



## **STANDING COMMITTEE ON ECONOMIC AFFAIRS**

### **Consolidated Report on the Review of Ministry of Sugar Industry 2012 - 2016 Annual Report**



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## **Acronyms**

MoSI	Ministry of Sugar Industry
FSC	Fiji Sugar Corporation
SCGC	Sugar Cane Growers Council
SCGF	Sugar Cane Growers Fund
SPFL	South Pacific Fertilizers
SRIF	Sugar Research Institute
CBUL	Committee of Better Utilization of Land
IMF	International Monetary Fund

## Chairperson's Foreword

The Standing Committee on Economic Affairs is pleased to report to Parliament, its review report for the Ministry of Sugar Industry 2012 – 2016 Annual Reports.

The Committee was referred the Ministry of Sugar Industry Annual Reports during the August Parliament sitting in 2019. In order to have a thorough understanding of the Sugar Industry, the Committee conducted Site Visits to the sugar Mills, farms and related entities in the Western and Northern Divisions.

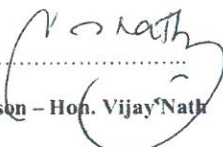
The Ministry of Sugar Industry (MoSI) was formed as a separate Ministry in 2011 and produced its first Annual Report in 2012.

While deliberating on the report, the Committee noted that the Government, in 2010, had engaged Deloitte, an international financial consulting firm from New Zealand to carry out a review of the industry with the sole intent to improve the Corporation's financial position. The Committee believes that this initiative was necessary for the future of the Industry and commends the government for its vision.

I would like to extend our appreciation to all the Stakeholders for their valuable input.

Finally, I would like to thank our Committee Members who were part of the team that produced this report: - Deputy Chairperson Hon. Veena Bhatnagar, Hon. George Vegnathan, Hon. Ro Filipe Tuisawau and Hon. Inosi Kuridrani. I also take this opportunity to acknowledge and thank the Parliamentary Staff who have given us invaluable support.

On behalf of the Standing Committee on Economic Affairs, I commend the Ministry of Sugar Industry 2012 – 2016 Review Report to Parliament.

  
.....  
Chairperson – Hon. Vijay Nath

## **1.0 Introduction**

### **1.1 Background**

The Ministry of Sugar Industry (MoSI) was created as a separate Ministry, away from the Ministry of Agriculture in June, 2011. It is the only Ministry of Government located outside of Suva with its Head office in Lautoka. It produced its first Annual Report in 2012.

The MoSI is responsible for the co-ordination of activities and functions of the various institutions that make up the sugar industry. These comprise FSC<sup>1</sup>, SCGC<sup>2</sup>, SIT<sup>3</sup>, SCGF<sup>4</sup>, SRIF<sup>5</sup>, and SPFL<sup>6</sup>. Other Stakeholders include the Minister, Cabinet, Ministry of Finance, other government ministries and agencies, Sugarcane Growers, Development Partners (European Union), Multinational Funding agencies (IMF, ADB, World Bank), potential investors and Consultants. The Ministry of Sugar works with the vision to create a vibrant, sustainable and globally competitive sugarcane industry.

In 2010, IMF had advised government that the guarantee it provided for FSC was no longer a contingent liability but a real potential risk for Fiji. The Government then engaged Deloitte, an international financial consulting firm from New Zealand to carry out a review of the Industry with the sole intention of restructuring the corporation's debt and recommending a way forward to reviving the sugar industry.

The Fijian Government endorsed Deloitte's recommendations and provided direct funding of \$138.3m of the recommended \$174m (\$97.4m in 2011 and \$40.9m in 2012). With this funding, FSC was able to make a modest turn around and marked improvement in terms of Mill reliability and efficiency in the four sugar mills.

In 2012, the government in collaboration with key industry Stakeholders, put together a home-grown Sugar Industry Strategic Plan 2013-2022 in an effort to achieve its mission to successfully implement sugarcane reforms and deliver timely, effective and efficient services to relevant stakeholders that contribute to boosting sugar production. In the year 2013, consequent to cabinet decision, the oversight of implementation of the Strategic Plan was handed over to the Ministry of Sugar Industry following the dissolution of the Sugar Task Force.

The Committee noted that the Industry had to face adversities due to various natural disasters between 2012 – 2016.

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<sup>1</sup> Fiji Sugar Corporation Limited

<sup>2</sup> Sugar Cane Growers Council

<sup>3</sup> Sugar Industry Tribunal

<sup>4</sup> Sugar Cane Growers Fund

<sup>5</sup> Sugar Research Institute of Fiji

<sup>6</sup> South Pacific Fertilizer Limited



The year 2012 saw Cyclone Evan and two major floods in January and March, 2014 saw one major flooding and 2016 had seen the worst of a Category 5 Cyclone which was named Winston and Cyclone Zena later that year.

## **Committee Remit and Composition**

The Committee is made up of five (5) Members of Parliament, three (3) of which are Government members and two Opposition members. According to Section 109(2) (a) the Standing Committee is responsible to look into matters related to economic development, finance, banking and taxation.

## **1.2 Overview**

### **1.2.1 Capital Programs**

The Committee noted that the following major developments and initiatives, in addition to others, took place from 2012-2016.

#### **Cane Access Roads**

The CAR was developed to upgrade and ensure cane access roads were accessible to enable the efficient harvesting and delivery of cane to the Mills. This continued from 2012 to 2016. In 2015, 2941 roads measuring 3,735 kilometers were upgraded and in 2016 it increased to 3865 kilometers.

#### **Farm Tractors and Equipment**

The Ministry of Sugar Industry spent approximately \$441,300 on tractors and farm equipment for the years 2012 and 2013. Later, the Fiji Sugar Corporation Limited took over the management of this responsibility.

#### **Cane Planting Programme**

This grant aimed to assist farmers in planting sugarcanes in fallow land as well as replanting to replace old ratoon canes and this continued through the years under review.

### **1.2.2 Budget/ Grant support**

Budget support continued for various industry entities such as FSC (cane sampling tracking system, cane analysis system and laboratory), SPFL (annual grants of approximately \$9m), SRIF (Appx \$900,000), CBUL and the Sugar Industry Tribunal over the period. The budgetary support for these entities are provided by Government and the MoSI ensures that these funds are distributed in a timely and efficient manner.

### **1.2.3 Sugar Cane Production (2012-2016)**

<b>Financial Year</b>	<b>2012 (FY)</b>	<b>2013 (FY)</b>	<b>2014 (FY)</b>	<b>2015 (FY)</b>	<b>2016 (FY)</b>
Tonnes Crushed	2.1M	1.55M	1.61M	1.83M	1.85M
Hectares	42,855	41,959	38,248	38,427	41,304
Yield P/H	49	36.9	42	47.6	44.7
Sugar Production	166,669	154,815	179,870	226,858	221,993
TCTS	12.6	10.01	8.95	8.07	8.33

It was noted that 2.1M tonnes of sugarcane was crushed in 2012 with variations in the subsequent years to 2016. However, there was a slight improvement in sugar production from 2013 to 2016 including improvement in the Tonnes of Cane to Tonnes of Sugar (TCTS).

### **1.3 Key Developments/Achievements**

1. Following the Deloitte report which lead to reforms in 2011 and 2012, the Ministry, with key industry Stakeholders, developed a Home-Grown Sugarcane Industry Strategic Action Plan (SISAP) 2013-2022. This plan focused on key areas such as crop production, harvesting, milling, revenue generation and also lead to the government providing FSC with a direct funding of \$40.9M. The plan aimed to take the industry forward from Jan 1st 2013 to 2022 and was broken into two periods of five years from 2013 – 2017 and 2018 – 2022 .
2. In the year 2013, the Ministry had undertaken the Cane Quality Payment System, an initiative to develop a payment system based on sugar content instead of tonnage of cane. The Ministry had also expanded \$4.4M to purchase and install near infrared equipment's in the Mills as part of the project. However, this had to be deferred due to factors including resistance from segments of the growers and technical issues relating to measuring sugar content.
3. Further to the above, 2013 also saw the EXIM Bank loan facility of US\$50.4M being restructured with government acquiring responsibility of the outstanding liability. Further, it was noted that there was no direct funding from Government to FSC to offset losses. However, the government guarantee continued.
4. In 2014, two notable developments included the introduction of the Sugar Industry Web GIS portal and the more adaptable Qamea and Viwa cane varieties.



## **2.0 Findings and Recommendations**

1. The Committee recommends that a Monitoring and Evaluation Framework be put in place to ensure that objectives of the SISAP 2013-2022 are achieved accordingly.
2. Cane Quality Payment System - The Committee noted that the Ministry had expended \$4.4M to purchase and install near infrared equipment's in the Mills as part of the project and recommends that the initiative to implement payment on sugar content rather than tonnage continue to be explored. However, factors such as cane variety, transportation, harvesting and milling issues must be considered prior to implementation.
3. The Committee noted that high yield varieties improve sugar production and therefore recommends that the Ministry together with SRIF and FSC strengthen its facilitation for the adoption of these varieties by farmers to positively impact cane quality.
4. The Committee acknowledges the critical facilitation role played by MoSI in the sustainability of the sugar industry and continues to strengthen collaboration between the Ministry, key stakeholders and the various institutions that make up the sugar industry.
5. The Committee noted that there is no overall policy related to land allocation/ conversion for sugar cane as opposed to other uses. The Committee recommends the development of a Consolidated Overall Sugar Cane Land Use Policy; with necessary powers, to address this anomaly. This should also be addressed in the overall National Land Use Policy with the objective to protect land suitable for agriculture; particularly for food production and security during unforeseen circumstances.
6. Taking into consideration the impact of Natural disasters on the Ministry of Sugar Industry, the Committee recommends the Ministry to a Disaster Risk Management Plan. This would cover Climate Change Mitigation and other catastrophic disasters.

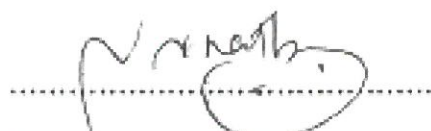
### **3.0 Gender Analysis**

The Committee was pleased to note that Ministry of Sugar Industry included gender based data in its Annual Reports. The information provides an indication on gender composition in the industry and gives an opportunity to develop policies and packages to encourage more women farmers to enter the industry.

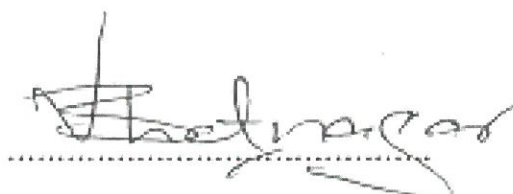
## **4.0 Conclusion**

To conclude, the committee acknowledges the Ministry's efforts and progress towards substantial growth. However, the Committee also noted that MoSI identified certain areas which could enhance achievement of its objectives. This includes strengthening Monitoring and Evaluation and optimum utilization of land to achieve production target.

## Members Signature

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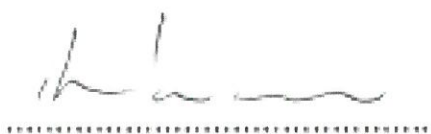
Hon. Vijay Nath (Chair)

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Hon. Veena Bhatnagar (Deputy Chair)

A handwritten signature in dark ink, appearing to read 'George Vegnathan', written over a horizontal dotted line.

Hon. George Vegnathan (Member)

A handwritten signature in dark ink, appearing to read 'Ro Filipe Tuisawau', written over a horizontal dotted line.

Hon. Ro Filipe Tuisawau (Member)

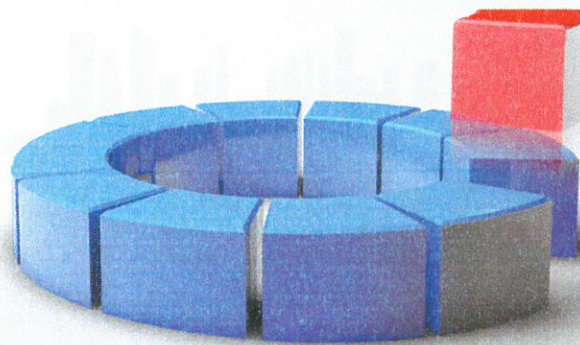
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Hon. Inosi Kuridrani (Member)

# **APPENDIX**



# MINISTRY OF SUGAR INDUSTRY

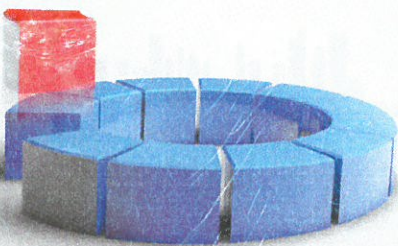


## AGENDA

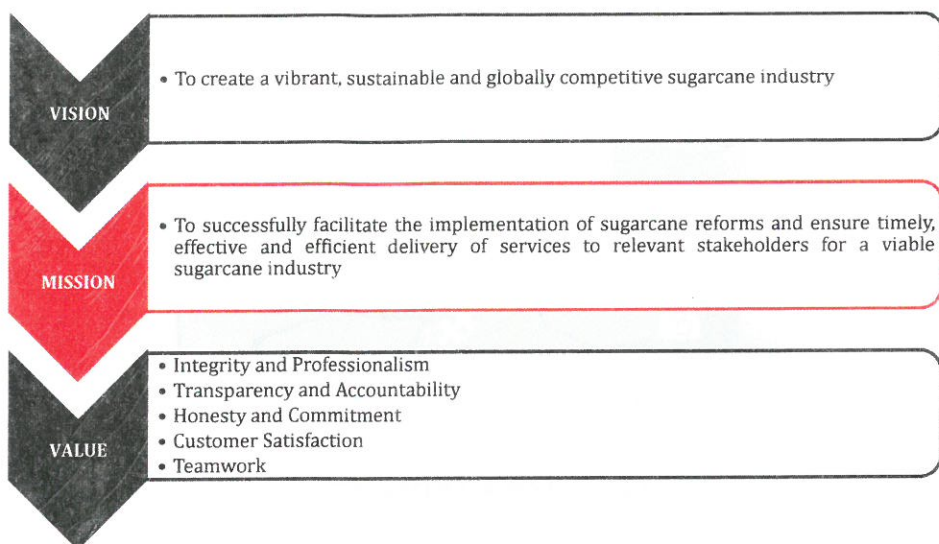
- ADDRESS BY THE ECONOMIC  
AFFAIRS COMMITTEE CHAIRMAN

- WELCOME BY DIRECTOR SUGAR  
OPERATION

- BRIEF SUMMARY OF MINISTRY

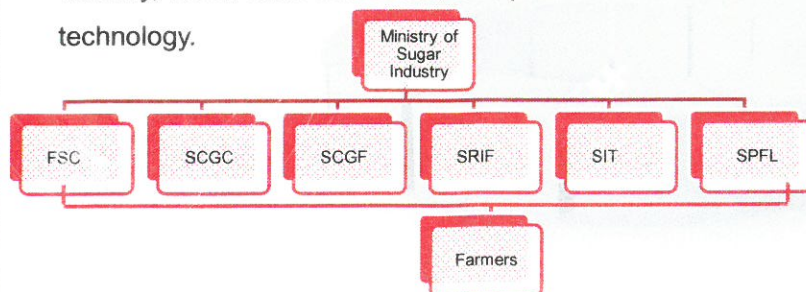


## MINISTRY OVERVIEW



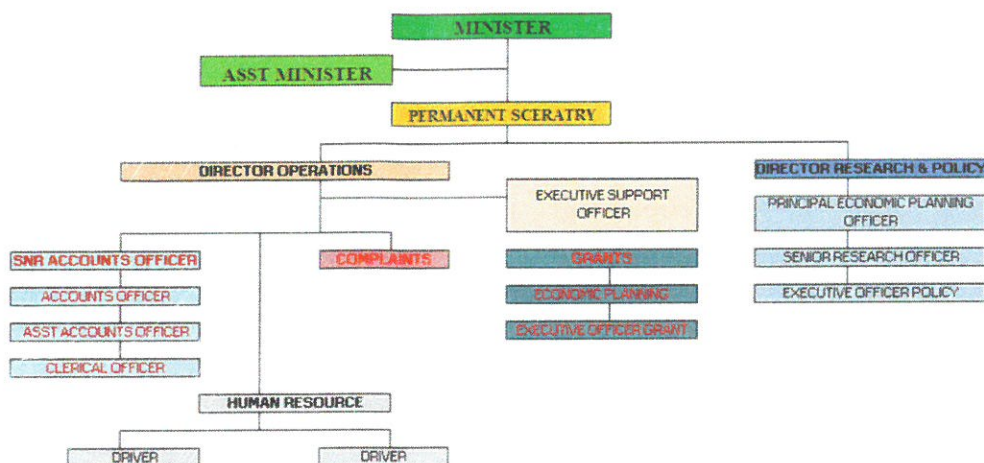
## MINISTRY PORTFOLIO

- ❑ Develop and implement policies through extensive research and plans consistent with Government programs to achieve higher economic growth through timely disbursement of grants whilst ensuring sustainability of Fiji's sugar industry.
- ❑ Strengthen ongoing partnership with relevant industry stakeholders to improve service delivery, boost cane cultivation, adequate labor and mill efficiency through investment in technology.



- ✓ Ministry of Economy
- ✓ ITLTB
- ✓ Fiji Development Bank
- ✓ Ministry of Lands
- ✓ Ministry of Waterways
- ✓ Overseas harvesting
- ✓ Investors and businesses

## MINISTRY STAFF STRUCTURE

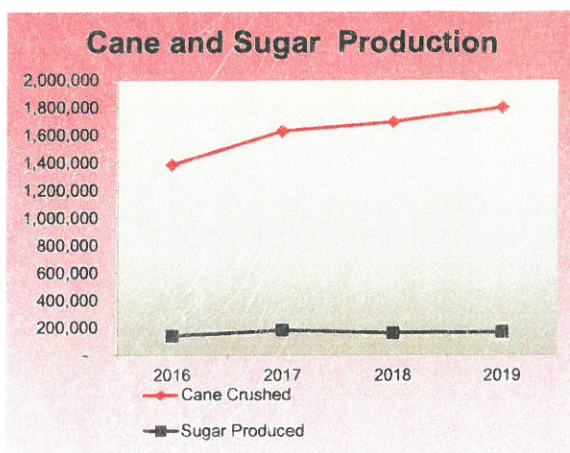


## MINISTRY'S BUDGET

	Actual 2017-2018	Estimate 2018-2019	Change	Estimate 2019-2020	Planned Change 2020-2021	Planned Change 2021-2022
Head No. 35 - MINISTRY OF SUGAR INDUSTRY						
Programme 4 - Sugar Development						
ACTIVITY 1 - Sugar Unit						
	5060					
1. Established Staff .....	443.7	598.1	51.6	649.8	0.0	0.0
2. Government Wage Earners .....	49.4	73.3	(15.0)	58.3	0.0	0.0
3. Travel and Communications .....	142.6	215.0	(80.0)	135.0	0.0	0.0
4. Maintenance and Operations .....	90.5	213.0	(119.5)	93.5	0.0	0.0
5. Purchase of Goods and Services .....	92.3	32.38	(9.9)	22.5	0.0	0.0
6. Operating Grants and Transfers .....	2,013.0	2,014.9	(304.9)	1,710.0	0.0	0.0
7. Special Expenditures .....	338.8	5,881.4	(3,781.4)	2,100.0	(2,000.0)	(2,000.0)
<b>TOTAL OPERATING .....</b>	<b>3,170.3</b>	<b>9,028.1</b>	<b>(4,259.1)</b>	<b>4,769.0</b>	<b>(2,000.0)</b>	<b>(2,000.0)</b>
8. Capital Construction .....	0.0	0.0	0.0	0.0	0.0	0.0
9. Capital Purchase .....	0.0	0.0	5,940.0	5,940.0	(5,940.0)	(5,940.0)
10. Capital Grants and Transfers .....	77,604.8	59,235.4	(115.3)	59,120.1	0.0	0.0
<b>TOTAL CAPITAL .....</b>	<b>77,604.8</b>	<b>59,235.4</b>	<b>5,824.7</b>	<b>65,060.1</b>	<b>(5,940.0)</b>	<b>(5,940.0)</b>
13. Value Added Tax .....	24.1	71.80	494.4	566.2	(714.6)	(714.6)
<b>TOTAL EXPENDITURE .....</b>	<b>80,799.3</b>	<b>68,335.3</b>	<b>2,069.0</b>	<b>70,395.4</b>	<b>(8,654.6)</b>	<b>(8,654.6)</b>
<b>TOTAL AID-IN KIND .....</b>	<b>0.0</b>	<b>25,703.0</b>	<b>(22,918.4)</b>	<b>2,784.7</b>	<b>(2,784.7)</b>	<b>(2,784.7)</b>



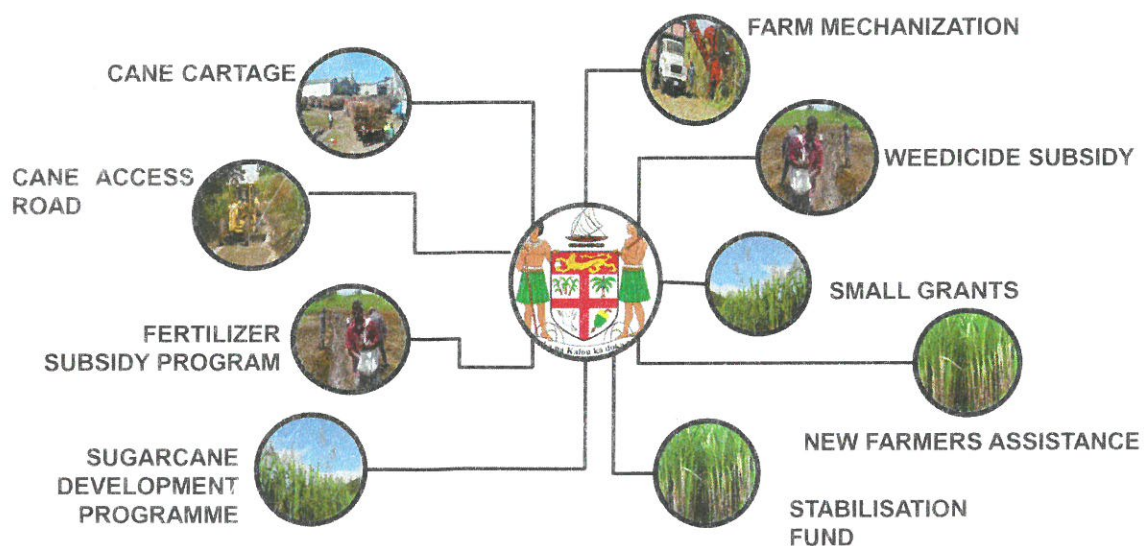
## Sugar Production



### Forecast

Sugarcane production – 2m tons  
 sugar production – 200,000 tons

## PROGRAMS IMPLEMENTED BY THE MINISTRY





## **Challenges**

1. Climate Change
2. Labour shortages
3. Farm mechanisation for sloppy terrains
4. Transportation of cost
5. Lack of staff



**THANK YOU**

