



JOES FARM

Fiji



**Investment
Case Study**

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JOES FARM

Country

Fiji



Sector

Agriculture



Type

Local
Investment



Background

Michael Joe is the founder, Chairman and Managing Director of the Joe's Farm Group of businesses. Mr Joe grew up in Fiji in a poor Chinese immigrant farming family. He worked on the family farm as a child and as a result developed a deep interest and passion for agriculture. After leaving school, Mr Joe worked as a salesman for FJ\$40/week selling office equipment and paper supplies but he described himself as having an "instinct" to run his own business. Following this instinct, Mr Joe started Joe's Farm Produce in 1981 as a retail outlet, a "green-grocer in the city" at Suva Harbour Centre, to sell his father's produce. Since that time, the company has evolved from that small farm produce distribution business into an entity engaged in the production, retailing, wholesaling, distribution, importing, exporting, and re-exporting of farm fresh produce, frozen goods, hydroponics products, processed/manufactured food, liquor, and general groceries, making them one of the largest retailers and distributors of tropical produce in the south-western Pacific

ic region. Joe's Farm Produce distributes its range of local and imported products to local clients including supermarkets and retailers, hotels and resorts, restaurants and fast food outlets, the shipping and aviation industries, government institutions, foreign embassies, businesses, international agencies, regional bodies, the University of the South Pacific and Morris Hedstroms Limited and McDonald's. The Joe's Farm Group employs over 200 workers (all local Fijians, some who have been with the company for more than 30 years) and has an annual turnover of FJ\$20 million. Mr Joe reported that all the top positions in the company, other than his own, are held by women. Joe's Farm has also expanded internationally into the Solomon Islands. He also designs and builds greenhouses and conducts consultancy work in PNG and the Marshall Islands.

Mr Joe's first major client was Toberua Island Resort. The success he realised with this client encouraged him to market Joe's Farm further. This result-

ed in contracts with other hotels and ships. It was through supplying visiting yachts with fresh produce and imported goods that he recognised the opportunity to open his own store and in 1985 he opened the first Joe's Farm retail outlet in suburban Suva specialising in local and imported products for expatriates and affluent Suva residents. This was followed by a second Joe's Farm retail shop (in Flagstaff), but this has subsequently closed in 2006. The 1987 coup also presented Mr Joe with further opportunities when he secured the contract to feed the 8,000-strong army. Although this opportunity had risks around the security of payment, Mr Joe's decision paid off and he was able to take the supply contract to the "next level" with a 25-year contract to supply other government agencies such as the police, health centres/hospitals, boarding schools, prisons etc. (he estimates that it involves supplying about 10,000 people).

Recognising the demand for fresh produce vis-à-vis the high level of imports in Fiji, particularly in the tourism industry, Mr Joe saw opportunity to

increase local agricultural production to meet this demand. Having been passionate about agriculture since childhood, he began researching how barriers to local production could be overcome. During a trip to Hawaii in 1988 he was exposed to tropical hydroponic production. Inspired by the possibilities that this presented, he returned to Fiji and set up a trial in 1989. He was so impressed by the results of the trial that in 1992 he started large scale commercial hydroponic growing in Fiji. His first hydroponics farm was established in the Nausori Highlands in partnership with Australian partners A&B Hydroponics. The farm was constructed at a cost of FJ\$1.2million but was destroyed by a cyclone in 1997 and was subsequently closed in 1999.

Further financial challenges were experienced during the 2000 coup, which resulted in a significant decline in tourist numbers. With a growing reliance on the tourism industry for sales Joe's Farm experienced a concomitant decline in demand for fresh products. To address this, Mr Joe closed the farm towards the end of 2000. Joe's Farm Supplies, pre-



Source: Image from <https://pixabay.com/en/vegetables-vegetable-basket-harvest-752153/>

viously integrated into Joe's Farm Produce Limited, was established in 2000 to concentrate entirely on the export of tropical farm fresh produce and fisheries products to off-shore markets including Australia, New Zealand, mainland USA and Hawaii, as well as tropical and hydroponically grown farm fresh produce to Hakka Propriety Limited in Australia and New Zealand and Punam Property Limited in Australia. The buyers in these markets include wholesalers, retailers, supermarkets and superstores. In 2001 Joe's Farm became a partner in a joint venture for the establishment of a refrigeration company, Lincoln Refrigeration Limited, which is now one of the largest refrigeration companies in Fiji specialising in air-conditioning, refrigeration and electrical engineering. Lincoln Refrigeration employs 150 staff across three branches (Suva, Lautoka and Labasa). Joe's Farm has its own refrigerated trucks that service the resorts, Fiji Airlines and run daily supplies to outer island resorts and supermarkets.

Mr Joe's focus for the past five years has been project management, building greenhouses, setting up farms and expanding his hydroponics, including to the Solomon Islands and consulting work for the PNG market. Along with this, he has also further diversified his business interests into Living Spring bottled water (still in development, but targeting domestic and international markets), Quantum quarry (and its subsidiary Dalmax Property Limited). Mr Joe estimates that these developments will add up to FJ\$30 million to the company's annual turnover in years to come. Mr Joe also has interests in Living Spring Limited that does bottling for Goodman Fielder. In 2017/18, he will be focussing further on the water bottling side of the business as well as value-add opportunities (discussed further below). Despite these diverse business interests, Mr Joe considers farming as being his "backbone", describing himself as a "grower" rather than a businessman.

In reflecting on his career, Mr Joe described it as "never easy" explaining that one must have a pas-

sion for what they do to overcome the inevitable obstacles. He said that business "can be rough", citing cyclones as an example, and that to survive, he has needed his other businesses to supplement what he considers to be his main interest/passion – agriculture. Despite the challenges, he has faced, he said that he has "never looked back". Mr Joe said that his first 15 years in business were focussed on getting his name to the market, citing the importance of brand recognition and his brand's reputation for consistent, quality products. He also spoke of the importance of meeting the demands of his customers, saying that he is now diversifying his crops into all kinds of lettuce so when a client rings up and requests a certain type of lettuce, he can respond. This is one of the reasons that Mr Joe has been able to attract and retain his client base of the majority of hotels in Fiji, wholesalers and multi-nationals such as McDonalds.

One must have a passion for what they do to overcome the inevitable obstacles

To maintain the consistent quality of supply, Joe's Farm Produce Limited has developed and implements quality-control procurement standards. Procurement operations are conducted by a specialist buyer who has responsibility for:

- Undertaking surveys in the local and off-shore retail markets to identify demand for high quality, niche products;
- Purchasing new and unique products which are not otherwise available in the local market;
- Monitoring product sales turnover through in-built and automated inventory accounting software, and identifying frequency of turnover in the expatriate consumer products in Joe's Farm outlets and comparable off-shore supermarkets;

When asked what contributed to his success, Mr Joe cited a range of core values that he holds as vitally important. These include: good communication with staff, generosity towards staff (pay them well, take care of their broader needs, sharing wealth with them, and showing appreciation for their loyalty) and, personal honesty and integrity. A deeply religious man, Mr Joe credits his faith and growth in the Word of God for providing the wisdom and knowledge that has seen him through difficult times. Mr Joe also believes that business is about the mentality of the person and how their personality contributes to the business. He also believes success is about being practical and having a vision in life. This is reflected in his 10-year strategic business plan, which is an outcome of his self-described need to reflect on his business, look 10 years ahead and plan, saying that by doing so “it [achieving goals] will happen”.

Look 10 years ahead and plan... by doing so “it [achieving goals] will happen”

Mr Joe also described his propensity to face obstacles and challenges by challenging himself to do better than others. For example, he indicated that there are many wholesalers in the market, so in asking himself how he could compete by being better, he identified the gap in the market for hydroponics. He developed this into a vision for Fiji to have hydroponic farms so the country could “grow its own”. He described his next step to overcome competition as “value-add”. Mr Joe described the Fiji market as being saturated, but with limited demand, so there is a need to “look outside the box”, for example, looking at the export market. Keeping with his original philosophy of quality over quantity, Mr Joe identified opportunities to export surplus lettuce to other island countries and root crops to the USA and Australia. He has also identified opportunities

for surplus crops to be used to address import substitution in Fiji, emphasising that tax incentives to do so were important. Should the right incentives be put in place, use of surplus products in Fiji (through value-add such as frozen beans for example) would add to capacity building and economic retention. In order to do this however, FJ\$3 million is needed for a processing factory. Additionally, it requires the cooperation of government to incentivise farmers to grow cash crops, such as long beans and mixed vegetables. Additionally, it requires the cooperation of government to incentivise farmers to grow cash crops, such as beans and mixed vegetables.

Mr Joe expressed that a distribution centre alone was not enough; supply and demand issues were not adequately considered and there were no plans in place for dealing with surplus produce during periods of low demand. Mr Joe presented his value-chain approach as a means of addressing this – specifically, that the surplus crops could be post-harvest processed into frozen vegetables for the local and export markets, but currently, there were no facilities in Fiji for doing this. Mr Joe recommended that there is a need to identify who is required to make it work - government, the private sector and end users all need to be consulted and contribute to the effort. Markets need to be identified first, (he made a specific reference to “donors not often being commercial people”) and the pros and cons of approaches evaluated. This will create a climate in which “the sky’s the limit”, as Fiji has conditions under which a broad range of products can be grown, and has a “good brand” that can be exploited. Mr Joe took over the Sigatoka distribution centre in June of 2016.

When asked what advice he would give to private sector investors wanting to invest in agriculture in Fiji, Mr Joe offered the following:

- Passion for farming is critical.
- Recognise that there will be hardships and challenges. In Fiji, these include climatic

conditions (drought, cyclones), theft and market fluctuations.

- To deal with the challenges you need to be quite strategic and “do your homework”.
 - A second income is needed to create cash flow during difficult times.
 - Be prepared to start small and build the business and your knowledge.
 - When you have this knowledge, be generous with it through capacity building, helping people and sharing your passion.
 - Be prepared to work hard (this he strongly emphasised).
- To succeed you need drive.
- Be passionate about the business – it’s not just about the money.
 - Have a vision and follow it...as you will go through this journey once.
 - Take risks (for this he cited buying two greenhouses in lieu of a house).
 - Mr Joe has also invested in staff training, research and development and considers opportunities to learn and share with others in the industry of great value.

Fiji has conditions under which a broad range of products can be grown... “the sky’s the limit”

To facilitate investment in agriculture, Mr Joe believes that the private sector needs to cooperate with the Ministry of Primary Production to grow what the market wants. This needs to be based on a thorough evaluation of supply and demand requirements. Structurally, Mr Joe believes that strategic collection centres in key agricultural regions such as Sigatoka, Vanua Levu and the interior of Viti Levu are required and indicated that Joe’s Farm can act as a guaranteed buyer. Mr Joe sees this cooperative relationship as a means of addressing critical socio-economic issues in rural Fiji such as reducing

transport costs for remote farmers, reducing waste and associated farmer losses, utilising more arable land and reducing rural-urban drift. As part of his commitment to sustainable livelihoods, Mr Joe has been involved with the establishment of the first of these centres, which now has 1470 farmers on its database. To grow these sorts of opportunities, Mr Joe has identified issues and constraints that need addressing:

- Technical training: The need for agricultural graduates, and trained mechanical technicians and hydroponic operators.
- Capacity building: Refrigerated processing sites in rural areas; sound husbandry standards and practices; best practice produce management training; and, better alignment between agricultural producers and tourism operators (as a key proximate market).
- Financial: Funding for construction and staffing of collection centres; training for farmers; supply of seeds/seedlings to farmers; and, cost of remote refrigeration.

To meet the demands of the export market, Mr Joe also indicated a need to set up international standards (HAACP for example) addressing the full value chain from seedlings to harvest to market. Mr Joe sees the scope for greenhouses/hydroponics for agriculture in Fiji and the broader Pacific region. In this respect, he suggested that government has a significant role to play in facilitating this type of agricultural investment by:

- Concessions for greenhouse materials
- Incentives for farmers investing in agriculture
- Duty-free concessions for fit-for-purpose seeds and fertilisers
- Government grants for start-ups, particularly in the post-cyclone Winston environment.
- Making sure that officers are out addressing farmers’ needs on a daily basis