



## Fact Sheet: Vanuatu Cocoa Export Industry

### The Industry and its significance

Cocoa is one of Vanuatu's main exports, with more than 1,500 tons exported annually. It is an important cash crop: 25% of rural households in Vanuatu are involved in cocoa production. Most cocoa is produced by smallholder farmers based in the northern islands of Vanuatu and then exported by three licensed exporters. The annual export value is above VUV454 million (AUD5.5 million). Most of this cocoa is exported to the bulk grinding markets in Singapore and Malaysia, which deal in lower quality and lower prices. Cocoa export figures have been growing over the past years, however, impacts from Cyclone Pam (2015) will likely see a decline in export figures over the coming years. With rising global demand, particularly in Asia, it is expected that international prices will continue to increase over the long term. As consumer tastes change, there is also growing demand for high quality, single origin cocoa to make dark chocolate bars.

The vast majority of Vanuatu cocoa exports is in the form of dried beans. There is, however, a small chocolate factory owned by Alternative Communities Trade in Vanuatu (ACTIV), which is the only value-adding company producing chocolate in Vanuatu. Chocolate produced by ACTIV is sold domestically and within the tourist industry.

## PHAMA Pacific Horticultural & Agricultural Market Access Program

An Australian Government initiative



### Market Access Issues

The main market access issue for Vanuatu cocoa is quality. Bean characteristics of flavour, fat content and freedom from taints (such as smoke or mould) are important, and countries with a reputation for poor quality have limited market options. Unfortunately, this is the case for Vanuatu cocoa. Current quality control systems in Vanuatu are very weak, and contamination of beans with smoke from wood-fired driers is common. This limits the ability of Vanuatu exporters to improve terms with buyers or access new markets based on quality. Currently, as mentioned above, a very high percentage of Vanuatu cocoa is exported to the bulk grinding markets in Asia. These importers factor expected poor quality into their discounted pricing. In addition, the majority of Vanuatu beans are sold to a very limited number of middle-men, cocoa trading houses that provide no pricing incentives to improve quality. A lack of trade finance facilities in Vanuatu means that exporters are often reliant on these trading houses for pre-financing purchases of cocoa beans, which locks them into unfavourable commercial arrangements and results in export prices being discounted against world prices.

### PHAMA Action

- **Cocoa quality testing:** PHAMA has connected cocoa testing authorities in Vanuatu with those in Solomon Islands and Papua New Guinea in order to learn from



their experiences and build Vanuatu's capacity.

- **Market survey:** PHAMA has carried out a market survey to identify potential niche and boutique markets that could be interested in buying high quality cocoa from Vanuatu.
- **Improving quality:** PHAMA implemented a study on the existing drier facilities in Vanuatu, which identified limitations to current technologies. By exploring technologies used in the neighbouring countries of Solomon Islands and Papua New Guinea, and trialling similar technologies in Vanuatu, PHAMA plans to adapt appropriate technologies to Vanuatu's local context so as to improve quality outcomes.
- **Industry development:** PHAMA is also promoting collective action in the industry. It has helped establish a Cocoa Industry Working Group (IWG), which brings representatives of the private and public sectors together. They then collaborate on identifying priority market access issues and developing an industry-specific plan to guide future assistance by PHAMA, government and other donor programs. The Cocoa IWG has identified its key priorities as being further improvements in quality, quality testing, and traceability and certification systems.

## Progress

Through trials, PHAMA is introducing improved solar drier technologies that are adapted to the Vanuatu context and have the potential to improve cocoa quality. This will assist cocoa exporters and producers to receive premium prices by allowing them to tap into higher quality markets identified from the market survey. PHAMA will specifically target women farmers for involvement in the trials. It is hoped that sharing lessons between Vanuatu, Solomon Islands and Papua New Guinea will result in capacity development and increased marketing opportunities for all.



## Industry example

**Company:** Cocoa Growers Association (CGA)  
**Exporting:** Dried fermented cocoa beans  
**Markets:** Local: ACTIV mini-factory; International: Singapore, New Zealand and Australia (recently)  
**Export Earnings:** VUV40 million (AUD485,000)  
**Return to Value Chain of Smallholders, Processors:** VUV 20 million (AUD240,000)

CGA originated from the Vanuatu Organic Cocoa Growers Association (VOCGA), which was established to provide organic cocoa to the French organic chocolate manufacturer, KAOKO. VOCGA initially had more than 1,200 producers and 25 primary processing cooperatives. This number has dropped; CGA now has only 9 cooperatives, based primarily on the northern island of Malekula. CGA mainly exports to Singapore, New Zealand and Australia. CGA also sells some of its beans to ACTIV's mini-chocolate factory in Port Vila. CGA currently works with 360 (member) smallholders and processors and up to 400 (non-member) smallholders in the supply chain. Its focus is on maintaining its export status while exploring new opportunities to improve cocoa driers, fermentation systems and cocoa genetics.

## VIEWS ON PHAMA SUPPORT

*"Our current buyers are buying at prices that could be higher and we would like to improve the quality of our cocoa in order to tap into the higher end market while also enabling our product to undergo value adding, an opportunity CGA would be happy to be involved with in revolutionising the cocoa industry in Vanuatu."*  
**Basile Malilee, Director, CGA.**

## Future Actions

Once solar drier trials have been completed and the driers have been shown to be effective in producing high quality cocoa without smoke taint, the intention is to scale-up adoption of these driers across the country through a combination of donor and commercial bank financing. PHAMA will also work with the Cocoa IWG to facilitate overseas contracts with boutique cocoa buyers who are willing to pay premium prices.

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