

KAVA VALUE CHAIN ANALYSIS KEY FINDINGS



Kava sales amount to around

\$320M

92%

from domestic sales

8%

from exports

Approximately

10,400

kava growers generate a total gross margin of around

\$167M

or

\$16,000

per grower per year.



90%

of industry revenue is generated by **DOMESTIC MARKETING PATHWAYS**



AREA OF CROP PRODUCTION

4000-5000

hectares



KAVA PRODUCED

4,000-4,500

tonnes dry weight, farmgate



AREA HARVESTED ANNUALLY

1000-2000

hectares



EXPORTS

250

tonnes dry weight



IMPORTS

186

tonnes dry weight



YIELD

2.6-2.8

tonnes/ha harvested



DOMESTIC CONSUMPTION

3,300-3,700

tonnes dry weight



2.1%

of REGISTERED kava growers are women (percentage varies from negligible to about 3-4% in some provinces)



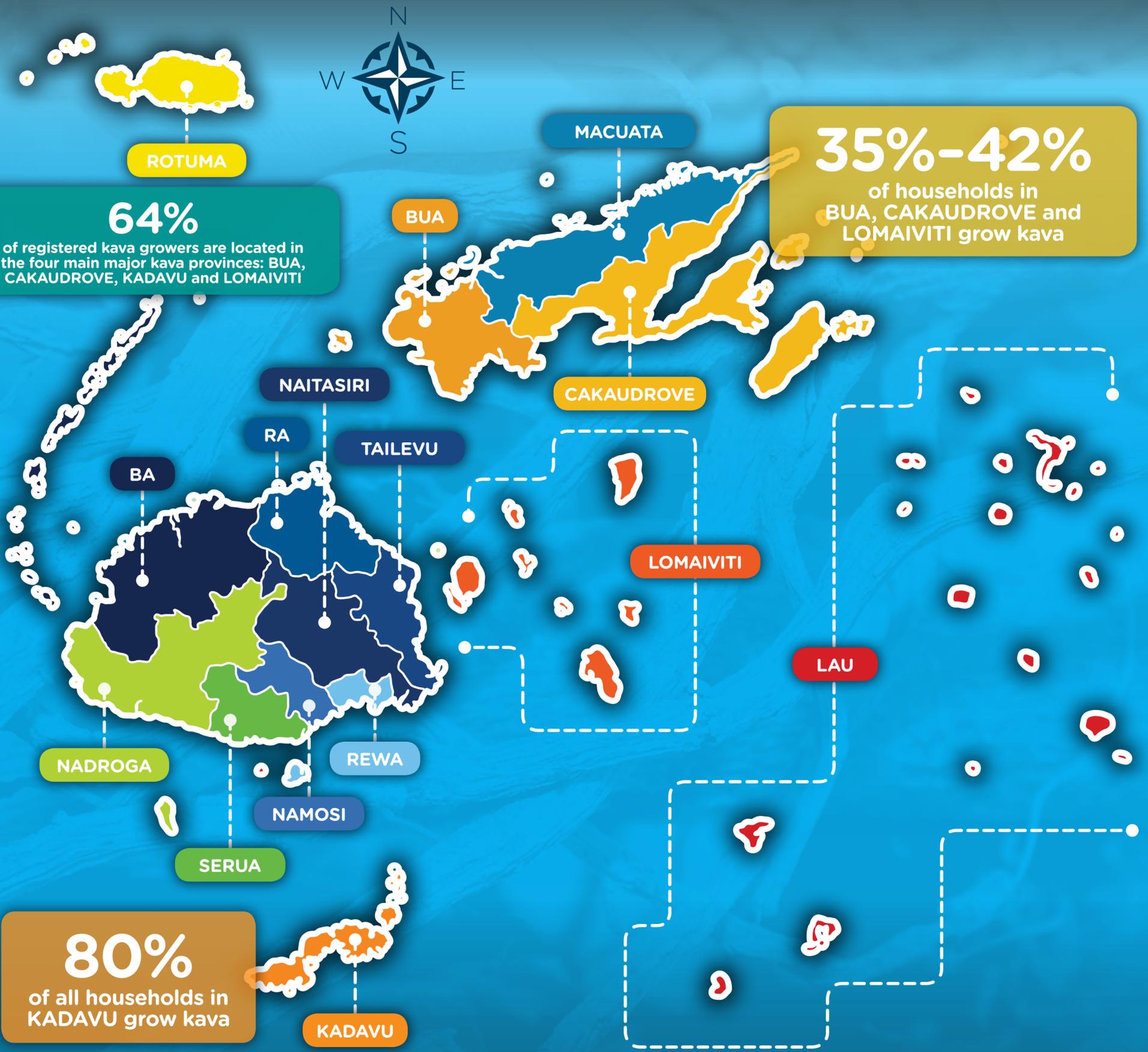
SHRINKAGE, WASTAGE & LOSSES

600-650

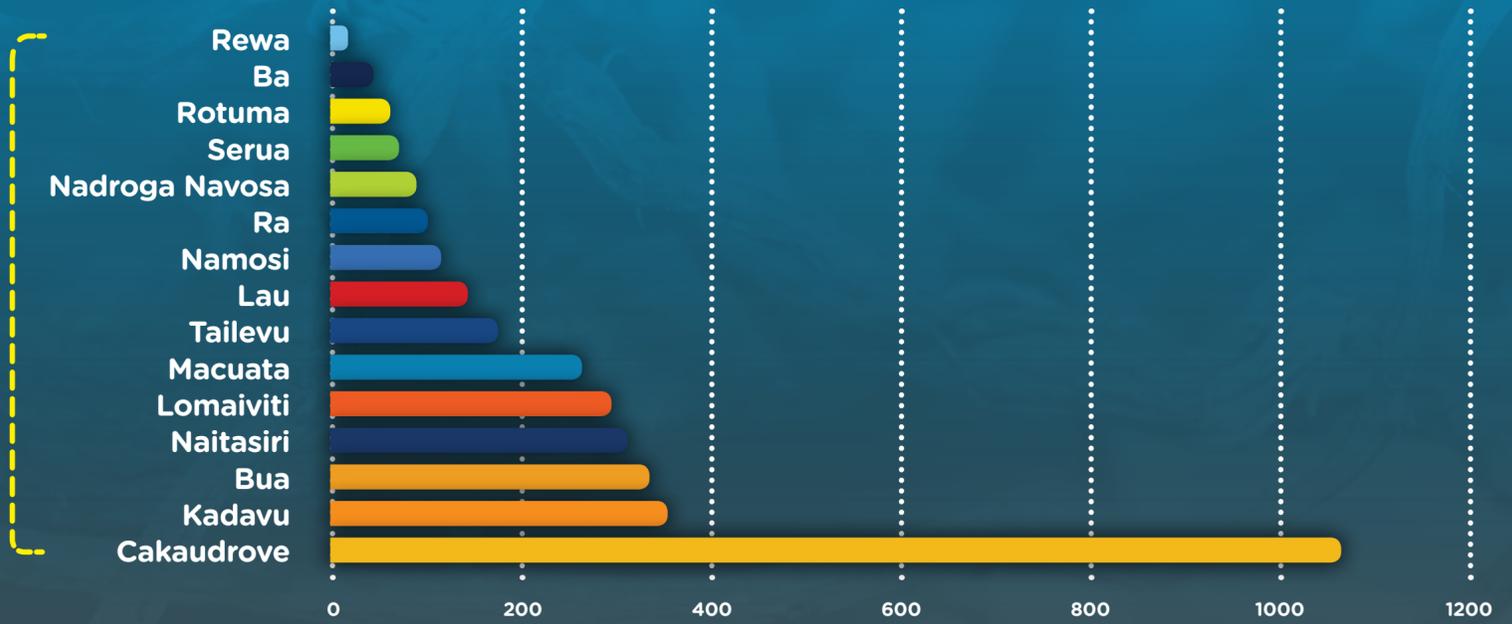
tonnes dry weight, farmgate

Estimates of the key metrics of Fiji's kava industry. (Note: Estimates represent averages of the last five (5) years and are based on statistical reports of the Ministry of Agriculture and international trade statistics supplied by the Fiji Bureau of Statistics.)

KAVA PRODUCTION IN FIJI



Average Amount of Kava Produced by Province, 2009-2016 (tonnes)



The great majority of kava production comes from the six principal kava provinces.

VALUE CHAIN ACTORS

GROWERS

Estimated costs and revenues from kava production and marketing at mid-2017 costs and prices. (Estimates based on a semi-intensive kava production model that has a density of 6,500 plants per hectare).



Over a five-year cropping cycle, one hectare of kava can generate gross income of over **FJD 200,000** or **FJD 40,000** per annum on average. This delivers an average gross margin per hectare per annum of around **FJD 37,000** and a gross margin per labour day of **FJD 425**.



Harvested progressively in years 3, 4, and 5 with a total yield of **5.1** tonnes/ha of dried kava.



Farmgate price estimated at **\$40/KG**

Note: Not all kava growers generate returns of this magnitude all of the time. Many growers plant a few hundred kava plants in their food gardens and harvest a few plants at a time when money is needed.

VENDORS



Vendors in municipal markets and specialty kava shops in villages and urban areas sell kava in **dried or powdered forms** to consumers.

Vendors purchase raw kava at approximately **\$50/KG** and sell it for around **\$80/KG** after pounding and bagging.



Domestic market accounts for over **90%** of all kava utilisation, with the remainder being exported.

Higher quality lines such as **pure waka (roots)** sell for over **\$100/KG** but majority of sales are mixes of powdered waka and lewena.

TRADERS/MIDDLEMEN



Estimated costs and revenue for a trader/middleman buying **500KG** of dried kava per week.



After deductions of operating costs of transportation, bags, labour and allowance for shrinkage/wastage, a trader could be expected to earn a gross margin of around **\$84,000** a year or around **\$4.20** per kilogram of kava, equivalent to about **10%** of the price paid to the farmer.

EXPORTERS



Account for **8%** of kava utilisation in Fiji



Exporters incur additional risks including packaging, customs and biosecurity charges and air freight.



Estimated costs and revenue for exports of powdered waka generates around **\$100/KG**



At present prices, export margins are estimated to be around **\$7-8/KG**

THE WAY FORWARD

The development of a **KAVA STRATEGY** based on but not limited to the following:

BOOST KAVA YIELDS

Focus on supply of high-quality planting materials through appropriate tissue culture and nursery propagation methods using disease-free material of the preferred varieties.

Nurseries should be operated by the private sector as stand-alone business ventures, with technical backstopping from Ministry of Agriculture. This should be supported by a systematic program of varietal evaluation.

IMPROVED ACCESS TO FINANCIAL SERVICES AND FINANCIAL LITERACY TRAINING

Particularly for farmers, middlemen, nursery operators and vendors to help mobilise capital required for expansion, reduce transaction costs and help improve household financial management.

IMPROVE INFRASTRUCTURE AND EQUIPMENT

Improve access roads and vehicles

Improve washing, grading, transportation, packing and storage facilities to lower the costs of handling and transporting kava and reduce losses currently incurred in market pathways.

ADDRESS ENVIRONMENTAL AND SUSTAINABILITY CONCERNS

A range of good agricultural practices need to be formulated for sustainable kava growing on steep sloping land including mulching, intercropping, terracing etc.

ADDRESS GENDER EQUALITY AND SOCIAL INCLUSION ISSUES

Give due recognition and reward for the role women play in the kava value chain. Facilitate improved participation of women and youth in kava production. Increased participation of women in higher-level value-adding activities is also recommended.

CREATE A REVENUE-GENERATING MECHANISM

Must be independent of Government and donors and help finance industry development. This could take the form of an export levy paid into a fund controlled by the Kava Council and used exclusively to support development of the industry.

ESTABLISH:

Systems for certified organic kava

Laboratory facilities for testing and certifying kava for kavalactone content

Quality assurance systems for export pathways

