



Pacific Kava Export Industry Overview

Kava – a rich cultural heritage

Kava is an important agricultural commodity for a number of Pacific Island Countries (PICs), forming an integral part of cultural, economic and social life. The traditional beverage made from kava has been consumed in many PICs for centuries. It is made from a water extract of the root and/or rhizome of the *Piper methysticum* shrub. The beverage is widely consumed in informal settings and for traditional ceremonies. It is grown by smallholder farmers across a number of Pacific countries. For example, in Vanuatu, an estimated 30,000 households are involved in its cultivation with a further 3,000 earning an income from the kava trade and retail (“nakamal”) operations.

PHAMA Pacific Horticultural & Agricultural Market Access Program

An Australian Government initiative



Kava exports

Kava is exported from the main growing countries, such as Vanuatu and Fiji, to other PICs, as well as to countries like New Zealand, New Caledonia and the United States (partly due to the large Pacific Island communities there). The bulk of this trade relates to consumption of kava as a beverage. Kava is also traded as an ingredient into nutraceuticals and some pharmaceutical products. Kava is high in chemicals known as “kavalactones”. These chemicals give kava its relaxing and soporific effects. In the 1970s, the nutraceuticals industry recognized this, and saw an opportunity to create products which could be used as alternatives to sleeping and anti-anxiety drugs. A burgeoning export trade out of the Pacific to Europe and the



U.S. developed in the 90s, but was significantly affected by a European ban on imports (see “quality issues”). This ban was lifted in 2015 by Germany.

Quality issues

In the late 1990s, questions were raised over potential health concerns from kava consumption. However, in 2007, a World Health Organisation report concluded that consumption of kava as a beverage has been shown to cause no irreversible, long term health problems. Following these findings, the German courts overturned the long-standing ban on kava imports in 2015.

Varieties of kava can be separated into two broad groups: noble and two-day (or “tudei”) based on the relative amounts of the different kavalactones. Traditionally the kava beverage is prepared from the more desirable noble varieties of kava. “Tudei” kava has become more prevalent in Vanuatu because it is faster growing and more resilient to dry weather. Tudei varieties, however, are known to have higher levels of flavokavins, which can produce a toxic effect. In addition, toxic effects can also be linked to alkaloids which can occur in kava plant parts that are exposed to sunlight. This only relates to the use of kava

stems so peeling before consumption or further processing is recommended. Proper drying of kava is essential to avoid the growth of mould and the aflatoxins that can then be present. Hence efforts towards improving the quality of kava needs to include (a) the use of noble varieties and being able to distinguish from material from tudei or other varieties and (b) improving drying and other processing techniques.

PHAMA's current support for kava

Given the importance of kava to Pacific livelihoods and its significant market and export potential, PHAMA is prioritizing assistance to the crop. Significant support continues to be provided in Vanuatu and Fiji. Further details of this support are provided in the individual Country Kava factsheets that follow. In summary, PHAMA is supporting efforts to improve the quality of exports, and develop techniques to be able to differentiate between noble and “tudei” kava. PHAMA is not supporting any efforts to improve market access or promote kava consumption in Australia.



The future

Given its importance as an agricultural commodity for PICs, PHAMA intends to continue its support for the development of the kava industry in the Pacific. While kava as a beverage remains the main-stay of trade at present, the much bigger opportunity is kava as an ingredient in nutraceuticals products.

This is why the work on quality is so important. Farmers need to ensure that they are growing and harvesting the right varieties of Kava and that processing maintains quality. There is therefore a need for awareness raising and training for farmers across the Pacific. While PHAMA has been able to undertake much of the research into quality as well as development of awareness posters and field guides, the delivery of farmer training goes beyond the Program's scope. Consequently, PHAMA is now partnering with the kava industry, government and FAO in Vanuatu to disseminate the PHAMA materials and provide training to farmers.

Much also needs to be done on the side of marketing and product development. Given health concerns with kava consumption raised in some countries in recent years, kava has an image problem with some markets. Support will be

required to address this through disseminating the more recent research findings which disprove health concerns and by helping to re-establish contacts between Pacific exporters and overseas buyers processing kava for the nutraceuticals market. The development of marketing materials explaining the kavalactone profiles of different kava varieties and the testing now available to differentiate between noble and tudei varieties may also be an area where PHAMA could provide support.

In summary, PHAMA's future support for kava will include:

- Preparation of technical and other awareness information on the varieties being grown and their characteristics for all major producing countries.
- Collaboration with governments, private sector and other development programs to develop and implement practical processes to produce quality kava for export.



- Development and implementation of appropriate national standards for the production and export of kava.
- Support to national and regional Codex representatives and forums to develop a regional standard for kava as a food (beverage).

About PHAMA

Established in 2011, PHAMA is an aid-for-trade program, funded by the Australian and New Zealand Governments. It aims to promote Pacific exports of primary and value added produce by helping exporters to meet trading partners' regulatory requirements and quality standards. PHAMA operates in six countries: Fiji, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu. PHAMA is implemented by AECOM.



Fiji

The Industry and its significance

Kava, known as **yaqona** in Fiji, is widely consumed as a beverage informally and in ceremonial settings. Bundles of the dried root are presented as a ceremonial offering (**sevusevu**) when entering villages or for other significant occasions. Over 21,000 farms grow kava worth an estimated FJD66 million (AUD42 million) per year. Exports in 2014 were valued at FJD7.5 million (AUD4.9 million). Fiji exports yaqona to markets including other Pacific nations, New Zealand, to the European Union, USA, and some Asian nations. Some value added processing is done in Fiji including kava supplement drinks and kava capsules, but it is generally exported as powdered product made up of dried roots (**waka**) and chips (**lewena**). The domestic market is substantial and considered as valuable as the export market.

Market Access Issues

Since the last 1990's the export of kava and kava products has been affected by concerns in some markets over poor quality and potential health effects. Therefore the main market access concerns relate to strengthening the production and regulatory systems in Fiji and other kava producing countries to ensure the quality of exports and confidence of buyers, consumers and regulatory agencies. The Fiji Market Access Working Group, established through PHAMA, and the Ministry of Agriculture (MoA) have confirmed the on-going priority of kava in terms of improving quality. This includes developing simple tests to differentiate between good and bad quality kava, and providing greater opportunities for the large producer base across the country.

PHAMA Action

- **Kava surveys:** In 2014–15, PHAMA collaborated with MoA to complete surveys of the major kava production areas across Fiji to identify and describe the varieties being grown, document the different production methods and, together with the University of the South Pacific, conduct chemical (kavalactone) analysis of the plants. Understanding kavalactone profiles and concentrations and how to improve consistency in kava products is an important aspect of producing quality kava for export markets. The survey confirmed that 13 varieties of kava are commonly grown in Fiji and all are considered “noble” varieties, or those preferred for human consumption. Clear differences were noted in the way that kava was grown and processed by farmers in the various regions.
- **Awareness materials:** In collaboration with MoA and the private sector, the information from the kava surveys is being used to develop a comprehensive kava quality manual and awareness materials on how to produce quality kava products for exports.
- **Industry development:** PHAMA is also supporting the Yaqona Taskforce - a government-industry body established by MoA in 2014 to develop the kava industry, on strategic planning and industry representation. The Taskforce has drafted an industry plan (2015-19) covering priorities across research, legislation and standards, and supply and marketing. Additional to this, legislation for the establishment of an industry organization and regulation of the trade in kava is being developed. A national standard is near completion.

Progress

PHAMA's assistance to the Fiji kava industry is aimed at improving quality assurance systems and standards to ensure that market access is maintained and the volume and quality of exports increased. PHAMA's efforts have raised awareness of correct production, processing and storage at all levels of the value chain. PHAMA is not supporting any efforts to improve market access or promote kava consumption in Australia. The development of practical and economical quality testing tools will enable more effective quality assurance along the value chain. Government and industry will greatly benefit from increased knowledge to assist decision-making processes in the development of appropriate standards.

Future Actions

The priority for PHAMA is to help finalise the kava manual and national standard, and assist MoA in raising the awareness of farmers and exporters of the content of both documents.

There are useful opportunities for PHAMA to build on the work it has already supported for kava in Vanuatu to also assist the Fijian industry and better inform the region as a whole. The Fiji Yaqona Taskforce and MoA have also identified the need to progress legislation (e.g. formalising the representative industry body, providing a basis for quality standards) and an industry plan for kava. Further support is expected to be provided towards this including technical inputs and public consultation processes. Support towards the rehabilitation of kava production is also likely given the devastating impact of Cyclone Winston on Fiji kava farmers in February 2016.



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Vanuatu

The Industry and its significance

Kava is the third largest export commodity in Vanuatu, generating an estimated VUV807 million (AUD 10 million) in annual export earnings, and providing income to over 30,000 households across many of the country's islands. Livelihood income is generated from kava through direct export of kava chips, local sale in "nakamals" (kava bars), value added products, and services along the value chain such as packaging and transportation. Most kava chips are exported to New Caledonia, Fiji, US, Guam, China, Kiribati and New Zealand. Potential increased market demand from the multi-billion dollar, international nutraceuticals market could promote further development of the industry in the future.

Market Access Issues

The main market access concern is that overseas regulatory authorities, particularly those in the European Union, place bans on kava imports due to health concerns over poor quality kava. Tudei kava is a particular concern due to its potential toxicity. By helping to improve quality and distinguishing between different kava varieties, PHAMA can reduce the risk of closure of market access to the European and other markets. We can also help farmers and exporters get better prices and increase export volumes, and potentially examine new products for development.

PHAMA Action

➤ **Awareness materials:** PHAMA has provided assistance in the development of kava quality awareness materials for distribution to farmers throughout the country. These materials have since been simplified to be used by farmers in the field.

- **Quality testing:** PHAMA has provided assistance towards research into field testing tools to assist with quality control and help distinguish between noble and other varieties of kava. The testing methodology has recently been scientifically peer reviewed and validated.
- **Quality standards:** PHAMA is supporting the development of appropriate quality standards and procedures as part of a national kava standard underpinned by the amended Government Kava Act.
- **Industry development:** PHAMA is also promoting collective action in the industry. It has helped establish a Kava Industry Working Group (IWG), which brings representatives of the private and public sectors together. They then collaborate on identifying priority market access issues and developing an industry strategy to guide future assistance by PHAMA, government and other donor programs.

Progress

PHAMA's assistance to the Vanuatu kava industry is aimed at improving quality assurance systems and standards to ensure that market access into Europe and other markets is maintained. PHAMA's efforts have raised awareness of correct production, processing and storage at all levels of the value chain. PHAMA is not supporting any efforts to improve market access or promote kava consumption in Australia. The development of practical and economical quality testing tools will enable more effective quality assurance along the value chain. Government and industry will greatly benefit from this increased knowledge and capacity to assist decision-making processes in the development of appropriate

standards.

Future Actions

PHAMA will continue to work to improve kava quality. Activities will promote awareness raising to inform the industry, including international buyers, around quality improvements. The Kava IWG will continue to be the main mechanism for engagement with stakeholders. Therefore PHAMA will prioritize activities to support the IWG's ability to function sustainably as the recognized body representing the kava industry and act as an effective forum for discussion and policy advice between industry and government. PHAMA will also continue working with Vanuatu on the development of its first ever national kava strategy.



Industry example

Company: South Seas Commodities

Exporting: Dried kava chips, roots, powder, and other semi-processed agricultural products

Markets: New Caledonia & USA (major markets), Hawaii, China, Fiji

Export Earnings: VUV100 million (AUD1.2 million)

Return to Value Chain of Small Holders, Processors: VUV70 million (AUD850,000)

South Seas Commodities is a family owned company based in Port Vila. Michael Louze (Manager) has been involved in the kava industry for over 15 years. South Seas Commodities has warehouses in Port Vila and Luganville and exports up to 300 tons of dried kava annually to various international markets. In addition, South Seas Commodities also exports a wide range of kava powder including instant kava and semi-processed agricultural products such as Tamanu oil, noni juice, cocoa, spices and virgin oil. Kava is sourced directly from over 200 selected farmers in the northern islands of Vanuatu. The company's focus is on maintaining export of noble kava as good quality kava. In doing so, current markets will be maintained and new markets will be accessed.

VIEWS ON PHAMA SUPPORT

"Through PHAMA, the Kava industry in Vanuatu has been able to voice its views and concerns as a collective group and not individuals as was previously the case. This consolidated voice is inclusive of government, private sectors and smallholders who have interest in ensuring that good quality kava is continually exported from Vanuatu. Indirectly, the grouping has seen consistent messages being shared by industry players for good quality kava, something that has only happened through involvement of PHAMA."

Michael Louze, Manager, South Seas Commodities

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