

Agriculture

Subsistence farming is the major activity in most of the Pacific. Due to the high availability of land suitable for agriculture, larger scale commercial agriculture opportunities are limited to Papua New Guinea and the Solomon Islands.

With the exception of palm oil, production of all cash crops in PNG and the Solomon Islands has declined over the past 30 years.¹ However high prices have led to a resurgence in recent years and there remains a considerable wealth of untapped potential. Besides palm oil the region has significant exports of coffee, coconut and cocoa. A tradition in low-intensity organic farming should present these countries with a strong future as producers of organic and fair trade crops.

Natural advantages are compelling; a tropical climate with excellent rainfall, fertile soils and a rich farming tradition should mean more commercial agricultural activity. Distance to market and underdeveloped infrastructure favour large agribusiness that can provide for itself. Whilst purchase from small holders provides an opportunity for organic and down stream processing companies. The region is developing strong Fair Trade and Organic credentials.

The Rise of Export Prices

COMMODITY	2001	2010
Logs (Malaysia)	\$159	\$278
Cocoa	\$1070	\$3130
Coffee	\$1371	\$4320
Tea	\$1600	\$2880
Cocoa Beans	\$202	\$750
Coconut Oil	\$318	\$1124
Palm Oil	\$286	\$901
Palm Kernel Oil	\$308	\$1184
Rubber	\$580	\$3650
Sugar	\$190	\$470

Prices in USD, per metric ton, Logs in cubic metres. Source: World Bank 2011

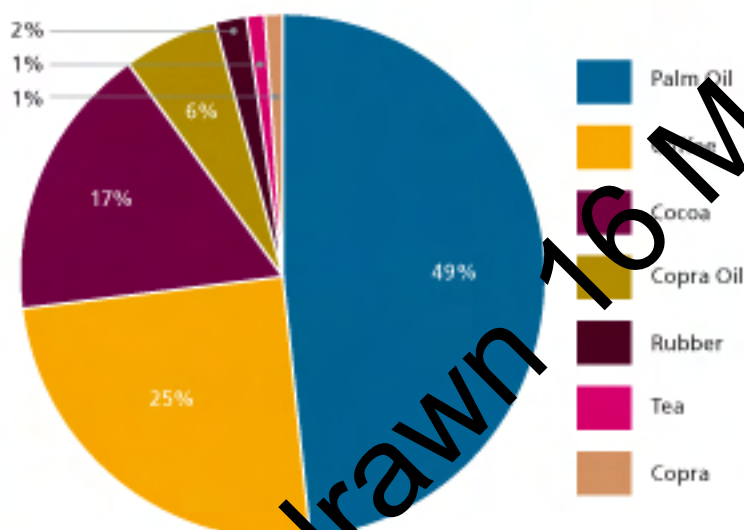
An EU funded **Facilitating Agricultural Commodity Trade Project (FACT)** is providing 4 million (2008-2012) to "increase the quality and range of agriculture and forestry exports from the Pacific Islands" by; advising, training, marketing and facilitating companies with potential to export to the EU.²

Papua New Guinea

Diversity of climate and landscape means that at any time of the year produce can be grown somewhere in PNG.³ While commercial agriculture has a long history in PNG, due to security and landowner issues, there has been decline in the major foreign owned plantations over the past 30 years. However, over the past five years the industry has rebounded and is recording strong growth. Agriculture accounts for some 34% of PNG's GDP and the sector benefits from strong government support. New agricultural production in designated rural development areas benefit from a ten-year exemption from corporate income tax, in addition PNG has also benefitted from duty free exports to the EU since 2008.⁴

PNG's Agriculture Exports 2010

In 2010 total of Agricultural exports was 2.75 billion kina



Source: Bank of PNG, Quarterly Economic Bulletin, March 2011

PNG's main export crops are palm oil, coffee, coconut and cocoa. It also exports; tea, cardamon, chillies, winter gum and vanilla and there are opportunities for exports of spices, honey, nuts and many tropical fruits. Companies such as Paradise Spices, Pacific Spices are exporting processed, packaged spices such as vanilla, pepper and mace. Pacific Spices is certified 100% organic. Paradise Spices with support from the Australian Government's Enterprise Challenge Fund is setting up an extraction plant in Port Moresby to produce vanilla.

>> Though an estimated 30 percent of the land in PNG is suitable for agriculture, only four percent is currently being utilised for commercial agriculture production. <<

Dept. of National Planning & Monitoring, Aug. 2010

>> PNG has a world class coffee and tea industry <<

David Conn, Port Moresby Chamber of Commerce and Industry

■ Sugar contributes 1.55% of Fiji's GDP and almost all of Fiji exported sugar is sold to UK company Tate & Lyle, which is now US owned.⁵

>> In the next 10 years the government is looking to develop 40,000 ha of oil palm. <<

Mr J. Harunari, Permanent Secretary, Solomon Island's Ministry of Agriculture & Livestock

Solomon Islands

After independence in 1978 Solomon Islands saw a general decline in its agricultural sector. However, following the reestablishment of law and order by RAMSI in 2003 and the growth in global demand for agricultural commodities, there has been a steady increase in investments into the sector with a consequent increase in export earnings. The major cash crop export earners for the Solomon Islands are copra, cocoa and palm oil.

Guadalcanal Plains Palm Oil Limited (GPPOL) was established in 2006 on the site of a Commonwealth Development Corporation palm oil business. It is listed on the London Stock Exchange and is a subsidiary of the PNG-based New Britain Palm Oil (NBPOL), the largest primary producer in the region. GPPOL has 6318 hectares under direct plantation and another 981 hectares farmed by smallholders. GPPOL received sustainability certification in March 2011 and is planning to expand on the Guadalcanal Plains.

Fiji

Sugarcane

Fiji is the largest sugarcane producer in the region. Production of sugar in 1996 was 454,000 tonnes but declined to an all time low of 131,506 tonnes in 2010. The phasing out of EU preferential price agreements has added to the demise of the industry. Nevertheless the Government of Fiji continues to state firmly its commitment to the future of cane growing and sugar production in the country. Tate and Lyle, who buy almost all of Fiji's sugar for export, have also invested through the provision of technical experts to help in nearly all aspects of the sugar industry. This investment has resulted in the mills being more reliable and better yields and quality of the cane. A good price structure has also helped and world prices are high. In addition the farmers of the Lambassa Mill have received Fairtrade accreditation and hopefully the other three mills will receive Fairtrade certification in 2012. Whilst the industry will never return to its peak in the 1990s, with government and Tate and Lyle's, support the industry is a viable one and will remain important to the economy of Fiji.

Commercial Agriculture Activities

Sustainable Oil Palm

Major UK companies such as Tesco's, Waitrose and Marks & Spencer and Unilever have announced their intention to convert all palm based products to certified sustainable by 2015. Oil palm is the most lucrative crop for both PNG and Solomon Islands. In PNG oil palm provides income for over 160,000 rural people and accounts for 39% of agricultural income.⁶ Though oil palm has a history going back 50 years in PNG, the past decade has seen the real development of the industry and growth has outstripped all other agriculture over the past decade. Major companies are running large plantations and there are more plantations under development. The PNG palm oil industry is internationally competitive; with oil yields of four tons per hectare they outperform established producers in Malaysia and Indonesia.⁷ Total oil palm cultivation in PNG is estimated to total over 150,000 hectares with 33% of this small holder production.

PNG SDP, the World Bank, GoPNG and the Oil Palm Industry Corporation are supporting the Smallholder Agricultural Development Project (SADP) providing support to the oil palm industry by,

- Contributing to road building - Oro province
- Maintaining roads used by the smallholder oil palm sector
- Establishing a credit facility for small holders working with Hargy Oil Palm, Higaturu Oil Palm and New Britain Oil Palm.⁸

Major operators;

New Britain Palm Oil (NBPOL) is PNG's largest producer, making up about half of the total production - see CASE STUDY

Hargy Oil Palm has some 9000 hectares under plantation, a further 13,000 hectares with small holders and 4000 employees. They plan to expand to 17,000 hectares by 2020.⁹ Hargy Oil Palm are certified sustainable (RSPO) producers and produce to ISO 14001 standards.

In development;

A Joint Malaysian/ UK project is in early development and plans 60,000 hectares in Central and West New Britain provinces. The company will have a plantation on leased land and will also process produce supplied by small holders.

Coffee & Tea

Coffee was once PNG's most valuable export crop and is now second to palm oil, with about 64,000 hectares under cultivation. The industry is very important to the economy and provides a source of income for approximately one third of the population.¹⁰ The PNG highlands region has ideal growing conditions and PNG produces world class quality. PNG coffee is exported to the Japanese, Australian and German markets and other major markets in Europe and the US mainly as green beans.¹¹ Several PNG companies are now exporting roasted beans to achieve higher prices. Domestic processing and packaging is a trend that is likely to grow. PNG coffee has potential to be a premium product in the UK market alongside better known coffee producers such as Colombia, Brazil and Jamaica.

There are excellent opportunities to source high quality organic and fair trade coffee. Expected growth in the industry is an opportunity to supply the European and Australian markets.

PNG has a smaller tea industry. Carpenters Estates now Malaysian owned, is the largest tea exporter with about 80% of tea exports and 1800 hectares of tea under cultivation. Carpenters also are a coffee growing company with 1000 hectares of coffee in PNG.

Vanuatu is also looking to expand its small coffee industry with promotion of its Tonne brand.

Coconut

Copra is now PNG's fourth largest crop in export earnings after cocoa and also a major crop for both Solomon Islands and Fiji.

The outlook for the industry is excellent. Coconut oil is increasingly popular for cooking, health and beauty products, bio-fuel and packaged coconut water is a growing market.

Cocoa

Cocoa is a major crop in both PNG and Solomon Islands. PNG contributes about 2% of global production. In PNG about 90% of Cocoa is produced by small holders and many are achieving both organic and fair trade certification. Chocolate manufacturers in Australia and Europe are now selecting prime PNG cocoa for 'single plantation' gourmet chocolate bars.

- A World bank & International Fund for Agriculture (IFAD) for Productive Partnership in Agriculture Project, (PPAP), improves livelihood for smallholder cocoa and coffee production.
- Solomon Island's government are assisting cocoa farmers to increase production to 10,000 tonnes by 2014.

Opportunities for UK Business

Long under-developed due to land tenure issues, PNG and Solomon Islands represent two of the Pacific countries where large scale commercial agriculture has room to expand. With an increasing understanding of managing the landowner's concerns, there are good news stories to follow. For example, New Britain Palm Oil are showing the way with large scale exports to the UK market. In addition to palm oil, similar opportunities exist with cocoa, coconut, rubber, coffee, tea and spices. For companies involved in organic foods the Pacific enjoys a natural advantage to source artisan and organic produce. UK companies can also gain from favourable terms of trade to the EU market.



iStock Photos

Case Study

NEW BRITAIN PALM OIL (NBPOL) - PNG

The world's largest producer of sustainable palm oil and the largest employers in both PNG & Solomon Islands: total employees - 11,000

- Plantations were first established in PNG in 1967
- NBPOL have a total of 70,000 hectares of oil palm in PNG (in 5 locations), and 7000 hectares in Solomon Islands.
- NBPOL significantly increased in size last year with purchase of Cargill's palm oil plantation in PNG.
- 25% supplied by local small holders
- 11 crude oil mills, a seed production and plant breeding facility
- 2 refineries; a smaller one in PNG
- Major refinery in Liverpool, established 2010, the £18 million refinery created over 600 new jobs and is capable of producing 170,000 metric tonnes of refined palm oil a year - Major supply agreements with Ferrero and United Biscuits.
- Certification
- World's leading producer of sustainable Palm Oil certified to RSPO, producing about 15% of the world market in certified oils
- ISO 14001 certified.
- Building methane capture system from mill for use as fuel and electricity production
- All of the palm oil is exported to Europe
- NBPOL purchased Ramu Agri in 2008; bringing on;
 - 8000 hectares of Sugar cane - PNG's largest sugar company,
 - 9,500 hectares of cattle: 20,000 head, and,
 - Another 7,500 hectares of Oil Palm

Source: New Britain Palm Oil, website

Shareholding

Listed on the London Stock Exchange

Controlling share; Kulim Bhd (Malaysia)
50.68%

2nd largest shareholder, West New Britain
Provincial Government, 8.28%

