

# *For the Love of Vanuatu!; The Vanuatu Brewery Ltd. Story*

Vanuatu Brewery Limited began in 1990, a Swedish brewer settled in Vanuatu and began the journey of Tusker Beer, the country's very own craft beer.

Almost 20 years into its operations in Vanuatu, the Vanuatu Brewery Ltd was brought under new management having been acquired by a new Cal family who furthered the evolution of the Tusker brand line. The ever changing business dynamics meant that the Vanuatu Brewery journey has gone through more than its fair share of challenges.



Yet mirroring the current shareholder's personal character and values of perseverance, commitment and respect for the environment the company has continued to rise above its difficulties.

## **Bit of History**

Getting the company back on its feet in 2009 has been the first challenge but with an already experienced team and the injection of new managerial expertise the beer company worked harder to expand their product line.

This paid off when in 2012 VBL entered a beer crafting competition in Europe and came in second place. In 2014 the company expanded their product line and developed a new flavour to their beer line, Tusker Lemon. Rebranding the beer would be a costly but worthy exercise, bringing a new face to the country's national beer yet VBL feels that many challenges remain.

## **Keeping its Traditions**

VBL's current General Manager, Herve Michel speaks of the company with passion and pride. He has been part of the company for almost one year now and has already fallen in love with Vanuatu.

One tradition that Mr Michel proudly points out to the VIPA Team was the fact that VBL has continued to recycle old beer bottles from its inception to now. From its beginnings, one popular way of which parents in Port Vila taught the value of saving up, ways to earn cash and keeping their environment clean to their children was through the sale of empty and used Tusker bottles that would be then collected by key bottle collectors and were paid at VT10 per bottle.

No doubt that this is a costly exercise but was worthy of carrying on and this, as Mr Michel points out, is a key trait of VBL shareholder's character of respect to the people and the environment. VBL has proudly washed its 100,000,000 last month!

The bottles go through a process of steaming and deep clean and are reused. Through recycled and new bottles, VBL produces 5 million Tusker beer per year. These are all sold domestically with still some room for export and these are some of the current challenges that VBL faces.



## **Issues and Challenges**

For a company producing 5 million beer products

per year in a small Pacific Island nation it can be quite challenging. VBL GM Michel shared expenditure costs to draw a clear picture of just how much it can cost to run a manufacturing business in Vanuatu. Electricity alone for VBL costs an annual VT35 million.

With an employee base of 83 full time workers VBL extends its hands to farmers as well for its Craft Association, a new initiative to produce 100% organic craft liqueurs and spirits. GM Michel points out that in total VBL supports around 2000 Ni Vanuatu either through employment, product purchase support and faithful bottle recyclers. This is something that VBL is immensely proud of.

However Vanuatu's limited labour market cannot give technical positions although GM Michel states that VBL is aimed at providing jobs to 100% local Ni Vanuatu. This then provides the challenge of employing foreign workers for technical posts within VBL that is extremely costly (VT350,000/ per foreign employee/ year for work permit alone) to the company however options are stretched thin. And at last but not the least, once the Company has finally found the good local profile and trained them, some have resigned to go to Australia for food picking for few months, leaving the Company to start the whole recruiting process from the beginning. Overall, recruiting qualified people in Vanuatu is a long and very costly process.



GM Michel states that the machinery used inside the processing plant need regular serious upgrading and are already costly to operate. With a green focus in place, the management will be purchasing a new and upgraded environmentally friendly machine operationally ready in May 2020

to replace the old bottle cleansing and steaming machine. The processing plant itself needs a continual uplift to ensure it maintains standards of health and hygiene.

On the support provided for by the Government, VBL believes that few things can be improved. It is evident that the administration paperwork does not facilitate day to day work in Vanuatu which can also be similar for other countries. He understands that this is the price that a company must pay in its strive to reach a level of modern economy and VBL is willing to give its contribution.

"Overall VBL has good relationship with VIPA. However the communication could be improved, especially when new rules are coming to make sure that Companies are on line with new laws" says Michel.



VBL's key concern remains with what it sees as unfair treatment through the government's imposition of excise tax on its operations. VBL is happy indeed to pay taxes contributing to the economic life of the country. However 140 VT/liter sold seems too high to maintain the competitiveness of the local beer against imported beers which are not produced on the same cost basis in their own country: bigger breweries to provides a larger market (means lower production costs), lower energy cost, better freight cost and no process of recycling once it is sold in Vanuatu.

Even more difficult is the fact that this level of tax does not make Vanuatu's local beer competitive overseas in spite of the demand in South Pacific

and China. GM Michel is more than happy to invite politicians to visit the brewery and to talk about how working together can be beneficial in finding solutions to fight against unfair importations without being against the WTO rules.



GM Michel continues to emphasize that VBL welcomes competition and the opportunities for consumers to have a wider variety of beer choices however the question remains on whether Vanuatu's own beer has a place as one of our nation's prized product.

### Future Plans

Although facing various challenges that come with running the company, VBL remains optimistic about the future and furthering its growth.



In 2005, VBL added a niche liqueur and spirits production unit called the Vanuatu Craft Association. The Association through VBL, buys in-season fruits for artisan liqueur and spirits from local farmers in Port Vila. In 2018, its shop opened and has proven to be very popular with tourists

coming into Vanuatu and this year proved a hit with the famous Kassav group in particular band member, Antoine who were in Vanuatu recently on their Pacific Tour. This initiative has achieved the goals of supporting the local farmers and giving new clients a unique taste of Vanuatu made liquor.



As part of the management's move towards ensuring a safe and standardized production site, VBL will be continually upgrading its processing plant in terms of installing new machines to replace old ones. The building will also be extended and refurbished to maintain standards. These activities will cost but are all part of VBL's plans to continue the brewery's legacy in Vanuatu as its first and only national beer producer.

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