Rescuing Fiji's Sugar Industry: An Update on Sugar Industry Reforms, Performance and Challenges

Dr Janesh Sami (PhD, Australia)
School of Economics
The University of the South Pacific
Suva, Fiji Islands.

Outline of the Presentation

- Background
- Performance of the Sugar Industry
- Survey of Policy Reforms
- Key Challenges for the Sugar Industry
- Policy Options
- Concluding Remarks

Background

- The sugar industry is very important for Fiji's economy.
- The sugar industry now contributes to approximately 2.2 % towards Fiji's aggregate output (Government of Fiji 2017a, 2017b).
- The industry still supports livelihoods of more than 200,000 people (Government of Fiji 2017a, 2017b) and has strong cross-sectional linkages.

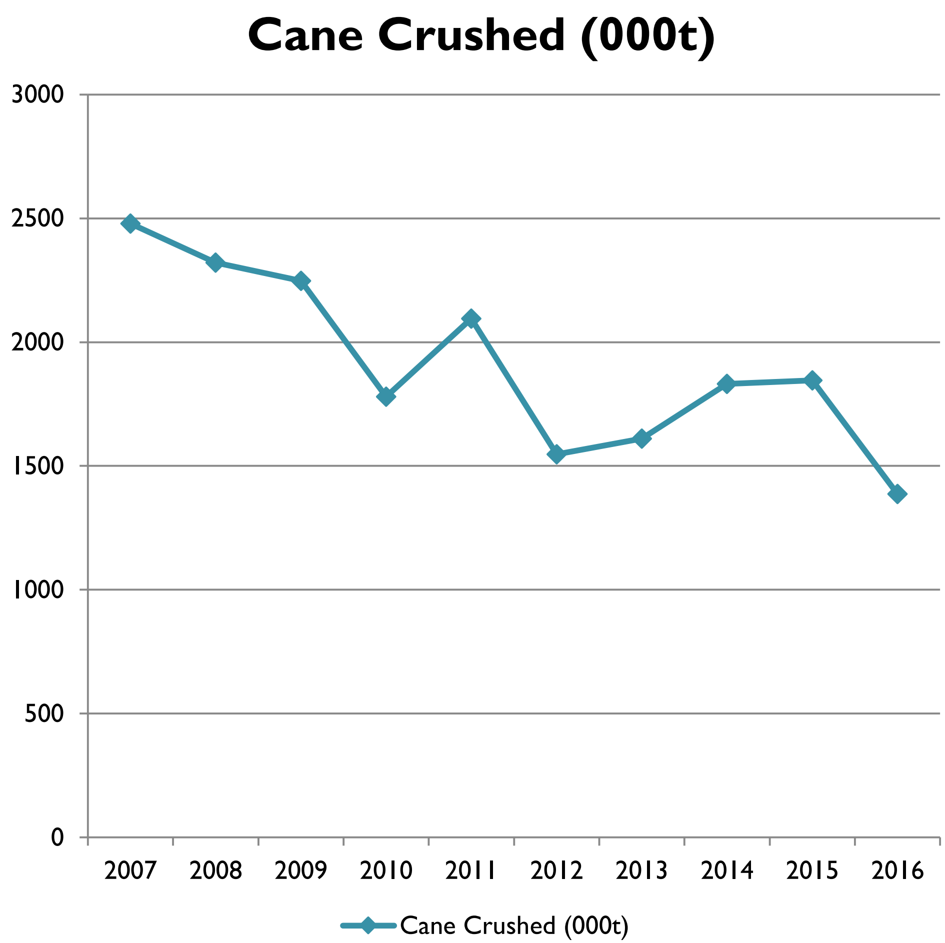
- Fiji's sugar export earnings in recent years have fallen below 1990s level (FIBOS 2016; FSC 2017).
- The quantity of sugar exported has fallen from 217,015 metric tonnes in 2007 to 113,265 metric tonnes in 2016 (FIBOS 2016; FSC 2017).
- Following the expiry of preferential agreements with the European markets after September 2017, the long-term sustainability of the industry has come under the scrutiny.

- An objective analysis of the status of the industry is essential for designing and implementing sound policy measures.
- This presentation looks at a number of issues:
  - Recent Reforms in the sugar industry
  - Performance of the sugar industry
  - Key Challenges for the sugar industry
  - Policy Options for the sugar industry
- I use secondary data from FSC's annual reports (2007-2016) and extract information from various past national budget documents.

Performance of the Sugar Industry

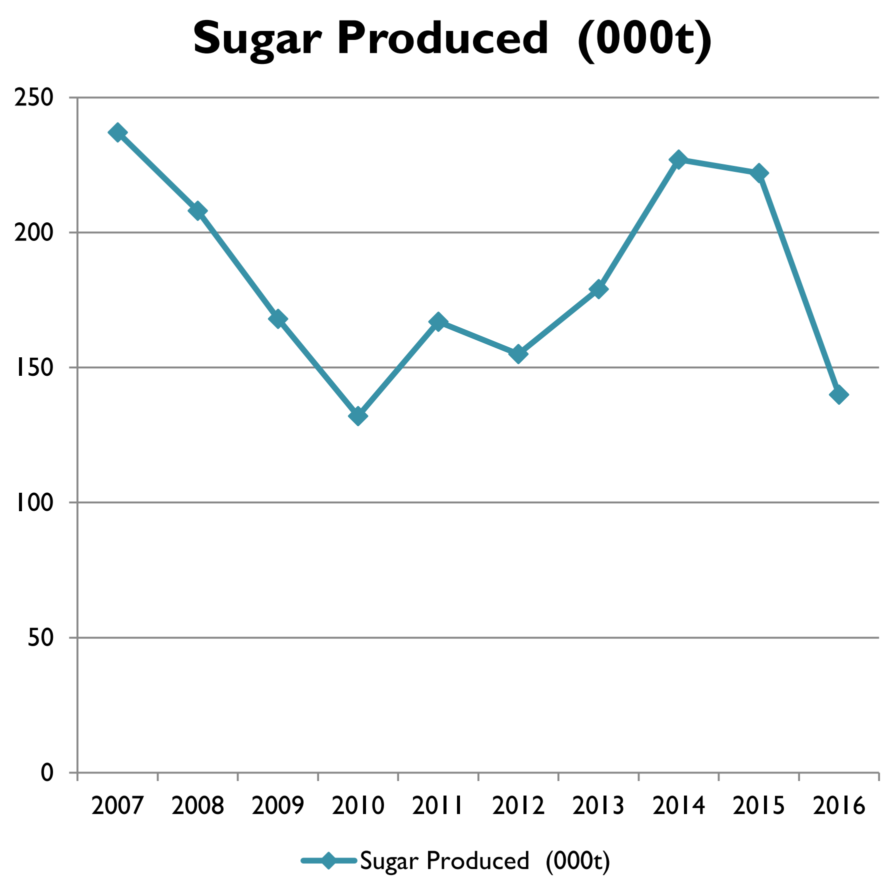
- The first task here is to look at different indicators on the sugar industry and attempt to gauge the progress made over the last ten years.
- We look at :
  - Field statistics
  - Production statistics
  - Financial statistics

Cane Crushed (2007-2016)



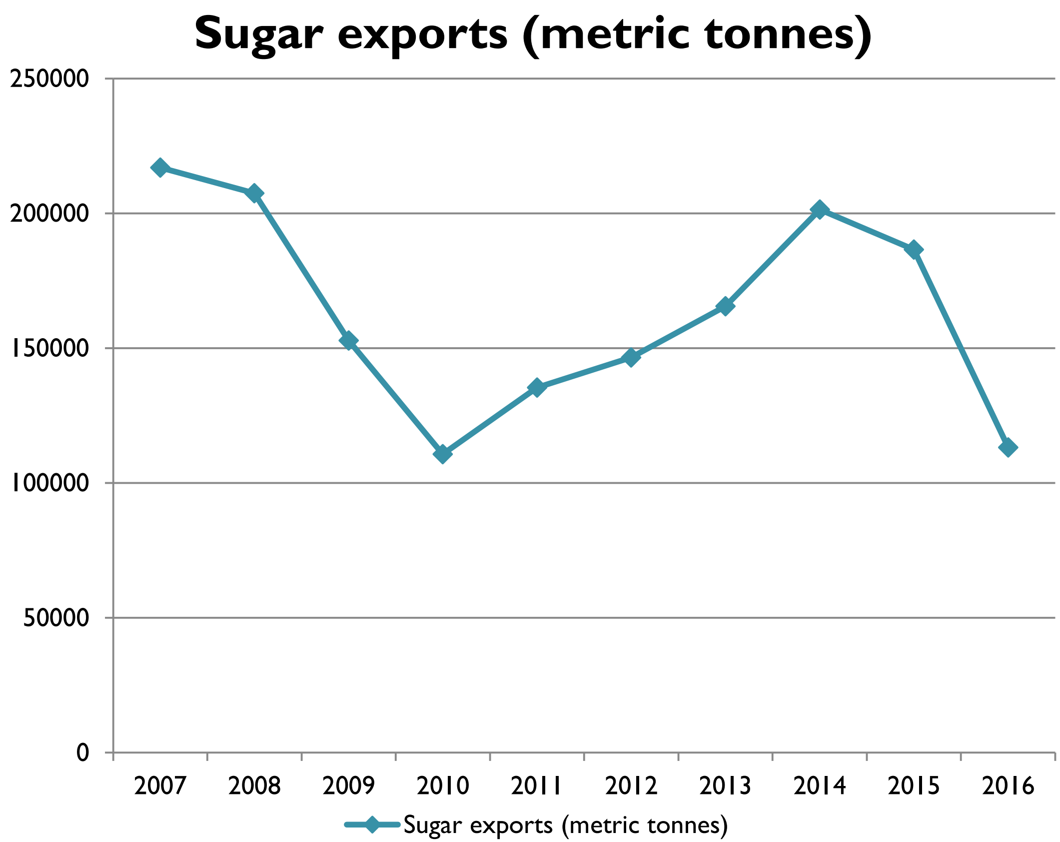
- Over the last ten years, we have been crushing less cane. Sharp decline since 2007
- Δ % (2007-2016) : - 44%
- **Average amount of cane crushed has been around 1.6 million tonnes (2012-2016).**
- 2018-2019 budget allocation : $62.3m, a decrease of $18.6m.
- Can we rescue the industry ?
- Recent policies are yet to show their effects.

Sugar Produced (000t)



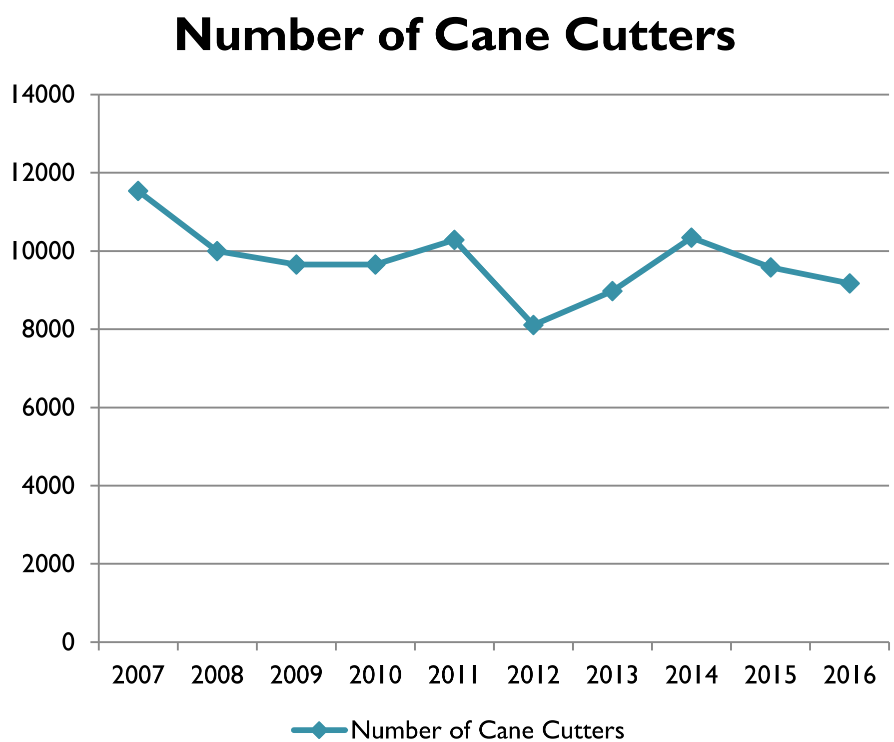
- No evidence of consistent increase in sugar produced.
- Improvement during 2010-2014.
- We have been producing less sugar since 2014.
- Average amount of sugar produced during the period 2007-2016 : 183.5 (000 t)
- Host of factors are at play :
  - Inadequate supply of cane
  - Natural disasters (flooding, cyclone, drought, etc)
  - Mill stoppages

Export Performance (2007-2016)



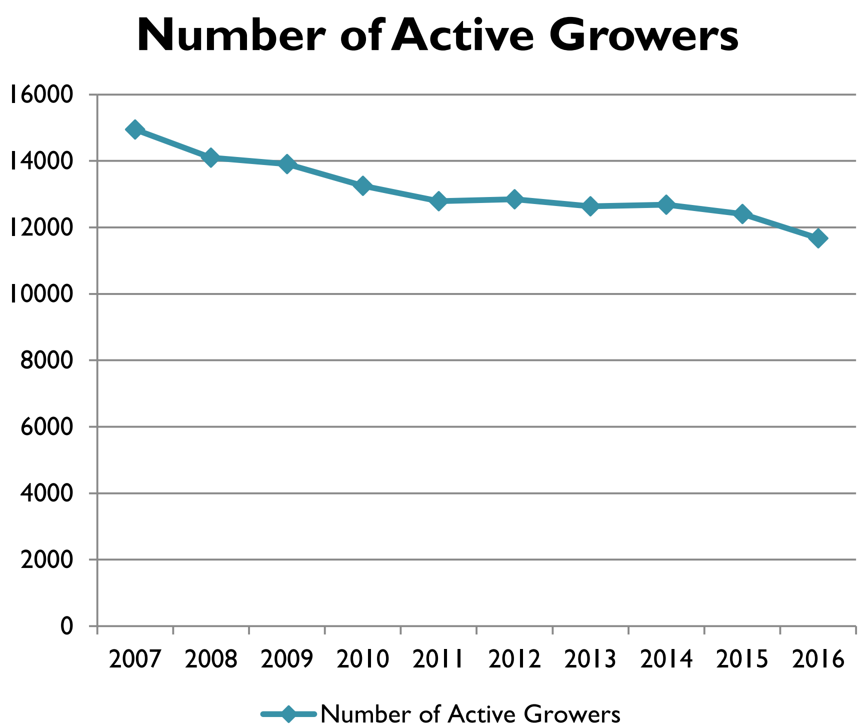
- No sustained improvement in the amount of sugar exported.
- During the period 2010-2014, export level improved.
- Since 2014, we have been exporting less sugar.

Cane Cutters (2007-2016)



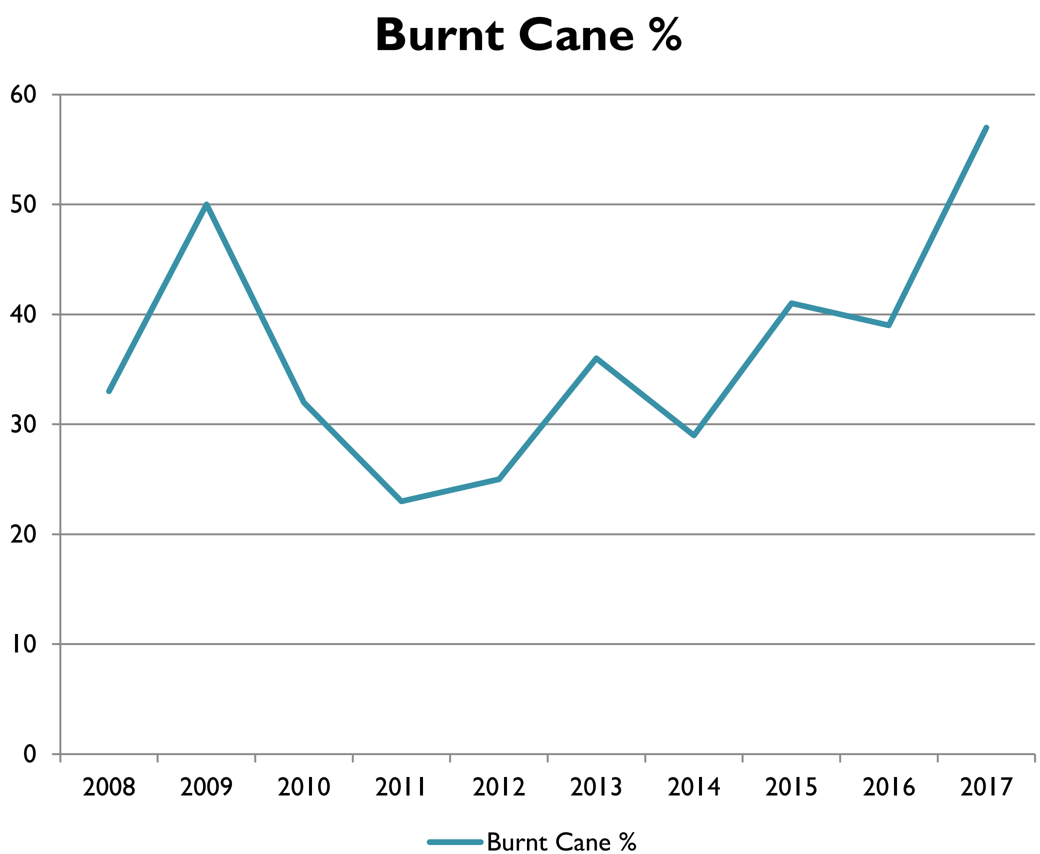
- Consistent supply of cane cutters has clearly been a challenge.
- There has been 20 percent decline in the number of cane cutters during the period 2007-2016.
- Should we get foreign workers ?

Number of Active Growers (2007-2016)



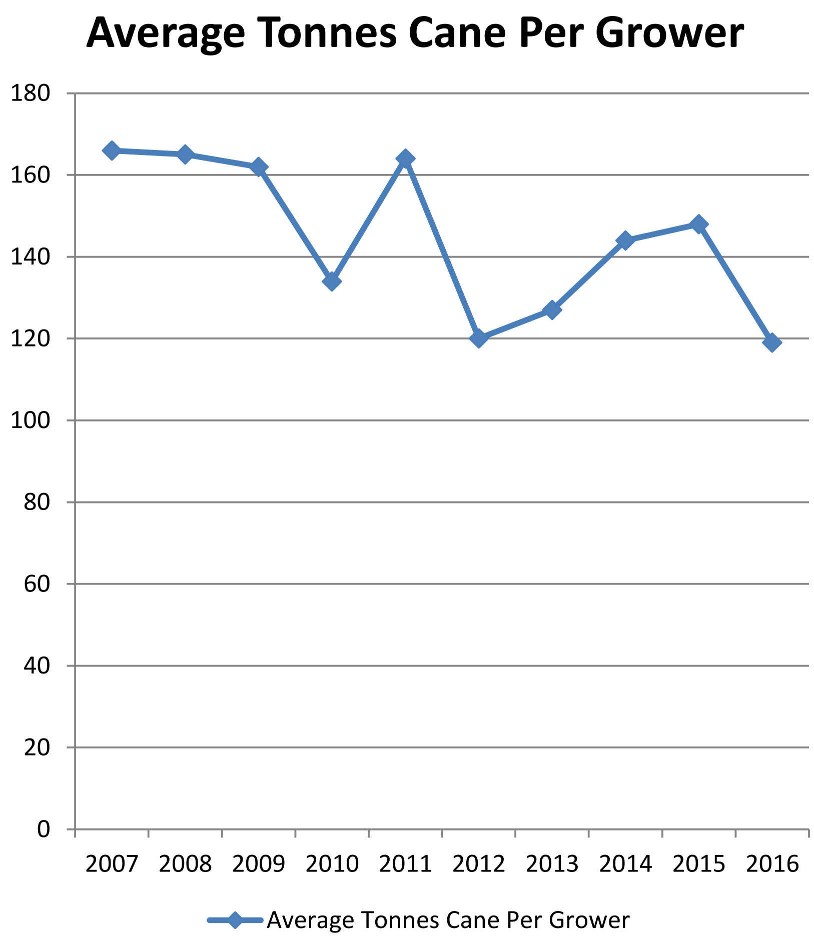
- There has been consistent decline in the number of active growers.
- 22% decline over the last ten years.
- Loss of confidence
  - EU reform
  - natural disasters
  - rural-urban migration
  - frequent mill break down

Supply of Burnt Cane % (2007-2016)



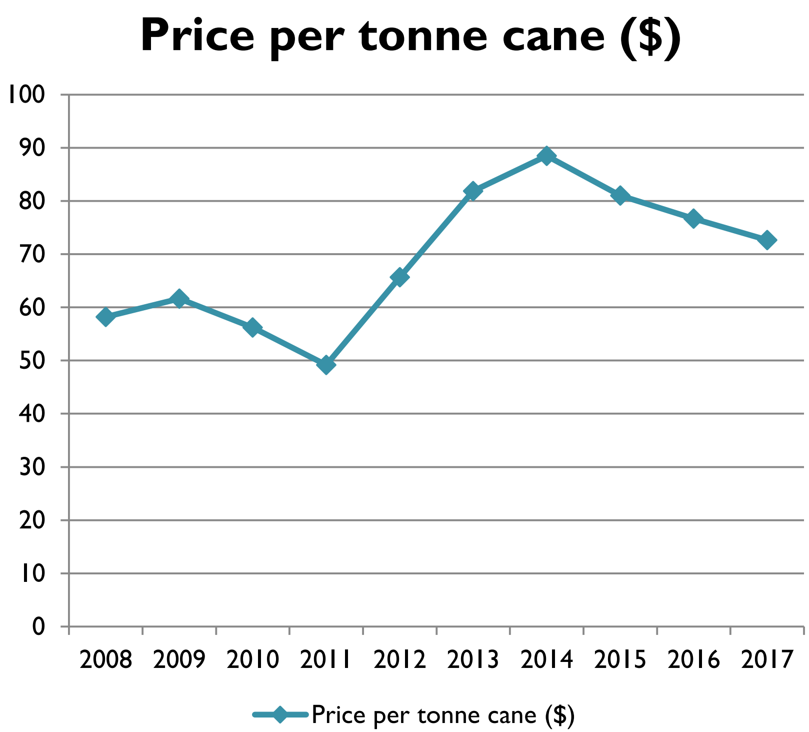
- **Since 2011, there has been significant increase in supply of burnt cane.**
- The issue of supply of burnt cane largely remain unaddressed.
- Implications for quality of sugar produced.
- Need for policy intervention.

Average Tonnes Cane Per Grower (2007-2016)



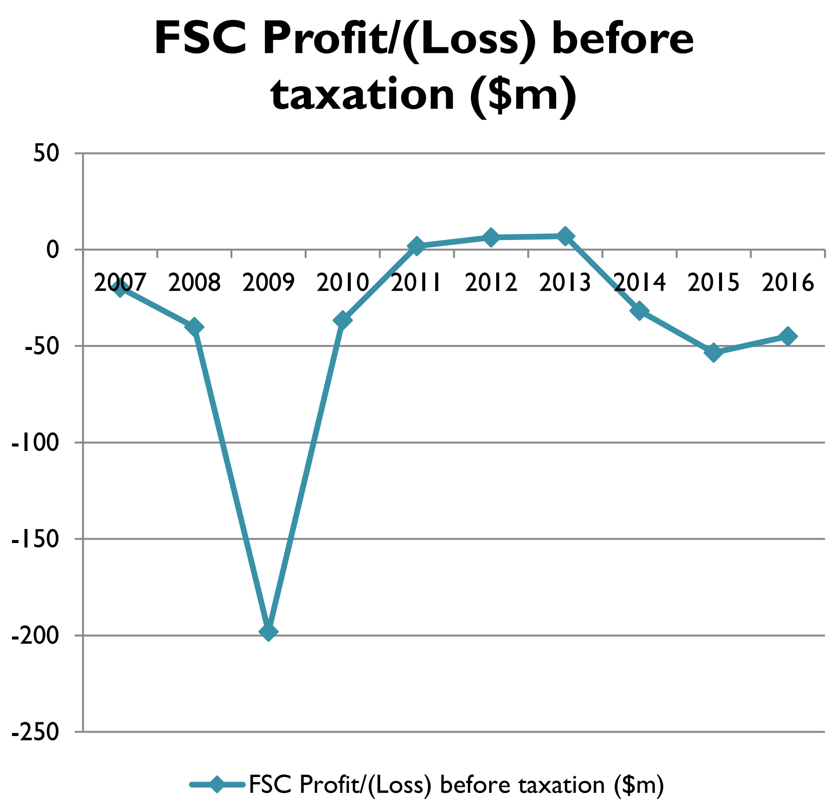
- No significant improvement
- Declining trend
- 28% decline over the period 2007-2016.

Price per tonne cane ($)



- After 2011, growers received significant increase in price per tonne cane. (Good Move)
- **Since 2014, there has been a consistent decline.**
- Average price per tonne cane for the period 2013-2017 has been $80.
- **Last month, government announced $85 price per tonne cane for next three years.**
- **Is this really good news ?**

FSC Profit/(Loss) before taxation ($m) (2007-2016)



- For most years, FSC's has been operating under loss.
- Since 2013, FSC has been operating under loss.
- The active involvement of government in affairs of FSC has not improved profit performance. (Very little success)
- Why ?

Survey of Policy Reforms

- Refurbishing of Sugar Mills through $86m loan from India (75% was completed in 2007)
- Accelerated Cane Replanting Programme in 2007 (together with Growers Fund and the EU)
- Allocation of $1.5m for maintenance of cane access roads.
- Review of FSC's Financial Position
- Establishment of Sugar Taskforce
- The government allocated $110m in 2011 budget to assist FSC and the sugar industry.
- Establishment of Ministry of Sugar

- “Mill Preparedness” Programme
  - ensure completeness of maintenance before crushing
- Crop-Developing Revolving Fund in 2012 (co-founded by govt and the Sugarcane Growers Fund)
  - boost production and quality of cane
- Govt allocated funds for sugar development programme, fertilizer subsidy and purchase of cultivators
- During 2010-2012, govt intervention saved FSC from financial collapse.

- In recent years, the government has supported the industry through number of measures:
- Sugar development programme
  - Cane Development Grant and Cash-Back Incentive Scheme
  - Assist cane replanting and improve production levels.
  - Increased allocation since 2014 (nearly $40m)
- Fertilizer subsidy
- Purchase of cultivators
- Upgrading of cane access roads (nearly $14m since 2014)

- Cane Transfer Cartage Costs (to transfer cane to Rarawai Mill)
  - allocated budget of close to $11m (2017-2019)
- Sugarcane Farm Mechanisation Programme
  - allocated budget of close to $2m (2017-2019)
- Sugarcane Rehabilitation Small Grant Scheme
- Sugar Industry Support Programme (to support new farmers)

- EU's Accompanying Measures for Sugar Protocol (AMSP) Programme (Social Mitigation; Competitive Sugar Sector ; Agricultural diversification)
  - Support to the Sugarcane Industry Programme (SSIP)
  - Alternative Livelihood Programme (ALP)
  - Improvement of Key Services to Agriculture (IKSA)
  - Social Mitigation Support Programme (SMSP)
- Focus on improvement in rural access roads, provision of farm advisory services, vocational training , research capacity of Sugar Research Institute, alternative income generating activities, etc).

- Exploring of new markets in Asia and the Pacific (Good Move)
- Land Reform Programme (Good Move)
  - Land Use Decree 2010
  - Open up land for productive development purpose, provide security for tenure and ensure equitable returns to land owners.
  - e.g Land Bank ; Committee for the Better Utilisation of Land

Key Challenges for the Sugar Industry

- Delay in Industry Reforms
- Climate change (damages to farms and FSC's infrastructure)
- Confidence of farmers (to encourage sugarcane farming)
- Supply-Side Issues:

  -discourage supply of burnt cane

  -ensure availability of labour (cane cutters)
- Farm productivity and efficient use of existing resources (Mahadevan 2009a, Mahadevan 2009b; Mahadevan 2008)
- Efficiency of Sugar Mills and transportation system (to reduce mill breakdowns and cost)

Policy Options for the Sugar Industry

- Resilience building is essential in light of climate change.
- Use growing relationship with major sugar producers such as India, China and Brazil to draw foreign expertise.
- Improve confidence of stakeholders, particularly private sector and farmers.
- Evidence-based policy reforms are needed to increase sugar cane production and address the issue of supply of burnt cane.
- Collaborative approach to policy reforms.
- Review cane payment system

Concluding Remarks

- The sugar industry has alot to achieve.
- The effect of many recent policies are yet to be seen.
- Data shows:
  - decline in the number of active growers & cane cutters (2007-2016)
  - decline in price paid to growers
  - increase in the supply of burnt cane (2007-2016)
  - decline in amount of cane crushed & quantity of sugar exported

- Land Reform
  - continue to raise awareness on land bank programme (for both farmers and land owning units)
  - continued budget support for land reform is necessary.
- Many of the recent policy measures to raise sugar cane production should have been implemented years ago.

- The long-term sustainability of sugar industry depends on :
  - Resilience building (Sami 2018)
  - Confidence of stakeholders (especially, farmers)
  - Collaborative approach to policy reforms.
  - Sound policy initiatives to improve productivity and efficiency
  - Strong support from development partners (resilience building, improving farm level productivity and milling efficiency)

THE END