



**Policy setting for improved linkages between agriculture, trade and tourism:  
Strengthening the local Agrifood sector and promoting healthy food in Agritourism**

**Concept Paper**

**Workshop organised by the Government of Tonga**

**In collaboration with and Pacific Community, CTA, PIPSO and SPTO**

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## **1. Background**

### **Promoting linkages between agriculture and tourism-related markets for improved food and nutrition security**

Tourism is the lifeblood of many Pacific economies and agritourism provides a promising avenue for diversification and trade growth. High quality, nutritious and healthy food, available every day of the year, is critical to hotels, lodges and resorts. Often the food purchasing bill of a tourism site is large in comparison to the size of the local economy, yet surprisingly little of this is spent locally, even when supplies are available from farmers, fishermen and small-scale agribusinesses. The challenges of shifting food-sourcing to local suppliers are considerable – achieving this in a way that meets commercial needs and customer preferences and meets food and safety requirements would be one way in which tourism operations can significantly increase their contribution to local economic development.

Tourism has the potential to stimulate demand in the agriculture sector, promote healthy and nutritious food and strengthen the use of local products, so it is important to create linkages between the two, and to develop a policy on agritourism. In addition to the strong economic value of developing a sustainable tourism sector, enhancing the linkages between tourism and agriculture represents an important potential mechanism to stimulate and strengthen traditional local producers and processors and to improve the distribution of benefits along the chain as well as generate investment incentives for local production. The trade policy environment should be more favourable to the private sector and investment, while supporting local entrepreneurs and SMEs through appropriate measures that address import substitution, notably in the form of tariff and non-tariff barriers.

Linkages between agriculture, health and tourism not only potentially increase opportunities for domestic agriculture earnings, new markets and product development and therefore sustainable economic growth, but also offer opportunities to help develop visitor attractions and distinctive tourism destination brands through the creative use and marketing of local produce and production techniques, and use of local landscapes. In order to acquire these benefits, the tourism industry needs to be proactive in utilizing local, high quality, healthy and niche agricultural products in touristic sites and events.

## 2. Context

The first Pacific Agribusiness Forum on *Linking the agrifood sector to the tourism-related markets* was held on 1-3 July 2015 in Denarau as part of the *Pacific Agritourism Week*, and organised by the Pacific Islands Private Sector Organisation (PIPSO), the Secretariat of the Pacific Community's (SPC) and the ACP-EU Technical Centre for Agricultural and Rural Cooperation (CTA). It highlighted successes in strengthening links between agriculture and tourism industries in the Pacific region. A major challenge identified was the lack of favourable policies in place to encourage linkages between agriculture, tourism and trade policies and the need to design and develop agritourism policies, which would facilitate those linkages at national and regional levels. An added element is to link with Health Ministry to promote quality products and healthy food as niche markets.

The Forum recommended the support of technical assistance to agribusinesses to support its linkages to the tourism industry. A feasibility study was supported by CTA and SPC for Joe's Farms Limited on the establishment of collection centers in rural areas for farmers. This feasibility study has been completed and Joes Farm's Ltd has started building collections centres.

The 2nd Pacific Agribusiness Forum on *"Linking the agrifood sector to the local markets for economic growth and improved food and nutrition security"*, held in Samoa was organized also as part of the strategic partnership between IFAD, CTA and PIPSO and financed by CTA (EU funding) and IFAD with a number of strategic partners such as the South Pacific Tourism Organisation (SPTO). Many other organisations brought support (SPC/PAPP, APP Caribbean, Pacific Cooperation Foundation, Samoa Tourism Authority and Samoa Chamber of Commerce, COLEACP, IICA). This multi-partnership approach is very important as a key constraint raised is ensuring there is communication and collaboration across the various organisations and programmes working in this area to avoid duplication of efforts and to maximize impact.

More than 100 experts representing private sector, farmers' organizations, policy-makers, research networks, development practitioners, and international organizations discussed in Samoa lessons learned from successful agribusiness models in linking farmers and value chain actors to local, regional and tourism-related markets in the Pacific and review the necessary inputs for realising better organised, integrated and competitive value chains in the agriculture and agribusiness sectors through skills development, finance/investment, data and information services and favorable policies.

The three-day meeting analyzed selected successes in value addition in the Pacific, focusing on marketing, branding, labelling to increase demand for higher quality and healthier foods and agricultural products.

One of the key recommendations from the 2nd Pacific agribusiness Forum was to *"promote linkages between agriculture and tourism industries"*. This would entail conducting workshops on agritourism policy setting, promoting the Pacific region as a food destination and developing national and regional fundraising proposals for the intra ACP EU funding and partnership development on agritourism.

Since 2016, a total of four consultative national agritourism policy setting workshops were organised in Vanuatu and Samoa, Solomon Islands in 2017 and Fiji in early 2018, which led to concrete policy measures and funding proposals developed for each country.

In view of the positive experiences in Vanuatu, Samoa, Solomon Islands and Fiji and the potential opportunities in agriculture and tourism in Tonga, the Government of Tonga in collaboration with the development partners is supporting an Agritourism policy-setting for Tonga, which will develop further linkages between agriculture, trade and tourism sectors to support local businesses in serving tourism-related markets.

### 3. Agriculture and Tourism: Enhancing the Strategic Partnership

Agriculture has the potential in other sectors such as tourism and agro-industries and as a major economic activity in the rural areas; agriculture plays an important role in the process of rural development.

Agriculture is one of Tonga's economic key sector and contributes around 16% to total GDP (2013) and 25% to total employment in the formal sector and indirectly employing many more. This sector, contributes to 14% of household income (2011) and exports from agriculture and forestry amounted to 44% of total exports in 2014. Imports on the other hand on agriculture and forestry was 20%. In 2007, it was estimated that around 31% of the total land area is used for agriculture. In 2015, the national budget allocation for agriculture and forestry was 1.4%.

Tonga was hit by a category 4 this year, cyclone Gita whereby the agriculture sector suffered massive destruction. This provides further challenges to the sector and especially to the farmers.

Tonga has a well-developed Agriculture Sector Plan for 2016-2020 (TASP) which was developed with the assistance of World Bank, IFAD and UNDP. This agriculture sector plan clearly articulates the challenges and constraints, the goals of the farmers and exporters and the Government's objectives to provide an enabling environment to address the challenges especially those dealing with climate change.

The TASP 2016-2020 identified the key constraints to agriculture development in Tonga as: (i) the transportation logistics of servicing many islands over a large expanse of ocean; (ii) remoteness; (iii) a narrow resource base; (iv) the small size of the economy; (v) population "drain" as young people travel overseas for employment; and (vi) the drain on resources from the damage caused by frequent natural calamities.

TASP 2016-2020 has four key objectives. These are;

- Develop diverse, climate resilient farming systems for food/ nutritional security and improved livelihoods
- Establish climate resilient agriculture systems to preserve key natural resources (healthy soils, sustainable water, diverse systems, adaptive communities)
- Commercial Increase and sustain rural incomes with rising exports and import substitution
- Improve enabling environment (institutional/service capacity, policies on soil/water, exports/ imports & land/rural finance, international relations, regulations, industry organisations, market information)

Some of the key information and highlights that are extracted from the TASP 2016-2020, and quoted below are;

- About 75% of Tonga's population lives in rural areas, with agriculture and fisheries as the main source of livelihoods. Rural poverty is concentrated among smallholder farmers who practise mixed subsistence and cash-crop production.
- About 25% of households in Tonga are estimated to currently live below the Basic Needs poverty line
- Less than 10% of Tongan farmers are commercial producers who grow excess products for the formal market. The majority of Tonga's agriculture is still based on traditional/subsistence farming systems, some of which are under pressure from declining organic matter in the soils and declining crop diversity.
- Need to identify more products which are suitable for semi-commercial production.
- Some producers have the potential (with appropriate support) to graduate from subsistence to more commercial production activities, whilst others are expected to remain as small-scale subsistence farmers. The majority of land holdings are small (eight acres or about 3.24 ha).
- Need of identification of commodities which have market opportunities to replicate the scale and scope of squash

- Market Access Conditions - compliance with market requirements, not only in terms of quality and consistency of supply, but increasingly in terms of biosecurity requirements, has become a clear priority. The Pacific Horticulture Agricultural Market Access Programme (PHAMA), which is funded by DFAT and NZAid, has an important ongoing role in this regard, as does direct support from NZAid for the provision of food export facilities.
- Ensuring a consistent supply to satisfy potential market opportunities remains a significant challenge.
- Some export businesses have decided to fund their own product-specific grower outreach extension and crop production input services, as MAFFF has not been able to respond to such demands.
- Future agricultural development initiatives will need to heed the importance of including climate change adaptation (CCA) and disaster risk reduction (DRR) into programmes and projects that target the sector. The best way to achieve this is to focus on building resilience, with traditional production systems forming a strong foundation.

Under the Tonga Agriculture Sector Plan for 2016-2020, it highlighted the opportunities for vegetables to be produced for local supply like tomatoes, capsicum and beans which are usually imported. The plan highlighted the opportunity to linking vegetable farmers to the tourism sector under the SPC/PAPP project which also includes the handicrafts industry.

### Tonga Tourism Sector

Tourism is a major potential industry for the economy and has the potential to grow over the coming years. The world travel and tourism organisation forecast the Tonga tourism industry to grow by 20.7% in 2028. This industry has the potential to generate further economic activities through linkages to other industries like agriculture and increase employment and income generation.

Outline in the table below are the key statistics relating to the contribution of the tourism industry to Tonga's economy.

| Key Indicators                 | 2017                  | 2018                  | Forecast to 2028      |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| Direct GDP Contribution        | 6.8%                  | 5.4%                  | 7.5%                  |
| Total GDP Contribution         | 18.2%                 | 15.3%                 | 21.3%                 |
| Employment Direct Contribution | 7.0%<br>(2,500 jobs)  | 5.4%<br>(2,000 jobs)  | 7.2%<br>(3,000 jobs)  |
| Total Employment Contribution  | 19.5%<br>(6,500 jobs) | 15.9%<br>(5,500 jobs) | 22.9%<br>(9,000 jobs) |
| Visitors Exports               | 63.4%                 | 48.9%                 | 64.1%                 |
| Investment                     | 14.7%<br>USD12.8m     | 15.5%<br>USD13.5m     | 21.5%<br>USD22.7m     |

Source: World Travel & Tourism Council - Economic Impact Tonga March 2018

The table above highlights the potential growth and the contribution that the tourism industry provides, although in 2018 the key indicators are forecasted to fall but nevertheless it expected to grow over the next 10 years.

Further, the WTTC 2018 Report highlighted that “*Leisure travel spending (inbound and domestic) generated 30.1% of direct Travel & Tourism GDP in 2017 (TOP35.8mn) compared with 69.9% for business travel spending (TOP83.3mn).*” This provides an enormous opportunity especially in the

food sector to provide and meet tourists expectation of consuming fresh local food and enjoy local leisure activities.

Tonga has a Tourism Sector Road Map for 2014 – 2018 (TTSRM) which includes five key objectives which are;

- Marketing destination
- Infrastructure and access
- Business enabling environment
- Tourism investment facilitation
- Product and workforce development and industry standard

According to the TTSRM 2014-2018 report, it made reference to a *“Tourism Economic Linkages Study undertaken in 2009” which indicated that substantial opportunities exist to increase the supply and use of local vegetables and fish for use by the tourism sector. Data limitations restrict a detailed analysis of the leakage factor associated with the tourism sector, but a leakage of 50 percent would not be unusual in a small island economy with high level of imports.*

In that regard it was highlighted that *“a concerted effort needs to be made by the Ministry of Agriculture to support suppliers to expand the range and availability of primary products suitable for use by tourism operators to substitute for imports. The use of local organic produce could provide a point of differentiation for Tonga tourism and should also be encouraged.”*

Some of the key issues which need to be considered in developing agritourism linkage policy in Tonga are as follows:

**At the level of the Public Sector, agritourism linkages need to be prioritized through:**

- Multisectoral approaches: Agriculture (including fisheries), trade, health, environment and tourism policies are developed separately from each other and very few linkages are identified or pursued.
- Promoting quality food: the nature of island economies having limited land availability justifies focusing on quality and healthy food which contributes to food and nutrition security of local and foreign tourists.
- Branding: there may be a need for public campaigns to brand Tonga as a unique tourist destination with a strong food and culinary offer. Awareness campaigns should target consumers (locals and tourists) on the various uses and benefits of local products (providing information on nutrition and health characteristics).
- Support to farmer's organisations production and marketing capacity: There is a need to create new opportunities for women and youth farmers, families and communities in promoting the use of local food.
- Support for coastal fisheries community to support the quality supplies of seafood and assist the women involved in fisheries
- Increased setting up/compliance of food safety regulations is needed to strengthen the reputation of the health and nutrition quality of local foods. Rating system for food health will reassure tourists.
- Education programmes, which feature the various dimensions in the use of local food need to be, strengthened which include the nutritional value.
- Promoting access to affordable ICTs and platforms, particularly with respect to the types of crops planted and available, fisheries products, processing companies and available products, disaggregated demand from local fresh market and distribution sectors, and from hospitality, tourism, and airlines, artisanal actors and their products, level of exports, *inter alia*.

**Private sector has a significant role to play in agritourism development**

- There is a need for a collaborative effort by the private sector actors (including farmers' networks, processors, artisans, service providers and investors) to work with the various ministries to put in place policies and strategies that bring together the tourism and agriculture industries.

- Farmers' and fisherfolk organisations need to be strengthened and linked with the agribusiness and craft industries to add value to products.
- SMEs need to focus on product development, product differentiation, marketing and branding to add value to their fresh and processed products. They also need to invest in technology and research to develop their products successfully.
- Developing/strengthening niche markets: Organics, fair trade and origin-linked products can provide a comparative advantage for Tonga.
- Multi-stakeholder national platforms need to be established to influence policy bringing the various perspectives from agriculture, trade, health, tourism.

#### **4. Goal and Objectives of the workshops**

**Goal:** To promote sustainable use of local food by the tourism industry through a new coordinated Tonga Agritourism Plan or Strategy to strengthened intersectoral policies.

**Objectives:**

- To promote linkages between the agrifood sector and the tourism industry to increase sustainable local sourcing through a new developed agritourism plan or policy for Tonga
- To identify key institutional and supply chain gaps and issues that should be advocated through this new Plan and stakeholders that would drive the changes
- To formulated an initial work plan and a working group that will take forward concrete actions drawn from the consultations.
- To identify concrete projects that can be supported under the intra ACP EU funding.
- To contribute to the Pacific regional agritourism strategy.

#### **5. Participants**

Government officials from Agriculture, Trade and Tourism Ministries, private sector, farmers, agro producers, chefs and actors from the hospitality sector, civil society and academia. International and regional partners will also share their experience.

#### **6. Partners**

The policy process is led by the Ministry of Agriculture, Trade and Tourism of Tonga in close collaboration with the other ministries. Regional and international partners include SPC, CTA PIPSO and SPTO.

#### **7. Expected results**

- A better common understanding of the opportunities in agritourism in Tonga
- A platform promoting linkages between Agriculture and Tourism is established
- Priority areas for development and support under the intra ACP funding are identified
- A Tonga Agritourism Policy and the framework to implement the policy are designed
- The main elements of the Strategy/policy on agritourism are developed and validated by the multi-sectoral focus group.
- An initial work plan and a working group that will take forward concrete actions drawn from the consultations.