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Tourism-led Agribusiness in the South Pacific Countries

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About CTA

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint international institution of the African, Caribbean and Pacific (ACP) Group of States and the European Union (EU). Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management in ACP countries. It provides access to information and knowledge, facilitates policy dialogue and strengthens the capacity of agricultural and rural development institutions and communities.

CTA operates under the framework of the Cotonou Agreement and is funded by the EU.

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Executive summary

The concept of tourism-led agribusiness is attracting high interest from regional and international organisations because it has the potential to provide a series of benefits to many different actors. Benefits include:

- Increased market opportunities for locally produced commodities and for smallholder farmers. Hotels and restaurants have a sustained demand all over the year for a wide variety of commodities (raw and transformed products).
- Easier access to fresh, locally grown products for local hotels, restaurants and chefs.
- Increased benefit of tourism on local economies by decreasing the import bill for foreign commodities
- Increased tourist expenditures on farm/food activities
- Increased visibility and promotion of South Pacific traditional culture, particularly in its culinary dimension

For the realisation of these benefits, an efficient ecosystem between all the stakeholders has to be initiated, and synergies between different sectors of the economy have to be developed. In a simplistic view, actors can be split in two categories: demand side and supply side, with very different objectives and requirements. Each category, their key constituencies and their main challenges are detailed below.

Demand-side actors

There are different types of actors to consider on the **demand side**:

- **Hotels and restaurants**: Their main challenges and requirements are related to minimise the risk of their supply chains. They want to manage the smallest possible number of providers that can offer stability in volumes, quality and variety of commodities. It is important to note the importance of these criteria depends largely on the size of the enterprise. For instance, big international chains (Hilton, Mariott, Sofitel etc.) have huge demand in terms of quantity, and don't have full flexibility in the choice of their providers, making them poor targets for tourism-led agribusiness focus.
- **Chefs**: in most hotels and in restaurant, chefs are responsible for designing menus. In most countries, the turnover is relatively high, and chefs are coming from all over the world. Their biggest challenges is around:

  - The knowledge of locally produced commodities and how to innovate with them, instead of requiring commodities that are not available locally, and not available all year long
  - The knowledge of local traditional dishes and how to prepare them

- **Tourism sector in general**: It is important to note that the tourism sector in general focuses marketing on accommodation and activities, but rarely on food. An example that illustrates this is e.g. the Fiji Tourism Web site[1]. Key performance indicators of the sector are on number of tourist arrival, average length of stay, tourist expenditure and induced

[1] http://www.fiji.travel/ Tourism Fiji is the Fijian government's tourism promotion arm.

employment. They are rarely on the impact on other sectors, particularly agriculture. While there is a growing interest from tourists for so called ‘ecotourism,’ ‘fair tourism’ and related concepts that are strongly linked with tourism-led agribusiness, this has not come yet as a key marketing element in most touristic destinations in the world.

Supply-side actors

The supply side is mostly farmers, but also higher level organisations (farm organisations) and agribusinesses (e.g. processors, transformers, producers of value-added products such as chocolate maker[2] or candy maker[3]) and traders.

- **Smallholder Farmers**: Farmers’ main challenge is to produce stable and sustained quantity and quality of products. Most farmers are producing a very small number of commodities, small volume that can highly fluctuate depending on pest control, weather, etc., and usually unpredictable quality. Moreover, they are usually not able to adapt to specific purchasing conditions of hotels (transport, credit, packaging etc.). Individual farmers are therefore usually not the right target for the demand-side actors.
- **Farmer Organisations**: Farmer organisations are able to support farmers and serve as helpful intermediaries with farmers. One key challenge for them resides on their ability to coordinate and communicate with farmers on real-time in order to fulfil requests. Another issue is their ability to interact and negotiate with hotels and restaurants with is often not in their mandate.
- **Agribusinesses and traders**: Agribusinesses and traders are the actors that are likely to be the closest to the demand-side actors, being able to provide not only raw commodities but also processed products. They are also able to mix various sources of supply to meet demand in terms of volumes and quality. Major challenges with those actors are on their ability to link with farmers and farmers organisations and organise a sustainable supply, and on the cost of their services to ensure that all parties (farmers and demand-side actors) have fair prices.

As a general observation, it is important to note that tourism sector and the agriculture sector are not used to be sectors working together. Ministries and public agencies are not usually working together, making more difficult the development of policies cross-cutting the two sectors and that could leverage tourism-led agribusiness. In the same way, private sector organisations are not well connected or even aware of farmer organisations and the service they can provide etc. The fact that the two sectors are not traditionally working together is a major gap to bridge to develop tourism-led agribusiness.

This study is building on:

Desk research. Identify and review of studies on the tourism sector in South Pacific, on the agriculture sector, on tourism-led agribusiness and related domains.

Field interviews. During the week of 11 May 2015 a series of key people from the various stakeholder groups identified in the first phase, were interviewed face to face mostly but also over phone calls. All interviews took place in Fiji (Viti Levu), mainly to the fact that many

[2] See e.g. http://purechocolatefiji.com/ chocolate maker in Fiji

[3] See e.g. http://www.gingerfiji.com/ ginger candy maker in Fiji

regional organisations such as the Secretariat of the Pacific Community (SPC[4]), the South Pacific Tourism Organisation (SPTO[5]), the Pacific Island Farmers Organisation Network (PIFON[6]) or the Pacific Islands Private Sector Organisation (PIPSO[7]) have their headquarter in Fiji.

[4] http://www.spc.int/

[5] http://spto.org/

[6] http://www.pacificfarmers.com/

[7] http://pipso.org/

Introduction

In South Pacific countries, tourism is an essential element of the economy, and one of the sectors with the biggest potential for growth. As example, in Fiji, tourism accounts for more than 25%[8] of the country gross domestic product (GDP), and in the Cook Islands, for over 60% of GDP[9]. At the same time, agriculture is still the major employment sector, and while it contributes to a small part to the GDP (e.g. <13% is Fiji[10]), it represents the biggest part of the labour force in the country (e.g. 70% in Fiji).

Given these figures, there have been many researches and investigations by regional agencies, development agencies, international organisations and academics to explore how to increase the benefit of the tourism revenue to all parts of the economy, and in particular the poorest segment of the population that includes farmers, but also all actors along the value and the deliver chain including traders, agribusinesses and exporters. This domain is designated under different names such as **pro-poor-tourism or sustainable tourism**. Each denomination, while covering largely overlapping concepts, has also some differences. As part of this working paper, we use the term **tourism-led agribusiness**[11] which has a particular focus on increasing the use of locally produced commodities by hotels and restaurants.

This working paper, is based on a study[12] commissioned by The Technical Centre for Agricultural and Rural Cooperation (CTA), conducted from April to June 2015, exploring how an information and communication technology (ICT) knowledge platform could support the development of tourism-led agribusiness and all the involved stakeholders in the South Pacific countries. It resumes the findings of the various investigations and a series of recommendations, and potential requirements in this field.

Main findings

Based on the results of the desk research as well as the summaries of the interviews conducted in the context of the CTA's study, this section presents the key challenges and opportunities related to supply side and demand side. Analysis of the ICT context of the various actors, as well as a synthetic insight on which are based the recommendations also presented.

As a general remark coming from all actors interviewed during the study, it seems clear that they are very positive on the potential of tourism-led agri-business and that this would benefit all stakeholders:

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[8] SPTO Tourism Statistics - An Assessment 2013: http://spto.org/resources/rtrc

[9] ADB. 2014. Pacific Economic Monitor. July issue. Manila.

[10] CIA World Fact Book https://www.cia.gov/library/publications/the-world-factbook/geos/fj.html

[11] Sometimes called also 'farm-to-fork', 'farm-to-table' or 'farm-to-restaurant' concept

[12] Boyera, S. Requirements for an ICT-platform to support the development of tourism-led agribusiness sector in South Pacific Countries

- Farmers can sell more easily their production and increase market opportunities for their products. This creates incentives for increasing yields that will easily transform in increase of income.
- Agribusinesses, traders, exporters, hotels and restaurants will be able to access fresher products at local prices.
- Tourism sector will see tourist expenditure on farm/food activities increasing.
- Public authorities will see the import bills of agriculture products decreasing.

Supply side

The supply side relates to farmers, farmers organisations, traders and agribusinesses. The interviewees and desk research highlighted a series of important elements:

- There is a global understanding by all actors that individual farmers are not able at their level to provide a sustainable solution for a stable supply in terms of quality and quantity. Most Fijian farmers are smallholder farmers, with limited land and practising subsistence or at best semi-commercial agriculture. At a farmer level, the production is heavily influenced by various factors such as pest outbreak but also non-agriculture related factors such as cultural events in the community.
- Based on this analysis, there are lots of national, regional and international organisations working on clustering farmers to strengthen the supply. Main organisations identified during the study working in this area include:
    - At the national level:
        - Women in Business Development Inc. (WIBDI[13])
        - Fiji Crop and Livestock Council (FCLC[14])
    - At the regional level
        - SPC
        - PIFON
    - At the International level
        - The International Trade Center (ITC[15])
- Some agribusinesses, particularly exporters (e.g. Kaiming Agro processing LTD managing their farmers for ginger or Adi Chocolate managing clusters of cocoa producers), also manage their own farmers groups to cover part of their needs.
- Each organisation or agribusiness is working with specific farmers group on specific commodities. **Activities don't seem to be heavily coordinated between the various organisations** and seems to be more driven by each organisation internal interest in terms of geography or commodities.

[13] http://www.womeninbusiness.ws/

[14] https://www.facebook.com/fclc.org

[15] http://www.intracen.org/

- In the same way, many organisations use various ICT tools to coordinate communication with farmers, and also to provide information to buyers. Tools include:

    - SMS platforms to alert or query farmers
    - mapping solutions to geo-locate farmers and fields
    - use of video on tablets for agriculture extension

- Globally, there is **very little knowledge between actors about who is doing what**, where, on which commodities etc. There is very little information exchange between organisations working in farmer clustering, very little information sharing about the various ICT tools used, their success or challenges, their business model and sustainability. As a results agribusinesses, exporters as well as hotels and restaurants are not aware of and in touch with these organisations, and are struggling to identify stable source of supply. They are therefore in **demand for farmer mapping at the national level**.
- **Organisations working with farmers are primarily focusing on structuring the supply**, but generally not looking at other dimensions that are essential for tourism-led agribusiness. At the exception of WIBDI who is specifically focusing on the sector, other organisations does not really focus on the challenges of purchase requirements of hotels and restaurants. In particular, packaging, delivery and credit.

Finally, it is important to note that there are apparently **discrepancies between demand and supply**, particularly from exporters' and agribusiness perspective. There is shortage on some commodities (e.g. ginger) while there is no market for some of them due to oversupply. Old or bad agriculture techniques are also responsible for low yields on some crops.

Finally, during discussions, on key factor mentioned relates to standard and certification. Commodities have to have appropriate safety standards to be sold at the local, regional or international level. In the same way, there demand for specific certifications, like organic commodities.

Demand side

One of the major issues of tourism-led agribusiness is the overall perception of **opportunities and threats**:

- Hotels & restaurant consider the use of local commodities as a risk factor related to

    - The need to manage multiple providers that are not stable over time and that do not provide a wide variety of products. Hotels and restaurants are not aware or are not usually in contact with the organisations managing clusters of farmers. They are not yet conducting business with these actors, or even just link with them to identify supply sources.
    - The need to conduct business relations with partners that are not able to adapt to purchase requirements (credit period, packaging, delivery, etc.).
    - The mismatch between seasonality of production and seasonality of demand that are often not correlated.

- On the other hand, tourism-led agribusiness is not seen as an opportunity to increase revenue. Marketing focus is mainly on accommodation and activities, and rarely on food and ecotourism. Hotels and restaurants are not yet very aware of the potential of the sector to provide new growth opportunities for them, despite the overall growing demand from tourists.

There is a general agreement among actors of the tourism sector that **the best way to address the risk is adapt the demand of agriculture products to the supply**. In other words, there is no sustainable way for the agriculture sector to produce commodities at specific time of the year and at specific quantity if the weather and soils do not allow such production.

On the other hand, it should be possible to **increase the use of local commodities by training chefs on the use of and innovation on native crops and on the cooking of traditional local dishes**. There are therefore a series of initiatives around chefs:

- SPTO is spearheading the movement since a couple of years.
- There are highly visible ambassadors that are driving the movement. Chef Robert Oliver[16] and Chef Lance Seeto[17] are writing booking on South Pacific cooking, and organise training for their colleagues to cook traditional dishes, and innovate with local commodities.
- Chefs need training on how to use local specific products. There is little knowledge, particularly from chefs with international background about the commodities that are available locally and how to use them.
- Chefs are not well connected with farmers. They quite often use local markets, but there are rarely direct linkages with farmers. In the same way, chefs are not connected to and are not aware of organisations such as the ones mentioned in the previous subsection that could help them conducting trade.
- While the mentioned ambassadors are very active on the topic, the network of chefs is not yet formally structured. Chefs are not profiled, and are not yet able to exchange resources (recipes, etc.). For a measurable global impact, the network of chefs should be structured.

Other factors that surfaced during the interviews:

- There is at the moment no policy to support tourism-led agribusiness. There is therefore no incentive for hotels and restaurants to engage in this sector.
- It is important to identify the right targets for tourism-led agribusiness. It seems clear that major international hotel chains are not appropriate target because:

    - they are not entirely free to select their providers who are selected in part at the international level outside the country
    - the volume requested can hardly be met locally

[16] http://robertoliveronline.com/

[17] http://lanceseeto.com/

It is therefore likely that the most promising targets are middle-size hotels, local chains (e.g. Tanoa International[18]), and boutique hotels.

- Hotel managers are not aware yet on the business opportunities that could result from the development of tourism-led agribusiness. **There is little publicity made on research studies or market analysis related to the domain, and there is no real awareness about the demand from tourists**. This includes activities such as cooking classes for tourists or farm visits, and marketing elements such as the use of locally produced food (limited environmental footprint, fair tourism) or the provision of organic food. It is important to note that mentioned activities are booming in other regions of the world (e.g. Asia or Europe).

Finally, while there is no specific policy in place, at least in Fiji, to support tourism-led agribusiness, there is an active network led by SPC, the Pacific Agricultural & Forestry Policy Network[19], where discussions on the topic are taking places between various actors.

Key findings

There is a clear interest by almost all key actors of the domain to work towards developing the sector and the opportunities offered by this market. This interest translates in multiple activities across the board. Lots of organisations are working towards strengthening supply through the development of clusters. At the same time, there are active initiatives to engage with chefs, and there are active policy discussions among various actors. It is important to note that there isn’t one leading organisation for the whole sector, but various organisations leading specific part of the ecosystem e.g. SPTO is the one leading work with chefs, while PIFON and SPC are more leading on the farmer side, and PIPSO on the private sector side (agribusinesses, exporter, etc.) but with also links in the tourism sector.

One of the key outputs emerged from the interviews is that all these activities are not coordinated, and are conducted in silos. Various actors are not aware of what others are doing. This is particularly true between different sectors, but even within the same sector. Organisations working with farmers are not aware of who are other actors, what they are doing, where, which tools they are using etc. In the same way, agribusinesses, traders, exporters, private sector organisations, hotels and restaurants are not connected with or even aware of all the initiatives around structuring the supply. They are not aware of other actors that could service them.

Based on these findings, and given the shared interest, the study conducted by CTA is proposing the development of a knowledge platform as an efficient way to connect all the actors together.

Key objectives for this future knowledge platform should be on:

- **Increasing knowledge sharing about organisations working on strengthening supply**: Where they work, with whom and on which commodities. The availability of this

[18] http://www.tanoainternational.com/

[19] http://www.spc.int/lrd/about-pafpnet

information will not only leverage business activities between actors, but could also lower the perception of risks from hotels & restaurants.

- **Increasing knowledge sharing about the demand-side requirements**: what are purchasing requirements, quality and volume needed with a yearly pattern (capturing the seasonality of the demand), etc.. This will allow organisations working on the supply side to adapt their strategy and action plan to meet these requirements.
- Raising awareness about the potential of the sector by gathering data, research and studies that demonstrate the business opportunities that the development of the sector could bring on various actors.
- **Structuring the chefs' network** to increase the awareness on the movement, to feature chefs engaging in the process of using local commodities, and to provide resources for them.
- **Putting in place a one-stop-shop for the sector** where people can find links to all the related activities (e.g. existing platforms for discussion like Pacific Agricultural and Forestry Policy Network (PAFPNET), mapping tools etc.). The role of a one-stop-shop platform is to be a single entry point for resources, activities and tools that are available somewhere else, and offered by specific actors. The focus should not be on competing with existing solutions, or redeveloping/redeploying them.

Given the structure of the sector, the platform should have a 'multi-stakeholderism' approach where different organisations could lead specific part of the platform as they are leading specific part of the tourism-led agribusiness sector. The platform should be designed as a one-stop-shop for all tourism-led agribusiness activities. The primary audience will be organisations that are active in the domain. That includes public and private organisations, NGOs, regional entities working on this topic, hotels and restaurants and chefs. All these actors will find on the platform resources and information that are critical to them for engaging further in the sector, but will also allow them to identify business partners that are essential to address some of the risks of the approach (as described in the context section). The platform will serve as a hub for news and events in the domain. Finally, this single entry point could also be a valuable resource for external stakeholders such as donors and funders to identify key actors to support, gaps in the domain and activities to support or to launch. In a second phase, the platform could become a public platform that serves as a marketing element or the tourism sector. It could promote and feature hotels, restaurants and chefs that are committed to the farm-to-fork concept, and provide resources to tourists interested in such approach, from activities to stories (e.g. about farms or about recipes) to resources like recipes, up to an e-commerce site to buy specific ingredient for recipes, locally products (e.g. chocolate, ginger candies, etc.) or other materials such as e.g. cook books.

Conclusion

The development of tourism-led agribusiness and the extension of tourism benefits to farmers is part of the mandate of multiple regional and international organisations, including CTA. This working paper is part of a larger agenda strategy of CTA that includes, among other things, the setup of an annual agribusiness forum for face-to-face linkages between the various stakeholders of the sector

It is build on a study previously commissioned by CTA aimed to investigate the potential of an online knowledge platform to support the development of the tourism-led agribusiness sector in the South Pacific Region. Given the need for information sharing, an online knowledge platform to support the community is potentially a powerful tool. Such a tool will not only benefit the community internally to leverage connections between actors, but have also the opportunity to raise visibility and attract attention and businesses from external actors (donors, tourists, etc.).

Among the key findings emerged by this working paper, is that there is a clear interest by almost all key actors of the domain to work towards developing the sector and the opportunities offered by this market. This interest translates in multiple activities across the board. Lots of organisations are working towards strengthening supply through the development of clusters. At the same time, there are active initiatives to engage with chefs, and there are active policy discussions among various actors. The community has now an annual event that will be run for the first time in July this year. On the other hand, there is still little information sharing between the various actors, and little knowledge about potential business partners for actors that want to engage further in the concept.

In order to fully realise the benefits of tourism-led agribusiness, all stakeholders need to be involved in a comprehensive approach that allows fostering synergies among all the different sectors of these two main economies.

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