

SECTOR ASSESSMENT (SUMMARY): Agriculture and Natural Resources

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. **Overview.** Samoa's agriculture sector is in decline, with its agricultural production base limited to a few root and cash crops, vegetables, and fruits grown on a small scale. During the 1990s, the agriculture and fisheries sectors contributed to around 20% of the gross domestic product (GDP), but by 2012, the sectors' contribution had declined to only 9.7% of GDP, with the agriculture sector contributing 4.5% and the fisheries sector 5.2%. Food and beverage manufacturing contributed 2.1% to GDP in 2012, most of which was beer production.¹ Agri-food imports increased (in current values) from ST123 million to ST217 million from 2002 to 2012, while total exports declined from ST61 million to ST45 million,² significantly contributing to Samoa's widening trade deficit, with decreasing fish exports having the largest impact. Export-based commodities such as copra, cocoa, and taro have also declined markedly since the 1990s. Despite these trends, the agriculture sector, including fisheries and food manufacturing, remains Samoa's largest employer, with 39.0% of the workforce, the majority of them involving subsistence farming.³

2. **Production.** Coconuts, which provide an important source of food and cash, are the predominant crop. Root crops dominate the food crop sector, followed by bananas and breadfruit. Livestock production is mainly village-based and is composed of cattle, pigs, and poultry. Fishing is an important occupation in the village economy and provides a major source of protein and cash income. It also generates foreign exchange through exports. However, the forestry and fisheries sectors are in decline due to unsustainable harvesting. The taro export industry collapsed in 1993 following a disease outbreak and is only now showing signs of recovery.

3. **Sector decline.** While official statistics do not track investment by sector, the long-term decline of the agriculture sector's contribution to GDP indicates a low level of investment and declining productivity. This is supported by data from the decennial agriculture census (latest 2009) that show declining output in every commodity group other than livestock. This sector decline is of concern to the government, its development partners, and civil society because (i) it has led to a major import-export imbalance (para. 1), and (ii) it contributes to the rising levels of unemployment or underemployment in rural areas and increasing levels of basic needs poverty and food insecurity, predominantly in rural areas.⁴ Given that about two-thirds of the population depends on agriculture for food security and livelihood, there is a strong correlation between the level of poverty and the performance of the agriculture sector. Consequently, revitalization of the agriculture sector features prominently in the government's policy framework, including the Strategy for the Development of Samoa (SDS), the Agriculture Sector Plan (ASP), and the National Export Strategy (NES).

4. **Subsistence and commercial agriculture.** The sector is mainly oriented towards subsistence production to meet household food needs, with occasional surpluses offered for sale. The 2009 agriculture census shows that only about 3% of rural households produce "mainly for sale" and only 9% receive more than three-quarters of their income from agriculture.⁵

¹ Samoa Bureau of Statistics. 2013. *Gross Domestic Product by Sector*. Apia.

² Samoa Bureau of Statistics. 2013. *Annual Trade Statistics 2002–2012*. Apia.

³ Samoa Bureau of Statistics. 2011. *Population and Housing Census*. Apia.

⁴ Samoa Bureau of Statistics. 2008. *Household Income and Expenditure Survey Tabulation Report*. Apia.

⁵ Samoa Bureau of Statistics. 2012. *Agriculture Census Analytical Report 2009*. Apia.

Agribusiness is predominantly export-oriented and includes both commercial farming and agro-industrial enterprises. Evidence of sector decline can be seen in the trade statistics given in para 1. There are currently around 20 agribusinesses employing about 400 people (excluding brewing), although there are also some 3,000–4,000 farmers supplying raw materials under mostly informal arrangements. The current range of products and activities includes coconuts, taro and limes for export, copra production and oil extraction, virgin organic coconut oil, coconut cream, snack foods (banana and taro chips), egg production, organic soaps and lotions, fish processing, sauces and fruit juices, and noni juice. Many of these businesses also have plans to expand and diversify their operations in areas such as coconut water, refined cooking oil, mechanization of coconut oil extraction, aquaculture, biogas, coconut timber milling, honey processing, livestock feeds, frozen root crops, and papaya for export.

5. **Challenges and constraints.** The agriculture sector is constrained by a mix of policy, institutional, social, and environmental factors.⁶ First, while successive SDSs have promoted agriculture through market-oriented strategies, both public and private investment has been low. Second, only one-quarter of rural households are engaged in formal markets,⁷ the majority being subsistence farmers. Third, skilled labor for agro-processing, primarily in urban areas, is difficult to find. At the same time, the rocky soils present a challenge to larger-scale farming and mechanization. Fourth, forward and backward linkages within the agriculture value chain are not well developed. Fifth, access to credit is difficult, lending products are inappropriate for agriculture, and interest rates are high, constraining investment and production systems needing significant working capital. This especially applies to the agribusinesses. Sixth, the high level of remittances from overseas and opportunities for well-paid seasonal work in Australia and New Zealand weaken incentives to produce locally. Finally, Samoa has still to develop effective farm support services, including research and extension.

6. **Agribusiness subsector.** In the agribusiness subsector, the core problem to be addressed is the low level of investment and value addition. This is caused by: (i) lack of capital resources in agribusinesses, (ii) weak financial management and technical skills, (iii) difficulty accessing export markets, and (iv) low and irregular supply of raw materials. This analysis is based on a study of value chains for six commodity groups that offer market opportunities, as well as in-depth consultations with 22 agribusiness enterprises covering a broad cross section of activities. There is a consistent pattern of weaknesses and bottlenecks that apply to some extent in all value chains studied and all agribusinesses consulted.

7. **Lack of capital resources.** Agribusinesses have a weak equity position and lack collateral assets to support borrowing. About two-thirds of the enterprises surveyed have plans to expand or diversify their businesses but lack the financial resources to do so. The unmet financing needs range from \$0.2 million to \$3.0 million per company. Most are family-owned companies with relatively weak balance sheets.⁸ Even if loans can be obtained, high interest rates reduce the attractiveness of this option. There is no local stock exchange to raise equity from the public and no country or regional investment funds with a mandate to support investments in the agribusiness subsector. As a consequence, a number of investment

⁶ Customary land tenure is often cited as one of the critical constraints to the development of commercial agriculture. This constraint is addressed by: ADB. 2014. *Technical Assistance to Samoa for Promoting Economic Use of Customary Land, Phase III*. Manila.

⁷ World Bank. 2012. *Project Appraisal Document: Samoa–Agriculture Competitiveness Enhancement Project*. Washington, DC.

⁸ The implementation of the secured transactions reform, supported through Asian Development Bank ('s REG: Pacific Private Sector Development, Phase III, will help to obtain additional shorter term finance through moveable collateral.

opportunities remain unfunded and the banks remain cautious due to lack of collateral, lack of equity, and the perceived high risk of the sector.

8. **Weak financial management and technical skills.** This applies to the agribusiness owners and their family members, as well as employees, suppliers, and contractors. There are difficulties in accessing qualified staff in Samoa and enticing well-qualified emigrants to return. This also contributes to the financing problem since the banks are wary about the general lack of management skills and financial discipline of agribusiness owners as well as their lack of experience and knowledge about export markets and marketing.

9. **Limited access to export markets.** This is partly related to remoteness, isolation, and lack of scale, but these problems are exacerbated by two other issues: (i) lack of agribusinesses' knowledge about market access protocols and food technology; and (ii) missing key elements of export infrastructure. The shortage of food technology skills means that Samoa is missing out on market opportunities because of product quality and consistency problems. Samoa's comparative advantage lies in specialized products of high quality and consistency, for example virgin organic coconut oil. Compliance with increasingly demanding international standards and certification systems is therefore critical.

10. As market access protocols have become more stringent, Samoan exports have dwindled to zero in many cases. Samoa does not have a hazard analysis and critical control point certified export processing facility for preparing fresh produce for export. This shortcoming will become a critical constraint and will require exporters and potential exporters to invest in compliant facilities and operating procedures.⁹

11. **Low and irregular supply of raw materials.** With few exceptions, Samoan agribusinesses struggle to procure the raw materials needed to process and supply their customers. Examples include: (i) a coconut oil mill that cannot obtain enough copra to operate continuously, (ii) virgin coconut oil producers and a soap manufacturer that cannot fill existing export orders, and (iii) shortages of taro for processing into snack foods or for export. Most enterprises do not actively encourage production through the establishment of supply chain linkages with growers, including contract farming, outgrower arrangements, or product collection networks. These activities are seen as a Ministry of Agriculture and Fisheries responsibility.¹⁰

12. **Strengths and weaknesses.** Samoa has a number of strengths, including: (i) a clean and green environment that has limited use of agrochemicals and fertilizers and is well suited to organic and niche markets; (ii) a climate suited to year-round production, including supply of fresh produce during the southern hemisphere winter; (iii) a large Samoan diaspora eager to buy traditional foods of Samoan origin; (iv) reasonable sea and air freight linkages; (v) a generally favorable enabling environment for business investment; and (vi) a growing tourism sector that creates new opportunities for high-value food products. On the other hand, areas where Samoa struggles to compete include: (i) products requiring labor-intensive production, (ii) undifferentiated low-value commodities requiring significant economies of scale, (iii) temperate fruits and vegetables, and (iv) some livestock products. Consequently, the government has requested Asian Development Bank (ADB) assistance with the objectives of increasing agricultural sector growth in general, and revitalizing the agribusiness subsector in particular.

⁹ The Samoan government is seeking funding from other development partners for this.

¹⁰ The World Bank-funded Samoa Agriculture Enhancement Project is supporting primary producers to increase production and quality of output.

2. Government's Sector Strategy

13. **Strategy for the Development of Samoa 2012–2016.** The theme of the SDS is “boosting productivity for sustainable development,”¹¹ which emphasizes pushing the productive sectors of the economy to stimulate growth with high priority to revitalize the agriculture sector. The SDS recognizes that the agriculture sector remains at the forefront of economic growth and is crucial to ensuring food security, income generation, and export capacity. This is also reflected in the ASP 2011–2016 whose overarching goal is to “increase the Agriculture sector’s contribution to GDP to 20% by 2015.”¹² To achieve this, the ASP will direct investment to help improve food security and import substitution, as well as efforts to stimulate investment by the private sector in value-added processing. The SDS, ASP, and other strategies such as the NES emphasize the importance of developing commercial farming and export-oriented agribusiness alongside with the smallholder subsector. Support for the agribusiness subsector is also embodied in ADB’s Pacific Approach (2010–2014) and country operations business plan.¹³ The focus will be on products where Samoa has a strong competitive position, avoiding sectors requiring intensive labor inputs or production of high volume but low value commodities.

14. **Agriculture and poverty.** About two-thirds of the population depends on agriculture for food security and livelihood. There is a strong correlation between the level of poverty and the performance of the agriculture sector. While Samoa has performed well in terms of human development, there are concerns over inequality of income distribution and the lack of formal employment and income-generating opportunities. The level of serious poverty, as measured by the proportion of households falling below the food poverty line, is about 3% of households and 5% of the population. The average prevalence of basic needs poverty across all households is estimated at 20.1%, accounting for 26.9% of the population.¹⁴ The increasing number of households below the basic needs poverty line is predominantly in the rural areas.

15. **Project approach.** The project will adopt a fully integrated approach to addressing the key problem areas in the problem tree analysis.

3. ADB Sector Experience and Assistance Program

16. ADB has not engaged with Samoa’s agricultural sector since 1998. A number of development partners support the sector through various bilateral or regional programs, the most prominent being World Bank, and the Australian and New Zealand governments. The development of the smallholder subsector is supported by the World Bank’s Samoa Agricultural Competitiveness Enhancement Project and associated cyclone recovery initiatives.¹⁵

17. ADB’s Strategy 2020 allows for up to 20% of operations to be outside the identified five core sectors (infrastructure, environment, regional cooperation and integration, finance sector development, and education). Private sector development as a theme is an important area for ADB. Supporting the expansion and growth of agribusinesses will provide potential for future public–private partnerships as well as investment opportunities for the Private Sector Operations Department.

¹¹ Government of Samoa. 2012. *Strategy for the Development of Samoa 2012–2016*. Apia.

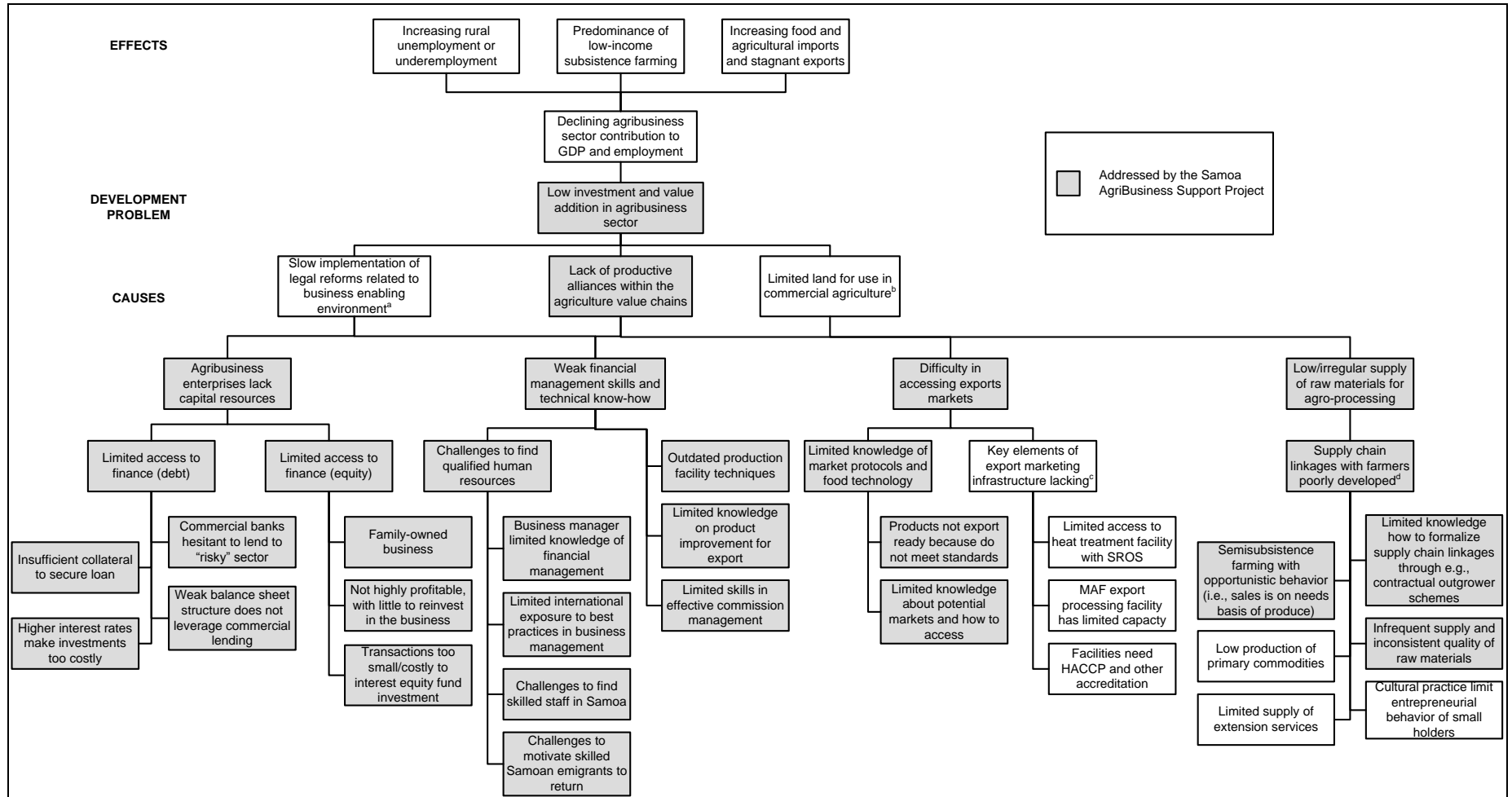
¹² Government of Samoa. 2010. *Agriculture Sector Plan 2011–2015*. Apia.

¹³ ADB. 2013. *Samoa: Country Operations Business Plan (2014–2016)*. Manila; ADB. 2009. *ADB’s Approach to Assisting the Pacific (2010–2014)*. Manila.

¹⁴ Samoa Bureau of Statistics. 2008. *Household Income and Expenditure Survey Tabulation Report*. Apia.

¹⁵ World Bank’s Agriculture Competitiveness Enhancement Project to be implemented from 2012–2017, Project amount: \$13 million.

Problem Tree for the Agribusiness Subsector



GDP = gross domestic product, HACCP = hazard analysis and critical control points, MAF = Ministry of Agriculture and Fisheries, SROS = Scientific Research Organization of Samoa.

^a Addressed through Asian Development Bank technical assistance for the Pacific Private Sector Development Initiative.

^b Addressed through Asian Development Bank technical assistance to Samoa for Promoting Economic Use of Customary Land, Phase III.

^c Funding sought from other development partners.

^d Supply of raw materials also addressed through the Samoan Agricultural Competitive Enhancement Project.

Sector Results Framework (Agriculture Sector) 2014–2022

Country Sector Outcomes		Country Sector Outputs		ADB Sector Operations	
Outcomes with ADB Contribution	Indicators with Targets and Baselines	Outputs with ADB Contribution	Indicators with Incremental Targets	Planned ADB Interventions	Main Outputs Expected from ADB Interventions
<p>Revitalization of the Samoan agriculture sector</p> <p>This is consistent with the key strategic areas under outcome 2 of the SDS to reinvigorate agriculture through:</p> <ul style="list-style-type: none"> • An inclusive approach to promote investment in agriculture and fisheries • Investment in downstream high value added agro-processing <p>This is also consistent with SDS outcome 3 to revitalize exports through implementation of the NES</p>	<p>Agriculture sector contribution to GDP increases from 10% in 2012 to 13% by 2022</p>	<p>Increase in profitable agribusiness enterprise models</p> <p>Increased access to finance for agribusinesses</p> <p>Increased number of smallholder farmers engaged in supply chain contracts</p>	<p>Agriculture share in total private sector credit in Samoa increased from 1.3% (2013) to average 2.5% (2021).</p>	<p>Samoa AgriBusiness Support Project (\$5 million)</p>	<p>Output 1: Partner agribusinesses are provided with suitable financing instruments. At least seven businesses supported.</p> <p>Output 2: Partner agribusinesses are provided with business support services. At least two companies with improved formal supply chain linkages.</p>

ADB = Asian Development Bank; NES = National Export Strategy; SDS = Strategy for the Development of Samoa.
Source: Asian Development Bank.