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

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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
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 Tonnage Cane Per Grower (2007-2016)

- No significant improvement
- Declining trend
- 28% decline over the period 2007-2016.
After 2011, growers received a 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?
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