

ANNUAL REPORT 2012

MINISTRY OF SUGAR INDUSTRY



PARLIAMENTARY PAPER NO. 20 OF 2019

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LETTER OF TRANSMITTAL

The Honourable Prime Minister and
Minister for Sugar Industry

Dear Sir

I am pleased to present the Annual Report of the Ministry of Sugar Industry for the year ended 31 December, 2012.

The report has been prepared in accordance with the requirements of the Financial Management Act 2004 that the report be presented to the Parliament of Fiji.

The report consists of the performance of the Ministry relative to its activities and targets contained in its Annual Corporate Plan for the year; together with its audited Financial Statements.

I hereby respectfully submit the report for your information and presentation to Parliament.

Yours sincerely

Yogesh J. Karan
Permanent Secretary for Sugar Industry

ABOUT THIS REPORT

Welcome to the Ministry of Sugar Industry's Annual Report 2012. This is the first annual report for the Ministry since its creation as a separate Ministry and location to Sugar House, Lautoka in June 2011. The Report is designed to provide information about the Ministry of Sugar Industry, its purpose, services and performance.

For the benefit of the readers provided hereunder is a brief chronology of events which mark the start of a series of significant reforms within the industry since December 2008 when the sugar portfolio was moved from the Ministry of Agriculture to the Office of the Prime Minister.

In its routine bi-annual review of the Fiji Government's finances in April 2010, the International Monetary Fund advised Government that the guarantee it provided to the Fiji Sugar Corporation Ltd is no longer a contingent liability but a real potential risk to Government because of the Corporation's precarious financial position.

This advice prompted the Government to engage Deloitte, an international financial consulting firm from New Zealand, to carry out a review of the industry with the sole intent to restructuring the Corporation's debt and recommending a way forward to reviving the sugar industry.

In September 2010, the Government endorsed Deloitte's recommendations for a two-year reform programme (2011 and 2012) with a direct funding of \$174 million to Fiji Sugar Corporation Ltd. However, Government was able to provide only \$138.3 million (\$97.4 million in 2011, and \$40.9 million in 2012).

With this funding, the Fiji Sugar Corporation Ltd was able to make a modest turn-around of its financial performance recording a nominal profit by financial year ending 31 May, 2012 after incurring huge losses for a number of years prior to that. For this reason, the Government did not make any further direct financial assistance to the Fiji Sugar Corporation Ltd with effect from 2013.

In addition to this milestone, there was also a marked improvement in terms of mill reliability and mill efficiency in respect of the performance of the four sugar mills.

It is also noteworthy to mention at this juncture of the home-grown Sugar Industry Strategic Plan 2013-2022 put together by the key industry stakeholders and Government by the last quarter of the year.

This Annual Report provides:

1. The profile of the Management and their duties;
2. A summary of the Ministry's major achievements in respect of the outputs set out in its 2012 Annual Corporate Plan; and
3. The Ministry's audited Financial Statements

PERMANENT SECRETARY SUMMARY STATEMENT

I am pleased to present the 2012 Annual Report for the Ministry of Sugar Industry in accordance with the General Order 1108(a).

The year 2012 has been a relatively successful one for the Sugar Industry, with the Fiji Sugar Corporation Ltd managing a reversal of its cumulative negative financial position coupled with a notable improvement in milling reliability and efficiency of the sugar mills. This has been achieved despite the two devastating floods in January and March, and Tropical Cyclone Evans in December which severely affected cane production.

The creation by Government of a separate Ministry dedicated for the sugar industry and locating it in the heart of the cane belt in Lautoka is testimony to Government's continued commitment to making the industry a viable and vibrant one. This is the only Government Ministry having its head office located outside of its capital, Suva.

The achievements of the broad outcomes of the Ministry's Corporate Plan are very encouraging indeed. The Ministry acknowledges the ready and willing support of the key industry stakeholders in coming together to support Government in its efforts to reviving the industry. This has also contributed to the restoration of confidence of stakeholders in the industry, particularly the sugar cane growers.

I commend the hardworking Ministry staff, although fewer in number, for working diligently towards improving processes and reinforcing the Ministry's vision of 'A vibrant, sustainable and globally competitive sugarcane industry'.



[Manasa Vaniqi]

Permanent Secretary for Sugar Industry

I. ACRONYMS

1. ACP- Asian, Caribbean and Pacific
2. CAR- Cane Access Road
3. CBUL- Committee on better utilization of land
4. CDRF- Cane Development Revolving Fund
5. CQP- Cane Quality Payment
6. DISMAC- Disaster Management Centre
7. EBA- Everything But Arms Initiative
8. EPA- Economic Partnership Agreement
9. EU- European Union
10. FAOUN- Food and Agricultural Organization (UN)
11. FAO- Food and Agriculture Organization
12. FPCL- Fiji Ports Corporation Limited
13. FRCA- Fiji Revenue and Custom Authority
14. FSC- Fiji Sugar Corporation Ltd
15. ISO- International Sugar Organization
16. MOGA- Memorandum of Gang Agreement
17. PD- Personal Deduction
18. PMO- Prime Minister's Office
19. SPC- Secretariat of the Pacific Community
20. SRIF- Sugar Research Institute of Fiji
21. TLTB- iTaukei Land Trust Board
22. VAT- Value Added Tax

II. CORPORATE PROFILE

VISION

To create a vibrant, sustainable and globally competitive sugarcane industry.

MISSION

To successfully implement sugarcane reforms and deliver timely, effective and efficient services to relevant stakeholders that contribute to boosting sugar production.

VALUES

Integrity and Professionalism

Transparency and Accountability

Honesty and Commitment

Customer Satisfaction

Teamwork

III. CUSTOMERS

INTERNAL

Fiji Sugar Corporation Ltd (FSC)
Sugar Cane Growers Council (SCGC)
Sugar Industry Tribunal (SIT)
Sugar Cane Growers Fund (SCGF)
Sugar Research Institute of Fiji (SRIF)
South Pacific Fertilizers Limited (SPFL)

EXTERNAL

Minister
Cabinet Office
Public Service Commission
Ministry of Finance
Ministry of Strategic Planning, National Development & Statistics (MSPNDS)
Strategic Framework for Change Coordinating Office (SFCCO)
Other Government Ministries and Agencies
Sugarcane Growers
Development Partners – European Union
Multinational Funding Agencies – International Monetary Fund (IMF), World Bank, Asian Development Bank (ADB).
Potential Investors
Consultants

PART 1.0 MINISTRY PROFILE

1.1 ROLES AND RESPONSIBILITIES OF THE MINISTRY

The Ministry of Sugar Industry is responsible for the co-ordination of activities and functions of the various institutions that make up the sugarcane industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved thereby cementing Government's catch phrase that the industry is here to stay.

To this end, the Ministry will ensure that the right environment is created and maintained whereby these institutions work closely together with a spirit of co-operation to achieve their respective roles and functions to continue to contribute to achieving Government's and Industry's overall objectives of a vibrant sugar cane industry.

Where budgetary resources for these institutions are provided by Government, the Ministry will ensure that these funds are disbursed in a timely manner such that those institutions' programmes are effectively implemented without undue delay.

Integral to this facilitative role is the Ministry's pursuit to persistently strive for improvement in service delivery, not only within Government circle but within the industry as a whole.

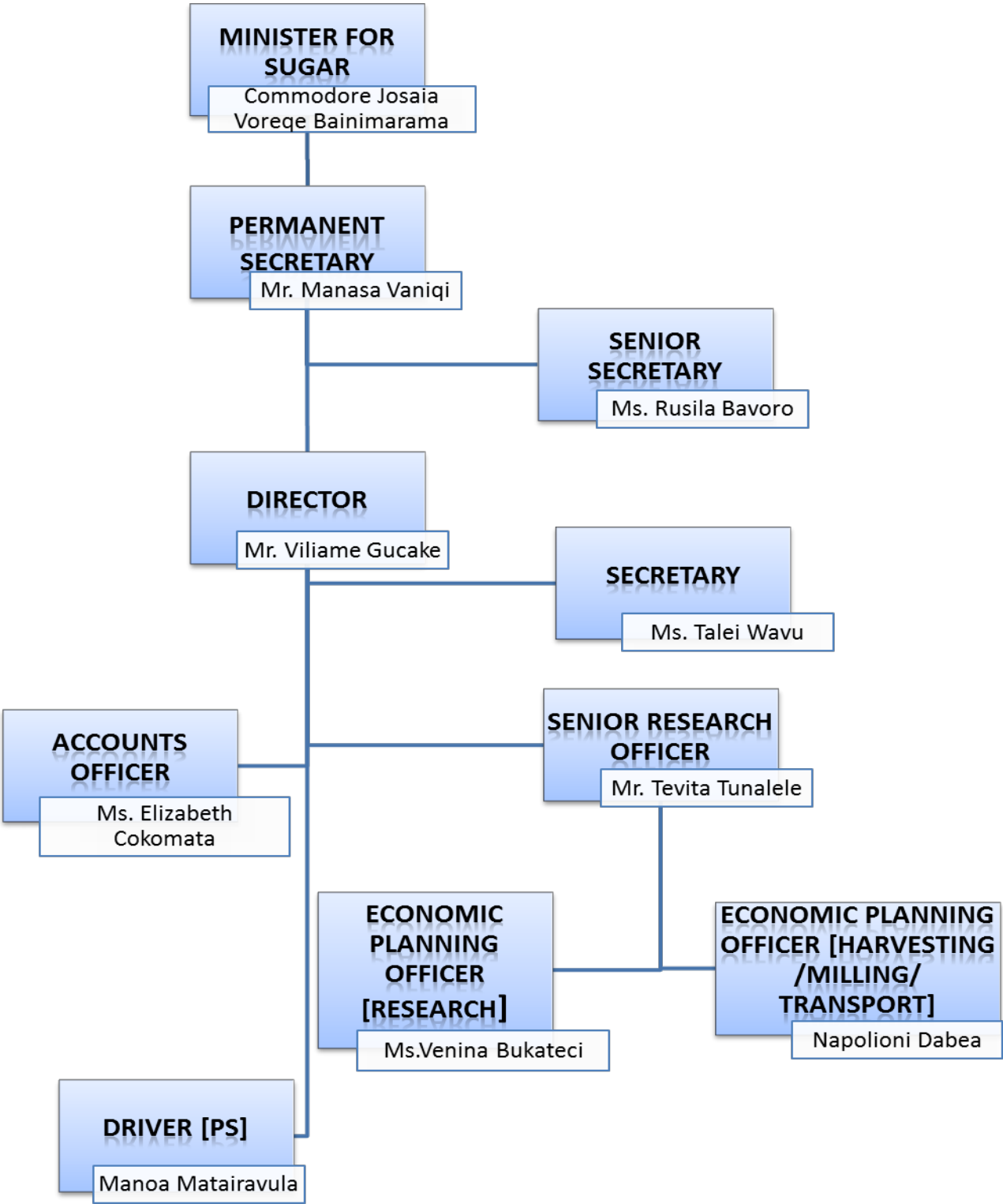
The Ministry is also responsible for the monitoring, evaluation and reporting of the implementation of the home-grown Sugarcane Industry Strategic Action Plan 2013 - 2022 put together by key industry stakeholders including Government.

Essentially, this Strategic Action Plan 2013 - 2022, builds on the achievement of the Deloitte-based reforms of 2011 and 2012. The plan focuses on six key areas which include:

- Crop Production & Grower Advisory Services
- Harvesting & Transport
- Milling & Processing
- Cane Quality Payment
- Revenue Generation
- Industry Reform Action

This is the successor reform agenda to the Deloitte's Report which will take the industry forward from 1st January, 2013 to 2022 broken down in two periods of five years from 2013 - 2017 and 2018 - 2022.

1.2 ORGANIZATION STRUCTURE



1.3 STAFF PROFILE

1.3.1 GENERAL ADMINISTRATION

Since its separation from the Ministry of Provincial Development, Multi-Ethnic Affairs, National Disaster Management and Sugar in June 2011, the Ministry of Sugar Industry has worked with limited resources and staff to facilitate and provide the services demanded by the sugar industry.

1.3.2 PERSONNEL

The Ministry has a total of eight (8) established officers and one (1) Government Wage Earner under the PSC Approved Staff Establishment. For salary and wages for the staff, the Ministry has utilised \$286,815.

1.3.3 TRAINING

The summary of training attended to by officer(s) for their up-skilling to enhance productivity is shown at **Table 3**.

Table 1: Summary of Trainings

Course Title	Venue
Financial Management Information System	Western Health Regional Office, Lautoka
Service Exam (E)- Tutorial	Conference Room, Dept. of Youth & Sports, Lautoka
Finance Management Information System (Account Payable)	Ministry of Health Subdivision office, Lautoka
Procurement Workshop	Ministry of Information (FPO Policy Unit)

(Source: Ministry of Sugar Industry 2012)

PART 2.0 MINISTRY PERFORMANCE

2.1 WORLD SUGAR EVENTS

2.1.1 41ST INTERNATIONAL SUGAR ORGANIZATION COUNCIL MEETING IN NEW DELHI, INDIA

The 41st ISO council meeting was held in New Delhi, India from the 24th- 26th April with the following;

- Workshop: India - Key Player in the World Sugar Economy;
- 39th Session of the Market Evaluation, Consumption and Statistics Committee (MECAS);
- 59th Meeting of the Administrative Committee;
- 41st ISO Council Session; and
- Preliminary meeting between Fiji and ISO Secretariat on the hosting of 43rd ISO Council Session in Fiji.

Led by the Hon. Prime Minister and Minister for Sugar Industry, Commodore Josaia Voreqe Bainimarama, the Fiji Sugar Cane Industry was represented at these international sugar meetings and conferences by Mr. Abdul Khan, the Executive Chairman of Fiji Sugar Corporation Ltd; Mr. Sundresh Chetty, the Chief Executive Officer for the Sugar Cane Growers' Council and Mr. Timothy Brown, the Registrar and Industrial Commissioner of the Sugar Industry Tribunal. In support of the Minister, the Ministry was represented by the Permanent Secretary, Mr. Manasa Vaniqi and Director Sugar, Mr. Viliame Gucake. Other senior Government Officials who attended included High Commissioner, Fiji Mission in London, H.E Mr. Solo Mara; High Commissioner Fiji Mission in New Delhi, H.E Mr. Yogesh Karan; Counselor, Fiji Mission in Brussels, Mr. Nidhendra Singh.

The Prime Minister presented on the National Policies under the Item 8 of the International Sugar Agenda

2.1.2 FAO/FIJI 2012 ASIA PACIFIC CONFERENCE

A three day conference with a theme "Sugar policies to promote trade, development and growth: Priorities to face future challenges" held at the Westin Resort and Spa, Denarau-Nadi. The conference began on the 21st of August and ended on the 23rd of August.

The objective of the conference was to enable sugar producing countries worldwide to share experience on reform policies for the benefit of the Asia/ Pacific region.

The conference was officially opened by the Prime Minister and Minister for Sugar Industry stressing Government's commitment to the industry while urging all stakeholders to take advantage of the conference, at the same time called for all stakeholders' commitment and cooperation to make the industry successful.

The Permanent Secretary for Sugar Mr. Vaniqi presented “The Fiji Sugar Industry- Government Response to the Crisis and Vision for the Future” to the conference which was also attended by some cane growers.

2.1.3 42ND INTERNATIONAL SUGAR ORGANIZATION COUNCIL MEETING IN LONDON, UNITED KINGDOM

The Fiji delegation to the 42nd International Sugar Organization in London was led by the Prime Minister as his capacity as the Minister for the Sugar Industry.

At this Council meeting the Hon. Prime Minister and Minister for Sugar Industry was appointed Chairman of the Council of the International Sugar Organization an appointment which was valid for one year.

2.2 CAPITAL PROGRAMMES

2.2.1 CANE ACCESS ROADS MAINTENANCE

The Cane Access Road (CAR) Maintenance programme was developed to upgrade and bring cane access roads to motorable condition during crush so as to enable farmers cut and deliver all harvestable cane to the mill smoothly without any stand-over cane.

On the 10th July 2012, the CAR programme was transferred from the Ministry of Provisional Development and National Disaster Management to the Ministry of Sugar Industry following a directive from the Hon. Prime Minister and Minister for Sugar Industry.

The Ministry of Sugar Industry had to implement this additional responsibility on the run with the existing staff number of eight (8) since crushing had already started. In order to facilitate the transition of this additional responsibility with immediate effect, the Ministry had to quickly create and establish the following 3-tier structure for effective implementation of the CAR:

- (i) Roads Committee – made up of cane farmers and other road users who were tasked to identify the scope of work (what needs to be done);
- (ii) Sector Committee – includes the FSC Sector Personnel and Sugar Cane Growers Council representatives which in consultation with Roads Committee verifies scope of work and forwards its recommendations to the National Cane Access Roads Committee;
- (iii) National Cane Access Roads Committee – comprising the Chief Executive Officer of Sugar Cane Growers Council, General Manager, Field Services of Fiji Sugar Corporation Limited and Director Sugar as a chairman, reviews the details (location of the cane access road, length, scope of work, funds allocated, contractor to which the contract is given, etc.) and submits the scope to the Permanent Secretary for consideration. Once the decision is made, the National Cane Access Roads Committee, through its Chairman, implements the decision with the direct

involvement of the Secretariat of the National Cane Access Roads Committee, Economic Planning Officer, Mr. Napolioni Boseiwaqa.

Numerous field consultations were held with FSC and Sugar Cane Growers Council personnel and contractors to assert and remind them that the success and the effectiveness of this projects rests on the collective efforts of all stakeholders working together. The prompt response by the Ministry to the requests of the Roads Committee, the Sector Committee and the contractors have led to the successful implementation of this additional core activity. The decrease in stand-over cane over the previous season on ground of poor cane access and the noticeable reduction in complaints to the media by cane farmers of poor cane access roads are indicators that the programme has been successfully delivered.

Table 2: Cane Access Road Maintenance Programme

Allocation	No. of Roads Upgraded	Nature of Work	Costing	Tonnes Cane Harvested
Flood	348	Grading, Gravelling, Culverts & Drainage	\$351,086.00	338,130
Western	448	Grading, Gravelling, Culverts & Drainage	\$329,230.00	220,180
Northern	517	Grading, Gravelling, Culverts & Drainage	\$634,784.60	544,280
PS Sugar Reserve Fund	15	Grading, Gravelling, Culverts & Drainage	\$72,180.00	N/A
TOTAL	1328		\$1,387,280.60	1,102,590

(Source: Ministry of Sugar Industry 2012)

A total of 1,328 cane access roads were upgraded within the four mill areas of Lautoka, Penang, Rarawai and Labasa with funding of \$1.3 million.



Figure 1: Korovuto CAR before construction of Irish crossing



Figure 2: After construction of crossing

2.2.2 FARM TRACTORS AND EQUIPMENT

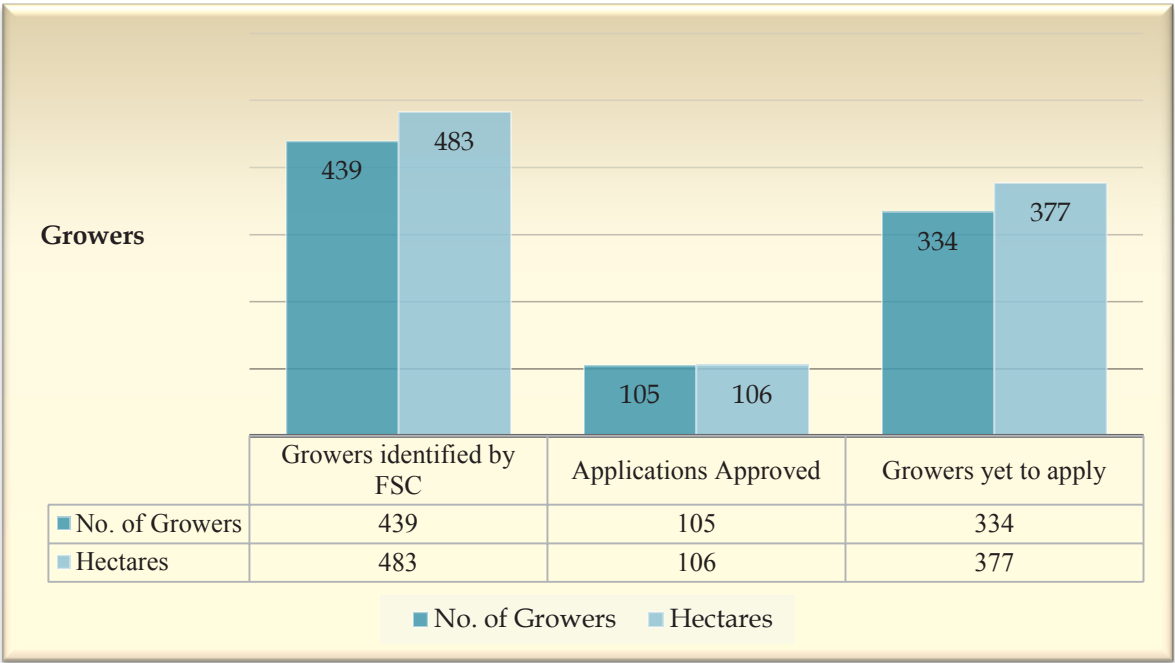
Government had allocated \$700,000 for the procurement of three (3) cultivator sets inclusive of tractors, disc ploughs, disc harrows, furrow makers, cultivating equipment and sub-soilers. However, the two floods that ravaged the country particularly the Western Division of Viti Levu in January and in March and Tropical Cyclone Evans in December, had necessitated the re-prioritization of Government resources resulting in the redeployment of this funding allocation to meet the new priorities of Government as follows:

- \$269,576.00 vired for Korovuto Bridge upgrading work
- \$430,424.00 redeployed for DISMAC Operations

2.2.3 CANE DEVELOPMENT REVOLVING FUND

Assistance provided from the Cane Development Revolving Fund (CDRF) for flood damage amounted to \$2.4 million. FSC identified 439 growers under the flood damage assistance out of which 105 were approved while 334 growers were yet to apply for the assistance. Below is the detail of the growers along with their farm land area damaged:

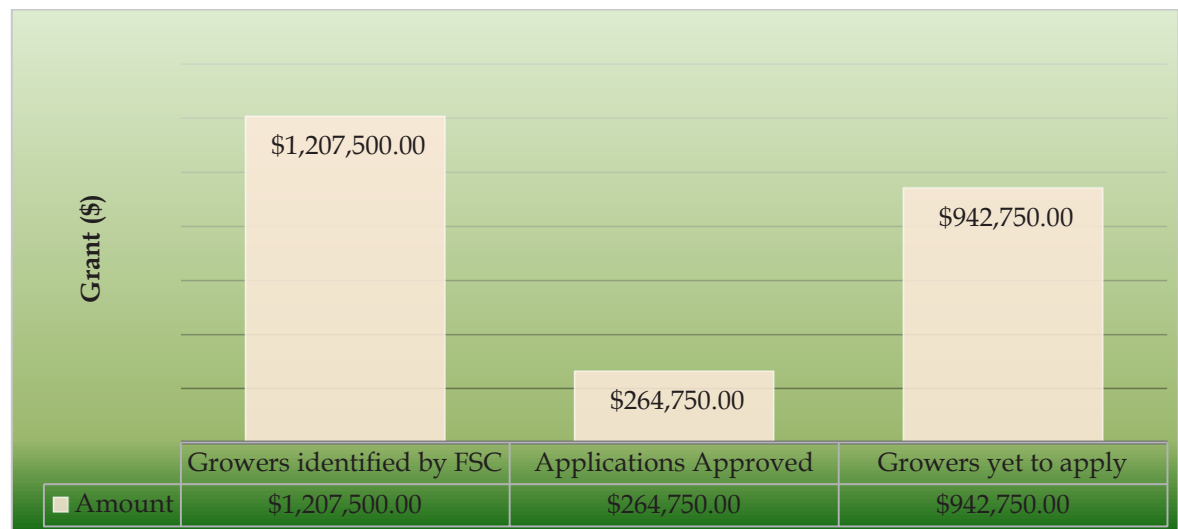
Graph 1: Number of Growers Assisted under the Flood Damage Grant



(Source: Sugar Cane Growers Fund, 2012)

The 439 growers grant assistance added to \$1.2 million with \$264,750.00 approved for assistance while \$942,750.00 is yet to be issued for assistance which is awaiting the applications of farmers. This is tabulated below:

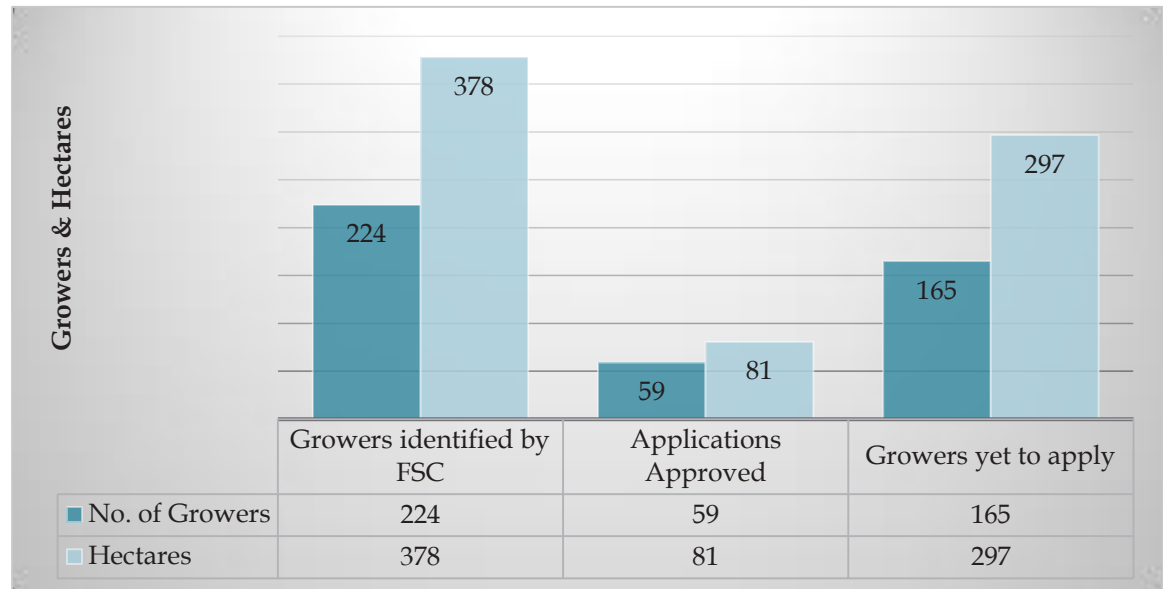
Graph 2: Grant Assistance Distributed for Flood Damage



(Source: Ministry of Sugar Industry 2012)

50% of the grant was used for the facilitation of the assistance for the unapproved cane variety called the Manudean. Details of the 50% grant usage are tabulated below:

Graph 3: Unapproved Cane Variety - Seaqaqa Grant Assistance



(Source: Ministry of Sugar Industry 2012)

2.2.4 BUDGETARY SUPPORT

Government has over the years provided budgetary support to some of the industry institutions as follows:

- a) Fiji Sugar Corporation Ltd - received \$40.9 million in direct funding as the final allocation as stipulated in the Deloitte Report of September, 2010. In 2011, FSC utilized only \$97.4 million of the first budgetary allocation of \$110 million.
- b) Sugar Industry Support Programme - an annual allocation ranging from \$6.0 million - \$8.0 million used to be set aside for cane planting programme and for specific purpose such as repairs to Irish crossings, sunken culverts and for drainage clearance. The allocation of \$6.0 million for 2011 was for cane planting which was eventually converted into the CDRF in late December, 2011. There was no allocation in 2012.
- c) Subsidy to South Pacific Fertilizer Ltd - This subsidy program began in April 2009 after the Cabinet approved a non-budgeted funding of \$9.8 million in fertilizer subsidy to enable cane growers to buy “affordable” fertilizers while at the same time save the SPFL Limited from closing down. It costs SPFL approximately \$45.59 to blend a 50kg bag of fertilizer; however, it was selling at \$19.50 a 50kg bag to cane growers. The Cabinet on 21st April, 2009 decided to increase the price to \$45.59 per bag, raise the price payable by growers by \$12 to \$31.50 and absorbed the additional cost of \$14.09 per 50kg bag in the form of subsidy. Although the Cabinet decision was for Government to provide subsidy for fertilizers for 2009 and 2010 only, it has continued to provide fertilizer subsidy every year since then. This underscores the significance of making available to cane growers in the form of subsidy “affordable” fertilizers so as to replenish soil nutrients that are taken out of the soil by cane plants year-in-year-out. The budgetary allocation for 2012 was \$5.0 million.
- d) Committee on Better Utilization of Land (CBUL) - A total of \$6.4 million was allocated under this programme. One of the contributing factors for decline in cane production was the non-renewal of iTaukei Leases after the leases started expiring in 1997. The iTaukei land owners argued that the lease rentals they have been receiving were not adequate or proportionate to the revenue cane growers receive from sugar proceeds. Under the ALTA Legislation, the iTaukei Land Trust Board (TLTB) may charge between 4-6% of the unimproved capital value (UCV) of the land being leased as the basis for calculating rent payable. In January 2008, Government decided to raise this percentage from 6% to 10% and further decided to meet the monetary value of the 4% increase in UCV (referred to as the Rental Subsidy). This allocation is for this purpose which is paid directly to iTaukei land owners with no poundage deducted by TLTB.
- e) Sugar Research Institute of Fiji (SRIF) - under the SRIF Act 2005, the FSC, Sugar Cane Growers Council and Government are required to contribute funds equally to the operating budget of SRIF. The operating budget for SRIF in 2012 was \$2.7 million; so the three institutions (FSC, SCGC and Government) were to contribute \$900,000 each.

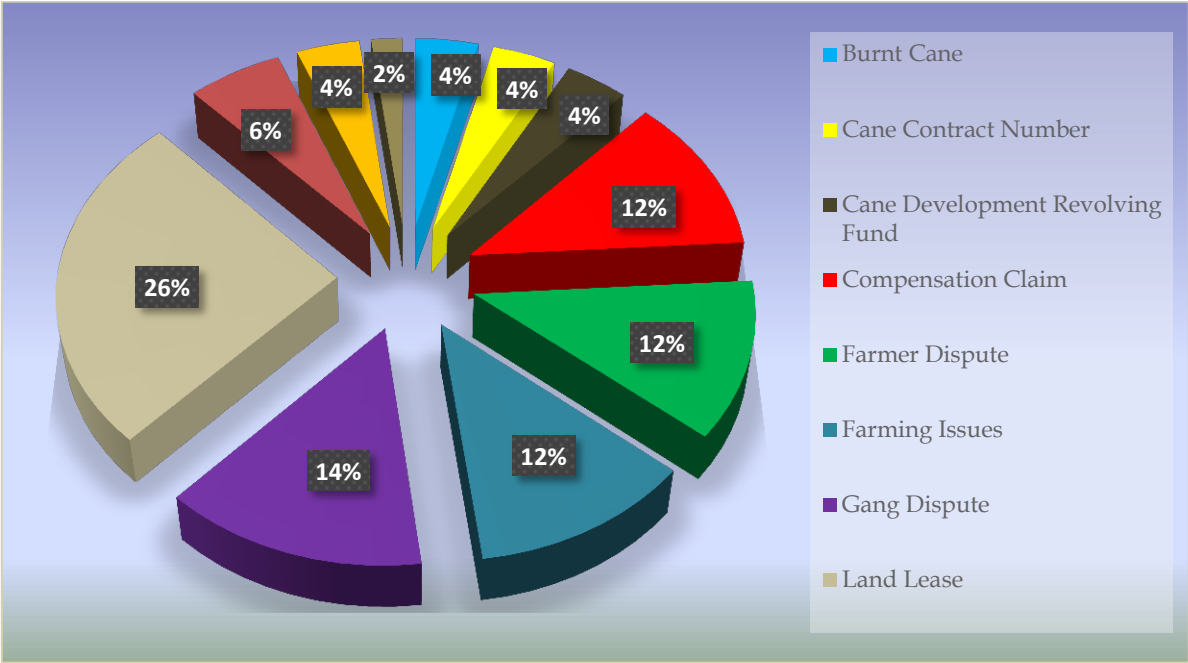
- f) International Sugar Council (ISO) - was allocated \$25,389.61 which was paid on the 6th of February 2012 as Fiji's contribution to the annual administrative budget of the ISO for 2012. This is an annual allocation usually paid in January annually to maintain Fiji's voting rights at the ISO Council meetings which are held twice a year; the mid-year (May or June) at an ISO member country and second one in November is always held in London, United Kingdom.
- g) Grant to Sugar Industry Tribunal (SIT) - although seen by industry stakeholders as an independent institution, its operating budget is always funded by Government. Its budgetary allocation for 2012 was \$500,000.

2.2.5 SUGAR INDUSTRY COMPLAINTS

As a regular and ongoing activity, the Ministry receives complaints from industry stakeholders and refers it to the relevant institution or authority to provide feedback in order to formulate formal and official responses.

During the year, approximately fifty (50) written complaints were received from farmers. The complaints were referred to appropriate sugar industry institutions for feedback. The complaints were grouped into eleven headings depending on the nature and graphed for comparison purposes to observe which was the most dominant, as shown below.

Graph 4: Nature of Complaints Received by Ministry



(Source: Ministry of Sugar Industry, 2012)

Land related issues which account for 26% is the most dominant. Gang disputes at 14% was rated the second. However, conflicts arise amongst gangs in the field are usually resolved by the Industrial Commissioner of the SIT.

In its attempts to resolve the complaints, the Ministry along with its stakeholders had to review some of the existing policy to address the highlighted issues. Some of the reviewed existing policies are shown in Table 3.

Table 3: Policy Review from Complaints Received

Complaints/Issues	Action (Policy Review)
CDRF and Grant condition states that for the MOU to be signed, farmers should have a lease term of 4 or more years	The Ministry with the Industry would review the conditions of the MOU to encourage and motivate farmers
Duty on Agricultural Machinery very expensive	Government to adjust some duty on the importation of Agricultural Machinery such as Cane Lorries
Cane Access Road - poor	Ministry with the Industry to review CAR policy to address: A. Funds Allocation B. Scope of work C. Farmers satisfaction D. Bridges/ Irish crossing & Culverts E. Contractors
Standover Cane- compensation claim	Industry to review qualification for the compensation for stand over cane
Lorry Transport Allowance	Industry to review and advice growers
Land Issues- farmers obstacle in progressing with their work	A. <u>Lease Surrender Fees</u> - Government to negotiate and waive the surrender fee. B. <u>30 year lease term</u> - TLTB to write a proposal to the Government to extend a further 20 years on the 30 year lease term hence 50 year lease term for farmers. C. <u>Processing Fee for new farm lease</u> - review either to reduce or waive the surrender the fee. D. <u>Lease processing time</u> to be shortened

(Source: Ministry of Sugar Industry, 2012)

2.2.6 INDUSTRY CONSULTATIONS AND MEETINGS

The Ministry participated in the following industry meetings and consultations in its pursuit to be responsive to the industry needs and requests and also to contribute meaningfully to policy issues and discussions that would impact the industry.

These are listed in the next page:

Table 4: Consultation and Meeting

Date	Meeting
07/02/12	Meeting with the Solicitor general on the Sugar Industry Degree 2011
17/02/12	Meeting with Chinese investors on Mushroom cultivation and farming
07/03/12	Meeting with EU funded project
05/05/12	National Committee for Better Utilization of Land Meeting
20/06/12	La Reunion Study Tour Debrief on the Industry and reforms study visit
20/06/12	Sugar Action Group meeting on the cane reform from 2011-2012 to be part of the contribution to Cabinet on the Deloitte report
26/06/12	Opening of the Lautoka Mill Crushing season by PM & Minister of Sugar Industry
02/07/12	SRIF Seminar to allow key sugar industry stakeholders to be informed of what research is being carried out by SRIF
04/07/12	Sugar Stakeholders Action Group (SAG)- preparation to the sugarcane industry strategic action plan which the industry stakeholders are putting together for 2013- 2023
10/07/12	Opening of Rarawai Mill Crushing season by PM & Minister of Sugar Industry
10/07-12/07/12	PM's consultations with cane growers
13/07/12	CBUL West meeting to finalize implementation, monitoring plan and reporting dates on issues raised during the PM's consultation visit with growers
27/7/12	Taskforce meeting with Ministry of Agriculture on Lime
02/08/12	JICA Meeting to develop a Standard Operating Procedure for Disaster Management for the industry in order to improve on response time
02/08/12	Cane Farmers of the Year Award – development of selection criteria
14/08/12	Meeting on the progress of the Sugar Industry Decree
21/08/12-23/08/12	Food and Agriculture (FAO) Asia/ Pacific sugar conference at Westin, Denarau
04/09/12	Cane Access Road site visit to Rakiraki
05/09/12	Cane Development Revolving Fund meeting
11/09/12	Talkback Show, Suva
17/09/12	Co- generation meeting with Vatukoula Gold Mines
20/09/12	Celebration for the first 100,000 tonnes sugar produced by the 4 mills
24/09/12	Moratorium on Agricultural land
25/09/12	Ethanol Meeting at the department of Energy, Walu Bay
26/10/12	Presentation of FIRST DRAFT Strategic Action Plan
7/12/12	Meeting with Ministry of Foreign Affairs Fiji/ Japan – Economic, Trade and Investment
	Meeting with Fiji Ports Corporation (FPCL) and South Pacific Fertilizers Limited on unloading of SPF
21/12/12	The industry presented the SISAP 2013-2022 to Permanent Secretary- Sugar, Mr Manasa Vaniqui.

(Source: Ministry of Sugar Industry, 2012)

2.2.7 CABINET SUBMISSIONS

OUTCOME OF INTERNATIONAL SUGAR ORGANIZATION IN NEW DELHI, 24-26 APRIL

The Ministry submitted a Cabinet Memorandum on the 18th of May to inform the Cabinet of the outcome of the following International Sugar Organization meeting held in New Delhi, India from 24-26th of April:

- Workshop: India- Key Player in the World Sugar Economy;
- 39th Session of the Market Evaluation, Consumption and Statistics Committee (MECAS);
- 59th Meeting of the Administrative Committee;
- 41st ISO Council Session; and
- Preliminary meeting between Fiji and ISO Secretariat on the hosting of the 43rd ISO Council Session in Fiji.

Cabinet noted the Memorandum submitted for information on the 5th of May.

CONTINUATION OF EXISTING GOVERNMENT GUARANTEE TO FSC LOAN OF \$120 MILLION FROM 2012-2015

A Cabinet Memorandum was submitted to seek Cabinet's endorsement for the continuation of the existing Government Guarantee of \$120 million to the FSC to enable FSC to borrow short term to meet its working capital requirements from 31 May, 2012 to 31 May, 2015.

On 3rd July, Cabinet approved to continue its existing Government Guarantee of \$120 million from 31st May 2012 to 31 May 2015 to the Fiji Sugar Corporation Limited.

PART 3.0 MINISTRY’S ACHIEVEMENTS

Table 5: Key Highlights

ACHIEVEMENTS
1. Created an enabling environment for the six institutions in the industry namely Fiji Sugar Corporation; Sugar Cane Growers Council; Sugar Industry Tribunal; Sugar Cane Growers Fund; Sugar Research Institute of Fiji and South Pacific Fertilizers to work in and with Government for the betterment of the industry. All institutions have the same objective, that is, for the industry to become viable, vibrant and sustainable. This was made possible through the co-operation of those institutions through facilitation by the Ministry.
2. Contributed to the restoration of confidence in the industry by stakeholders, particularly, the sugar cane growers, by working closely and engaging with them through the Sugar Cane Growers Council on the dissemination of information relating to Government Reform agenda and budget support in terms of Cane Development Grant, Subsidy for the fertilizer; maintenance of cane access roads; and direct funding assistance to FSC (\$40.9 million).
3. Successful implementation of Cane Access Roads Maintenance Programme “on-the-run” commencing from 10 July. A total of 1,313 cane access roads were upgraded during the year.
4. Contributed to FSC’s continued operation through the submission of a Cabinet Memorandum seeking continuation of Government Guarantee for an extended term till 2015.
5. Government Guarantee for the Sugar Pre Export Facility of EUR40 Million for Fiji Sugar Corporation (FSC) arranged by FSC with the ANZ Banking Group.
6. Successfully facilitated (with the support of the FSC, Sugar Cane Growers Council and Sugar Industry Tribunal) the participation of Sugar Cane Growers in the Cane Farmer of the Year Award competition as part of the Agriculture Show organized by the Ministry of Agriculture held in Lautoka in April.
7. Contributed to the smooth operation of the Sugar Industry Tribunal, Sugar Research Institute of Fiji for the timely disbursement of grants from Government being for their respective annual operating budgets; and to South Pacific Fertilizers Limited for the fertilizer subsidy.
8. Contributed to a better informed industry stakeholders in particular the sugar cane growers through the monthly Radio Talk Back shows arranged by the Ministry of Information with the Fiji Broadcasting Corporation covering topical issues such as cane planting grants, preparations for cane harvesting, cane access roads maintenance programme, subsidies to fertilizers and other farm inputs, futures market after the expiry of the preferential sugar price arrangement with the European Union in October 2009; and Government reforms of the industry.
9. Contributed to the relatively quick reaction in providing funding assistance to sugar cane growers affected by the floods in January and March and Tropical Cyclone Evans in December.
10. Worked collaboratively with industry institutions to formulate the Sugar Industry Strategic Action Plan 2013 to 2022 as the successor reform agenda to the Deloitte Report Reform which expired in December, 2012.

(Source: Ministry of Sugar Industry, 2012)

PART 4.0 FINANCIAL REPORT

MINISTRY OF SUGAR INDUSTRY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

MINISTRY OF SUGAR INDUSTRY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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MINISTRY OF SUGAR
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
INDEPENDENT AUDIT REPORT

Scope

I have audited the special purpose financial statements which have been prepared under the cash basis of accounting and notes thereon of the Ministry of Sugar for the year ended 31 December 2012, as set out on pages 6 to 11. The financial statements comprise the following:

- (i) Statement of Receipts and Expenditure;
- (ii) Appropriation Statement; and
- (iii) Statement of Losses.

The Ministry of Sugar is responsible for the preparation and presentation of the special purpose financial statements and the information contained therein.

My responsibility is to express an opinion on these special purpose financial statements based on my audit.

My audit was conducted in accordance with the Fiji Standards on Auditing to provide reasonable assurance as to whether the special purpose financial statements are free of material misstatements. My audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the special purpose financial statements and evaluation of accounting policies. These procedures have been undertaken to form an opinion as to whether, in all material respects, the special purpose financial statements are fairly stated and in accordance with government policies in Note 2, the Audit Act and the Financial Management Act 2004, so as to present a view which is consistent with my understanding of the financial performance of the Ministry of Sugar for the year ended 31 December 2012.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion

- (a) the financial statements present fairly, in accordance with the accounting policies stated in Note 2, the financial performance of the Ministry of Sugar for the year ended 31 December 2012; and
- (b) the financial statements give the information required by the Financial Management Act 2004 in the manner so required.

Without qualifying the accounts, attention is drawn to the following matter:

The Ministry did not provide the 2012 Board of Survey report to substantiate the Statement of Losses.

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of our audit.



Tevita Bolanavanua
AUDITOR GENERAL

4 June 2013
Suva, Fiji



MINISTRY OF SUGAR INDUSTRY

MANAGEMENT CERTIFICATE FOR THE YEAR ENDED 31 DECEMBER 2012

We certify that these financial statements:

- (a) fairly reflect the financial operations and performance of the Ministry of Sugar Industry and its financial position for the year ended 31 December 2012; and
- (b) have been prepared in accordance with the requirements of the Financial Management Act 2004 and the Finance Instructions 2010.



Manasa Vaniqi
Permanent Secretary

Date: 20/05/13



Elizabeth H. Cokomata
Accounts Officer

Date: 21/05/13

MINISTRY OF SUGAR INDUSTRY

STATEMENTS OF RECEIPTS AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 \$
EXPENDITURE		
Operating Expenditure		
Established Staff		272,365
Government Wage Earners		14,450
Travel & Communication		49,225
Maintenance & Operations		40,542
Purchase of Goods & Services		14,858
Operating Grants & Transfers	3(a)	1,425,420
Special Expenditure		<u>1,406</u>
Total Operating Expenditure		<u>1,818,266</u>
Capital Expenditure		
Construction	3(b)	269,576
Purchases		---
Grants & Transfers	3(c)	<u>5,000,000</u>
Total Capital Expenditure		<u>5,269,576</u>
Value Added Tax		1,578
TOTAL EXPENDITURE		<u>7,089,420</u>

MINISTRY OF SUGAR INDUSTRY

APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

SEG	Item	Budget Estimate	Appropriation Changes	Revised Estimate	Actual Expenditure	Carry- Over	Lapsed Appropriation
		\$	\$	\$ a	\$ b	\$	\$ (a-b)
1	Established Staff	290,171	---	290,171	272,365	---	17,806
2	Government Wage Earners	23,596	---	23,596	14,450	---	9,146
3	Travel & Communication	24,000	26,506	50,506	49,225	---	1,281
4	Maintenance & Operations	43,500	(2,820)	40,680	40,542	---	138
5	Purchase of Goods & Services	15,500	---	15,500	14,858	---	642
6	Operating Grants & Transfers	1,429,400	(5,180)	1,424,220	1,425,420	---	(1,200)
7	Special Expenditure	20,000	(18,506)	1,494	1,494	---	88
	Total Operating Costs	1,846,167	---	1,846,167	1,818,266	---	27,901
	Capital Expenditure						
8	Construction	---	269,579	269,576	269,576	---	---
9	Purchases	700,000	(700,000)	---	---	---	---
10	Grants & Transfers	6,000,000	(1,000,000)	5,000,000	5,000,000	---	---
	Total Capital Expenditure	6,700,000	(1,430,424)	5,269,576	5,269,576	---	---
13	Value Added Tax	120,455	(64,564)	55,891	1,578	---	54,313
	TOTAL EXPENDITURE	8,666,622	(1,494,988)	7,171,634	7,089,420	---	82,214

MINISTRY OF SUGAR INDUSTRY

**STATEMENT OF LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012**

Loss of Money

There was no loss of money recorded for the year ended 31 December 2012.

Loss (other than money)

There was no loss of assets owned by the Ministry for the year ended 31 December 2012.

MINISTRY OF SUGAR INDUSTRY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 1: REPORTING ENTITY

The Ministry of Sugar Industry is responsible for implementing key policies and plans consistent with Government programmes to achieve higher economic growth whilst ensuring tangible sustainability of Fiji's sugar industry. Ongoing partnership with the relevant industry stakeholders will enable more land available for productive and social purposes which encourages cane cultivation, adequate labour and committed sugar workforce.

The establishment of a dedicated Ministry of Sugar Industry provides the enabling environment for direct efficient delivery of services to the stakeholders and cane districts and sectors throughout Fiji. The adoption of the 'professional' service delivery by the Ministry will promote maximum cane and sugar production annually through increased investments in cane and mill efficiency operation which lead to higher prices in sugar exports to existing and potential global markets.

The current sugar industry reform programmes targeted at the FSC becoming profitable by 2012 is closely monitored by the Sugar Taskforce in areas such as budget support, regulatory framework, prudent financial management, human resources management, production management, harvesting and transport, operational management and improved husbandry practices.

With clear guidelines in place to achieve specific targets, the Ministry is committed to adopting a 'professional' service status that promotes:

- Investment in cane management systems thus ensuring increased cane production.
- Investments in mill technology thus contributing to improved mill reliability, efficiency and sugar extraction.
- Exploring opportunities to value adding of milling by products as a source of additional revenue for the industry.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

(a) Basis of Accounting / Presentation

In accordance with Government accounting policies, the financial statements of the Ministry of Sugar Industry is prepared on cash basis of accounting. All payments related to purchases of fixed assets have been expensed.

The financial statements are presented in accordance with the Financial Management Act and the requirements of Section 71(1) of the Finance Instruction 2010. The preparation and

MINISTRY OF SUGAR INDUSTRY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (*continued*) FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (*continued*)

presentation of a Statement of Assets and Liabilities is not required under the current Government policies, except for that of the Trading and Manufacturing Accounts.

(b) Accounting for Value Added Tax (Vat)

All income is inclusive of VAT while all expenses are VAT exclusive. The Ministry on a monthly basis takes out VAT output on total money received for expenditure from Ministry of Finance. VAT input on the other hand is claimed on payments made to the suppliers and sub-contractors for expenses incurred.

The VAT payment as per the statement of receipts and expenditure relates to the VAT input claimed on payments made to the suppliers and sub-contractors for expenses incurred and VAT payments to FRCA. Actual amount paid to FRCA during the year represent the difference between VAT Output and VAT Input.

(c) Comparative Figures

Although the Ministry of Sugar Industry was created in June 2011, no separate budget allocation was provided. This was only provided in 2012 after a separate Budget Head 35, was created to enable it operate as a separate entity. Previously, the sugar portfolio operated as the Sugar Unit within the Ministry of Provincial Development, Multi-Ethnic Affairs, National Disaster Management and Sugar. Hence, no comparative figures were provided for the period ending 31 December 2011.

NOTE 3: SIGNIFICANT EXPENDITURES

- (a) Operating Grants and Transfers funds were allocated in order to provide grants to Sugar Tribunal (\$500,000 - being the 2012 annual operating budget), contribute to Sugar Research Institute of Fiji (\$900,000 - Government's contribution to SRIF's 2012 annual operating budget, a requirement under the SRIF Act of 2005) and payment to International Sugar Council (\$29,400 - Government's contribution to the Administrative Expenses for ISO in 2012).
- (b) Capital Construction fund of \$269,576 was used to re-construct the Korovuto Irish crossing in Nadi which was damaged by the floods in January 2009.

MINISTRY OF SUGAR INDUSTRY

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2012**

- (c) Capital Grants and Transfers fund of \$5,000,000 was used to provide grants to South Pacific Fertilizer Limited, being fertilizer subsidy for sugar cane growers.

NOTE 4: APPROPRIATION MOVEMENTS

Following a Cabinet decision, the Ministry of Finance redeployed \$1,494,988 from the Ministry of Sugar Industry's budget for 2012 to other Ministries and Departments. The funds were redeployed from the following SEGs':

SEG 9	Capital Purchase	\$ 430,424
SEG 10	Capital Grants & Transfers	\$1,000,000
SEG 13	Value Added Tax	\$ 64,564

Other movements were made through virements as follows:

From	To	Amount (\$)
SEG 9	SEG 8	269,576
SEG 4	SEG 3	2,820
SEG 6	SEG 3	5,180
SEG 7	SEG 3	18,506

NOTE 5: OPERATING TRUST FUND ACCOUNT

As at 31 December 2012, the Operating Trust Fund Account had a balance of \$2,710.77. This is mainly made up of Employees FNPF, Scholarship Loan deduction and PD Tax Arrears/ PAYE.

NOTE 6: REVOLVING FUND ACCOUNT - MISCELLANEOUS

As at 31 December 2012, the Ministry had a nil balance in the RFA account.

NOTE 7: DRAWINGS ACCOUNT

At balance date, there were funds amounting to \$387,159.41 under Drawings Account. These monies relate to cheques written by the Ministry that remained unrepresented to the bank as at balance date.


MINISTRY OF SUGAR INDUSTRY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (*continued*) FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE 8: LEAVE LIABILITY

At balance date, the Ministry had an annual leave liability of \$22,239.52. The leave liability is for eight established staff and one government wage earner.

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