



Pacific Horticultural  
& Agricultural Market  
Access Plus Program

Supported by Australia & New Zealand

# Australia's Commercial Kava Pilot: An Assessment of Systematic Change in the Pacific Kava Industry

---

## EXECUTIVE SUMMARY



In December 2021 the Australian Government launched Phase 2 of its Pilot program permitting the commercial importation of kava (the Pilot). The Pilot aimed to assess the risks associated with kava importation and determine whether the resumption of kava imports was viable.

The purpose of this study was to explore market system impacts from the Pilot, changes in the distribution of benefits for women and youth and impacts on the natural environment. It is intended that the findings of this study will inform the Australian Government's decision-making regarding kava importation policy and support for Pacific Island kava stakeholders. The research took place from May to June 2023 and involved in-country data collection in Fiji, Tonga and Vanuatu, as well as remote calls with respondents based in Australia and New Zealand (NZ). Although seven Pacific Island Countries (PICs) exported kava to Australia under the Pilot, the scope of study was limited to these three countries as they represented the largest PIC kava exporters to Australia by volume. A wide range of stakeholders were interviewed, including farmers, exporters, logistics companies, Australian importers and PIC, Australian, and NZ Government representatives. The study also incorporated quantitative findings from a farmer household survey that PHAMA Plus undertook in Fiji, Tonga and Vanuatu from May-June 2023.

High level takeaways from the study are:

1. In a short span of time, Australia has emerged as a major export market for PIC kava. In only the first year of the market opening, Australia rose to become the second most important export market by volume for Tonga and the third most important export market by volume for Fiji.
2. Actors in the PIC kava market reported positive changes resulting from the Australian market opening, including increased trade between Australia and PICs, increased income for exporters and farmers, new entrants to the kava export market and increased opportunities for women and youth.
3. Imports under the Pilot have satisfied pent-up demand for the traditional form of powdered kava within Pasifika communities in Australia. This segment of the market is unlikely to see further significant growth if the importation of kava as a food product becomes business-as-usual trade policy.
4. There are opportunities for Australia to reform domestic policies and provide support to PICs that would help their kava industries to grow, improve product safety and to help exports to Australia to increase.
5. There are issues to monitor regarding food security and adverse effects to the natural environment, but kava cultivation has a high potential for sustainability.
6. Fiji, Tonga and Vanuatu have very different kava cultures, industries and value chains. Australia should consider these differences when formulating policy on importation and support for the kava sectors in these countries.

The study's research questions and key findings are presented below.

## Q1. What are the key considerations for Australian policymakers regarding the kava market in Pacific Island Countries?

### Q1.1. What is the cultural and economic significance of the kava industry in Pacific Island Countries?

- Kava has played an immensely important cultural and economic role in the lives of Pacific Islanders for thousands of years. Pacific Islanders evidence a strong preference for kava produced in their countries of origin. This preference extends to Pasifika diaspora communities in Australia. Consumption patterns are constantly evolving, but the general trend across the region is more frequent consumption.
- Kava has significant economic importance in the Pacific. Kava is the highest value cash crop across the three countries of study. Figures from Fiji show the value of kava exports to all international markets was FJD 40,655,128 (AUD 27,117,618)<sup>1</sup> in 2022. Kava is the largest cash crop in Vanuatu, valued at AUD 3 billion, eclipsing the sum of all other major crops, including coconut, cocoa, coffee, vanilla, Tahitian Lime, pepper and noni (AUD 1.9 billion).<sup>2</sup> Kava also plays a unique role at the household level for farmers. It acts as a form of emergency savings and is a critical means for rural households to meet expenses such as school fees and home repair from climate-related disasters. A farmer household survey conducted by PHAMA Plus in 2023 found that kava cultivation contributed to 82% of household income in communities surveyed in Fiji, 86% in Vanuatu and 73% in Tonga.<sup>3</sup>

<sup>1</sup> Internal data from the Fiji Ministry of Agriculture

<sup>2</sup> DARD (2023)

<sup>3</sup> It should be noted, however, that interaction with the market economy can be limited in the communities surveyed. Many households would manage to meet most of their basic needs through subsistence farming activities.

### Q.1.2. What are the high-level industry trends and gaps in the kava market system in Pacific Island Countries?

- While kava has a long history in the Pacific, the current trade market is relatively new. Traditionally, people generally consumed varieties that they grew and prepared in local communities. This began to change in the 1980s as kava started to become a cash crop and market commodity.
- As farmers began growing kava for international markets and not only for local consumption, quality and safety issues emerged. Kava exports from PICs included significant quantities of kava not suitable for regular consumption. These issues contributed to the German Government banning the importation of kava in 2002, which led to a cascade of bans in other EU countries.
- Since EU bans of kava, the Vanuatu Government introduced legislation and procedures to better regulate the market and ensure the safety of kava exports. Another important driver of kava safety and quality are the demands of US importers, who impose rigorous testing requirements on kava imports. Significant safety and quality gaps still exist, however, particularly regarding post-harvest processing across the three countries of study.
- The global kava industry still holds enormous growth potential, which can benefit PICs. At the same time, there is a risk that larger countries with more advanced agricultural sectors will enter the market and displace PIC smallholder farmers.

### Q.1.3. Do significant barriers exist for exporters to accessing the market pathway under the kava Pilot?

- This study finds that the Pilot has provided PIC exporters with a high degree of access to the Australian kava market. Factors such as Australia's rigorous labelling standards (compared to other comparable markets such as the US and NZ) and requirements that a separate permit be issued for each consignment (such a requirement does not exist in the US or NZ) imported do not constitute significant barriers to trade.

- While significant trade barriers were not found to exist, a number of issues were identified that either presented challenges for exporters or were constraints to growth of PIC kava exports to Australia. These included: (i) Australian restrictions on value-added kava or kavalactone food products, which limits the demand for kava in Australia, (ii) long clearance times for consignments of kava imports at Australian ports of entry, (iii) a lack of networks for producers and exporters to the formal Australian retail market and a reliance on informal networks to sell kava, (iv) delays in information sharing on Australian import rules, and (v) uncertainty on the Australian market post-Pilot dampening interest and discouraging investment in exporting to Australia.

## Q2. What have been the market system, social and environmental impacts of the opening of the Australian market?

### Q.2.1. What market system changes have occurred in the Pacific kava industry resulting from the opening of the Australian market to kava imports?

- A kava market has emerged in Australia that is segmented by country of origin (Fiji, Tonga and Vanuatu) and by informal and formal sales. The informal market supplies traditional powdered kava to Pasifika diasporas, is sold largely outside the formal retail system (such as Facebook Marketplace and community networks), and has limited growth potential. The formal market targets Australians beyond those of Pacific Islander descent. It is small, but growing quickly and is more innovative. The formal market includes major retailers, such as Chemist Warehouse and Coles supermarkets.
- Under the Pilot, exports grew rapidly, but unsustainably, from Tonga and Fiji. Exports increased more slowly from Vanuatu, but likely more sustainably. Tongan exports serve only the informal Australian market, Fijian exports serve both formal and informal Australian markets and exports from Vanuatu target the high-end formal Australian retail market.
- Entirely new exporters have emerged to take advantage of the market opening.
- Exporter/processors have made substantial capital expenditures to meet actual or anticipated increases in demand from the Australian market, such as enlarging processing facilities to increase the scale of output, purchasing machinery to produce kava powder (where exports were previously focused on dried whole root) or achieving Hazard Analysis Critical Control Point (HACCP) certification.

- Some existing exporters made a major shift in their export markets, reorienting to Australia.
- Exporter/processors have increased research and development (R&D) spending, a trend to which the market opening has contributed, alongside other factors. Examples include improvements in packaging, marketing and new product lines, such as instant kava powder.

**Q.2.2. What benefits (monetary and non-monetary) have kava exporters and other actors in the value chain experienced as a result of the market opening?**

- Key benefits observed in Fiji and Vanuatu included increased income for exporters and farmers, improved income diversification and enhanced risk mitigation for exporters. While figures were not available for Tonga or Vanuatu, the Fijian Ministry of Agriculture estimates that exports to Australia during the Pilot period generated FDJ 4,531,281 (AUD 3,022,436) in revenue. Figures from a farmer household survey conducted by PHAMA Plus estimate that exports to Australia during the Pilot period have generated AUD 2,044,277 in revenues for 5,499 farming households in Fiji, AUD 7,592,398 in revenues for 1,257 farming households in Tonga<sup>4</sup> and AUD 723,216 for 4,037 farming households in Vanuatu.
- For Tonga, the Pilot brought increased opportunity as well as risk for farmers, due to Tonga's unique model of smallholder export aggregation. While this model increases direct market access for farmers to international markets, farmers are typically not paid for their product until it is sold in overseas informal markets.

**Q.2.3. What is the benefit distribution for farmers, women and youth in the kava industry? Is there evidence that this has changed since the opening of the Australian market?**

- Kava requires no inputs aside from cuttings, is low maintenance, is high value and generally has low barriers to entry. It therefore has great potential as a pro-poor cash crop if international demand grows and if market access in more remote areas can be improved.
- Government representatives in Vanuatu expressed concern that farmers were not receiving a fair distribution of benefits from the kava trade. There was a tendency for them

to view agents unfavourably, believing that they were taking advantage of farmers. Major exporters described, however, how agents are indispensable in the kava industry. Their attempts to source kava directly from farmers did not work due to communication and logistical challenges.

- Opportunity for women and youth was a strong theme that emerged during the course of the study. The Pilot has benefited women- and youth-led enterprises. As kava exporter/processors move up the value chain and develop more sophisticated operations, they employ more women. The percentage of female personnel of major exporter/processors was well over 50%.

**Q.2.4. What are the impacts of kava cultivation on land use and the environment? Is there evidence that the impact has changed since the opening of the Australian market?**

- Kava is a crop that naturally has a high potential for environmental sustainability due to its suitability for agroforestry practices, organic farming practices and intercropping. The awareness and usage of environmentally sustainable cultivation practices was generally high amongst the farmers interviewed and was evident during site visits to farms across the three countries. If demand from the Australian market were to lead to a significant increase in cultivation, this study does not find that this would likely lead to undue environmental harm.

**Q3. What are the policy implications for the Australian Government of the observed impacts of the opening of the Australian market?**

**Q3.1. What changes to Australian domestic policy and practice could be made to help the Pacific kava industry?**

1. Make the market opening permanent trade policy. This study has found that the market opening has produced clear benefits for the PIC kava industry. The best way to sustain and increase these benefits would be to close the Pilot period at the end of 2023 and follow it with a permanent opening of the market. Such an opening would help repair past uncertainty created by kava import bans and be a boost to goodwill and bilateral relations between Australia and PICs. In addition to economic benefits, it would have tremendous culturally symbolic importance to PICs.

<sup>4</sup> Calculating benefits for Tongan farmers is problematic, however, because these figures are calculated based on market prices during the pilot for kava, a large quantity of the stock of which remains unsold. See Q2.1 for further details.

2. Increase communication and coordination with PICs. This could include: (i) consulting PICs more closely in the design of future Pilot phases and/or the formation of kava trade policy and (ii) industry engagement similar to that of NZ Ministry for Primary Industries (NZ MPI).
3. Introduce a phased requirement for kava importers to be certified to help ensure that kava reaching Australia is safe.
4. Allocate resources to speed up custom clearance processes for import consignments of kava.
5. Allow for value-added kava food products in the Australian market, such as flavoured juices and products using kavalactone extracts.
6. Enact stricter point of origin labelling (e.g., if Fijian exports use Vanuatu kava, this must be specified on the label).

**Q3.2. What other forms of support could Australia or other development partners provide to support the Pacific kava industry?**

1. Help the PIC kava industry position itself for the future and not focus simply on increasing production for traditional, saturated markets.
2. Support PICs to improve the quality of processing equipment and testing facilities (solar dryers, steel pounders, fast and affordable nobility and microbial testing, etc.).
3. Encourage PICs to introduce phased regulation and facilities for mandatory HACCP or other such certification for export.
4. Connect PIC exporters to Australian buyers, through, for example, trade shows, trade missions or other events.
5. Encourage PICs to introduce a purchase register to improve traceability and ensure farmers receive a fair price for the kava they sell.
6. Fund additional research to address critical information gaps in the sector (e.g., the role of the informal sector, or a market study on international market trends).
7. Support regional and national efforts for the introduction of geographic indications (GI) for kava.
8. Support organic and environmental stewardship certification for kava farmers and processors.



A kava processor in Labasa, Vanua Levu holding dried roots of kava.