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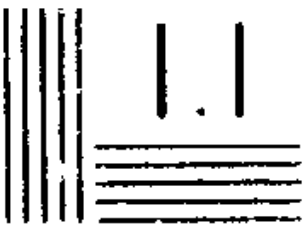
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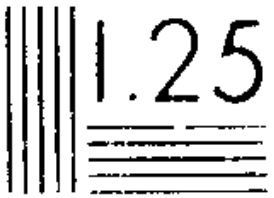
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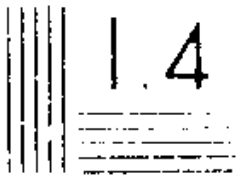
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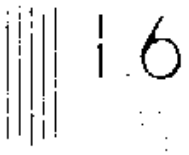
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ENGLISH

REVIEW OF THE VEGETABLE OILS AND FATS INDUSTRIES SECTOR OF THE PACIFIC REGION[1/]

DP/RAS/79/031

COUNTRY REPORT ON VANUATU

Prepared for the Government of Vanuatu by the United Nations Industrial Development Organization in co-operation with the International Trade Centre UNCTAD/GATT.

Based on the work of J. R. Santhiapillai and G. P. Yeats.

[1/] This document has been reproduced without formal editing.

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RECOMMENDATIONS

1) Replanting to be accelerated as most of the coconut trees are senile.

2) COPRA MILL

a) Conduct a feasibility study to install a copra mill in Santo. This study to consider both secondhand and new machinery.

b) If mill is proved viable (as we feel it would) then the mill should be run on a management contract by a company well versed in copra milling & with a good track record.

3) A feasibility study on erecting an animal Feed Mill be done if Copra milling is decided on. This would help the growth of the Animal industry.

4) If trials indicate Palm Oil could be grown successfully a Palm Oil project with the Commonwealth Development Corporation be undertaken.

5) SOAP MAKING

a) Expert assistance be made available to the infant soap industry as Vanuatu could easily be self sufficient in laundry soaps. If a Regional Adviser on Coconut & Coconut By-products is stationed in the region as suggested, this could be one of his functions as well.

b) The tallow produced could be used in soap production and the excess exported to Pacific countries.

6) COPRA MARKETING

a) The Board to be called Coconut Industry Board so as to include Copra milling as well in the event this becomes feasible.

b) The Board to comprise of members from the smallholders, plantations, government depts like planning and agriculture, and industrial users.

c) Establishment of a Copra Fund for stabilizing prices; based on the one in Solomon Islands.

d) The Board rationalise the collecting points in an effort to reduce the present number and examine storage facilities.

e) The Board press for payment from Buyers of Copra based on graded quality.

f) The Board promote the establishment of a Futures Market in copra and coconut oil.

g) The Board give a large premium to encourage production of improved quality copra produced with "Ceylon" driers.

6 h) The Board endeavour to instal bulk loading equipment wherever possible.

7) Vanuatu press for a trade declaration with other island countries in the region to promote trade and production within the region.

INTRODUCTION

1. Project Background and Justification

The first consultation meeting on the Vegetable Oil and Fats Industry was held in Madrid from 12 to 16 December 1977.

This meeting convened by UNIDO in pursuance of the Lima Declaration and Plan of Action and General Assembly Resolution 3362, is part of its efforts to promote co-operation in raising the overall level of industrial production in developing countries. The meeting made a series of follow-up recommendations relating, inter-alia, to global policy for increased international and technical co-operation between the developed and the developing countries and among the developing short-term and long-term.

UNIDO decided to carry out, through expert services, evaluation studies of the potential of the vegetable oil industries sector in a selected number of developing countries. This evaluation country study was to assess and evaluate the existing situation in the countries to be covered with regard to the availability and utilisation of oil-bearing materials (including the raw material potential), the domestic market situation (present demand) in vegetable oils and protein cake/meals and the present status of the vegetable oil industry. In fulfilment of the above decision, a UNIDO consultant on edible oils made a study of Western Samoa from November 20 to December 4, 1978.

Since the Pacific region is agronomically suitable for production of oil producing species, coconuts and oil palm, such raw materials offer one of few available possibilities for integrated agro-industrial development; vegetable oils and fats, detergents, cosmetics, protein cake/meals, livestock feed and further spinoffs and linkages with the agricultural sector.

It was agreed during the UNDP/ESCAP/SPC/SPE Inter-Country Programming Meeting held in Suva in February 1979, that this type of study should be made into a Regional Pacific Project.

SPEC would like to see the exercise accord recognition to the concept that effective regional co-operation could be a positive means of reducing costs and rationalising development in the Pacific.

2. Objectives

Development objectives: The long term objectives of this regional project is the promotion of regional self-sufficiency in production, processing and related agro-industrial development of vegetable oils and fats.

The study is to assess and evaluate the existing situation with regard to the availability and utilisation of oil bearing raw material potential, the domestic market situation demands for a vegetable oil industry, protein/cake and the status of the vegetable oil industry at present in operation with a view to its further technical technological, and alternative development. It should provide specific long range recommendations towards improving the export of vegetable oils and fats, and provide marketing strategies in relation to present export patterns.

Immediate objectives: The immediate objectives is to recommend methods that can be applied for improving local production and distribution and to provide a marketing diagnosis which will stimulate better export strategy which can be implemented in the immediate future.

Whenever applicable, the study should also consider evaluating oils and fats from animal sources and the possibility of developing viable productions and import substitutions.

3. Project

In fulfilment of the above, two consultants a) Joe R. Santhiapillai - Team Leader and Vegetable oil Industry Specialist from UNIDO b) George Yeats - Marketing Analyst from ITC, visited Fiji, Kiribati, Tonga, Western Samoa, Niue, TTPI, Papua New Guinea, Solomon Islands, Cook Islands, Nauru, Vanuatu and Tuvalu and prepared twelve country reports with tables, annexes and assessments made and based thereon. In addition the experts produced a summary of the regional study. The project was for a duration of six months.

4. Acknowledgements

Our sincere thanks are due to all the people we had met during our visits to the different countries. If not for their considerable help and co-operation this project would not have been a success. A list of those people principally involved in discussions is given at the end of the report.

During the project we were based at SPEC, Suva and our special thanks are due to the Director, Deputy Director, Administration Officer and Mr. John Franklin, Trade and Marketing Officer and all at SPEC for their invaluable help and co-operation. Our thanks are also due to Mr. Dello Strologo, SIDFA and all at the UNDP office in Suva for their help in innumererable ways.

Population:	118,000
G.D.P. per capita(1977 est):	FNH 64000 US$778 = US$778
Land Area	11,880 sq.km.
Sea Area	680,000 sq.km.
Geography:	Vanuatu is the new name for New Hebrides, and consists of a double chain of 80 islands the largest single island being Santo 3,947 sq.km. The capital Vila, is on Efate island, only 915 sq.km. in area.
Agricultural Production:	Coconut is the main agricultural and import crop accounting for 50% of the total exports. Other export crops are cocoa, coffee and timber.
Total Production of Oils & Fats Equiv.	21,000 tonnes
Total exports of Oils & Fats: Equiv.	20,900
Total import of Oils & Fats: Equiv.	400 tons
Imports Dependence:	80%
Per capita consumption of Oils & Fats(Food uses)	2.5 kgms/annum
Per capita consumption of soaps & detergents	2.8 kgms/annum

Note: Above figures excludes fresh nuts and invisible fats consumption.

COCONUT

Area under coconut has been estimated by the Dept. of Agriculture as 68,000 h.a and is as follows:

Age	Plantations	Smallholders
less than 50yrs	2000	26,000
50-70	12000)	20,000
greater than 70yrs	8000)	
Total	22000	46,000

Copra produced from the plantations has dropped from the initial 50% to about 25% at present.

The coconut produced is extremely small and is estimated to take 7000 nuts/tonne of copra.

The Govt. intends to replant 31,500 h.a over the next 16 years as the palms are senile, to ensure further production. The present constraint is the availability of planting material and up to 1981 only about 4500 h.a. would be replanted. After that replanting at the rate of about 2300 h.a/year has to be done if the plan is to be fulfilled.

At present interplanting is with Cocoa, in the future coffee & pepper would be introduced. Cattle are widely used to undergraze coconuts at present.

Copra is generally produced by smoke drying as such the quality is extremely poor compared to the other Pacific islands.

COPRA MILLING

A copra mill was installed in Santo in 1978 using secondhand equipment bought in Australia. The total capacity of the mill was 62 tons of copra per 24 hrs ie. about 15,000 tons of copra/annum.

This mill only milled about 2700 tons of copra in 1978 and about 3750 tons of copra in 1979 and about 2000 tons in 1980, when the mill was destroyed.

When the plant was running it was obviously mismanaged as the plant was running far below capacity.

At present there seems to be a great deal of discussion as to whether an Copra Mill should be established or not.

The following comments are made in the light of our experience and observations.

1) COPRA TONNAGE

Assuming that the tonnage of copra would come back to 1978 figures, we could assume a total production of about 45,000 tons of copra per annum of which about 75% ie. about 35,000 tons of copra is received at Santo and the balance of about 11,000 tons is received at Vila.

2) LOCATION OF PLANT

If a decision is made to have an oil mill the obvious place to locate it would be Santo and the mill would ideally have to be adjoining the wharf for easy loading of oil and cake. No further comments could be made as no visit to Santo was made.

3) MARKET FOR OIL AND COPRA

There is no danger of a market for oil being not there in the world even though there is concern as regards its price levels. As regards copra there is a possible danger in the future whether the European market would take copra if the Philippines stop exporting their copra. If Philippines stop exporting their copra the European crushers might not find it economical to run the mills which depend on copra, in which case the Pacific countries will be hard put to find alternative markets.

4) COPRA CAKE

Existence of a Copra Mill ensures ready and cheap availability of copra cake which could be used as an ingredient in animal feeds as otherwise the ingredients might have to be improved. For example some countries have found that copra mills have helped the animal industry to grow-Fiji which had been exporting the cake till 1980 now finds itself to be short of copra cake and the Dairy industry is now looking at ways and means of importing copra cake.

Vanuatu imported about 540t of animal feeds in 1980. Should copra milling recommence, then copra cake could be a major component of a local animal feed industry. Meat meal, locally produced would be another ingredient that could be used. The minimum throughput required for a feed mill is not known but Tonga has plans to commence one with a capacity of 1,000t based on a feasibility study. It is recommended that Vanuatu also evaluate the possibility of a feed mill using the maximum amount of copra, based on the Tongan study, this would be 30% for poultry feed and 50% for pig feed. Local utilization of this copra meal should also form part of the evaluation of the copra mill.

5) COPRA MILL

It has been generally found that a New Copra Mill to be probably viable the minimum capacity of the mill would have to be about 30,000 tonnes/annum. In Vanuatu this condition is fulfilled in that this tonnage could be available in Santo itself. Hence there is a justification for consideration.

As referred to above, the mill on Espirito Santo was destroyed during political troubles last year. So far this has not been reconstructed, but we understand the existing company is planning to do this although the size has not been indicated. We would strongly urge that this move be discouraged because of the unsatisfactory management record which the company had in its previous operations. The same company involved with the Tongan government in the Tongan Mill is also seeking to become associated with the "resurrection" of the Vanuatu mill, but we would also oppose this involvement as their record in Tonga has not been satisfactory./Several other firms are interested in establishing a new mill, and there are four main factors to be taken into account when deciding who is to undertake this most important industrial venture for Vanuatu, if it is decided to proceed with a mill at all: first, we would strongly suggest that any new mill be able to process the whole of Vanuatu production, which has been about 33,000t on a long term average (1960-1980), but has had three peaks above 42,000t in 1967, 1977 and 1978, perhaps denoting a slight upward trend; secondly, the operators of such a mill should be already thoroughly experienced in copra milling; thirdly, a successful milling company in the Pacific has stated that financial success of a mill would not ensured unless secondhand milling equipment could be obtained. It is our opinion too that the difference between profitable and unprofitable copra milling in the South Pacific could be partly in the use of seconhand equipment. This is said, of course, on the understanding that the equipment has been well maintained and is thoroughly inspected by a competent authority before purchase. The Carpenters mills at PNG andFiji, for example were both secondhand when installed in the early 50's, and continue to operate with an efficiency equal to that of any new mill. Criticism has been made of second hand mills on the grounds of inefficiency, breakdowns and maintenance cost.Any mill, new or old has to have a high standard of management and maintenance, and cannot be considered if conditions for this are not of a first class standard; and fourthly there are other indirect factors which may apply: supply of copra cake as a basis for an animal feed industry, supply of coconut oil for soap manufacture, consumption of water and power which may lead to an up-graded service for other consumers or a better utilization of existing facilities, and the involvement of local industry in mill construction and servicing.

It would be desirable for the financing of the installation of a mill to be through such an agency as the World Bank or the Asian Development Bank. However, their present mode of operation excludes use of secondhand equipment, such as would probably be necessary. In view of the shutdown of mills in Europe at present, and the likely necessiry of the Pacific islands, to make other arrangements for milling copra, we would envisage a transfer of milling equipment from Europe to the Pacific. This would be of milling equipment from Europe.to the Pacific. This would be a major development for the region, and we consider, warrants a special submission to the international banks. Should this not succeed, foreign aid, especially UK, German or Dutch assistance could be sought. These countries are those most likely to be concerned with closing mills in Europe, and are active in aid-giving to the Pacific. Their iad could be coupled with their assistance to their own companies in disposing of copra mills.

It is our assessment of the future market for coconut products that prices will put more pressure on producer returns. And unless some measures are taken to increase the return to growers, production may decrease. This would in turn raise the cost of copra handling facilities, and further lower returns to growers. It is recommended that should a detailed study of the above proposal show it is feasible, then milling operations should be carried out by a subsidiary company of the Coconut Industry Board, with a management contract let to a company thoroughly versed in copra milling.

PALM OIL

Palm Oil is at present not grown in the island but initial experiments indicates that it could be grown successfully but the effects of cyclones would have to be studies.

There is a possibility of an Oil Palm Project involving the Commonwealth Development Corporation. The area initially anticipated is 4000 h.a. It is hoped that this would be a nucleus estate with the possibility of small holders around it. This would be an excellent project for Vanuatu as this has proved a success in the Solomon Islands.

TALLOW

At present the Abattoir in Santo is producing tallow. This tallow is now exported. The estimated tallow production is about 125 tons/annum, but could easily go up to about 250ton/annum.

This tallow could easily be used locally if a soap factory is established.

SOAP MANUFACTURE

A small cottage industry production of laundry soap and coconut oil for cooking and cosmetic use is in operation in Vanuatu, which unfortunately we were not able to visit. It was stated that the small expeller is driven by a diesel engine using coconut oil as fuel.

The soap produced is not coloured and has a waxy feel and looks unsatisfactory. It is marketed in bars wrapped in clear plastic wrapping, with a label inside the wrapping. The bars we saw were bowing as they dried and shruck, and could perhaps be stacked for a longer period before distribution to prevent this misshapen appearance. The wrapping was not large enough to satisfactorily enclose the end of the bars. It would be better to either not wrap the bars at all, or to provide a larger wrapper which would cover the whole bar.

It is creditable that someone has started production of Laundry soap on a small scale, but unfortunately has no access to any expertise in soap making.

The total market for Laundry soaps is estimated to be about 150t per annum and should be able to be catered to by the local production if some expertise is made available. It is therefore recommended that an expert be made available for this purpose, and if an Industrial Economist with experience in Copra and Coconut oil sales and in production of Coconut by-products like soaps etc is stationed in the region he could spend some time in Vanuatu as well to help this infant industry.

CONSUMPTION OF FATS AND OILS AND FUTURE MARKET TRENDS

Vanuatu produces about 21,000t of vegetable oils (in oil equivalent terms) and imports a further 400t (in oil equivalents) of oils or fats as butter, animal fats, vegetable oils, oil seeds and flours, and as oil in soaps. Production is entirely of copra. From 1978 to 1980, a small oil mill was processing some copra, but the mill was burnt down during political troubles, and has not been replaced. A small extraction unit produces oil for soap manufacture and edible oil purposes. Its production is about 100t of oil per year. All copra production, except that used for the small oil unit, is exported.

The subtraction of exports from the combination of production and imports gives Vanuatu human consumption of oils (in oil equivalents as about 500t(4.3 kg/head per annum). Human use is divided into food use of 300t(2.5 kg) and non-food (soaps and cosmetics) of about 200t (1.8 kg.)

In this figure we have not included consumption of fresh nuts as food by humans and animals. This is because there are no reliable data on this available. A range of 175 nuts/head per annum to 365 is often quoted for the Pacific islands. If the figure of 200 were taken, th oil equivalent of this quantity would be 3,000t making it easily the largest source of oil consumed in Vanuatu and an important proportion of production of the coconut industry. This method of consumption is rather wasteful in that usually the nut is split in half, the "water" wasted, the "meat" is grated, and the resultant "cream" extracted.

The residual "meal" is discarded or fed to livestock. However, this is part of the tradition of Vanuatu and is important also in that it involves no cash outlay. As prices of all foodstuffs rise, it is likely that the bulk of the population (villagers owning coconut groves) will consume more coconuts to substitute for foods which have to be bought.

Vanuatu consumption of oils and fats is similar to that of other Pacific island countries, and based on experience elsewhere, it is likely that, as incomes rise, the consumption of fats and oils will rise even faster. This extra intake will most probably be in the form of greater consumption of fresh coconuts, as mentioned above, but also as edible fats and oils. Given a preference, this most likely would be animal fats, however margarine would also be acceptable and could be made using a major component of coconut or palm oil.

MARKETING OF COPRA

Unlike the other Pacific island countries there is no central authority like a Copra Board for the purchase and export of copra.

Above, reference was made to the Coconut Industry Board. No such body exists, however the government hopes to inaugurate such a body in 1982, and preparations are now being made for its legislation and necessary organisation. As we understand it, no plans are made to include copra milling in its activities as we have recommended. This is why we would favour this name rather than the more usual "Copra Marketing Board" as found widespread in the region.

The present situation with copra marketing is that 90% of all copra is purchased in Vanuatu from producers by two commercial firms and the Co-operative Federation. The commercial firms purchase most of the copra from the planters, and largely operate from the larger centres.T he Co-operative does all the copra purchasing in the village areas but also has some purchasing points in the larger centres. Understandably the Co-operative's cost are higher than those of the firms.

The price paid to the producers is directly related to the world price and hence localprices fluctuate with the world price. This obviously results in rapid and wide fluctuations e.g. in 1980 the local price had changed about two to three times per month and this coupled with uncertainties of shipping etc meant undue hardship to the producers.

As regards quality control there is none. There is no grading system in the purchase of copra and the quality of copra is easily the worst in the Pacific.

All copra is shipped on the one line to Europe, the Compagnie Generale Maritime Line (CGM). The present price structure for copra is as follows:

	US$/t
Reuters quoted London price Philippines copra	390.00
Less 3% discount for poor quality	11.70
Less 5½% shrinkage Vanuatu-Europe	21.45
Less freight (estimated by Burns Philp, Vanuatu)	80.00
Less Stevedoring (Vanuatu)	10.00
Less Miscellaneous charges such as insurance, brokerage etc.,plus profit	90.85
Delivered docks price (Vanuatu)	176.00
Less freight (weighing points to docks) handling and storage charges	41.00
"On the beach" price	135.00

The following points are worth noting:-

1) The copra produced in other Pacific islands because of its quality attracts a premium in the world market of at least 1% i.e. US$4. Hence Vanuatu copra because of its bad quality loses 4% i.e. US$16 per tonne at present as compared to the other Pacific countries.

2) The inter island freight and handling charge of US$41 is half that of the freight rate from Vanuatu to Europe.

3) The wide fluctuations in prices could only have a detrimental effect on copra production.

4) The bad quality of copra might restrict the market for this copra if Europe reduces its purchases. Earlier most of the copra went to France but in 1981 France stopped purchasing copra as they closed their mills. Japan, because of its restricted milling capacity, won't buy Vanuatu copra but will only purchase good quality copra.

5) The copra buyers are probably making a profit of US$70 per t, some of which will go the Board when it is handling copra marketing.

As the government has declared its intention of establishing a board to purchase and export copra the following suggestions are made in the light of our study made as regards other copra boards operating in other Pacific countries:

1) The composition of the Board should be such that the opinions of the various interest should be reflected e.g. small holder interests, plantation interests, government planning,department of agriculture, local industrial users(e.g. if oil milling is undertaken.)

2) The establishment of a Copra Fund for purpose of stabilising prices would be desirable. The administration of this fund should not be too complicated as otherwise the administration charges could be unnecessarily excessive. We would favour the system as operated in the Solomon Islands unlike the one in PNG. The system in PNG is that the copra stabilization fund is separate from the Board Fund, as a result at the end of the year the Board Fund has to be distributed to the individual producers in that year. This system necessitates individual ledger cards for each producer and could only be properly done by a computer and we feel is an unnecessary expense. It would essentially mean the Vanuatu Board operate a stabilization fund in conjunction with its general fund. This is in fact a single bank balance cum stabilization fund into which would go a year's profits plus fund contributions or out of which come losses or fund payments.

3) The Board should be able to offer substantially better prices to growers than under the present system. Out of the amount of 90.85 shown above for miscellaneous charges and profit, if the existing buyers are utilized to buy and handle copra, and $40 are allowed for these expenses, then $50 will be left to the Board to distribute to growers. This will be an extremely valuable windfall to the Board, which we believe should not be immediately granted to the growers, but used in the following way for the long term benefit of the industry: we would recommend that an immediate rise of US$20 be given to growers to help gain acceptance of the Board, and to increase returns; US$10 be used for the establishment of a stabilization fund. The level of support for the stabilization fund should be no more

than VT 1,051m(US$4.5m) to allow for the maximum production to date; and the remaining US$20 be given to growers producing a better standard of copra than at present. This would best be that produced by the Ceylon drier method which gives a standard comparable to that of hot air, and should lower the ffa content from about 5% to less than 1%, and result in that grade of copra (which should be kept and sold separetly) receiving a premium of 1% on Philippines price rather than a discount of 3%, which would result in a further price rise of US$15.60/t. The Board should ascertain the standard of copra which should be produced by growers, taking into account cost of production, and the price which various grades get. It should press with the rest of the region for payment of copra and coconut oil on the basis of measured quality . In this way a more uniform quality could be produced throughout the region and courses conducted for copra graders on a regional basis. This is quite important for the region if greater amounts of copra are to be traded within the region than at present.

4) The Board should aim at rationalising the collecting points with an effort to reduce the number (at present there are more than 250).

5) Storage of copra is stated to be extremely primitive and minimal, if so storage capacity and facilities have to be examined critically. In establishing its own facilities, the Board should endeavour to install bulk handling equipment where ever possible. The major depots at export ports should be capable of direct bulk loading of ships without intermediate transport or handling . The same principle should apply to any possible copra mill which should have its own bulk receival depot and be capable of direct, bulk loading of ships with oil and cake.

6) The views of the present traders would have to be obtained as their past experiences would be useful and their cooperation perhaps essential in the initial stages of transition.

FUTURES TRADING, A MARKETING AID

A major trend which has emerged in many major world commodities in recent years is that of trading in futures.

[1]."The future market is basically an auction where contracts for future supply of commodities are traded. Contracts are bought and sold by members of the exchange on behalf of their clients.

A futures contract is an agreement to buy or sell an amount of a commodity at a price at a future date. A futures contract should not be confused with a forward contract. A futures contract can be bought and sold on a futures market, whereas a forward contract is a private agreement between one buyer and one seller. Most futures contracts do not in fact result in physical delivery of goods. The whole purpose of the futures market is to transfer the risk of price movements from the producers and end user to speculators. In this way producers can use futures to secure a fixed price for a commodity . This is known as heaging. In the same way one may hedge against fluctuations in currency exchange fluctuations". As yet there

is no futures market in copra, coconut oil and copra cake, but this report recommends that the countries of the region press for its establishment, and then take advantage of the opportunities it would give for stabilizing prices. Participation in futures trading is skilled activity, and in order to enable the island countries to make best use of such a facility it is recommended that a suitable consultant be asked to address a future meeting of the Asian Pacific Coconut Community on this subject.

1. Taken from "Export Crops: Quarterly Review", Vol 3 No. 1 April 1980, Department Primary Industries, PNG.

SHIPPING

Internal Vanuatu shipping did not seem to pose a major problem, but may need some reorganization if copra collection can be organized on a more centralized basis. The shipping costs quoted of VT 4750 (US$56) per ton from beach to dock incurred by the Co-operative Federation obviously gives some scope for lowering freight rates with streamlined routes and better handling and storage facilities.

Where possible bulk landing facilities should be introduced to cut down loading costs and speed up vessel turn-around time.

Vanuatu is serviced by at least three overseas shipping lines, but only one of these carried the country's copra exports. This latter is the CGM which has been referred to above. Another shipping line, the Sofrana Line services the route to New Zealand,, first coming from Papua New Guinea, the Solomons, and sometimes Fiji, in the region. The other line, the Kyowa Line has the route Japan-Papua New Guinea-Honiara-Vanuatu-New Caledonia-Fiji-Tahiti-Japan and is a 6 week'y service. The other lines operate monthly services. Thus within the region, Vanuatu can import from Papua New Guinea and the Solomons and export to Fiji, with existing shipping. This would seem to be adequate for Vanuatu's needs at present.

REGIONAL CO-OPERATION

In one sense, because of the French involvement in Vanuatu, which is not present in any other countries of the region, it is more oriented towards other French areas in the Pacific and mainland France, than towards neighbouring island countries. Yet in another way, because Vanuatu came to rely on assistance from a fellow island country during the political troubles following independence, it has perhaps co-operated regionally in a more meaningful way than any other country in the region.

The fiscal policies of "tax-haven" and the newly announced"flag of convenience" registration policy also mark Vanuatu as different from its neighbours, however this should not stop Vanuatu from considering action on a number of regional issues concerned with its coconut industry, which is vital one for the large rural population.

If it is decided to erect another copra mill, it is believed that the purchase of second hand machinery will be necessary. As stated above, the World Bank and the Asian Development Bank will not lend on second hand equipment. It is possible, however, that this attitude way be changed if the island countries approach the banks with a regional voice to submit that this transfer of technology is a once-only movement which is critical for the future of the coconut industries of several of the islands. We hope that this study will provide a basis for a national development of comprehensive milling facilities in the island countries. We further recommend that a study be made of all copra mills in Europe, and anywhere else which may be for sale, to enable a regional approach be made to the bankers. Should this approach fail it would provide the necessary data on which to base requests to European countries for transfer of their mills to the Pacific.

This study recommends, that in line with world-wide trends in many major commodities, futures trading markets be established for copra, coconut oil, and copra cake. Pressure for such a move could most effectively come from the island countries acting together. As a first step towards this it is suggested that the matter be discussed in a regional seminar on the subject, possibly at a meeting of the Asian Pacific Coconut Community.

Most island countries in the region sell their copra on a London price basis, and most get a quality bonus of 1% (Vanuatu gets a discount of 3%), yet the quality of their copras differs enough to suggest that in some cases this quality is not adequately rewarded. Moisture (affecting yield of oil,) free fatty acid and colour (affecting cost of refining the crude oil) are the three most important characteristics concerned. This study would recommend that the region press for payment of copra sent overseas, based on its laboratory-tested description at point of delivery, and to provide information to support this more, a regional investigation be made of copra quality, and this be related to the cost of further processing. This would also be a necessary study to guide those countries which are now carrying out a multi-grading procedure and wish to know whether this should be continued, or a simplified system instituted. A copra inspection course applicable to the whole Pacific should be instituted. This becomes more necessary as greater trade takes place in copra within the region.

Vanuatu should strongly investigate the possibility of tallow exports to Fiji for soap manufacture there. If shipping becomes available to the Solomons then Vanuatu should examine this as a likely alternative tallow market.

Unless positive steps are taken to promote trade between the island countries, as suggested above, the existing pattern of development is likely to become intensified i.e. trade between the islands and outside industralised countries rather than trade between the islands. (In 1979 about 8% of imports in value terms came from countries within the region, while virtually all exports went outside the region). Under this system, development of industries in the islands is always discouraged unless special measures are taken to promote industry. These measures have so far not met with a good deal of success if measured against effective local control and ownership.

To encourage trade within the region, it is recommended that Vanuatu and other island nations included in this study initiate a trade declaration to promote trade and production in the region on a more co-ordinated basis on which trade in, and production of, specific items could be discussed between island countries, and as a stronger negotiating force when dealing with the non-island SPARTECA agreement countries of New Zealand and Australia and with other trading partners around the world. In particular, such a declaration should request New Zealand and Australia to more fully implement the intention in the SPARTECA agreement that these countries use their Trade Commissioners to investigate markets abroad for island products. Presently this is done on a limited scale, but needs positive promotion.

COPRA EXPORTS

QUANTITY, VALUE & DESTINATIONS

COUNTRY	1977		1978		1979		1980	
	Tonnes	'00000 FNH	Tonnes	'00000 FNH	Tonnes	'00000 VT	Tonnes	'00000 VT
France	26787	6768.1	23200	6073.6	24839	9379.7	22193	4815.4
Belgium	-	-	-	-	6601	2252.6	3268	860.0
Holland	5189	1198.1	8985	2193.7	7883	3212.6	967	167.6
Singapore	3899	893.8	10845	2831.0	498	202.8	301	76.5
Germany	1467	364.6	1000	304.0	-	-	-	-
French Poly.	1515	378.7	654	183.8	-	-	-	-
Spain	-	-	194	42.3	-	-	-	-
Sweden	1972	683.3	-	-	-	-	-	-
Korea	1053	258.4	-	-	-	-	-	-
Japan	1000	246.3	-	-	-	-	-	-
Denmark	974	280.9	-	-	-	-	-	-
Fiji	4	1.0	-	-	-	-	-	-
Total	43861	11072.6	44878	11628.4	39821	15047.8	26732	5919.5
% of Tot.Exports		43.7		43.4		52.8		30.4
Coconut oil Exports			178.8	7741	249.1	1451.8	1312	736.3
% of Total Exports	-	-		2.9		5.1		3.8

Source : Bureau of Statistics.

Note: Exports of Copra in 1980 was low owing to country's problems.

BALANCE OF TRADE

'00000FNH

Period	Exports	Imports	Balance
1977	25354	31455	-6175
1978	26818	36906	-10088
1979	28511	42314	-13803
1980	19457	42836	-23379

IMPORTS OF SELECTED ITEMS - 1980

QUANTITY & VALUE

	TONNES	'000 VATU.
Butter	145	16,383
Margarine dripping etc.	15	1,912
Vegetable Oils Refined	169	17,046
Other Oils & Fats	1	154
Soaps & Detergents	322	33,827
Animal Feeds	539	15,451

IMPORT DUTIES

Margarine, dripping etc.	5%
Soua bean oil, cotton seed oil sunflower oil, castor oil etc.	5%
Palm Oil, coconut oil	15%
Soaps & Detergents	10%
Animal Feed stuffs	Free

WORLD TRADE - MAJOR IMPORTING COUNTRIES

SHIPMENTS OF COPRA INTO THE FOLLOWING COUNTRIES

(Metric tons)

	1975	1976	1977	1978	1979
Belgium/Luxemburg	20,247	18,000	15,000	13,200	5,200
Denmark	21,274	42,931	20,095	22,400	18,300
France	63,879	71,582	61,000	52,100	55,700
Netherlands	166,691	148,500	74,000	78,700	57,700
Norway	11,000	15,000	13,000	10,000	15,600
Portugal	11,100	17,000	25,900	24,300	18,200
Sweden	38,505	38,600	41,600	37,000	13,000
United Kingdom	28,988	21,545	25,598	19,100	22,074
West Germany	413,142	525,183	351,400	211,000	53,900
U.S.S.R.	29,000	9,800	19,900	9,800	14,500
Singapore	27,100	43,700	40,800	73,300	36,100 Nett
Japan	89,866	110,856	97,785	90,400	55,659
Total	920,792	1,062,697	786,078	641,300	365,933

Source: 1979 Annual Review Frank Fehr + Company Limited

Note: Main drop in imports is in Netherlands and West Germany. Total drop from 1975 to 1979 is 554,859 mt. Philippines drop in exports in the same period was about 650,000 mt.

INTERNATIONAL PRICE OF SELECTED OILS AND OIL SEEDS, 1969 - 1981 (US $/M.T.)

Year	Oils					Oilseeds	
	Coco Oil Phil/Indo. Cif.Rott. 2)	Soybean Oil Dutch fob ex-mill 1)	Palm Oil Malaysian 5% Cif Europe	Palm Kernel Oil, Dutch fob ex-mill 3)	Sunflower oil, a.a. ex-Tank Europe	Copra Phil/ Indo Cif. N.W. Europe	Soybeans U.S. no. 2 Yellow Cif. Rott.
1969	347	197	173	306	213	202	107
1970	379	286	260	367	330	222	121
1971	353	304	262	336	374	190	132
1972	254	241	217	219	326	142	144
1973	513	436	376	506	481	348	290
1974	998	832	672	1046	977	670	277
1975	394	563	433	409	739	256	220
1976	418	438	405	433	581	275	231
1977	578	575	530	620	639	402	280
1978	683	607	600	764	665	471	268
1979	984	662	654	1064	762	673	298
1980	674	593	584	763	633	453	296
1981							
Jan.	614	545	625	629	690	433	323
Feb.	603	516	640	621	650	411	306
Mar.	574	535	620	605	650	392	305
Apr.	552	531	588	582	652	387	316

1) Prior to December 1970 = a.o. ex-tank. Rott.

2) Prior to January 1973 = Sri Lanka cif. bulk. CIF Europe Ports

3) Prior to January 1972 = West African, CIF Europe Ports

Source: Cocomunity

PERSONS INTERVIEWED

1. Mr F Frey, Central Planning Office

2. Mr O Drew, Central Planning Office

3. Mr B Weightman, Director of Agriculture

4. Mr Marshall, Bureau of Statistics

5. Mr Rueben, Second Secretary Economic Affairs, Ministry of Finance

6. Mr D Rushton, Cooperatives Advisor, Ministry of Finance

7. Mr Eder, UNIDO

8. Mr Andre Lancon, Operations Manager, Burns Philp

9. Mr Keith Barlow, Soap Factory