Improving Livelihoods Through Floriculture Out-growing Scheme – The Koroipita Village in Fiji

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Abstract
This study discusses the case of a South Pacific island village, the Koroipita village in Fiji, where several aid projects work around local conditions and cultures for the least advantaged. In the context of management, the South Pacific leadership style is more paternalistic. This study argues that a mix of an out-growing scheme with a style of paternalistic interaction exists between the flower out-growers and the wholesaler in the floricultural supply chain under study. This supply chain was harnessed for industry development as well as for income generation for the village growers. When viewing the contracting relationship between SSO and the Koroipita out-growers, there is a relatively fair share of value added in the value chain. This case study shows that the out-grower scheme has led to a significant rise in living standards when several other means of improving livelihoods have failed. The findings of this study are based on interviews with floricultural supply chain stakeholders and grower/florist focus group discussions conducted between 2010 and 2011. The results of this study might be relevant to other Pacific Island nations with similar cultural backgrounds and aid donors that aim for improving livelihoods for the least advantaged.

INTRODUCTION
South Pacific nations are geographically dispersed, prone to natural disasters, relatively isolated and remote from world markets. Aid money has poured in for the last decades, yet change has happened very slowly. For example, Fiji received near USD200 per capita of net official development assistance between 1997 and 2011 (World Bank, 2012). This study discusses the case of a South Pacific settlement, known as the Koroipita village in Fiji, where several separate aid projects work around local conditions and cultures. These projects include funding from the Fijian government, like the Model Town Charity Fund, resource (funding and human resources) from the Rotary Club network, like Rotahomes and from the Australian and New Zealand governments, such as AusAID (Australian Agency for International Development), ACIAR (Australian Centre for International Agricultural Research) and NZAID (New Zealand Agency for International Development). Model Town Charity Fund and Rotahomes provided low cost housing to the squatter population. Foreign official development assistance included various activities, such as sewing, craft making and floriculture, as income generation schemes. There are some early positive outcomes of the combined projects and the case helps to exemplify the manifold nature of socio-economic development and change.

Contract farming refers to a system where a firm purchases the harvests of independent farmers and the terms of the purchase are arranged in advance through contracts. In a
normative sense, much of the development literature on contract farming is polarized. Briefly, the Harvard Business School approach considers contract farming to be an opportunity to the smallholder to enter the market with minimal risk. The Food First school (Lappe and Collins, 1977) is critical of contract farming, and considers it in a dependency theory framework (Baumann, 2000). Little and Watts (1994) argue that the unequal power relationship as well as market fluctuations often make contract farming unsustainable in the long term. Given the diversity of contract relations, they suggest that, it is better to focus on the motives and power relationships of contracting parties. The diversity of literature on contract farming indicates that the success of each contracted commodity is associated with specific conditions of production and labour regimes, which affect its potential to generating local development.

This article shows that the mix of an out-grower scheme with a paternalistic style of interaction exists between the flower out-growers and the wholesaler in the floricultural supply chain under study and that was harnessed for industry development as well as for income generation for the village growers. Paternalistic leadership means an evident and powerful authority that shows consideration for subordinates with moral leadership (Fan, 2000). It has been shown that paternalistic leadership has a significant and unique effect on subordinate responses in business organisations (Cheng et al., 2004).

The findings of this study are based on interviews with floricultural supply chain stakeholders and grower/florist focus group discussions conducted between 2010 and 2011. Several interviews were conducted with SSO and its out-growers (both Koroipita growers under aid projects and general out-growers unrelated to any project). Multiple in-depth interviews with supply chain actors allow some hint of the motives of both the wholesaler and out-growers. Focus group participants include all Koroipita orchid out-growers. Open-ended questions were deemed appropriate to use. For methodological validity, the researcher and collaborators discussed focus group findings until convergence on the observations.

The squatter population problem in Fiji

Fiji has a population of approximately 850,000. With the rapid onset of urbanisation, low-income squatter settlements have been on the rise in urban areas in Fiji. About 84,000 people live in deprived conditions classed as ‘squatters or shanty towns’. These people are spread over 187 settlements, with an average population of over 450 per squatter settlement (Mohanty, 2006). Squatters are burdened with incidences of natural hazards, cramped conditions, epidemic diseases, collapsing of flimsy buildings and neighbourhood crime. Reasons for squatters to migrate include land insecurity at the original dwelling, job opportunities, children’s education, family disputes and high rents (Mohanty, 2006).

Women in South Pacific nations are generally not granted equal status as men. Those women in squatter settlements are especially vulnerable and constantly faced with domestic violence. This is mostly attributed to economic dependency on men and unequal distribution of resources and power. When women make economic contributions to the family, they have less chance of being victimised by their family, partner or husband. Empowering women through economic independence would be envisioned to achieve both improved livelihoods and gender equity.

Lautoka is the second largest city in Fiji and is burdened with a squatter problem. To address the poverty and squatter issue in the Lautoka city area, the notion of establishing a model town started around 2002, with funding from multiple sources. The town
provides the former squatters a new basic steel shed house, running water, sewerage, a kindergarten and a secure environment for families to raise their children. The model town concept is to build a maximum of 300 houses in stages for each area. It is hoped that these measures will be rolled out to other squat populations in Fiji. At Lautoka, a total of 81 houses have been built at stage 1. The program is currently at stage 2, which will build 148 houses. Stage 3 will build about 50 houses. Every 15 households have a representative to attend meetings and to manage day-to-day issues. If the model proves viable, it will be replicated in other squat settlements in Fiji. The first stage of settlement created a new village called Koroipita. Koroipita means ‘Village of Peter’ in Fijian to honour a local Australian expatriate Rotarian, Peter Drysdale, who led expatriate and short-term visiting Rotarian volunteers to physically build each house. Householders are not given a free roof. Villagers are required to pay FJD30/month (FJD1 ~USD0.6) of rent which is used as a ‘body corporate’ pool to cover maintenance.

Indo-Fijians comprise nearly half of the Fijian population. Although there are quite a few successful Indo-Fijian businesses, there is a segment of the Indo-Fijians that remain very poor. Regarding the race of squatters around the Lautoka area, about 30% of them are Indo-Fijians.

While simple houses were built for squatters, the root issue remains poverty alleviation; i.e., creating an income generation stream for the new residents who have little skills and capital to make a start. To help generate income for the households given shelter, there were programs of helping women to do crafts, cooking and sewing. However, starting their own small business is difficult for women as accessing finance is a big hurdle. This is how growing flowers, with aid project assistance, comes in to provide significant additional income to the residents.

**USING FLORICULTURE TO IMPROVE LIVELIHOODS FOR THE SQUATTER POPULATION IN KOROIPITA**

Floriculture is a small, but emerging private sector industry in Fiji. In the past decade, there has been fast growth in the demand for floricultural products spurred by the construction of hotels and resorts. According to Fiji Visitors’ Bureau, in 2010, Fiji had over 600,000 tourists, equivalent to two thirds of the Fiji population (Fiji Islands Bureau of Statistics, 2011). While tourists are only there for a short period, there is ‘derived’ demand for floriculture, particularly potted plants for landscaping for hotels and resorts. Overall, while demand is erratic, there is more demand for floricultural products in the market place than supply except when production is at its highest. Nearly all flower growers in Fiji are small scale backyard growers. The floricultural sector is still in its infancy.

A supply chain refers to a range of co-ordinated activities, i.e., value adding activities, which are required to bring a product or service from conception, through the different phases of production and distribution to end users (van Duren and Sparling, 1998; Woods, 2004, Fearne, 2009). By this definition, there is only one stable floricultural supply chain in Fiji that is driven by the wholesaler, which is run by South Sea Orchids (SSO). This wholesaler has both technical and business knowledge and skills in floriculture. In the past, it introduced into Fiji several cultivars of Dendrobium orchids from Hawaii and Anthuriums from Holland. SSO is the ‘nucleus’ grower, with its own production, as well as the wholesaler in this supply chain. The term ‘nucleus’ is used to highlight the arrangement that there are many out-growers who are contracted to supply SSO. SSO is also an end user of floricultural products in the sense that it keeps some plants and
flowers for international visitors who tour its estate. (It is somewhat different to a situation when the buyer (SSO) also has its own production because SSO grows flowers with multiple reasons, to sell them, to enhance its garden and greenhouse for tourists, and to cushion market conditions.) There are other larger nurseries that may have the capacity to involve small growers. However, it appeared that there was not sufficient interest from other larger nurseries as acquiring stock from many small new entry stage growers can be inefficient from a business point of view. The vision of SSO reads ‘We at South Sea Orchids have a vision that Fiji can develop a world class floriculture industry that could make a significant contribution to the livelihoods of our people’ (IFC, 2010, p. 10). While this may also be the vision for other floricultural businesses, SSO seems the only one, as far as the author is aware, that works with many small out-growers consistently.

The Koroipita village is part of the new settlement (of stage 1) for the squatter population in the Laukota area. The floricultural part of the Koroipita village started in 2007 under a two-year project funded by AusAID/IFC (Australian Agency for International Development and the International Finance Corporation, a member of the World Bank Group). The project was renewed in 2009 and finished in July 2011. While the project has ended, the floricultural component has continued with a current ACIAR project (Strategies using floriculture to improve livelihoods in indigenous Australian and Pacific Island communities) that includes Koroipita flower growers in its value chain activities until the end of 2014.

With aid funding, SSO involved Koroipita women to grow Dendrobium orchids as part of its supply chain. Dendrobium was chosen as it is easy to grow and reproduce, and the demand and price has been favourable. Furthermore, this undertaking is not complicated for the women as caring for Dendrobium orchids does not require much of their time. On average, the women spend a couple of hours per week on their orchids. A total of 16 women were voluntarily enlisted as orchid out-growers after SSO publicised the scheme. Half of them were single mothers. In general, the primary motives for smallholders to become out-growers are market access, risk minimization, guaranteed supply of farm inputs and access to credits (Baumann, 2000). Koroipita out-growers have all these motives in one way or another. In terms of credit, it is in the form of free equipment and planting material funded by third parties. Each out-grower received a net house, 200 Dendrobium plantlets, one watering container and fertilisers. These facilities, including orchid plants, belong to the project and out-growers could sell the flowers, but not the plants.

Quality standards are set by SSO. They are based on the numbers of flowers per stem or spray. Large sprays contain 15 flowers or more. Medium sprays contain 10-14 flowers, small sprays contain 5-9 flowers, and less than 5 flowers are mini sprays. Grading of flowers which is normally done by the grower is done by the wholesaler in this case. Two SSO Koroipita project officers visit the Koroipita households one-by-one once a week to check the general condition of the orchids and to harvest Dendrobium sprays. The officers talk to the women briefly and record on the spot the quantity and quality of orchid sprays. SSO provided fertilisers to the out-growers and, when needed, sprayed the orchids for pests and disease.

With aid resources, growers started out with minimal involvement in the supply chain. SSO assumes the functions of harvesting, grading and transportation (one hour drive to SSO) so as to simplify the work needed from the out-growers, who might be overwhelmed by all the activities generally undertaken by professional growers. Another justification for the wholesaler to assume more functions is for supply chain efficiency.
The out-growers do not have to worry about marketing issues, as SSO takes all the flowers from the village women. One important factor that enables SSO to take all the flowers from out-growers is that its business is diversified into tourism as well. SSO sells cut flowers from out-growers first. It uses its own stock not only to supply customers, but also as safety stock for the erratic demand in the market place. In the past when demand was low, SSO did not harvest its flowers, but to use them for international tourists who visited its estate.

It is challenging to manage the day-to-day issues happening at the village level, such as plant theft, selling plants surreptitiously for a very low price, rent in arrears, litter and general tidiness around the neighbourhood. These issues were mostly dealt with by the Model Town Charity Fund local officer and the Rotarians. A monthly plant stock take has recently been introduced to better keep track of the quantity of plants. Good growers are now earning FJD50-80/month (FJD1~USD0.6). To put this into perspective, government social security provides households with FJD60/month. Villagers are able to pay FJD30/month on rent and other utility bills. In the event that there is arrears for rent, SSO would deduct from its payment to out-growers and transfer the money to the fund pool. The linkage between the housing project and the floricultural project reinforces each other and facilitates the implementation of both.

This relationship between SSO and Koroipita out-growers could be seen as a variant of contract farming. The reasons why the case is not a standard contract farming one is that the relationship between SSO and the growers goes beyond business. For example, out-growers often make complaints to or resort to SSO family members as authorities to resolve minor disputes as the SSO family is well respected by the out-growers. SSO is involved with the out-growers not just in business, but also other aspects of their lives.

The floricultural project observed significant change to one Indo-Fijian woman who was never comfortable stepping out of the house to talk to people before joining the out-grower program. As an SSO officer said, “These women are just happy they are actually doing something. A lot of them can’t get a job, so even if you can make $1 out of your back yard, you can do something.” (IFC, 2010, p. 6). Later after the start-up with Koroipita, SSO rolled out the orchid out-grower model to 15 more women in another new settlement for squatters in Lautoka under a different program sponsored by the Fijian Government’s Housing Assistance Relief Trust.

When floods occurred in January 2009, two-thirds of SSO’s Anthuriums and orchids were destroyed. The market was short of flowers and the stock from Koroipita women was valuable supply for SSO. The village women also helped SSO with the massive cleanup operation at the SSO estate. While the out-grower scheme with a strong paternalistic relationship underpins the interaction between SSO and project out-growers, one can say that there is probably some reciprocity between them when such a situation, like a natural disaster, arises. It is noted that the connection between paternalism and reciprocity is only based on one anecdotal event and more supporting evidence is needed.

In terms of share of value added in contract farming relationship in general, there is often not a reflection of real value added but of relative strength (White, 1997; Baumann, 2000). It is worth noting that when viewing the contracting relationship between SSO and the Koroipita out-growers, there is a relatively fair share of value added between them in the value chain. One main reason is that SSO is accountable for aid parties. Another reason is that floricultural products are in good demand in Fiji and out-growers may well sell flowers by the roadside, if need to be. Although prices are set by SSO, it takes into
account the market situation that there is often more demand than supply for floricultural products.

The Transition Toward Independence by Out-growers

After four years of receiving AusAID/IFC funding, the cut flower part of the Koroipita project came to an end in July 2011. Growers had been used to doing little and just receiving a monthly remittance from SSO. Now that SSO is not funded to harvest, record and transport flowers, there was some panic over whether SSO would continue the link with them and who would do all these tasks. With the assistance from the Rotahomes officer, the growers have developed an individual as well as a community business plan with a view to transition toward more independence. Rotahomes is a scheme from the Rotary Club network which works closely with the Fijian government’s Model Town Charity Fund.

The growers now pay one advanced grower to harvest, grade and record flowers once a week for all the growers and someone to transport flowers to the wholesaler. Prior to the transition, it was found in a focus group discussion that most growers were not sure about what constitutes a large, medium, small or mini spray. They were also not sure if buds were counted as blooms in the grading. They now have a better idea about the quality standards even though it took the out-growers a long time to understand this seemingly easy task. They also began to pay for farm inputs distributed by SSO.

The new business plan expands the product line to include native potted plants and flowering gingers. With the Model Town Charity Fund, the residents will receive 200 free planting materials of native plants. The current ACIAR project assists in the establishment and maintenance of a native plant nursery and provision of new cultivars of flowers. Over time, plantlets will grow and be donated to the town nursery. It is hoped that the town nursery will develop into a garden for tourists to showcase the model of using floriculture to improve livelihoods for the squatter population. This is the beginning for village growers to start looking at their cost-profit figures. From a development point of view, this is a significant move for the villagers, as they are starting to take some ownership of the management of their products out of the out-grower scheme.

DISCUSSION

The Fijian floricultural industry is one of the few in South Pacific countries that have been able to develop a wholesaling system, as evidenced in the out-grower/SSO supply chain in the Lautoka and Nadi area. The several interrelated projects engaged active drivers, like the expatriate Rotarian and the wholesaler. Creating an income generation stream relies on these ‘big men’ who are highly regarded locals yet with a somewhat different cultural background. Mr and Mrs Burness of SSO and Peter of the Rotary Club have European, Chinese and Polynesian cultural background. Mrs Burness of SSO describes herself as a ‘Polynesian cocktail’ (IFC, 2010, p. 4). These respected civic and business leaders are more willing to face uncertainties and take up challenges for change and innovation through active planning, compared with other locals. One main observation in this study is that these people, being largely from outside the local (Pacific Island) culture, are drivers of change and several aid projects have worked closely with them.

The relationship between project out-growers and SSO was created and supported by non-profit third parties and is very different from the normal relationships between growers and wholesalers seen elsewhere. From a pure business sense, it appears not
worthwhile to invest in the relationship with the squatter households who have enough domestic problems, have little experience of growing flowers and doing business in general. No other well established floricultural businesses choose to work with them. SSO, with the assistance from some aid projects is, so far, the only established business that is willing to work with them and has made them ‘out-growers’ in its supply chain. Given the ‘social’ aspect, the relationship between SSO and out-growers is different from a standard contract farming type operation. The owners of SSO could be considered social entrepreneurs who bring change while helping the needy and their own bottom line. Aid donors, such as AusAID and ACIAR work with respected locals who bridge the social cultural distance between the aid donors and the aid recipients.

The relationship between SSO and Koroipita out-growers could be aptly described as being paternalistic. Evidence of a paternalistic relationship between SSO and Koroipita villagers is shown in several practices. For example, SSO takes all flowers from the villagers regardless of market conditions, SSO is consulted on almost all technical and marketing issues related to floriculture, and SSO organises and provides trainings at its venue. At workshops conducted by SSO that the author attended, there were frequent uses of words and expressions associated with concepts of ethics and decency. Although the relationship between SSO and villagers is based on an out-grower scheme and a paternalistic style of interaction, there was anecdotal evidence showing that there was also some reciprocity in the relationship.

While the Koroipita villagers are still ‘toddling’ along the development path, there are several favourable reasons for them to continue down this path. Being in the same Koroipita/SSO supply chain, SSO has an interest to see continual supply of floricultural products and is willing to assist. Also, Koroipita out-growers have become used to the income from cut flowers and seen the benefits that floriculture can bring to them. Besides, the continued funding from the Model Town Charity Fund funds a full-time town officer to co-ordinate all aspects of life in the village. The Rotarians also have an interest to see that their donations can make a difference. The current ACIAR project, if successful, will contribute further in the patchwork to the Fund’s overall undertaking.

In summary, the housing and floricultural undertaking, which includes several discrete projects for the Koroipita village, has enabled the villagers, especially women, to earn a basic living which other activities were unable to do. Floriculture was identified as an industry suitable for villagers to participate as out-growers. Several donors have worked on the same target population, reinforcing each other’s project goals to take shape as a program package. The out-grower scheme has led to a significant rise in living standards. This small story of early success is shared for illustrating the manifold aspects of aid projects and the need for working in line with local conditions and cultures to bring about change.

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Literature Cited


