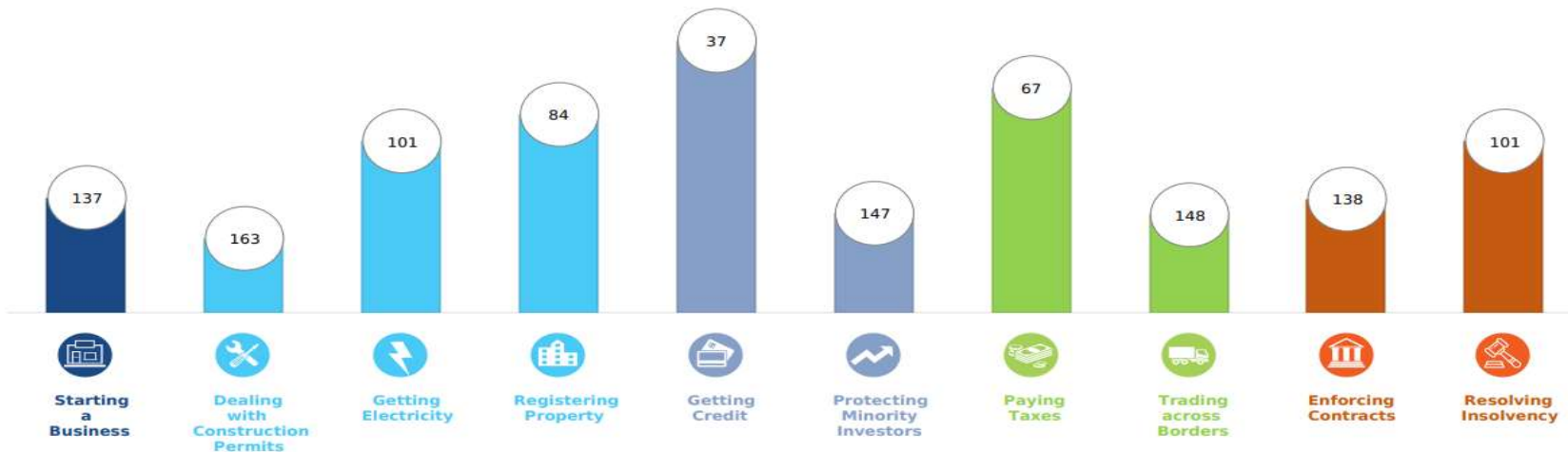
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Doing Business 2020		Vanuatu	
Ease of Doing Business in <b>Vanuatu</b> 	<b>Region</b>	East Asia & Pacific	<b>DB RANK</b>
	<b>Income Category</b>	Lower middle income	107
	<b>Population</b>	292,680	<b>DB SCORE</b>
	<b>City Covered</b>	Port Vila	61.1

## Rankings on Doing Business topics - Vanuatu



## SECTION 2: ENABLING ENVIRONMENT

- Policy and governance factors
- Economic factors



# Vanuatu investment climate



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- **Taxation:** 0% income tax, 0% Corporate Tax and strong political commitment to **no direct taxation**.
- Low import duties and **free trade agreements** in place with major trading partners in Pacific Region.



- Business minded society with freedom to **capital and business opportunities**.
- Low Gov't involvement in private sector, and clear and stable residency pathways for **foreign investors**.



- **Experienced labor force:** Young and growing labor force and availability of low-skill, low-cost labor as well as seasonal workers with **overseas experience** in agribusiness value chains.



- **Govt Annual Contribution:**
- USD 4.3 Million allocation to increase production of commodity crops
- USD 10.5 Million to improve food security
- USD 1.4 Million for community capacity building – focus on youth



- **NONIWOW:** Established in 2018. First commercial noni juice producer focusing on China export market for high-end, natural and Organic product with a strong focus on Vanuatu country brand.
- **Gaston Chocolat:** Established 2017 as Vanuatu's second commercial chocolate producers focusing on high-end, single origin chocolate products.



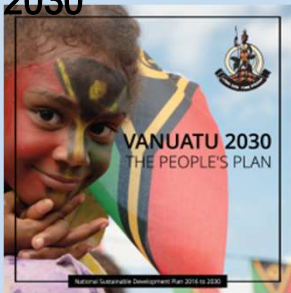
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# Enabling Environment Development Planning Framework and Sectoral Strategy

## National Sustainable Development Plan 2016- 2030



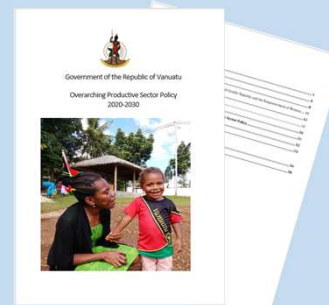
NSDP is the overarching policy document outlining Vanuatu **long-term development objectives** and contextualizing Sustainable Development Goals (SDGs). Lead: Prime Ministers' Office (PMO)

## Trade Policy Framework 2019-2025

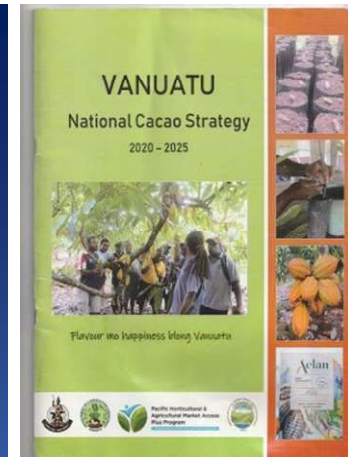


TPF establishes a coherent policy framework to guide strategic actions and investments to promote **trade, tourism and investment** in Vanuatu's economy. Lead: Ministry of Trade (MTTCNB)

## Overarching Productive Sector Strategy 2020-2030



OPSP establishes a decisive strategy to guide strategic actions and investments in the Productive Sector for **domestic and export** market opportunities. Lead: Ministry of Agriculture (MAFFLB)



## Vanuatu National Root Crop Strategy 2022-2027



# Enabling Environment Infrastructure Development



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- **Shipping:** Major deep-sea ports recently completed with large capacity and inter-islands shipping facility.
- **Energy:** New hydropower plants established to supply market-driven electricity; most reliable grid in Pacific
- **Roads:** Phased road constructions underway in main islands with major agricultural Potential, connecting agricultural land to international wharf.





## SECTION 3: INVESTMENT PLAN & OPPORTUNITIES

- Manioc Value Chain
- Taro Value Chain
- Cacao Value Chain

# Manioc value chain



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## Current industry

- Local consumption of root crops is an important dietary component, but competing with rice, flour noodles
- Root crops mainly consumed in fresh, few shelf stable products are available.
- Most of the value chain is in informal sector, with little available data.
- Limited access to credit and financing for farmers and processors, post-harvest losses, lack of modern processing facilities, and difficulties in meeting international quality and safety standards.

## Existing root crop value addition

- Export of peeled and frozen root crops to New Zealand started through Export Support Program in 2021
- Growing production capacity of manioc flour mainly in Port Vila for confectionary products
- Growing market for commercial root crops supply to schools.
- Government supports through policies, initiatives, and funding to improve productivity, processing, and market access.

## Markets & Opportunities

- **Domestic:**
- Local consumption
- **Target wheat import substitution of 10% (873t/year).** (8,731t/year of wheat flour import)
- **Bulk purchase guaranty - Annual domestic bakery consumption:** 624 Tons per year (@2ton,per bakery per week for total 6 bakery)
- **Foreign Export:**
- Manioc flour being exported by local manufacturers to overseas markets; target export of 10 containers per year (200tn).
- Vanuatu's farmgate prices are around 25% lower than in Fiji (SPC, 2021).

Import substitution

Initial stages of value addition

Large scale value addition and  
Export

Raw Materials

High-value added

# Manioc Sector Investment



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## Investments

## Impacts, Risks and Mitigation

Investment Pillars	Investment (USD)	NPV	IRR
<b>Enhanced Production.</b> Support to farmers with small rotovator machinery, fencing, storage, and intercropping seeds	2.4m	2.8m	22%
<b>Post-Harvest.</b> Commercial drying milling and packaging facilities for manioc flour and animal feed production	7.7m	12.2m	31%
<b>Training.</b> In-depth technical training-of-trainers for lead farmers and GoV extension officers; training of farmers to develop advanced farm management systems			0.3m
<b>Market Access:</b> Entrepreneurship and incubation centre for agribusiness; voluntary organic certification; registration of manioc products under Vanuatu Made program			2.5m

- **16,171 households** that will receive support and training on Manioc cultivation.
- **282 hectares** of manioc production strengthened and supported with intercropping techniques.
- **18 Area Councils** with highest Manioc production potential supported
- **US \$55** annualized increase in household income from project NPV.
- **Risk-1:** Lack of scale in domestic demand.
- **Mitigation-1:** Work with stakeholders to match large scale demand (schools, hospitals, processing) with supply
- **Risk-2:** Climate impact of El Nino/La Nina on manioc harvest
- **Mitigation-2:** Diversify types and varieties of manioc, provide training on climate resilience agriculture
- **Risk-3:** Perishability of manioc limits inter-island shipping.
- **Mitigation-3:** work with shipping industry for 'manioc corridors' to demand centers

**TOTAL REQUIRED INVESTMENT: \$12.9m USD**





# Taro value chain



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## Current industry

- Local consumption of root crops is an important dietary component, but competing with rice, flour noodles.
- Root crops mainly consumed fresh, Few shelf stable products are available.
- Resilient crop with aprox. 14 Tons per ha production
- Most of the value chain is in informal sector, with little available data.
- Pest Infestation, limited access to credit and financing for farmers and processors, post-harvest losses, lack of modern processing facilities, and difficulties in meeting international quality and safety standards.

## Existing root crop value addition

- Export of peeled and frozen root crops to New Zealand started through Export Support Program in 2021
- Growing demand from school canteens for commercial root crops.
- High Demand from urban middle-class for peeled and packaged Taro.

## Markets & Opportunities

- **Domestic:**
- Taro is main traditional root crop for all Ni-Vanuatu.
- Growing demand in urban market locations.
- Gov. policy to replace rice/flour food in schools & hospitals is underway.
- **Foreign Export:**
- Export of frozen peeled taro to New Zealand 10,000t/y market start in 2021.
- US and AUS market potential. Biosecurity export pathways in place.
- Vanuatu's farmgate prices for taro are approximately 30% lower than Fiji and 45% below New Zealand (SPC, 2019)

Import substitution

Initial stages of value addition

Large scale value addition and Export

Raw Materials

High-value added

# Taro Sector Investment



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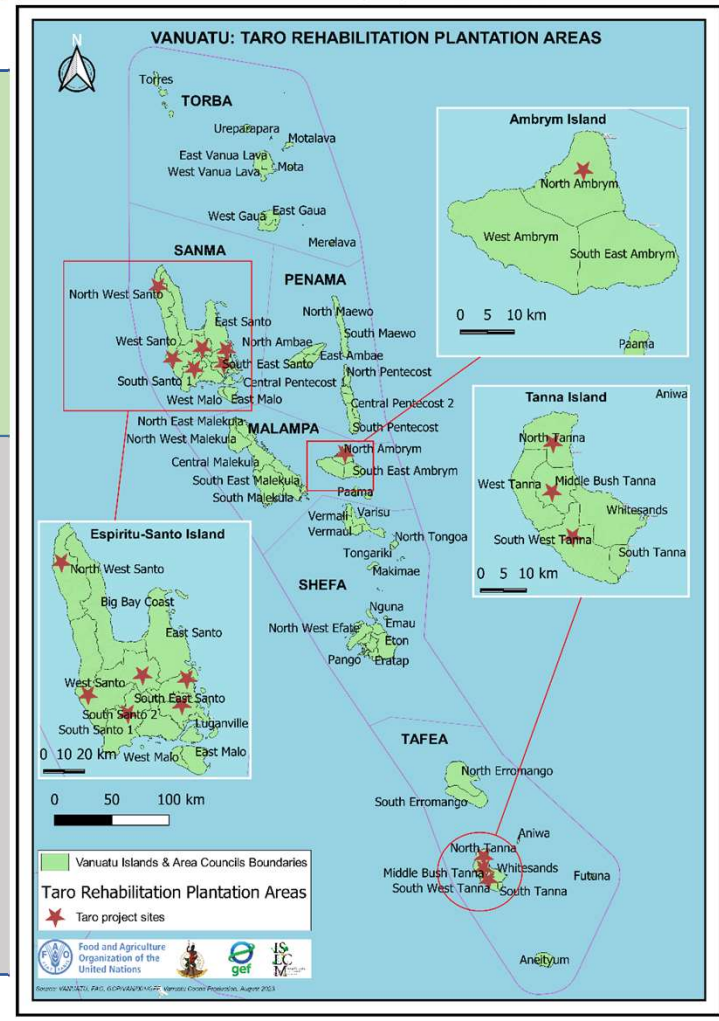
## Investments

## Impacts, Risks and Mitigation

Investment Pillars	Investment (USD)	NPV	IRR
<b>Increase Production.</b> Provide climate smart Taro varieties; support FLR practices; establish gabions for water management and provide storage facilities.	7.9m	9.7m	28%
<b>Post-Harvest.</b> community pack houses built to standard including solar power access for processing and logistics.	2.8m	2.9m	23%
<b>Training.</b> In-depth technical training-of-trainers for lead farmers and GoV extension officers; training of farmers to develop advanced farm management systems			0.6 m
<b>Market Access:</b> Entrepreneurship and incubation centre for agribusiness; voluntary organic certification; registration of taro products under Vanuatu Made program; National Geographic Indication system for Taro			2.0 m

- 8,113 households that will receive support and training on Taro cultivation.
- 1,314 hectares of taro production strengthened and supported with Forest Landscape Restoration techniques.
- 10 Area Councils with highest Taro production potential supported
- US \$129 annualized increase in household income from project NPV.
- **Risk-1:** Lack of scale in domestic demand.
- **Mitigation-1:** Work with stakeholders to match large scale demand (schools, hospitals, processing) with supply
- **Risk-2:** Vanuatu taro in export market is indistinguishable from others; cannot leverage Vanuatu brand
- **Mitigation-2:** Create and promote Vanuatu Organic taro export band.
- **Risk-3:** Presence of some Taro bitel (*Papuana sp*) pest threat
- **Mitigation-3:** increase farmer training and resource on pest management.

**TOTAL REQUIRED INVESTMENT: \$13.3m USD**



# Cacao value chain



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## Current industry

- The main cocoa varieties in Vanuatu is 'forastero', planted since 19<sup>th</sup> century
- Fermenting and drying done on farm level creating employment for women and youth
- 25% of rural households are involved in cocoa production.
- Most cacao exported in bulk to Asian grinding markets

## Existing cacao value addition

- Small cultivation of 'trinitario' and 'criollo' varieties (full body no acidity)
- Genetic research ongoing at Vanuatu Agricultural Research Center (VARTC)
- Big opportunity to rejuvenate plantations with fine-flavour cacao varieties
- Favourable agro-climatic condition

## Markets & Opportunities

- **Domestic:** Growing demand from tourism & non-resident population sector for locally made high-value chocolate (yearly consumption 400 tons)
- **Foreign Export:** Strong scope for growing Vanuatu cacao export especially in the flavor segments; In 2021, Vanuatu exported 1,200t compared to Solomon Islands 3,500tn and PNG 36,600t – scope for growth
- Commitment form New Zealand and Australia Markets
- Major bulk export goes to Malaysia
- Pacific islands advantage to supply cacao beans to fast growing South Asia market which is expected to reach 37 billion USD by 2027\*
- Vanuatu's 2019 farmgate cocoa price was 15-20% below prices in PNG, Solomon Islands and Samoa.\*\*

Increased Production

Value-added cacao varieties

High-value cocoa products

Raw Materials

High-value added

\*Coherent Market Insights.

\*\* International Trade Centre's Trade Map data, 2019



# Cacao Sector Investment



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## Investments

## Impacts, Risks & Mitigation

Investment Pillars	Investment (USD)	NPV	IRR
<b>Enhance Production.</b> Provide tools, climate smart seedlings and support for cocoa plantation enhancement and rehabilitation	1.7m	1.6m	24%
<b>Post-Harvest.</b> Support establishment of central fermenteries with improved quality control and processing	3.4m	5.8m	33%
<b>Training.</b> In-depth technical training-of-trainers for lead farmers and GoV extension officers; demonstration plots to teach advanced grafting and improved varieties; video materials and social media campaign to attract youth into cocoa growing sector.	1.7m		
<b>Market Access:</b> Entrepreneurship and incubation centre for agribusiness; voluntary organic certification; enhance access to finance; develop National Geographic Indication system for Vanuatu Cocoa	1.3m		

- 5,200 households that will receive support and training on Taro cultivation.
- 1,758 hectares of cacao cacao plantations supported with rehabilitation and enhancement
- 18 Area Councils with highest cacao production potential supported
- US \$55 annualized increase in household income from project NPV.
- **Risk-1:** Price volatility of cacao in international markets.
- **Mitigation-1:** Diversification along the cacao quality range, support local cacao demand
- **Risk-2:** Loss of VARTC cacao gene pool to cyclone or other climate event.
- **Mitigation-2:** Duplicate VARTC cacao genetic collection in Malekula (2 sites).
- **Risk-3:** Markets access and inter-island logistics
- **Mitigation-3:** address infrastructure bottlenecks



**TOTAL REQUIRED INVESTMENT: 8.1m USD**

# Vanuatu Investment Summary



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## Summary

**US\$270 Mn**

Govt. Budget for 10  
Years

**US\$ 34.3m**

Total Investment  
Required

**26 to 31%**

Overall - Average IRR

**27,685**

Direct Beneficiaries

**US\$ 55 to 129**

Annual Income Increase  
per Household

**71,140.5 tCO2-eq**

Emission Reduction  
Potential in 15 years

## KEY INVESTMENTS

### Intervention Manioc Sector

1

Cost - US\$ 10.1m  
IRR - 29%  
NPV - US\$ 12.6m

#### Additional investment in:

Training - 0.3m  
Market Access - 2.5m

**TOTAL - 12.9m**

#### Sustainability Benefits

Beneficiaries: approx. 16,171  
direct beneficiaries and 76,003  
indirect beneficiaries  
Annual increase in HH income  
from project NPV: 55\$  
Emission reduction per ha: -1.9  
tCO2-eq/ha over 15 years

### Intervention Taro Sector

2

Investment - US\$ 10.7m  
IRR - 26%  
NPV - US\$ 10.7m

#### Additional investment in:

Training - 0.6m  
Market Access - 2.0m

**TOTAL - 13.3m**

#### Sustainability Benefits

Beneficiaries: approx. 8,113  
direct beneficiaries and 38,132  
indirect beneficiaries  
Annual increase in HH income  
from project NPV: 129\$  
Emission reduction per ha: - 3.3  
tCO2-eq/ha over 15 years

### Intervention Cacao Sector

3

Cost - US\$ 5.1m  
IRR - 31%  
NPV - US\$ 5.7m

#### Additional investment in:

Training - 1.7m  
Market Access - 1.3m

**TOTAL - 8.1m**

#### Sustainability Benefits

Beneficiaries: approx. 5,200 direct  
beneficiaries and 24,440 indirect  
beneficiaries  
Annual increase in HH income  
from project NPV: 57\$  
Emission reduction per ha: -47.5  
tCO2-eq/ha over 15 years

