



Pacific Horticultural and Agricultural Market Access Program (PHAMA)

Technical Report 30 (Part B): Scoping Study to Assess
the Potential for Increased Primary Sector Exports from
Solomon Islands to Nearby Pacific Island Countries
(SOLS07)

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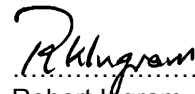
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Abbreviations

Abbreviation	Description
A\$	Australian dollar
AusAID	Australian Agency for International Development
BAF	Bunker Adjustment Fee
CIF	Cost, Insurance and Freight
CPI	Consumer Price Index
FCL	Full Container Load
FJD	Fiji dollar
FOB	Free on board
GBH	Greater Bali Hai
HS codes	Harmonized System codes
ICS	International Chamber of Shipping
LCL	Less Container Load
MAWG	Market Access Working Group
N/A	Not applicable
PHAMA	Pacific Horticultural and Agricultural Market Access Program
SBD	Solomon Islands Dollar
URS	URS Australia Pty Ltd
US\$	United States dollar

Executive Summary

The May 2012 meeting of the Solomon Islands Market Access Working Group (MAWG) endorsed the results of a preliminary report on export development between Solomon Islands and Nauru/Kiribati – see Pacific Horticultural and Agricultural Market Access Program (PHAMA) Technical Report 30 (Part A). The MAWG requested further information on shipping, import requirements in both markets, and the structure of the market, in order to determine the likely viability of trade in a range of agricultural, horticultural and processed food and beverage exports. This information is to be used to inform a final decision on whether to provide further support for a possible trade mission to Kiribati and Nauru.

This additional research has now been carried out, using a combination of primary and secondary information sources, including:

- The High Commission of Kiribati in Fiji
- The High Commission of Nauru in Fiji
- Relevant Ministries in Kiribati and Nauru
- Shipping companies (Neptune Pacific, Pacific Direct Line, Reef Shipping)
- Shipping agents (Tradco, Sullivans)
- Kiribati and Nauru retailers and distributors
- International and regional statistics organisations.

Preliminary indications from the research are that the viability of export development from Solomon Islands to Kiribati and Nauru is marginal at best. Competition from the current main suppliers (Australia, Fiji, China, the United States of America) means that any export development initiative will require significant levels of investment, particularly in the Solomon Islands supply chain. Current levels of Solomon Islands exports to both markets are small and narrow. The main export to Kiribati is kava, along with beer. Fresh produce exports appear to be very small. For Nauru, exports have declined since the cessation of direct flights on Our Airline, although historically there has been good trade.

The primary issue for export development is transport to market. A locally-based shipping option has been investigated with SolFish, but it now appears that this is not economically viable for them or for potential exporters in terms of costs and time. The landed price of the goods would make them uncompetitive with other established suppliers. Commercial shipping options are available, but in the case of Kiribati require transshipment through Suva or Santo with extra charges and costs added. Access to Nauru is a little easier, with a westerly route available. Transit times for both markets are around 20 days (+/- 2 days). For fresh produce, this will need to be factored into harvest times. Transit times will also affect packaging requirements, result in a need for a more expensive refrigerated container, and necessitate management of quality issues to ensure a decent shelf life when the product arrives in the market.

Import and distribution options in Kiribati and Nauru are limited. Most trade is small-scale. There is a warehousing/retail structure in Kiribati, while in Nauru most imports are handled directly through one large importer. In Kiribati, there is also consideration of links through to Christmas Island, but in reality the final destination market for any Solomon Islands product is Tarawa. Internal distribution is the responsibility of the importer.

Conclusions

More information is required from both markets regarding pricing for potential exports from Solomon Islands to Kiribati and Nauru. Mixed containers might provide better returns for exporters, but the viability of the trade remains contingent on the following:

- For export development to take hold, commercial arrangements will need to be made with key importers into both countries. Pricing and continuity of supply will be critical success factors in any sustainable trade. Competition with Australian and Fijian suppliers will be a challenge.
- Supply-side management: Given the limited shipping options ex-Honiara, exporters will need to be well organised at the supply end to ensure that all products – once decided – are presented on time; meet all relevant quarantine and import standards; are packed for export; and have the requisite paperwork completed in full. Competition from Australia and Fiji is high, and there are already established commercial relationships between these suppliers and importers in both Kiribati and Nauru.
- Shipping costs: Shipping costs ex-Honiara are high for both dry and reefer containers. Exporters cannot expect to receive discounts from the shipping companies unless volumes reach an agreed threshold.
- Shipping times: For fresh produce, the shipping times indicate that some potential export products from Solomon Islands will simply not arrive in sufficiently good condition for the market. Any exports will need to be both durable and have a long shelf life. This limits potential exports to the likes of root crops, watermelons, pineapples, green bananas, coconuts, processed and tinned foods, beverages and possibly frozen fish. It brings Solomon Islands into immediate competition with suppliers from Fiji and Australia.
- Establishing terms of trade: Importers who have not previously dealt with Solomon Islands will be looking for favourable terms of trade and discounted pricing, at least initially. Exporters will need to ensure that they have the capacity to cover both their cost of business and the cost of an export transaction. Given the cash-based nature of the Solomon Islands economy (suppliers wanting to be paid up front), this may prove problematic for exporters. Information gained during the earlier April mission indicates that export credit is difficult to obtain. If exporters have to wait 30 to 60 days to be paid, this may be the difference between success and failure, even if there is a market for their products.

On balance (and taking into account that market information remains sketchy at best), moving on to a full-scale export development program to Kiribati and Nauru from Solomon Islands would be marginal at this point in time. The likely product range is narrow, regional competition is high, and any exports will require very precise management at the supply end, given the paucity and cost of shipping ex-Honiara. Unless there is some form of export incentive available through Solomon Islands government, any attempt to move on the perceived opportunity will be an entirely commercial risk. With returns from the local market still very good, producers may prefer to stay local.

Of the two markets examined, Kiribati is the largest, although the more difficult to access. Nauru has a better trading history with Solomon Islands, but also has a poor record of payment, which will deter some exporters. Surprisingly, Nauru may prove to be the slightly better option if Reef Shipping can collect product from Noro. Comments from Reef Shipping seem to indicate that volumes would have to be reasonably large for this stop to be worthwhile for them.

Recommendations

- Investment in a full trade mission is not recommended at this point. Research indicates that there are too many variables (shipping costs, confirmation of market opportunities, decision points on product offering, in-market pricing) that require clarification. Even in the course of researching the findings of this report, information on shipping routes and costs changed several times.
- A product-offering brochure should be designed that outlines all potential exportable products from Solomon Islands, including suppliers and information on seasonal products. This can be used as a resource for individual exporters acting on behalf of all Solomon Islands exporters.
- Regional supply chains, e.g. through the likes of Punjas, should be investigated as a possible option for getting Solomon Islands products to market. This may not be optimum, given ownership structures, but does warrant consideration.
- A 'watching brief' should be kept on both of these markets, and particularly availability of transport links, by the Ministry of Commerce, Industries Labour and Immigration and Solomon Islands-based PHAMA staff.

1 Shipping

Following the cessation of the Neptune Line link in April 2012, there is now no direct shipping route from Solomon Islands through to Kiribati and Nauru. All shipping to Kiribati is transhipped through either Suva or Santo (Vanuatu). Nauru does have a type of direct route, but the transit time through Papua New Guinea is still around 20 days. An examination of shipping routes and costs resulted in the following information:

1.1 Container Costs

Cargo to Tarawa is shipped on Greater Bali Hai (GBH) vessels to Suva for trans-shipment on either Swire Shipping or Reef Shipping to Tarawa. Cargo to Nauru is based on a pick-up from Honiara through to Nauru (via Port Moresby and Lae). Reef Shipping has an exclusive freight arrangement with Nauru. Costs for shipping a 20 foot full container load (FCL) are shown in Table 1-1:

Table 1-1 Container costs (20 foot FCL)

Origin	Destination	Type	Cost	Bunker Adjustment Fee (BAF)	ICS charges
Honiara	Tarawa	Dry	US\$2,200	US\$750	US\$10
Honiara	Tarawa	Reefer	US\$3,200	US\$750	US\$10
Honiara	Nauru	Dry	US\$1600	US\$560	US\$10
Honiara	Nauru	Reefer	US\$2600	US\$910	US\$10

Note: Local charges include a Maritime Safety Authority surcharge of US\$95 per 20 foot container, terminal handling charges of SBD275 and bill of lading fee of SBD220. Less Container Load (LCL) shipments are also accepted by GBH, but the minimum shipment is 10 m³. Rates for LCL are quoted on a case-by-case basis and subject to availability of containers.

1.2 Shipping Routes: Honiara to Tarawa

Shipping from Honiara to Tarawa is initially via the GBH Company for trans-shipping through Santo (Vanuatu) to Suva (Fiji) and onwards to Tarawa. There is now no direct route from Honiara, following the cessation of the Neptune Pacific direct service. Sailings on GBH ex-Honiara take place every five weeks. The approximate sailing times from Honiara to Tarawa, including trans-shipment, are as follows:

Option 1: Greater Bali Hai / Swire Shipping

- Honiara to Suva: **11 days**
- Suva to Tarawa (direct): **7 days**
- Total Honiara to Tarawa: **18 days** (minimum). Sailing time could be extended by **2 days**.

Option 2: Greater Bali Hai / Reef Shipping

- Honiara to Suva: **11 days**
- Suva to Tarawa (direct): **13 days**
- Total Honiara to Tarawa: **24 days** (minimum). Sailing time could be extended by up to **2 days**.

For shipping Honiara to Nauru, Reef Shipping has recently opened a new route that takes in Honiara. As noted above, this goes through Port Moresby and Lae.

Total Honiara to Nauru: **17 days** (minimum). Sailing time could be extended by **2 days**.

Reef Shipping has indicated that *ad hoc* pickups from Noro to Nauru were previously and could still be done if freight volume is sufficient. This opens up some possibilities in terms of fresh produce going to Nauru, if costs are manageable.

Transshipment costs received from Fiji are outlined below (per 20 foot FCL):

- Customs entry fee: FJD6.22
- Customs exit fee: FJD6.22
- Transshipping fee: FJD130.00 (Biosecurity requirement)
- Inspection fee: FJD34.00 (Biosecurity requirement)
- Lift fee: FJD22.00
- Reefer plugin: FJD80.00
- Total minimum daily charge: FJD268.44.

This figure will need to be added to the overall cost of each container shipped through Fiji. Taking into account the above, total costs are as follows:

- Dry container (20 foot FCL): US\$3,176 (SBD21,475)
- Reefer container (20 foot FCL): US\$3,256 (SBD22,015).

2 Current Product Options and Trade

2.1.1 Product Options

Examining potential export products listed in the preliminary report – i.e. Pacific Horticultural and Agricultural Market Access Program (PHAMA) Technical Report 30 (Part A) – requires a closer look at how these products will fare given journey times noted above. For fresh products (i.e. perishables), the first decision required is whether these will require a reefer or a dry container. This will affect the transit cost and competitiveness in the market. A second consideration is the approximate storage times available to each product and how long the shelf life will be on arrival in the destination market. Some of the products noted as having export potential may not make the journey in sufficiently good condition to get to the shelf (even without taking into consideration such factors as clearance off the wharf, local stevedoring costs, tariffs if levied, distribution, or importer and retail margins). To illustrate:

Product	Recommended temperature (Celsius)	Storage time
Taro	+11 – +13	150 days
Cassava	0 – +2	150–180 days
Yam	+16 – +20	50–120 days
Sweet potato	+12 – +16	90–180 days
Irish potato	+4 – +6	240 days
Chinese cabbage	0	30–40 days
Capsicum	+7 – +10	14 days
Tomato	+8 – +12	14 days
Cucumber	+13	10 days
Aubergine	+8 – +10	10–14 days
Onion	0 – +4	270 days
Okra	+8 – +10	7–10 days
Garlic	0	180 days
Lettuce	0	12 days
Watermelon	+5 – +6	16–20 days
Bush lime	+8 – +10	42–56 days
Pineapple	+8 – +12	14–21 days
Pawpaw	+10	14–21 days
Avocado	+8 – +13	14–28 days
Mangosteen	+4 – +6	20–35 days
Pumpkin	+7 – +10	60–90 days
Banana	+14	14–28 days
Chilies	+8 – +10	14–21 days
Mango	+10 – +14	14–21 days

In effect, this list indicates the need to use reefers for all exports, if the containers are mixed. The cost for the Kiribati route is US\$3,200 plus BAF and additional handling costs at the sending and receiving ends. Total shipment costs per FCL reefer are in the order of US\$4,000 to US\$4,500. Recent

¹ Source: Cool Facts, Maersk Line publication.

announcements by the Kiribati Ports Authority of increased stevedoring charges will further increase the cost at the receiving end. This estimate does not include any demurrage charges in Suva.

For Nauru, costs are slightly less. If the Reef Shipping route is viable, no trans-shipment is required. Costs (including handling and offload in Nauru) are in the order of US\$4,000 per FCL. The concern for shipment to Nauru is the transit time and reports from the island that Reef Shipping has previously not been a reliable shipper.

2.1.2 Current Trade

Table 2-1 shows trade with Kiribati according to trade data received from Solomon Islands Customs.

Table 2-1 Exports of selected products to Kiribati 2011

Product	Volume (kg)	Free on board (FOB) Value (SBD)
Kava	46,571	4,584,899
Processed food	4,300	456,411
Preserved vegetables	-	-
Fresh vegetables	-	-
Others	-	-
Root crops	16	200
Total	50,887	5,041,500

The approximate total value is A\$700,000. There is some difficulty in cross-referencing this data with that received from the Kiribati Customs Service which indicates that in addition to the limited range of products, beverages (mainly beer and soft drinks) make up the balance of the total trade from Solomon Islands to the market of A\$702,000. The discrepancy could be explained in different reporting years. There is no reporting of any fresh produce imports from Solomon Islands to Kiribati, although there is continuing anecdotal evidence that this has occurred.

Table 2-2 shows the products and figures for Nauru.

Table 2-2 Exports of selected products to Nauru 2011

Product	Volume (kg)	FOB value (SBD)
Fish	3,813	150,391
Rice	39,350	680,559
Pasta	11,428	241,402
Fresh vegetables	3,378	125,348
Root crops	180	1,831
Meat	31,741	366,558
Beverages	178,565	787,646
Total	268,457	2,353,375

Compared with figures from Kiribati, exports to Nauru are much more diverse, but the level in dollar terms is very low (less than A\$310,000 for the reporting year). However, the cessation of direct flights from Honiara to Nauru is a significant constraint on future export growth.

3 Retail and Distribution

Both Kiribati and Nauru have retail sectors with trade dominated by a small number of outlets. The main retail options in Kiribati are:

- MOEL Trading (<http://moeltrading.webs.com/>)
- Taotin Trading (<http://www.taotintrading.com/>)
- Abamakoro Trading (<http://www.kiritours.com/Business/Abamakoro/Index.htm>)
- Bobotin Kiribati Limited (<http://www.kiritours.com/Business/B.K.L/Index.htm>)
- Punjas (Kiribati) Limited (<http://www.punjas.com/punjas-country.htm#kiribati>)

These companies also provide wholesale facilities. Of those listed, three give some detail of the products they stock. These conform to the standard items available across the Pacific, including tinned food, frozen meats and seafood, cereals, rice, flour, some fresh fruit and vegetables, and beverages, including soft drinks / alcohol. Price information has been sought from MOEL Trading and Taotin Trading, but no information has been received to date. There is also a recent innovation of online supermarket shopping through a company called IMart (www.shopatimart.com). Some prices are available for fresh and frozen products.

A local market does operate in Tarawa, supplementing the larger retail outlets. It sells a combination of local and imported product and appears to be the main alternative to the higher-priced retail outlets. However, supplies are made available from the larger wholesalers listed above. Recent studies have indicated that the Kiribati government is attempting to get out of running cooperatives and retail. The reality is that government still plays a very active role in all aspects of the economy.

In Nauru, retail is very limited, with only one large importer/wholesaler/retailer in the country, this being Capelle and Partner (<http://www.capellepartner.com/>). Anything coming into the country is generally managed through Capelle and Partner, who also act as the local shipping agent in conjunction with the Ministry of Transport. Information on retail pricing is being sought, but has not been received to date. Both the Kiribati High Commission and the Nauru High Commission in Suva have undertaken to supply additional contact information.

In terms of trade statistics, some headline information has been made available from Kiribati, but this does not go into product line detail. Six digit HS codes would be the most useful. International trade statistics databases are also limited in terms of information available, with a heavy reliance on mirror data. There has been no response to date from Nauru on import statistics.

4 Pricing Scenarios

The limited amount of information from the market has hampered an accurate assessment of the viability of key Solomon Islands exports to Kiribati and Nauru. However, by using Consumer Price Index (CPI) data from Solomon Islands and export data on a limited range of products, the following pricing scenarios emerge.

Table 4-1 Pricing scenarios

Product	Market price (kg) SBD	Price per kg in A\$	Approximate A\$ FOB price ^{1/}	Approximate A\$ Cost, Insurance and Freight (CIF) price ^{2/}
Sweet potato	4.34	0.59	594.62	654.09
Cassava	3.25	0.45	445.28	489.81
Taro	12.15	1.66	1664.67	1831.14
Tomato	35.66	4.89	4885.80	5374.35
Coconut (green)	2.76	0.38	378.15	415.96
Bananas	6.65	0.91	911.12	1002.23
Plantain	9.94	1.36	1361.90	1498.07
Pawpaw	8.75	1.20	1198.80	1318.72
Melon	8.87	1.22	1215.30	1336.81
Cucumber	9.70	1.33	1329.00	1461.90
Green beans	23.50	3.22	3219.70	3541.71
Spring onions	34.95	4.79	4788.50	5267.35
Chinese cabbage	19.49	2.67	2670.30	2937.36
Capsicum	25.93	3.55	3552.70	3907.94
Bush lime	5.46	0.75	748.07	822.88

^{1/} Per tonne.

^{2/} Assuming 10% CIF margin.

5 Product Scenarios

A standard loading weight of 15 metric tonnes has been applied to the following tables to illustrate costs for export of the products listed above. Actual weights per FCL may differ.

5.1.1 Kiribati

Table 5-1 Potential landed costs in Kiribati

Product	A\$ FOB price per 20' FCL (15MT)	A\$ CIF price per 20' FCL (15MT)	A\$ 20' refrigerated container cost	FOB landed price in A\$	CIF landed price in A\$
Sweet potato	8919.35	9811.29	4141.76	13061.11	13953.04
Cassava	6679.24	7347.16	4141.76	10820.99	11488.92
Taro	24970.07	27467.08	4141.76	29111.83	31608.84
Tomato	73286.65	80615.31	4141.76	77428.40	84757.07
Coconut (green)	5672.21	6239.44	4141.76	9813.97	10381.19
Bananas	13666.75	15033.42	4141.76	17808.50	19175.18
Plantain	20428.19	22471.01	4141.76	24569.95	26612.77
Pawpaw	17982.56	19780.82	4141.76	22124.32	23922.57
Melon	18229.18	20052.10	4141.76	22370.94	24193.85
Cucumber	19934.96	21928.45	4141.76	24076.71	26070.21
Green beans	48296.03	53125.63	4141.76	52437.78	57267.38
Spring onions	71827.49	79010.24	4141.76	75969.25	83152.00
Chinese cabbage	40054.87	44060.36	4141.76	44196.63	48202.12
Capsicum	53290.04	58619.04	4141.76	57431.79	62760.80
Bush lime	11221.12	12343.23	4141.76	15362.87	16484.99

Assuming that the formulae above are correct, the landed per kg price for each product listed will be:

- Sweet potato – A\$0.87 (FOB) or A\$0.93 (CIF)
- Cassava – A\$0.72 (FOB) or A\$0.77 (CIF)
- Taro – A\$1.94 (FOB) or A\$2.11(CIF)
- Tomato – A\$5.16 (FOB) or A\$5.65 (CIF)
- Coconut (green) – A\$0.65 (FOB) or A\$0.69 (CIF)
- Bananas – A\$1.19 (FOB) or A\$1.28 CIF)
- Plantain – A\$1.64 (FOB) or A\$1.77 (CIF)
- Pawpaw – A\$1.47 (FOB) or A\$1.59 (CIF)
- Melon – A\$1.49 (FOB) or A\$1.61 (CIF)
- Cucumber – A\$1.61 (FOB) or A\$1.74 (CIF)
- Green beans – A\$3.50 (FOB) or A\$3.82 (CIF)
- Spring onions – A\$5.06 (FOB) or A\$5.54 (CIF)
- Chinese cabbage – A\$2.95 (FOB) or A\$3.21 (CIF)
- Capsicum – A\$3.83 (FOB) or A\$4.18 (CIF)
- Bush lime – A\$1.02 (FOB) or A\$1.10 (CIF).

Possible margins to retail (taking into account landing costs, transportation, warehousing, cold storage and marketing) could add to this cost by up to 150%, leaving a retail price per kg of up to:

- Sweet potato – A\$2.33
- Cassava – A\$1.91
- Taro – A\$5.27
- Tomato – A\$14.13
- Coconut (green) – A\$1.73
- Bananas – A\$3.20
- Plantain – A\$4.44
- Pawpaw – A\$3.99
- Melon – A\$4.03
- Cucumber – A\$4.35
- Green beans – A\$9.54
- Spring onions – A\$13.86
- Chinese cabbage – A\$8.03
- Capsicum – A\$10.46
- Bush lime – A\$2.75.

5.1.2 Nauru

Table 5-2 Potential landed costs in Nauru

Product	A\$ FOB price per 20' FCL (15MT)	A\$ CIF price per 20' FCL (15MT)	A\$ 20' refrigerated container cost	FOB landed price in A\$	CIF landed price in A\$
Sweet potato	8919.35	9811.29	3699.16	12618.51	13510.44
Cassava	6679.24	7347.16	3699.16	10378.39	11046.32
Taro	24970.07	27467.08	3699.16	28669.23	31166.23
Tomato	73286.65	80615.31	3699.16	76985.80	84314.47
Coconut (green)	5672.21	6239.44	3699.16	9371.37	9938.59
Bananas	13666.75	15033.42	3699.16	17365.90	18732.58
Plantain	24028.19	22471.01	3699.16	24127.35	26170.17
Pawpaw	17982.56	19780.82	3699.16	21681.72	23479.97
Melon	18229.18	20052.10	3699.16	21928.34	23751.25
Cucumber	19934.96	21928.45	3699.16	23634.11	25627.61
Green beans	48296.03	53125.63	3699.16	51995.18	56824.78
Spring onions	71827.49	79010.24	3699.16	75526.65	82709.40
Chinese cabbage	40054.87	44060.36	3699.16	43754.03	47759.52
Capsicum	53290.04	58619.04	3699.16	56989.19	62318.20
Bush lime	11221.12	12343.23	3699.16	14920.27	16042.39

Assuming that the formulae above are correct, the landed per kg price for each product listed will be:

- Sweet potato – A\$0.84 (FOB) or A\$0.90 (CIF)
- Cassava – A\$0.69 (FOB) or A\$0.74 (CIF)

- Taro – A\$1.91 (FOB) or A\$2.08 (CIF)
- Tomato – A\$5.13 (FOB) or A\$5.62 (CIF)
- Coconut (green) – A\$0.62(FOB) or A\$0.66(CIF)
- Bananas – A\$1.16 (FOB) or A\$1.25 (CIF)
- Plantain – A\$1.61 (FOB) or A\$1.74 (CIF)
- Pawpaw – A\$1.45 (FOB) or A\$1.57 (CIF)
- Melon – A\$1.46 (FOB) or A\$1.58 (CIF)
- Cucumber – A\$1.58 (FOB) or A\$1.71(CIF)
- Green beans – A\$3.47 (FOB) or A\$3.79 (CIF)
- Spring onions – A\$5.04 (FOB) or A\$5.51 (CIF)
- Chinese cabbage – A\$2.92 (FOB) or A\$3.18 (CIF)
- Capsicum – A\$3.80 (FOB) or A\$4.15 (CIF)
- Bush lime – A\$0.99 (FOB) or A\$1.07 (CIF).

Possible margins to retail (taking into account landing costs, transportation, warehousing, cold storage and marketing) could add to this cost by up to 150%, leaving a retail price of up to:

- Sweet potato – A\$2.25
- Cassava – A\$1.84
- Taro – A\$5.19
- Tomato – A\$14.05
- Coconut (green) – A\$1.66
- Bananas – A\$3.12
- Plantain – A\$4.36
- Pawpaw – A\$3.91
- Melon – A\$3.96
- Cucumber – A\$4.27
- Green beans – A\$9.47
- Spring onions – A\$13.78
- Chinese cabbage – A\$7.96
- Capsicum – A\$10.39
- Bush lime – A\$2.67.

There are other considerations that need to be taken into account, including the fact that volumes are based on FCLs and on retail prices drawn from CPI figures. Smaller volumes will mean higher prices, and the likelihood is that mixed containers will be the preferred option for both Kiribati and Nauru importers wanting to spread their risk and meet customer demand.

It should be noted that importers will be looking for some level of discount at the beginning of the trade, and possible assistance with terms of trade and payments. Given that they have established suppliers from the likes of Australia and Fiji, this type of business model will need to be considered by Solomon Islands exporters. Some of the risk may be mitigated by the strong family ties that exist between the two countries, but this will still need to be proven.

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Appendix A

Appendix A Honiara Central Market Prices

Product	SBD price (per kg)	A\$ price (per kg)
Taro	12.80	1.68
Sweet potato	8.00	1.05
Tomato	17.00	2.23
Cassava	10.00	1.31
Slippery cabbage	6.00	0.78
Watermelon	25.00	3.29
Plantain	11.20	1.47
Chinese cabbage	10.00	1.31

Source: Noel Roposi, Principal Planning Officer (Marketing), Ministry of Agriculture and Livestock

Prices provided do not add significantly to data captured in the body of the report in terms of potential returns to exporters.

Appendix B

Appendix B Addendum Report

B.1 Summary

Following the submission of Technical Report 30 Parts A and B, the Solomon Islands Market Access Working Group in August 2012 requested additional pricing information from both Kiribati and Nauru to further test costing assumptions outlined in the reports. This entailed the following steps:

- Identifying importers and retailers in both countries
- Developing a brief pricing survey
- Collecting and collating pricing information
- Developing a comparative table to determine price comparisons.

Communication with potential importers in both countries proved to be challenging, but pricing information was eventually obtained. Not all the products listed as having export potential are on sale in both islands. The pricing information has revealed that some products come in under the assumed pricing model and some come in over. Full information and calculations are listed below.

In Kiribati, additional issues were identified by suppliers regarding both potential competition for root crops and instances of biosecurity trade barriers being enforced on the part of Kiribati. For example, taro imports from Fiji are subject to stringent inspection to ensure taro beetle is not introduced. Cassava is also subject to this level of inspection. Preference by importers is to bring in frozen product to avoid confiscation and to increase product shelf life.

Extensive communications by both telephone and email with Capelle and Partners in Nauru resulted in no further market information being provided. The final communication received from Nauru noted that 'none of the products listed are currently held in stock by Capelle and Partners'. However, Capelle and Partners did confirm that when there were direct flights between Nauru and Honiara, they did have a fresh produce supplier in Honiara. In the course of communications, the reopening of the Australian asylum seeker processing centre was announced. This will possibly open up opportunities for supply of goods, and comments from Capelle and Partners noted a strong interest in direct involvement.

Prices reported from the market indicate that Solomon Islands does have some work to do in terms of supply at competitive prices and in relatively small volumes. Importers have confirmed that shipping remains their biggest challenge. Air freight in particular faces severe space constraints, but is not a realistic option in any case (unless Our Airline recommences direct services).

In Kiribati, prices at retail are substantially less than the estimated landed prices across the full range of Solomon Islands exports, with the exception of cassava (only imported as frozen), cucumber and Chinese cabbage. Several products (including sweet potatoes, plantain, green beans, spring onions and bush limes) are not currently imported. There is interest in looking at sweet potato, cassava and taro, but the likes of spring onions and bush limes were noted as having demand 'by the carton only'.

Importers noted that volumes in Kiribati for leafy greens and high-value items like tomatoes and capsicum are never going to be high. There is also some local supply available, but low production keeps prices high. In Nauru, the vast majority of imports are from Australia and New Zealand. Local vegetable production is largely confined to domestic plots.

A caveat for the calculations presented below is the assumed retail margin applied on FOB and CIF landed prices. Importers and retailers contacted did not present their margins (nor could they be

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expected to), given concerns about commercial confidentiality. Tables indicate a potential margin of 150% of the landed price. Figures presented can be manipulated up or down, but a quick exercise on the Kiribati figures on a margin of 100% on the CIF price of Solomon Islands taro gives a price differential of only 6%. As noted in the earlier part of the report, Solomon Islands exporters could pursue exports to Kiribati and Nauru on a limited range of products, most likely root crops, to test both markets. However, the key constraints remain:

- Shipping – cost, journey times, frequency of sailings
- Consistency and quality of supply, along with maintenance of supply
- Potential quarantine barriers in Kiribati for fresh root crops
- Regional competition from Fiji and Vanuatu.

If Solomon Islands exporters are to export to Kiribati and Nauru, they should be prepared for low (or no) commercial returns in the short term. When trade builds and volumes increase, modest returns could be available. Financing support and export incentive support from the Solomon Islands government could also be sought in the short term.

B.2 Pricing Survey

Obtaining prices from the market proved to be a challenging exercise, but in the end these were obtained. In Kiribati, prices were sourced from:

- MOEL Trading
- Wishing Start Trading
- IMart
- Punjas Limited
- One Stop Stores.

Prices were obtained through two independent sources and directly with IMart through contact with the store owner and via their online shopping site. In Nauru, pricing information was obtained from Capelle and Partner, Nauru's largest importer and only supermarket. This was obtained directly from the Purchasing Manager.

Importers were asked to respond to a survey that listed those products indicated by Solomon Islands as key export products. Respondents were asked to indicate per kg prices or per piece prices in Australian dollars. Although requested to supply approximate import volumes, none of the respondents provided this information. All prices given are prices at retail, i.e. those prices presented to the buyer.

In the case of Kiribati, it was noted that importers tend to import in bulk (comments from IMart), given the low frequency of ships arriving. There are often cases of gaps of up to 9 weeks between sailings. Supplies get very low and local production is not able to provide coverage for fresh produce and leafy greens. Air freight is an option, albeit an expensive one, but there are continual cargo restrictions on the planes coming in from Fiji and Nauru. There are no direct flights from Honiara. For Nauru, there are similar challenges with shipping, although air links are becoming more regular with Our Airline slowly rebuilding its Pacific network. However, the same restrictions on air freight space apply. The lack of direct links with Honiara was commented on by Capelle and Partners, with a note that when Our Airline did fly between the two countries, they had a Solomon Islands supplier providing fresh produce. If the link was reopened, they would look to re-engaging with that supplier.

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While there was interest in the full range of export products available from Solomon Islands, importers in both Kiribati and Nauru said that volumes are an issue and that pricing was critical. Both markets are small and already have good supply lines from Fiji. Kiribati traders frequently travel to Fiji to purchase goods. It is unlikely they will travel on to Honiara, unless there is a significant price advantage in doing so. For Nauru, although they recognise the potential of getting supplies from Solomon Islands, there are now direct shipping links from Suva on a regular basis. The High Commission on Suva said that one of their key roles is ensuring that this lifeline remains open. They also have the option of shipping in from Brisbane. Finally, both markets rely on frozen and processed foods to maintain stocks in the face of infrequent shipping. If Solomon Islands moves down this route, there might be more opportunity to develop trade.

Turning to the price surveys, indicative figures are presented in Table B-1. These show that, based on the estimated landed costs and assumed retail margins, Solomon Islands products may not be cost-competitive based on current market pricing in Kiribati. No market information was able to be sourced from Nauru.

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Table B-1 Kiribati price comparison

Item	FOB price	CIF price	Tariff	FOB landed	CIF landed	Mark up	FOB price	CIF price	Actual retail	FOB price variation	CIF price variation	FOB variance	CIF variance
Sweet potato	0.87	0.93	0.10	0.96	1.02	1.50	2.39	2.56	N/A	-	-	-	-
Cassava*	0.72	0.77	0.10	0.79	0.84	1.50	1.98	2.11	2.60	0.62	0.49	24%	19%
Taro	1.94	2.11	0.10	2.13	2.32	1.50	5.34	5.79	4.95	-0.39	-0.84	-8%	-17%
Tomato	5.16	5.65	0.30	6.71	7.35	1.50	16.78	18.36	13.09	-3.69	-5.27	-28%	-40%
Coconut (green)	0.65	0.69	0.30	0.85	0.90	1.50	2.13	2.25	0.20	-1.93	-2.05	-963%	-1025%
Banana	1.19	1.28	0.30	1.54	1.66	1.50	3.86	4.15	3.00	-0.86	-1.15	-29%	-38%
Plantain	1.64	1.77	0.30	2.13	2.31	1.50	5.32	5.77	N/A	-	-	-	-
Pawpaw	1.47	1.59	0.30	1.92	2.07	1.50	4.79	5.18	4.50	-0.29	-0.68	-7%	-15%
Melon	1.49	1.61	0.30	1.94	2.10	1.50	4.85	5.24	3.50	-1.35	-1.74	-38%	-50%
Cucumber	1.61	1.74	0.30	2.09	2.26	1.50	5.22	5.65	6.50	1.28	0.85	20%	13%
Green beans	3.50	3.82	0.30	4.54	4.96	1.50	11.36	12.41	N/A	-	-	-	-
Spring onions	5.06	5.54	0.30	6.58	7.21	1.50	16.46	18.02	N/A	-	-	-	-
Chinese cabbage	2.95	3.21	0.30	3.83	4.18	1.50	9.58	10.44	10.00	0.42	-0.44	4%	-4%
Capsicum	3.83	4.18	0.30	4.98	5.44	1.50	12.44	13.60	16.70	4.26	3.10	25%	19%
Bush lime	1.02	1.10	0.30	1.33	1.43	1.50	3.33	3.57	N/A	-	-	-	-

Notes:

1. Sources of pricing information: MOEL Trading, Wishing Star Trading, Punjas Ltd, One Stop Stores, Imart.
2. All figures in A\$.
3. All figures in kilograms.
4. Tariff figures sourced from http://www.forumsec.org/resources/uploads/attachments/documents/Kiribati_Tariff.pdf

* Cassava in the market was in frozen form

Appendix B

Locally grown products in Kiribati include taro, tomato, coconuts, bananas, pawpaw, watermelon (on a limited basis), cucumber and Chinese cabbage. Local supply was described as intermittent and of variable quality, but is able to cover shortages between imports. Low supplies often mean high prices at retail, as indicated in the above information. Even so, comparisons show that Solomon Islands exporters will need to be very price competitive in order to break into the market. Some of the items above were also described as 'luxury' items usually purchased only by the small expatriate population on Tarawa. It should be further noted that all the prices received were from stores on Tarawa. No information was received from the outer islands, which are supplied from Tarawa in any case. Christmas Island may be the exception, given its proximity to Hawaii.

The retail sector in Kiribati consists largely of small stores, although larger operations such as MOEL Trading do operate. The key issue for Solomon Islands exporters is being able to guarantee low cost products on a regular basis. Without a direct shipping link, the challenge here will be managing shipping logistics through Fiji or Vanuatu. Planning will have to be very accurate and management of the supply chain very precise. Earlier information on shipping routes indicates that it is possible to conduct the trade. The logical way to develop long-term trade is through a cluster-based approach, which will do several things:

- Ensure scale and scalability
- Allow for better management of quality and consistency
- Lower transaction and purchasing costs, resulting in more competitive pricing
- Build exporter capacity and capability through shared experience.

B.3 Next Steps

Price comparisons conducted based on estimated landed prices and feedback from the pricing survey show that the market opportunities that exist for Solomon Islands in both Kiribati and Nauru are limited. In the case of Nauru, without supporting pricing data the market status cannot be wholly verified. While there is an interest in existing items such as kava, beverages and dry goods, developing a fresh produce export market is more problematic. Shipping is the main constraint, but effective planning can cover this, which then leaves cost issues as outlined earlier in this report. Shipping is costly and inconsistent and has relatively long transit times (which is a concern if product is perishable). This is not an insurmountable challenge, but nor is it an easy one. Regional competition is also a factor, particularly from Fiji and to some extent Vanuatu, both of which have better shipping links to both Kiribati and Nauru.

Retailers and importers contacted have some history with Solomon Islands and are open to further communication with potential suppliers, depending on shipping links and ability to supply. Full contact details for key importers are listed in Appendix C. Interested exporters may wish to persist with further direct contact to monitor opportunities should shipping links change. The comments made by importers about frozen and semi-processed products open a potentially wider opportunity for Solomon Islands in terms of both managing the risk of exporting highly perishable products and a possible increase in value. Further investigation on the economics of investment into processing facilities would be required, and again it is likely that regional competition from Fiji suppliers would be an issue regarding Solomon Islands price competitiveness.

Appendix C

Appendix C Importer Contact Details

C.1 Kiribati

MOEL Trading

Betio, Tarawa

Ph.: 686 25000 / 26050

Contact:

Operations Manager: Willie Maen,

Email: wkmaen@gmail.com

Purchasing Officer: Mary Kometa,

Email: kambesty@gmail.com

Imart

P.O. Box 353

Bikenibeu, Tarawa

Ph.: 686 29733

Contact: Nick Jong

Email: nick@shopatimart.com or sales@shopimart.com

One Stop Stores

P.O. Box 420

Betio, Tarawa

Ph.: 686 26168

Fax: 686 25401

Contact: Derek Andrewartha

Email: onestop.tarawa@gmail.com

Wishing Star Trading

Betio, Tarawa

Ph.: 686 26042

Email: wishing.star.trading@gmail.com

Punjas Ltd

P.O. Box 492

Betio, Tarawa

Ph.: 686 25421 / 25423

Fax: 686 25422

Email: punjas.kiribati@gmail.com

C.2 Nauru

Capelle & Partners

Nauru

Mobile: 674 5571025

Contact:

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