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Empowering Vanuatu's cacao farmers: the shared factory model

Vanuatu's cacao industry is shaped by smallholder farmers working across scattered islands, each tending trees intercropped with subsistence crops in diverse agroforestry systems. Cacao is a vital livelihood, yet many farmers face challenges: limited access to processing facilities, inconsistent bean quality, and vulnerability to fluctuating global markets.

To address these constraints, an innovative shared factory model has emerged. The model gives farmers access to centralised processing, helping lift bean quality, create more consistent supply, and ultimately increase incomes while strengthening their position in the value chain.

Although production remains modest by global standards, Vanuatu's cacao stands out for its distinctive flavour profiles, a quality that has long attracted specialty chocolate makers and niche international buyers. The shared factory approach builds on this reputation, offering smallholders a clearer pathway to economic empowerment and long-term sector resilience.

Table: Vanuatu Cacao Industry Trends

Metric	2018	Most Recent Data
Number of cacao growers	8,500	5,822 (2022)
Area under crop (in hectares)	1,954	2,439 (2022)
Cacao production (in MT)	999	1,253 (2022)
Production zones	Malampa, Sanma, Penama	Malampa, Sanma, Penama
Exports (in MT)	1,059	1500 (2024)
Export markets	Malaysia, Singapore, Indonesia, European Union (EU), Australia, Philippines	Malaysia, EU, Australia, New Zealand, Japan
Major exporters – bulk	Vanuatu Copra & Cocoa Exporters Ltd (VCCE), Commodity Corporation Pty Limited (C-corp), Cocoa Growers Association of Vanuatu	VCCE, C-corp, Vanuatu CGA
Major exporters – specialty	None	Gaston, Spencer, ACTIV

Introducing ACTIV

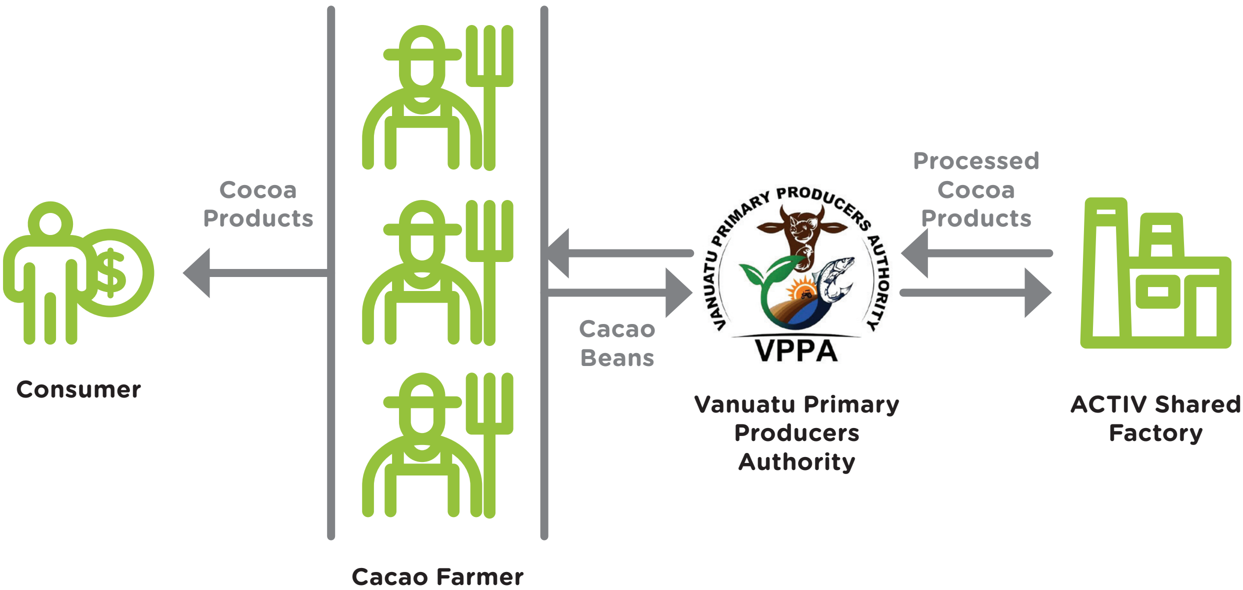
Alternative Communities Trade in Vanuatu (ACTIV) is a community-based organisation near Port Vila that supports 115 member producers and their families across Vanuatu. ACTIV runs Aelan Chocolate Makers, a small commercial chocolate operation that works with premium cacao growers from Malo, Araki, Epi and Malekula. Their chocolates earn international recognition and are sold in Japan, Australia, New Zealand, Europe and in local tourism outlets.

Aelan Chocolate staff processing a batch of chocolate.

Introducing the 'shared factory model'

The shared factory model is a collaborative initiative designed to address the challenges faced by Vanuatu's cacao farmers. It gives farmers access to professional processing facilities, helps them add value to their beans, and supports them to tap into new markets. This business model is made possible through a partnership between ACTIV and Vanuatu Primary Producers Authority (VPPA), and was established with support from the Australia and New Zealand funded PHAMA Plus program.

Figure: ACTIV Shared Factory Model



Through this project implementation period, PHAMA Plus supported the organisation with equipment to set up a dedicated processing line for shared factory users. The program also partially subsidised the processing fee for farmers on a gradually reducing basis to help de-risk and incentivise initial uptake of the new model. PHAMA Plus supported the shared factory model because it:

- makes full use of ACTIV's skilled staff and HACCP[1] certified processing facility, both of which build customer confidence
- helps small farmers earn more by selling finished chocolate and cocoa powder instead of raw beans
- builds a stronger local market so producers aren't solely dependent on tourism, and
- links farmers to simple improvements—like solar drying—that improve bean quality.

[1] HACCP stands for Hazard Analysis and Critical Control Points. It is a systemic preventative approach to food safety that focuses on identifying and controlling potential hazards – biological, chemical or physical – throughout the food production process.

How the Shared Factory Model Works

The ACTIV shared factory operates through a streamlined process, empowering farmers to turn their cacao beans into marketable products.

STEP 1

Beans from farmers to VPPA
VPPA registered cacao farmers send their high-quality, sun-dried cacao beans from Malekula, Santo, Araki, Malo, Ambae, Maewo and Epi to the VPPA collection point.

STEP 2

VPPA to ACTIV Shared Factory
VPPA staff coordinate and organise the delivery of cacao beans to ACTIV's shared factory for processing.

STEP 3a

ACTIV processes the beans
ACTIV processes the cacao beans into chocolate and cocoa powder using a dedicated shared factory processing line in Port Vila.

STEP 3b

Cacao farmers make payment
Farmers pay processing fees of AUD17.80 per kilogram for chocolate and AUD9.40 per kilogram for cocoa powder. Farmers can pay these fees either in cash or with additional cacao beans*.

STEP 4

Chocolate and powder returned to the farmers
VPPA returns 70% of the processed chocolate and cocoa powder to the farmers, allowing them to sell directly through their own individual labelling. The remaining 30% is marketed through VPPA's outlet.

STEP 5

Farmers sell the products
Farmers sell the chocolate and cocoa powder to the local market, under their own brand name.

* During the establishment period, PHAMA Plus initially subsidised the processing fees to help incentivise uptake and de-risk engagement with an innovative model; farmers are now paying the full fees.

Results: shared factory, shared value creation

The shared factory model has yielded significant positive results for the cacao farming community in Vanuatu.

ACTIV- shared factory owner

Expanded capacity from shared processing

ACTIV has a HACCP certified chocolate manufacturing facility in Port Vila with the capacity to process 1.6 tonnes of cacao beans per month. With PHAMA Plus support, it added new equipment to create a separate processing line for the shared factory and increased its capacity to 1.8 tonnes of chocolate and 600 kg month of cocoa powder per month. Previously, it could produce only 600 kg of chocolate and 300 kg of cocoa powder through a single-line processing facility.

ACTIV's processing capacity		
Processed Cocoa Products	**Before the Shared Factory Model**	**After the Shared Factory Model**
Chocolate	600 kg/month	1,800 kg/month
Cocoa Powder	300 kg/month	600 kg/month

Additional revenue stream from processing service

The new processing line allows ACTIV to charge AUD17.80 per kg of chocolate and AUD9.40 per kg of cocoa powder produced, creating a steady additional revenue stream for ongoing financial sustainability for the initiative. PHAMA Plus subsidised these fees during the project implementation period to incentivise initial uptake and de-risk the partner's initial investment, but since October 2025, farmers have been paying the processing fee directly to ACTIV. This provides ongoing income for the company while keeping value-added opportunities available to farmers.

Cacao farmers

More household income for shared factory farmers

Previously, cacao farmers in Vanuatu typically sold raw or sun-dried beans to bulk exporters, missing out on the greater profits that come from finished products. The shared factory model has transformed this situation by giving farmers access to professional processing and a shift into the niche market for premium, solar-dried cacao beans. Now, they can turn their beans into higher-value products like chocolate and cocoa powder, significantly increasing their income. The numbers speak for themselves: a recent impact assessment found that each household using the shared factory earned approximately AUD3,000 more per year[2].

[2] As a point of comparison, Vanuatu minimum wage is approximately AUD$715 per month.

Aggregation spurs extra income for smallholder farmers

As farmers using the shared factory have increased sales of their branded chocolate, cocoa powder and nibs, they have needed more cacao beans to dry and process. That demand created a ripple effect: other smallholder farmers began supplying wet beans to the shared factory users. An impact assessment found that 125 households earned an average of AUD460 in extra income, a 32% increase in income from supplying those wet beans.

Empowering women and promoting inclusion through cacao

As well as strengthening household resilience during shocks like COVID-19, the shared factory initiative has created new revenue streams through value adding, and in doing so has created tangible opportunities for inclusive benefits. For example, when COVID-19 struck, Moli faced significant challenges as market access became difficult and farm production was at risk. During this difficult time, his daughter Marie took the initiative to help turn things around by selling their chocolate door to door. Using the shared factory to produce the chocolate, Marie went out five days a week, selling 40 to 50 packets daily, which kept the business afloat during uncertain times. Her contribution not only sustained the family's livelihood but also strengthened their connection to the local community, and repositioned her role within the family.

VPPA

Scaling cacao into agribusiness

The Vanuatu Primary Producers Authority has a mandate to support all cacao farmers. ACTIV's shared, dedicated processing facility enables VPPA to link farmers with a commercial processor, produce cocoa products under farmer-owned brands, and sell them in the domestic market. Because ACTIV can scale services for cacao, more farmers—especially in Sanma, Penama and Malampa—can access processing through VPPA and benefit from value adding. The Government of Vanuatu's island-focused strategy complements this by aligning commodities to each island's conditions and targeting commercially committed farmers. It has recently set a goal of planting 2 million cacao trees by 2030.

Possible ways forward

PHAMA Plus conducted two workshops in Luganville, Santo and in Burumba, Epi, to capture lessons learned and discuss possible ways forward for the shared factory user farmers. The workshops were held in partnership with the Department of Agriculture and Rural Development (DARD), ACTIV and VPPA, for them to take forward next steps collectively.

Lessons learned workshops in Luganville (Santo) and Burumba (Epi)

The following key feedback was gathered at the workshops:

Location	Issues	Possible ways forward
Luganville (Santo)	Cacao beans exposed to contamination and dampness during land and sea transport and storage.	Treat cacao as a food product; require packing in Hessian (jute) or GrainPro bags and request that shipping companies provide clean, dry storage that prevents contamination and moisture.
	Discoloured/poor-quality beans arriving at the factory require extensive labour for sorting, increasing processing time and reducing chocolate yield.	Improve on-farm sorting and grading practices to reduce the volume of slaty beans sent to the factory.
	Slow retail sales of chocolate: Local consumers are adjusting to the "new taste" of 70% chocolate, causing slower uptake. 500g packets are too expensive for many customers; farmers repackaging large packets can cause cross-contamination.	Trial a 60/40 cacao/sugar ratio to gauge local acceptance and sales performance. Reduce retail packaging to 50g to improve affordability and limit repackaging by farmers (reducing contamination risks).
Burumba (Epi)	Farmers lack access to appropriate farm tools to support wet bean producers to implement better farm management.	Facilitate access to tools (through lending schemes, shared equipment, or subsidised supply) and training to improve on-farm practices.
	Limited advertising and marketing reach.	Increase targeted marketing and outreach across the island and to neighbouring islands to grow demand.
	Current wet bean prices — driven by bulk markets — are too low to incentivise continued production.	Continue work with farmers to increase production of higher quality beans for specialty cacao markets, making use of centralised fermentation models piloted by Gaston Chocolat (with PHAMA Plus). This model pays higher prices for wet beans, encouraging farmers to keep supplying and improving the consistency, quality and volume of premium dried beans.
	Urban drift and labour mobility have reduced available labour; labour prices fluctuate for both wet and dried bean production	Explore centralised fermentation and aggregation models to further reduce labour costs for wet-bean farmers. Consider opportunities to reintegrate seasonal workers under the New Zealand Recognised Seasonal Employer (RSE) scheme and the Pacific Australia Labour Mobility (PALM) scheme.

Conclusion

The shared factory model has proven to be a successful and innovative approach to empowering cacao farmers in Vanuatu. By providing access to processing facilities, improving product quality, and fostering collaboration, this model has unlocked new opportunities for farmers to increase their income and build a more sustainable future. Based on the positive results and workshop insights from Santo and Epi, it is recommended that these learnings be considered in the context of the next Vanuatu National Cacao Strategy 2026–2030 and the Government of Vanuatu's ambitions to further grow the specialty cacao sector.