

CASE STUDY



Pacific Horticultural & Agricultural Market Access Plus Program

Supported by Australia & New Zealand

Solomon Islands Journey to a premium cocoa market

THE CHALLENGE

Solomon Islands is home to some of the most flavoursome cocoa beans in the world and known for its unique and fine flavours. The commodity is also a vital component for more than 18,000 farming households in the country whose livelihoods thrive on the trade of cocoa.

Most of the cocoa from the Solomon Islands is exported as conventional grade and in bulk to so-called 'grinding' markets. This is due to the undifferentiated commodity-grade cocoa beans and smoke contamination which affects the quality and flavour of cocoa and attracts relatively lower prices than those offered in premium markets.

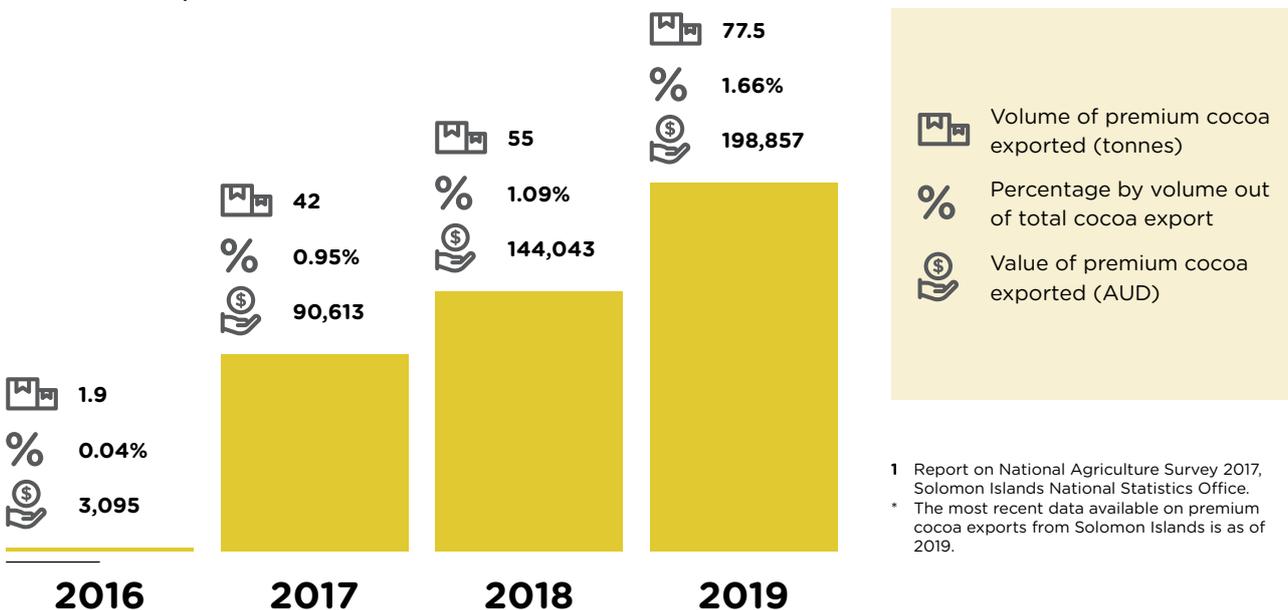
THE OPPORTUNITY

Entering a premium market

Solomon Islands' cocoa farmers and exporters can produce and export high quality premium cocoa, but there is limited incentive to do so. Properly cured cocoa beans sourced from the Solomon Islands by global makers of premium chocolate fetch higher prices compared to bulk buyers. Premium cocoa export volumes can increase significantly if farmers maintain consistent bean quality and flavour required and exporters meet necessary volumes demanded by premium buyers.

The Pacific Horticultural and Agricultural Market Access Plus (PHAMA Plus) Program is supporting Solomon Islands' cocoa sector to improve the quality of their bulk cocoa exports to achieve higher prices and develop markets for premium grade cocoa, which is typically smoke/taint-free, well-fermented and graded to remove impurities. This creates a price premium for improved quality cocoa, improving returns for cocoa businesses and growers.

Figure 1. Yearly volume and values of premium cocoa exported from Solomon Islands*

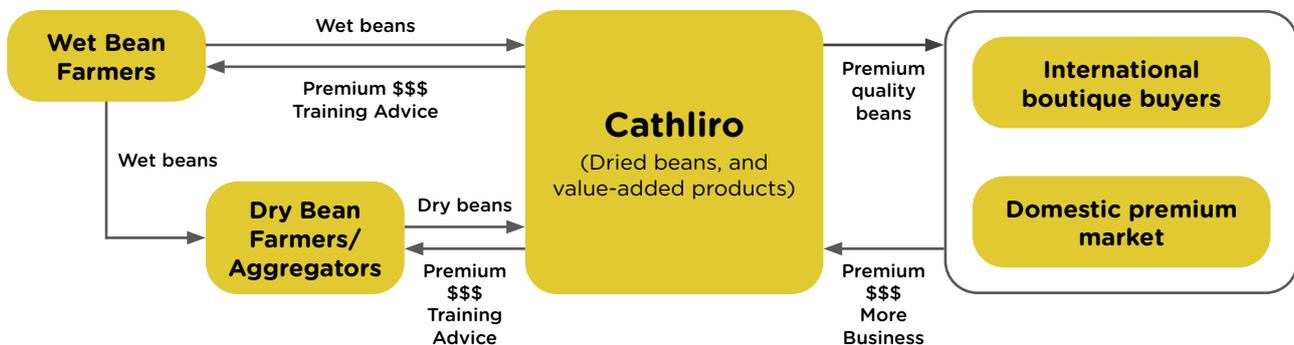


ABOUT CATHLIRO

Cathliro Commodities Development is a women-led cocoa processing and exporting company, founded by local businesswoman Diana Yates, that has emerged as an industry leader for premium cocoa in Solomon Islands. Cathliro has invested in developing their cocoa bean supply chain, working directly with farming villages, providing good agricultural practices and farm management training to cocoa farmers to ensure beans are produced to quality standards. The company has also provided technical training to farmers and aggregators to ensure beans are produced without being tainted by smoke. Primarily working with women (70% of farmers are women), Cathliro goes out weekly to villages in Guadalcanal and Makira to purchase wet beans. The farmers are paid upon the weighing of the wet beans in the village. Cathliro then takes the beans into their processing facility in Honiara and ferments and sun-dries the beans before being stored ready for shipping.



Figure 2. Cathliro's business model



THE TRANSITION

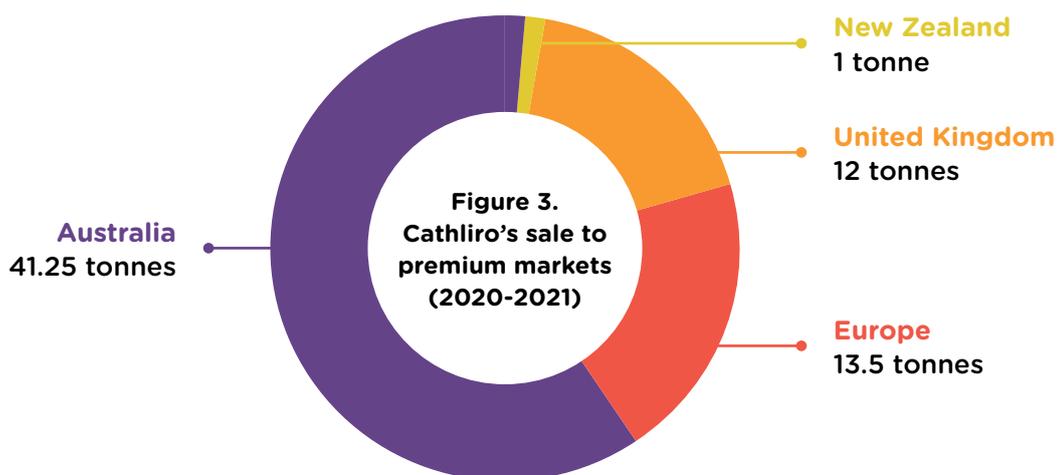
Cathliro's entrance to the premium cocoa market

PHAMA Plus, and its predecessor PHAMA, supported Cathliro to establish its first premium cocoa market in 2017 with a small export consignment of 200kg to a company in the United Kingdom (UK). The following year, their exports more than doubled to 500kg exported to another premium chocolate-maker in the UK.

With the quality of cocoa beans established by Cathliro, PHAMA Plus supported the company to identify potential buyers in the premium cocoa market and send trial shipments. In July 2020, Cathliro, with assistance of PHAMA Plus, sent its first commercial shipment of 5MT to a premium

international buyer. The following month, the company sent its second commercial shipment of 5.2MT to an Australian-based premium broker. With continuous support for market linkages by PHAMA Plus, Cathliro grew its market share in premium cocoa and value-added products exports. Following the successful completion of the first trial shipments, Cathliro expanded its network of premium buyers to six by early 2021.

The figure below illustrates the export volume and value of cocoa beans to premium buyers that were made with PHAMA Plus support.



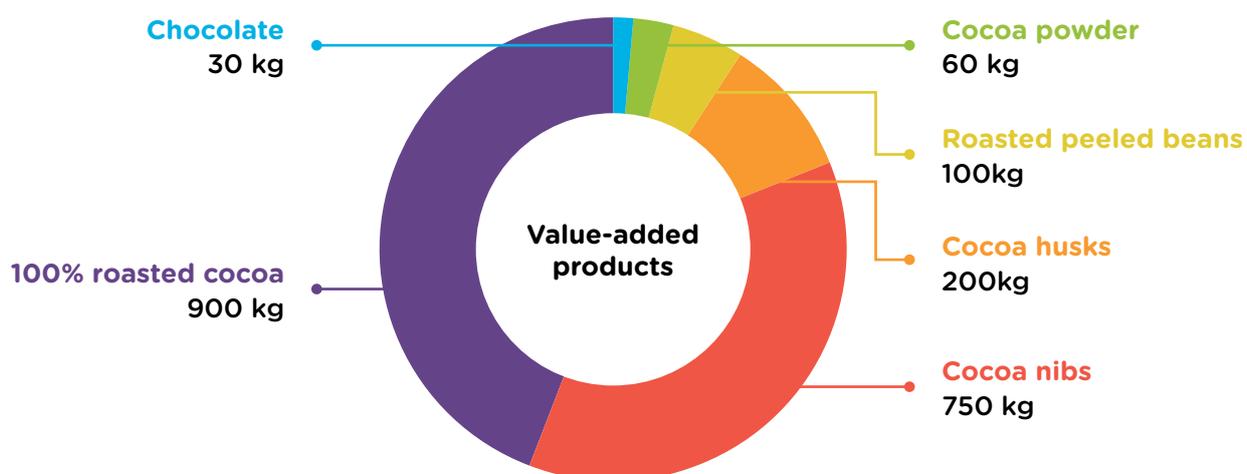
Cathliro's expansion into the premium market has generated higher prices for the company and for farmers.

Table 1: Price paid to cocoa farmers by Cathliro and other bulk buyers

Farmers	Cathliro	Other bulk buyers
	2021	2021
Wet bean farmers	0.68 AUD/kg	0.48 AUD/kg
Dry bean farmers/aggregators	2.23 AUD/kg	1.71 AUD/kg

Cathliro has also started producing premium value-added products like un-tempered chocolate, cocoa nibs, cocoa husks, 100% roasted cocoa, roasted peeled beans and cocoa powder which all have a unique flavour. In addition to the premium quality dry bean export, Cathliro was supported with this by the DFAT-funded program, Strongim Bisnis, to export² these premium value-added products to New Zealand in 2021, with a total export value of AUD21,600³.

Figure 4. Cathliro's value-added products



² The export was facilitated by PHAMA Plus and Strongim Bisnis.

³ NZD 24,037 worth of products were exported to New Zealand. Oanda exchange rate of NZD 1 = AUD0.89852 was used for the AUD value of export.

COVID-19 CHALLENGES

In March 2021, the COVID-19 pandemic border closures and shipping crisis took its toll in the Solomon Islands, forcing most of Cathliro's premium cocoa orders to halt. As premium cocoa markets became more challenging, Cathliro sold most of its premium cocoa beans to bulk buyers. According to Diane Yates, the company had to export 45 MT of cocoa beans to the bulk market during the period. The company's processing unit in Honiara also remained closed due to trial lockdowns and civil unrest in the second half of 2021. The company however remained resilient and continued operations, focusing on bulk markets to adapt to the COVID normal.



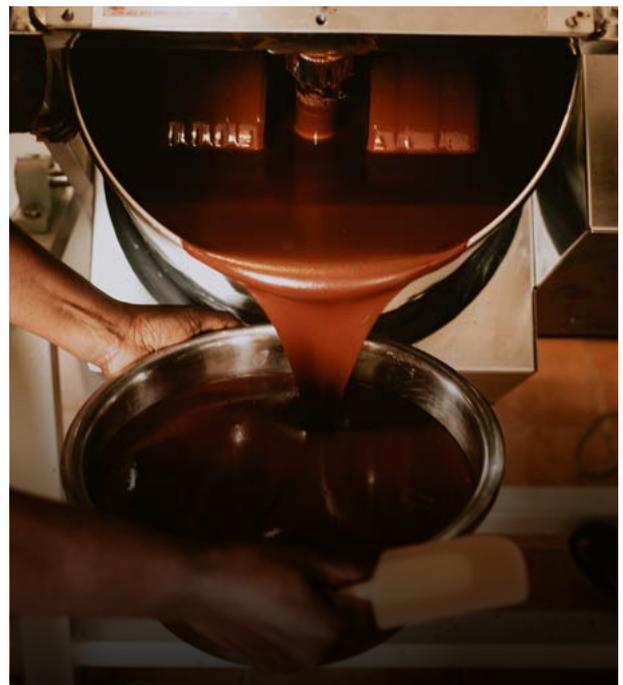
THE IMPACT

Benefits of premium cocoa model to farming households

In May 2022, PHAMA Plus conducted an impact assessment to understand changes in cocoa farming practices, production, quality, sales, and financial and non-financial benefits for its partnership with Cathliro. With the company now supplying to premium markets, the study showed that wet bean farmers received increased prices of **AUD0.20** per kg in 2020 and 2021 compared with other bulk buyers. The study also showed that as a result of PHAMA Plus' brokerage services⁴ a total of **943** cocoa farming households generated additional income from over the two-year period totaling to **AUD34,962**.

Among surveyed farmers, 97% of respondents expressed satisfaction with sales to Cathliro as they received higher prices for their cocoa beans. A total of 99% of respondents received extension services and training from the company which helped improve their production and post-harvest processes. All respondents were committed to continue supplying cocoa beans to Cathliro in 2022.

A cocoa farming household comprised an average of three individuals. The total number of individual beneficiaries is **2,828** (1,501 men and 1,327 women). Out of this, **775** individuals were youths (490 men and 285 women).



⁴ Based on the PHAMA Plus facilitated export of 67.75 MT cocoa beans in 2020 and 2021.

WHAT THE COMPANY SAYS



Our expansion into the premium market has not only helped us receive a higher price for quality beans, but has also allowed the company to pay a higher price to farmers for both wet and dry beans in recognition of their ability to sustain higher quality during production and post-harvest process. PHAMA Plus supported us with our equipment to source better quality cocoa and helped us with sourcing international markets – we have exported beans to Belgium, UK and also New Zealand.



Diana Yates, Cathliro Founder

SIGNS OF SYSTEMIC CHANGE

To reduce shipment costs for the export of small volume premium cocoa beans, the company started using Less than Container Load (LCL) shipment service. In 2022, Cathliro used the LCL system to collaborate with another boutique cocoa exporter to export a consignment of 7.6 MT of premium quality cocoa beans to the UK market. The LCL system is an innovative project piloted by PHAMA Plus under its Export Business Recovery Initiative with local agribusiness Ueniusu'unu Agribusiness Group to help premium exporters like Cathliro to consolidate high quality beans and export to premium markets.



FARMER'S STORY

Grace's unsung role in cocoa



I've been in the cocoa business since 2015 and only started supplying to Cathliro for exports last year. Through our strong partnership with Diana from Cathliro, I've been able export my dried beans at premium prices and enable the rehabilitation of my facility.



Grace Fekau, cocoa farmer

Her business primarily supplies quality dried beans to Cathliro, which is later turned into fine chocolate. The key recipe being quality cocoa sourced from Grace's farm.

In 2020, Grace produced 490 kg of premium solar-dried beans which increased to 545 kg in 2021 – all sold to Cathliro at AU\$2.65per kg.

According to Grace, wet bean production at her plantation has increased over the past three years as a result of regular farm maintenance and pest and disease management provided by Cathliro.

In addition to selling sundried quality beans to Cathliro, Grace has also started to value add her own products from rejected beans, into cacao nibs, untempered chocolates and chocolate drinks for the local market.



I'm willing to continue our partnership with Cathliro and to produce cocoa beans to the standards specified by Cathliro, as we get better, prices get better too.



PARTNERSHIPS KEY TO SUSTAINABLE MARKET ACCESS

Sustainable and strategic partnerships remain at the forefront of Cathliro's operations, working closely with development and aid agencies such as PHAMA Plus, Australia's Strongim Bisnis Program and the World Bank funded Rural Development Program (RDP), to improve service quality and excellence in premium markets. The support ranges from farmer level-training through to supporting exporters and processors achieve better terms of trade in international markets. Strongim Bisnis and PHAMA Plus have been actively supporting industry players in the Solomon Islands cocoa industry to address quality constraints, enhance value addition and facilitate exports while RDP has focused on production issues.



CONCLUSION

The Cathliro success story is a significant milestone for the entire Solomon Islands' cocoa sector, proving that producers can successfully produce smoke-taint free cocoa beans and that exporters can source high quality beans from smallholder farmers, giving suppliers like Cathliro the potential to penetrate the global premium cocoa market. Cathliro is now seen as a pioneer in the Solomon Islands' cocoa industry and has paved the way for the export of smoke-taint free cocoa beans to a premium market.



**Pacific Horticultural
& Agricultural Market
Access Plus Program**

Supported by Australia & New Zealand

CONTACT US

info@phamaplus.com.au
www.phamaplus.com.au

