

# AGRIBUSINESS, FISHERIES & MANUFACTURING



AZURE PURE WATER, WHICH CURRENTLY SUPPLIES MANY LOCAL BUSINESSES WITH BOTTLED WATER, HAS PLANS TO EXPORT.

## VANUATU'S PRODUCTIVE SECTORS

Considering its small population, Vanuatu is endowed with a wide array of non-mineral resources and its productive sectors have significant untapped potential.

**W**orld-renowned beef, first-class coffee, prized sandalwood oil, expansive fishing grounds and a plethora of exotic natural vegetable and sea life... Considering the country's population is just 229,000, Vanuatu's natural assets would appear to stand its economy in excellent stead. It is therefore surprising to learn that the country imports three times more than it exports, creating a perpetual balance of trade deficit.

Vanuatu's merchandise exports raised about US\$40 million. Underpinning activity in the agricultural sector is the government-owned National Bank of Vanuatu (NBV). It is the only bank in Vanuatu with an extensive branch network and specialises in providing micro-finance and other specialised services to the outer islands (see finance section on Page 7). NBV's Managing Director Bob Hughes understands only too well the challenges faced by the sector: 'Let's say there is a market in Australia for a certain root crop.

*'The fact is that the nation's productive sectors remain largely undeveloped.'*

### UNTAPPED POTENTIAL

The fact is that the nation's productive sectors remain largely undeveloped. Though 60% of the population depends on agriculture, much of their activity remains subsistence based. The sector constitutes only about 20% of GDP, and large tracts of arable land remain unused. Onshore processing is also limited, with the majority of exports taking the form of commodities. In 2006,

### AN EMERGING FISHERIES INDUSTRY

**Despite its 668,000 sq km Exclusive Economic Zone, Vanuatu's fisheries resources have in the past been largely unexploited. There are signs this is starting to change however.**

At the end of March 2009 the locally-owned Tuna Fishing Vanuatu company made its inaugural export of two tonnes of filleted tuna to Japan.

Furthermore, a Chinese-backed fish cannery is being built at Mele, near Port Vila, with the intention of processing big eye and yellowfin tuna for export. At the time of writing, environmental concerns are casting a shadow over the project but if it does go ahead it would create 100 direct jobs, and require 40 'longliner' vessels to trawl the EEZ for its raw material.

The Vanuatu Investment Promotion Agency (VIPA) is also keen to promote the aquaculture sector. In 2005 this sector was effectively launched when the Teouma Prawn farm opened just outside Port Vila. While it originally intended to export its premium Pacific Blue prawns, most of its output actually supplies a hungry local restaurant market.



COPRA IS USED IN BIOFUEL PRODUCTION IN VANUATU.

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You still have the challenge of ensuring regular supply, especially as Vanuatu is a small producer. Then you have natural disasters like cyclones that can wipe out an entire crop, or a quarantine problem resulting in a whole shipment getting sent back.'

At the same time, when *Business Advantage* visited in late 2008 and early 2009 there was a real sense of momentum being generated in this sector, with market reforms and infrastructure improvements stimulating investment.

Coconut products (copra and coconut oil) are the most important cash economic activity in the rural sector. At present, about 69,000 hectares of land are under coconut plantation, producing 50,000 tonnes of copra a year. The country's copra farmers have also enjoyed a boon in the past five years thanks to the pioneering use of copra as a biofuel by local utility Unelco (see page 16).

## FIRST-CLASS BEEF EXPORTS

Vanuatu's most famous export must surely be its beef, which is revered around the Pacific Islands, and exported as far as Japan and Norway. The principal exporter is Vanuatu Abattoirs Limited, based in Port Vila and owned jointly by the Vanuatu Government and private investors. Its output includes organic beef certified by Agri Quality New Zealand. According to its website, it has also commenced an investment plan that will result in it 'gaining access the US and EU markets'. This upbeat tone is echoed by the Asian Development Bank's latest Private Sector Assessment of Vanuatu:

'The cattle industry, in particular, has been expanding rapidly, largely because of a growing smallholder system of raising cattle. Furthermore, substantial investments are being made to improve the quality of breeding stock.'

As Warren Bobin, of ANZ Vanuatu, points out, 'with a thriving cattle industry, there must surely be an opportunity to develop a complementary dairy sector.' Currently, you cannot find fresh milk in Vanuatu, or even in neighbouring New Caledonia.

## COFFEE

Another sector that requires significant investment to fulfil its outstanding potential is coffee. Tanna Coffee is grown in the rich tropical soils of the still-active Yasur Volcano, on the island of

Tanna. The unique climatic and fertile soil conditions provide an excellent environment for the production of a pure organic Arabica coffee.

Whilst the brand may be ubiquitous in Vanuatu, precious little of the excellent product is exported due to the fact that the sector is operating at only a fraction of its capacity. Other export commodities of note include kava powder, high-grade cocoa and vanilla.



## NEW INVESTMENT IN MANUFACTURING

The local brewery, Vanuatu Brewery Limited, was acquired by a New Caledonian investor in 2008, and a substantial capital investment program is now underway (see box). On a smaller scale, Azure Pure Water was acquired by a husband and wife team from Australia, mainly to supply high-quality mineral water to the local market. The company will soon introduce a range of flavoured waters and also has export aspirations.

## NICHE EXPORTERS

There are also a smattering of companies that supply niche export markets, such as Volcanic Earth ([www.volcanicearth.com](http://www.volcanicearth.com)), which produces organic skincare products, alternative medicine manufacturer Unicorn Pacific, and locally owned Tropical Rainforest Aromatics, which exports high-value sandalwood oil. ■

## CASE STUDY: NEW CALEDONIAN INVESTOR ADDS FIZZ TO BEVERAGES SECTOR

**After several years of strong economic growth, Vanuatu has started to attract the attention of investors in neighbouring Pacific nations. One of these investors, Froico, is based in New Caledonia, where its subsidiary is one of the biggest beverage manufacturers and distributors.**

In August 2008, Froico bought Vanuatu Brewing Limited (VBL) and its two sister companies, the Anchor Inn and Vanuatu Wines and Spirits. VBL is a brewery and beverage manufacturer that produces the Tusker range of beers and the Cascade range of soft drinks.

The purchase of VBL represents the largest of several recent investments from New Caledonia into Vanuatu. Lionel Ramana, the General Manager of VBL, explains that Vanuatu 'is now more attractive for investors because of its increased political stability and high economic growth rate.'

The investment from Noumea isn't limited to the purchase of VBL, with significant capital investment in its plant

also underway. More automation has been introduced to increase the consistency of the brewing process. Two additional 10,000 litre brewing tanks have already been installed to increase capacity with more to come. Once these new quality and capacity standards are met, VBL aims to begin exporting the Tusker range to Australia and New Zealand—hopefully by the end of 2009.

The investment and expansion look set to continue. 'The goal in five years is to have a new factory the size of the one we have in Noumea,' says Ramana.

