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## AGRIBUSINESS & TRADE

# THE SOLOMONS' TROPICAL ADVANTAGE

A warm, tropical climate, good soils and reliable rainfall make the Solomon Islands an ideal place to produce a range of agricultural commodities, most notably palm oil, copra, tobacco and cocoa.

**W**ith the Islands' dependence on forestry about to come to an end, at the very least in the short-to-medium term (see page 21), heavy expectations are being placed on the country's agricultural sector to earn much-needed export revenue, and to provide employment.

### INCREASED PRODUCTION

Already employing about 75% of the Islands' workforce, the sector is certainly moving in the right direction, with overall agricultural production rising by 21% last year, according to Central Bank of the Solomon Islands estimates.

Palm oil is leading the way, with production now back at pre-tension levels. Palm oil production increased threefold in 2007, while palm kernel oil increased by a factor of four, both mainly due to the continued expansion of Guadalcanal Plains Palm Oil Limited (see interview opposite). There is every indication that production capacity will be boosted again in coming years, as worldwide demand for palm oil for soaps, confectionery, food and biofuel continues to increase.

### RECORD COCOA & COPRA EXPORTS

According to Pitakia M Pelomo, General Manager of the Commodities Export Marketing Authority, revenue earned from cocoa and copra exports rose by an impressive 45% in 2007. The Solomons exported 4000 tonnes of cocoa last year, with production rising by 12.7%, while copra performed even better: 19,000 tonnes was exported, on the back of a 31.2% increase in production.

### NEW PLANTATION OPPORTUNITIES

In order to expand production capacity further, the Solomon Islands Government has identified the need for further agricultural plantations in Makira Province on the island of San Cristobal, and has set aside a portion of its forward budget from 2009 to promote the overall expansion of the sector.

### BACK TO THE LAND

As with many areas of economic activity, access to land remains a major obstacle to the expansion of the Solomon Islands agribusiness sector. While Government-led land reforms are slowly emerging, companies like Guadalcanal Plains Palm Oil Limited have shown that customary-owned land can be unlocked for commercial uses provided there is enough incentive given to local landowners, and they are involved in projects from day one. With unemployment—especially youth unemployment—at acute levels, agriculture also has a powerful role to play in social cohesion. It is estimated that a quarter of all new jobs created this year in the Solomons will be in the agricultural sector.

### A BROADER BASE

Alongside the larger cash earners, there are several other opportunities worth exploring in the agricultural sector. The Solomons already has expertise in producing coconut oil, vanilla, chillies, cassava flour, honey and beef cattle (the Solomons' Melanesian neighbour Vanuatu has made significant progress already in this area). ■

## Linking Solomon Islands with the World



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## CASE STUDY: GUADALCANAL PLAINS PALM OIL LIMITED

**In 2004, following the tensions that brought economic activity to a near standstill in the islands, Papua New Guinea-based New Britain Palm Oil Limited struck a deal with local landowners and took over the disused oil palm plantation at Tetera, outside Honiara. Business Advantage first visited GPPOL in 2006, when rehabilitation was under way. Two years later, production is in full swing again, GPPOL is employing 2000 workers, and the islands have a brand new export business, as GPPOL's Project Manager Harry Brock explains.**

'We turned the place around from secondary bush back to plantation. Most of our rehabilitation was completed in 2006, so 2007 was our first full year of harvesting. We started harvesting between 2500 and 3000 hectares and by the end of the year we were harvesting 4000 hectares. Production picked up every month, with some areas yielding around 23 tonnes per hectare, which was very good considering that for seven years nothing had been done.

'2007 saw the completion of the first phase of replanting. Now we've started harvesting the first of these hectares – that's 20 months from replanting to harvesting, which is very good, given Malaysia's usually 26 to 30 months.

'In 2008 we hope to produce just over 20,000 tonnes of palm oil, and a further 2500 tonnes of palm kernel oil [typically used in soaps and confectionery]. We were sending kernels to Papua New Guinea for processing but now we're processing them here. We're also exporting the expel from the palm kernel as cattle feed to Australia. Most of our palm oil this year will go to Spain.

'This year we'll be planting another 1000 hectares and we want to plant another 1000 hectares a year. Our target is 15,000.

'With palm oil prices the way they are, it's a very sensible development for landowners to become joint venture partners. It's just a win-win situation for all. We expect to be here for the next 100 years, so you've got to give a fair deal to the landowners.

'We're trying to put the New Britain Palm Oil Limited mould around here and get it running exactly the same. It's not without its challenges but another couple of years getting it

bedded in and I think we won't be far away.

'By 2010 or 2011 we'll be looking at a second mill and we're looking to expand our outgrower concept [whereby GPPOL buys from local producers]. Give it another nine months and it'll start to snowball.

'Our biggest challenge here is that a lot of people use us for a secondary income. You've got fantastic agricultural land here and this is the market garden for Honiara. Good market gardeners can make a lot of money. Moving forward, I think local workers will prefer to be outgrowers where they can still be a market gardener and produce oil palm too and at that point we will need other workers to come in.

'I still think there's huge potential. We came in at the right time. The Solomons are on the climb. Three years ago it took an hour by road to get here from Honiara, there were no telephones, no infrastructure. Now you've looking at a good [Asian Development Bank-funded] road, you can get here in 30 minutes, there are good new bridges, you've got an ANZ ATM, rural banking, a mobile network, a phone network. Roads lead to everything.'



## THE CHALLENGES OF SERVICING REMOTE COMMUNITIES

Among all the foreign companies with a presence in the Solomon Islands, none are more part of the local landscape than British American Tobacco. Under its local subsidiary Solomon Islands Tobacco (SITCO), British American has maintained a manufacturing presence in the country since before independence. It persevered through the tensions and was one of the first to begin re-investing once things settled down. In 2004, just a year after the advent of RAMSI, SITCO was already upgrading its local manufacturing facility.

Its current priority is to tackle the formidable challenge that the Solomon Islands' scattered geography poses to the distribution of fast-moving consumer goods.

'I think sometimes there is a mindset that "it is all too difficult," but if we can discover a route to market for our product then others can piggy-back on that,' explains General Manager Ritesh Dass.

SITCO is already experiencing strong growth outside Honiara thanks to a newly formed arrangement with a shipping company that services the more remote parts of the country. 'Now we want to take this further. It might involve a series of distribution hubs, with smaller vessels taking over from there.'

SITCO also plays a major role in supporting the Honiara Beautification Committee, mandated by the Honiara City Council to spruce up the national capital, which became somewhat dishevelled during the years of unrest.