

# PROSPECTS FOR FRESH PRODUCE INDUSTRY

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## 1. INTRODUCTION

About 85% of PNG's estimated 3.8 million people produce their own food. They also contribute to feeding people in urban areas. This is a major factor in maintaining stability in this country.

Over the years there have been attempts to develop fruit and vegetable production and marketing but they were never sustained. Development initiatives, mainly through assistance from Aid sources, have targeted at resolving certain problems but there has never been a genuine commitment by past Governments to develop the fresh produce industry in its entirety.

The last major attempt was the Marketed Fruit and Vegetable Project (MFVP), a NZ Government assisted initiative established by DAL in the latter part of the 1980s after the failure of the Food marketing Corporation. The Fresh Produce Development Company (FPDC) was established in 1989 to enhance the activities of MFVP. Main funding was provided by the NZ Government. The MFVP had a national outlook but by the early 1990s PNG funding started to shrink and the project started to falter. In 1996 DAL transferred the MFVP to FPDC and the NZ Government started to phase down its funding support to FPDC. FPDC came near to closing down in 1998 because of lack of funding. It survived because the NZ Government once again came to the rescue.

FPDC's funding problem is not unique where the food sector is concerned and I raise this issue not because I am the Chairman of the Board of Directors but because I wish to emphasise that it is time the Government paid serious attention to this country's food needs before we reach a

crisis point we can't cope with.

Population growth is around 2.5% per annum. At this rate, PNG's population will be around 8 million in just 30 years. We cannot allow the current level of neglect to continue.

Attending to production matters in isolation of other vital factors is not the way to develop the fresh produce industry. There has to be a concerted effort towards equal and continuous development of all aspects of the industry.

Strategic plans must be conceived for a given period of time, particularly where development is concerned. I would suggest a 3-5 year period, depending on the existing situations. Specific targets must be set for achievement within identified programmes over this period of time. This should assist in planning expenditure, provide the initiative to guarantee funding and provide the basis to plan the next stage of development.

The trend over the past few years has been to provide sufficient funds for government organisations to exist virtually on a day to day basis. This attitude has to change. Funding has to be consistent and to the required amount. Having said that, it is also incumbent on the Government to exercise stringent monitoring measures to ensure its agencies are achieving their declared objectives.

There has to be an effective and positive linkage and interaction between all the organisations and agencies associated with fresh produce at district, provincial and national level.

In comparison to tree crops, fresh produce fares poorly. I would now like to outline some of the factors associated with the production and marketing of fresh produce.

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## 2. PRODUCTION

All food production is basically at subsistence level though in some cases commercial attributes are adopted in one form or another.

Traditional crops are aimed mainly at the informal market e.g. open suburban markets and roadside markets while introduced crops are aimed at both the informal and formal markets.

More and more growers, particularly in high altitudes, are spending more effort and time in the production of introduced vegetables because of their greater commercial value. Some of this class of growers are tending to specialise in one or two crops to earn income and thus may have only limited time for the production of traditional crops. In these instances they may rely entirely on income from their specialist crops to sustain themselves and their families. As this trend grows, the expertise of these growers will need to be enhanced and the marketing of their crops assured if their interest is to be maintained.

Food production is no longer just for household consumption. It is a means of earning an income and for the majority of the country's population this is the only source of income. It is difficult to fathom why committed Government support has always been lacking.

Below are some problems affecting production.

- a) High cost of seeds and other agriculture inputs.
- b) Predominance of Hybrid seeds over open pollinated seeds on sale (high costs of hybrids and inability to save seeds from hybrids).
- c) Very poor condition of feeder roads.
- d) Inefficient means of transporting produce from farmgate to market.
- e) Expensive packaging (farmgate to wholesale to retail).
- f) Difficulty in growers obtaining credit finance

(cannot give assurance of guaranteed market like the tree crops).

## 3. MARKETING

The informal market is less sophisticated than the formal market though substantial losses can be experienced by both.

The informal market is made up of growers selling their own produce as well as those who buy from growers and wholesalers and resell. All transactions are self serving.

Fresh produce channelled through the formal market is principally made up of introduced temperate vegetables. Besides being an income earner, they are also crucial in replacing imports.

Formal marketing of fresh produce was given major emphasis in the mid 1970s up to the 1980s through the Fresh Food Project and later by its successor the Food Marketing Corporation. Both were government owned organisations which perhaps provided the most likely reason for FMC's eventual demise.

The concept was not the reason for the failure, rather the ambitious nature of the project. Operations should have been confined to commercial levels rather than towards providing a national service. By the time FMC tried to rationalise its functions, it was too late. The worst part for the exercise was transferring assets of FMC where they existed to Provincial Governments in the hope that they would become more efficient and thus profitable.

Where Port Moresby was concerned, air freighting fresh produce from locations in the Goilala area proved ineffective and costly. The alternative of providing a road service instead of facilitating transport of produce from as far as Enga and the Southern Highlands Provinces to Lae and on to Port Moresby, was never considered. It doesn't appear to be a consideration even now and yet it remains the closest source of potential supply to Port Moresby.

The private sector tried to pick up the pieces but in the end only one entrepreneur persisted. There are now a few more firms dabbling in the whole-sale of fresh produce but this section of the industry still remains inefficient and at times a hindrance to production.

Stop 'n' Shop and Anderson's Foodland Supermarkets are the only retail outlets that give emphasis to local fresh produce. Others do not appear to be interested in retailing fresh produce to any great extent.

Imports of fresh produce are still a major hindrance to the marketing of local produce but the sensible way to go about combating this factor is through providing the right assistance continuously and having the appropriate infrastructure in place instead of resorting to import bans.

An import ban may have the following effect.

- a) Deter the establishment of necessary infrastructure because in the absence of competition it could be viewed as unnecessary.
- b) Increase in price of fruits and vegetables in the formal market. Price increase in the formal market could in turn impact on prices in the informal market, particularly in Port Moresby.
- c) Quality of produce may not improve substantially.
- d) Growers will suffer because wholesalers/retailers will be selective in what they buy if quality is a problem.
- e) Wholesalers may not be concerned about improving their efficiency.

The bulk of temperate vegetables are produced in the highlands region and the biggest markets are Port Moresby and Lae. The quality of vegetables, particularly to places such as Port Moresby and Rabaul, are very much affected by the way they are handled, packaged and transported.

The supply of fresh produce to Port Moresby by sea from Lae and air from the highlands rose from 1,000 tonnes in 1989 to 6,4447 tonnes in 1998 and dropping back to 5,000 tonnes in 1999. There were rises and falls in intervening years. Figures from the FMC days are not available to make comparisons.

The potential to supply greater volumes of highland produce to Port Moresby and other ports exists. The problem is the ability to get them to their destinations in an orderly fashion, ensuring quality and price competitiveness is maintained.

Below are some of the problems associated with formal marketing.

- a) Inefficient wholesale depots or lack of them.
- b) Lack of refrigerated containers to store produce for transportation.
- c) Lack of support from trucking and shipping companies because of the lack of appropriate infrastructure.
- d) Unreliable and expensive airfreight service (combined road and sea freight to Port Moresby from Mt. Hagen is about 0.45 toea per kilo compared to between K1.50 and K2.00 per kg by air).
- e) Lack of proper facilities to consolidate produce in Lae and to disperse the same on arrival in Port Moresby.
- f) Expensive packaging.
- g) Poor condition of the Okuk highway.

#### 4. OTHER ISSUES

There are other issues I would like to touch on briefly.

**(a) Food Security Programme**

With the devolution of powers and decentralisation of functions, I feel it is necessary to have a National Food Security Programme in order to have and maintain a united focus on food issues nationally.

However I would insist that we get back to basics if we are to ensure this programme serves its purpose. For instance we need to;

- i) Enhance production of traditional crops throughout the country.
- ii) Preserve and ensure the survival of traditional food crops by retaining them in germ banks.
- iii) Ensure planting materials of a wide range of traditional food crops are maintained in selected locations for emergency supplies.
- iv) Because of the high cost of seeds, particularly hybrids, coupled with the low income of subsistence farmers, it is necessary to sustain the supply of open pollinated seeds of selected crops such as corn either through in-country production or through imports.

While the presence of Hybrids seeds is a fact of life, they cannot be allowed to dominate the seed market completely. The ordinary person cannot afford them. It is therefore incumbent on the Government to ensure the people have access to affordable seeds.

- v) There has to be constant dialogue between all levels of Governments and their respective institutions and agencies and with relevant NGO's and not least the farmers. Planning and implementation has to be at the guidance of those who are meant to benefit.

It goes without saying that the Food Security Programme must address all issues relating to both the informal and formal sector.

**(b) Export**

For far too long emphasis on agriculture has been confined to the tree crops. It is now time to put fresh produce on the export agenda.

The New Zealand Government has made the right overtures and this should be pursued to the fullest extent.

**(c) Statistics**

PNG has a very poor reputation in keeping up to date records of vital statistics and information. Just on the fresh produce aspect alone, there are no indications of what the country is producing on a district, provincial and national basis, what is being marketed through the informal and formal markets nationwide, what the main consumption crops are in the different provinces and districts, even areas, and statistics on imports of fresh produce are way out of date.

Someone has to be given charge of compiling agriculture statistics. Funding has to be guaranteed so that this task is undertaken efficiently and expeditiously.

**(d) Training**

Training is an integral component of any development strategy. Technology is advancing so rapidly these days that if PNG does not attempt to keep up with basic changes then it deserves to be left behind.

The Government must provide the means and incentives to its Institutions and Agencies to initiate training for their clients and staff.

**(e) Participation of women in Food Production and marketing**

There is no need for me to go to any great lengths to espouse the contribution that the women make to this country's food security, not because I am male but because it is all too obvious that women are the main

providers.

All I need to say is that the Government must ensure that it takes the needs of women into account when formulating its food policies. If this means locating women at policy level and enhancing their role in planning and implementation, then so be it. The obvious point is that if the capabilities of women are not enhanced, then who is going to sustain this country's level of food production.

#### **(f) Funding**

The attitude of Government towards funding fresh produce initiatives must change. It must view this sector as vital to this country's peaceful existence and prosperity.

The Government must adopt a positive attitude towards lessening its dependency on aid to fund its food based programmes. It must take full control of its financial responsibilities in a sustainable manner. Continued dependency on aid lulls the government into a false sense of security, thinking it has the matter under control when in fact it hasn't. Situations just continued to deteriorate.

As mentioned earlier, 85% of this country's 3.8 million people survive from their own efforts in feeding themselves and their urban cousins. Surely it is not impossible for the Government to make a genuine effort to help its own people to look after themselves.

I thank you for giving me the opportunity to express my opinions on behalf of my community, the subsistence food producers of this country and the organisation I represent, the Fresh Produce Development Company.