

CASE STUDY



Pacific Horticultural
& Agricultural Market
Access Plus Program

Supported by Australia & New Zealand

Quality beans, quality 'chocolat'

Gaston Chocolat's journey to
a premium cocoa market

THE CHALLENGE

Cocoa remains an important export commodity in Vanuatu and is vital for the livelihoods of over 8,500 farming households involved in cocoa production. Cocoa from Vanuatu is known for its fine flavours, a result of both the ideal tropical environment (soil and climate) in which it is grown and the processing methods used. Despite this, most of Vanuatu's cocoa is sold at low prices into commodity markets due to smoke contamination and undifferentiated grade beans. However, properly cured cocoa is piquing the interest of premium chocolate makers.

The Pacific Horticultural and Agricultural Market Access Plus (PHAMA Plus) Program is supporting Vanuatu's 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.

Table 1: Value of cocoa products exported by Vanuatu (in AUD)

Product label	2016	2017	2018	2019	2020
Cocoa beans, whole or broken, raw or roasted	6,528,960	7,719,840	4,471,200	6,530,400	5,703,840
Chocolate and other food preparations containing cocoa	-	2,880	17,280	11,520	20,160
Cocoa butter, fat and oil	1,440	-	-	-	-

Source: International Trade Center, 2022

THE CHANGE

PHAMA Plus has partnered with Gaston Chocolat to improve quality and invest in its upstream supply chain to succeed in premium export markets. The collaboration supported the company to source high quality cocoa beans by obtaining two gateway certifications: the Hazard Analysis Critical Control Points (HACCP) certificate and B Corp. These certifications enable maintained and new export market access opportunities for Gaston Chocolat products.



ABOUT GASTON CHOCOLAT

With an established factory and iconic store front on Port Vila's main street, Gaston Chocolat's close relationship with its network of rural cocoa suppliers made it an obvious choice for a partnership with PHAMA Plus. The local chocolate producer sources dried cocoa beans from Santo, Malekula and Epi islands. Gaston produces on average around 28,000 chocolate bars per year, selling primarily to local markets as well as small trial shipments to international markets such as Australia, New Zealand, Japan and USA.



The new business model: Improved sourcing and processing of cocoa beans

PHAMA Plus partnered with Gaston Chocolat to improve quality and invest in its upstream supply chain to succeed in premium export markets. The collaboration worked in four areas to help Gaston source high quality cocoa beans by obtaining two gateway certifications: the Hazard Analysis Critical Control Points (HACCP) certificate and B Corp. These certifications enable maintained and new export market access opportunities for Gaston Chocolat products.

1. Maintain food safety with HACCP certification

What is HACCP certification?

PHAMA Plus assisted Gaston to adopt the systems and standards needed for HACCP certification enabling them to sell their chocolate at premium prices in new markets like Australia, New Zealand and USA that require HACCP. (HACCP is an internationally recognised management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.)

Many of the world's best manufacturers and vendors use the HACCP system as a basis for their food safety management programs and for compliance with Global Food Safety Initiative audit schemes.

2. Support fair, ethical and environmentally friendly products through the B Corp certification

What is B Corp certification?

B Corp certification is a designation that a business meets high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving, to supply chain practices and input materials. PHAMA Plus supported Gaston to work through the certification, requiring the company to establish processes that demonstrate high social and environmental performance. The company is the first in the Pacific to attain B Corp certification.

3. Procure and distribute solar dryers to key farmers to produce smoke-taint free high quality cocoa beans

In 2020, in an effort to boost local supplies of smoke-taint free high quality cocoa beans, PHAMA Plus supported Gaston to procure and distribute solar dryers to four of its main suppliers. While COVID-19 related delays slowed this process, Gaston is now regularly obtaining high-quality premium beans from three of their four key farmers.

4. Promote gender, equality, disability and social inclusion (GEDSI)

Gaston Chocolat trained three women in producing cocoa powder and procurement of equipment under the partnership. The three women are now full-time workers of the company.

As part of the partnership, Gaston Chocolat invested in enhancing its processing facility with new equipment and standards necessary to achieve HACCP and B Corp certifications. The Vanuatu Bureau of Standards (VBS)¹ assisted Gaston Chocolat with preliminary assessments while HACCP Australia provided technical assistance to prepare and undertake HACCP and B Corp audits.

Ultimately these certifications will pave the way for companies to sell their cocoa products at premium prices in new markets in Australia, New Zealand and USA, where HACCP or B Corp certifications are required, and drive additional income for growers.

PHAMA Plus' support has helped improve the transaction among value chain actors and Gaston Chocolat's business model through the flow of information on quality requirements and premium prices towards dry and wet bean farmers.

Figure 1: Business model before the intervention

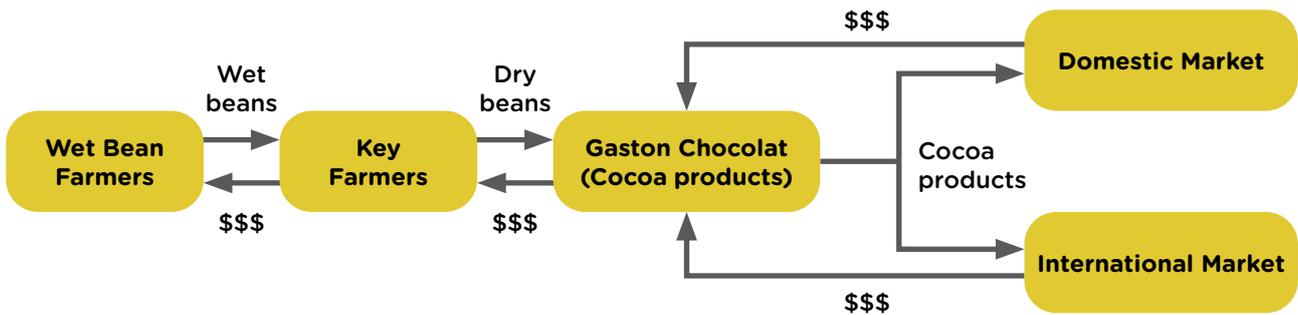
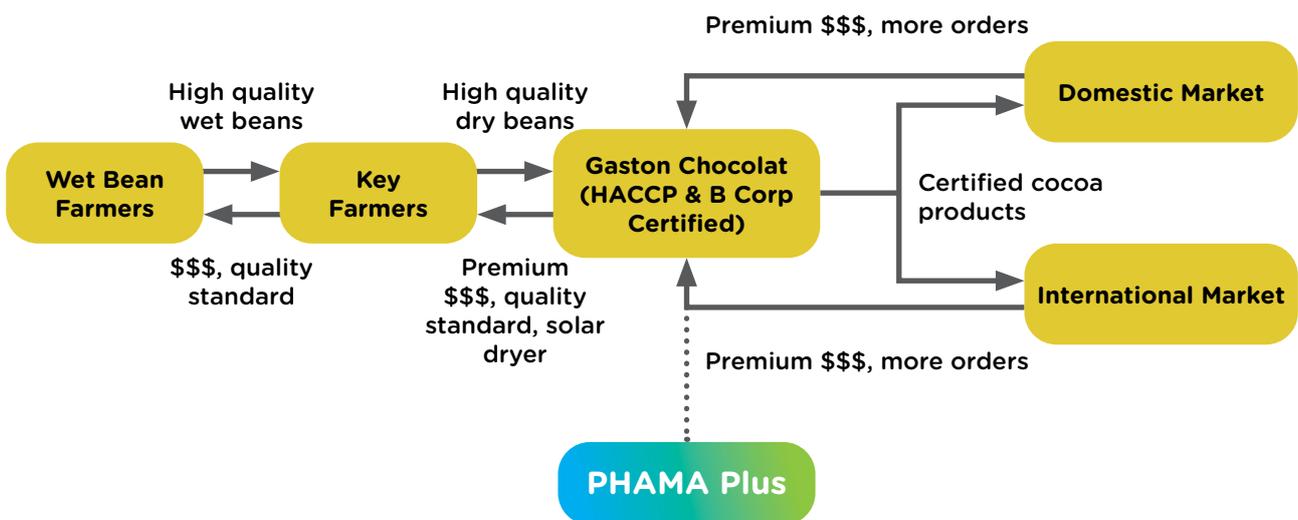


Figure 2: Business model after the intervention



¹ PHAMA Plus also had a Memorandum of Understanding (MoU) with VBS. The MoU aimed at building VBS' capacity to conduct preliminary assessments of businesses in Vanuatu for international certifications such as HACCP and B Corp. Under the agreement, VBS supported businesses to conduct preliminary assessments, and make recommendations and support businesses during audits.

BENEFITS TO GASTON CHOCOLAT

1. Improved sourcing of quality cocoa beans

Since the new solar dryers and fermentation boxes were established, the average price the company is willing to pay for the higher quality beans has jumped to just over AUD4 per kg. This is 39%² higher than other premium buyers in Vanuatu and almost double (97.5%³) what farmers could expect to get from bulk buyers. In the period 2021 to June 2022, Gaston Chocolat purchased 7,045 kilograms of dry beans from its farmer network.

2. Access to a premium market

In 2021, Gaston Chocolat exported 3,550 kilograms of cocoa beans to boutique buyers in New Zealand and Japan. Of the total export volume, 3,100 kilograms was exported to New Zealand and 450 kilograms to Japan. In addition to dry cocoa beans, Gaston Chocolat also exported 3,200 chocolate bars and 2,000 pouches of cocoa coated coffee⁴.

3. Improved infrastructure and targeted marketing

Gaston Chocolat invested approximately AUD300,000 in new equipment and a new processing facility to meet HACCP and B Corp certification standards. Gaston Chocolat completed the B Corp assessment and received the certification in May 2022. The certificate will remain valid for three years. The company is now working with VBS and PHAMA Plus in completing the process of attaining HACCP certification.

The new equipment will have the capability to produce 100,000 bars each year. In addition, Gaston Chocolat also plans to upgrade its packaging and branding to better serve tourists in the domestic market and premium buyers in the international market.

COVID-19 CHALLENGES

Due to the COVID-19 lockdown, the Vanuatu Government restricted inter-island movement of shipping vessels. As a result, Gaston could not export consignments in early 2022. The cost of shipping has also increased approximately 20% due to rising fuel prices and recent logistical issues. The company anticipates that the cost of shipments could increase by an additional 15% which would further impact its export business. The exorbitant shipping costs have already affected the company's exports to Australia since there are currently no ships going directly from Vanuatu to Australia. Instead, shipments are going via New Zealand, which means added costs to exporters like Gaston.

² Average price offered by other premium buyers is AUD2.91 per kg.

³ Average price offered by bulk buyer is AUD2.05 per kg.

⁴ The value of export is not disclosed due to business confidentiality.



THE IMPACT

Have the farmers benefited from selling cocoa beans to Gaston Chocolat?

In May 2022, PHAMA Plus conducted an impact assessment to identify and understand changes in the cocoa farmers' practices, production, quality, sales, and financial and non-financial benefits from the Gaston Chocolat partnership.

The study showed that on average:

- a wet bean farmer collected a sales revenue of AUD350 by selling wet beans to Gaston's key farmer in 2021.
- of the total additional income earned by each farmer, AUD50 is attributable to Gaston's purchase. In the first six months of 2022, a farmer earned additional AUD42, which is attributable to Gaston's purchase.
- total attributable income change for a farmer from Jan 2021 to June 2022 is AUD92.
- among the 69 access farmers, 93% or 64 farmers, received a better price from Gaston's key farmer/agents compared to the market

price offered by other buyers. On average, wet bean farmers received the additional price of AUD0.35 per kg, which is 63% more than the traditional buyers.

- from February 2021 to June 2022, the average farmer earned an additional AUD529.
- the total additional income earned by the 64 farmers is nearly AUD34,000.
- of the total additional income, 17% or AUD5,900 is attributable to the Gaston Chocolat and PHAMA Plus collaboration.

Approximately 97% farmers are willing to continue to grow and supply wet cocoa beans that complies with Gaston Chocolat's agent's requirements.

The total number of beneficiaries are 228 (124 male and 104 female). Among the beneficiaries, 87% are of age 15 to 24.

FARMER'S PERSPECTIVE: LILIANI'S LABOUR OF LOVE

For more than 20 years, Liliani Buktan toiled away on her cacao farm in the village of Pinallum, north of the island of Malekula in Vanuatu's Malampa Province. With a family to support financially, she devoted to a life of hardwork, a feat she loves and is now yielding rewards.

Within the two harvesting seasons in a year, Liliani sells around nine bags of cacao to Gaston Chocolat during off-peak season. In the peak season, she normally sells around 12 to 19 bags of cacao, which sometimes needs sourcing from three other cocoa farmers in her village to meet the volumes demanded by Gaston.

With Gaston's entrance into premium export markets, Liliani and her farmers started solar-drying cocoa to maintain bean quality. In 2021, they collectively produced 8,595 kilograms of solar-dried beans and sold 3,695 kilograms to Gaston Chocolat. Up to June 2022, the four key farmers/agents produced 7,660 kilograms and sold 3,350 kilograms to Gaston.



On average, they collectively sold cocoa beans at AUD4.06 per kilogram, which is 39%⁶ more than other premium buyers and 97.5%⁷ higher than the bulk buyers.

Liliani now plans to further expand her farm to include more cocoa trees to support the growing demand for solar dried cocoa.

⁵ On average, traditional farmers with smoke dryer purchase wet beans at AUD0.55 per kg.

⁶ Average price offered by other premium buyer is AUD2.91 per kg.

⁷ Average price offered by bulk buyer is AUD2.05 per kg.

WHAT THE COMPANY SAYS



It's a little-known secret of chocolate making that the final flavours of high-quality chocolate are developed in the field through the cocoa bean fermentation and drying process. We decided from day one to work with the cocoa growers and handle the whole harvest and post-harvest process, from the fruits on the trees to turning them into chocolate bars.



Olivier Fernandez, Gaston Chocolat co-founder



SIGNS OF SYSTEMIC CHANGE

The impact assessment showed that Gaston Chocolat is adapting its business practices since its partnership with PHAMA Plus. In addition to investing in the modernisation of its processing facility to adhere to HACCP and B Corp standards, Gaston Chocolat has introduced a customised design for solar dryers using local materials for more farmers to adapt.

The approach used by Gaston is scaled up by the Vanuatu Primary Producers Association (VPPA). With support from PHAMA Plus, VPPA identified key farmers in 40 locations and supported them in constructing solar dryers. The 40 solar dryers are expected to increase the production of high-quality cocoa beans which can be sold into premium markets.

In addition, another chocolate manufacturer in Australia - Spencer Chocolate - has also started buying high-quality beans from one of the key farmers supplying to Gaston Chocolat.



WHAT PHAMA PLUS SAYS



Over the past few years, PHAMA Plus has worked closely with Gaston to improve the sourcing and processing of quality cocoa beans to meet the food safety and quality standards that will enable them to succeed in high-quality premium export markets. Farmers now understand that quality and the whole process of fermentation and the drying of cocoa beans is very important. This is a big win for the cocoa farmers, who are ultimately the real beneficiaries of this partnership - the end goal always being to improve the livelihoods of the region's farming households.



Emily Tumukon, PHAMA Plus
Country Manager - Vanuatu



CONCLUSION

The partnership has enabled Gaston Chocolat to improve its sourcing of cocoa beans from farmers, improving the supply chain with the introduction of agent-farmers and gaining entry into premium cocoa markets internationally. Already, Gaston Chocolat's use of solar dryers has been replicated by other farmer associations. Cocoa farmers are also receiving a price premium from agent farmers for improved quality of cocoa beans and Gaston Chocolat has been successful in selling chocolate bars to premium markets. It is anticipated that Gaston Chocolat's exports to high-end premium markets will significantly increase in coming years and pave the way for other cocoa exporters in Vanuatu to adopt the business model that has made Gaston Chocolat successful.





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CONTACT US

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

