



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Consolidated Review Report of the Fiji Sugar Corporation 2020, 2021, 2022 and 2023 Annual Reports



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Chairperson's Foreword

The Standing Committee on Economic Affairs hereby submits to Parliament the Consolidated Review Report of the Fiji Sugar Corporation 2020, 2021, 2022 and 2023 Annual Reports.

The Fiji Sugar Corporation Limited ("FSC") was incorporated in Fiji by an Act of Parliament in 1972 to take over the milling activities with effects from 1st April 1973. It is the successor to South Pacific Sugar Mill Limited and Colonial Sugar Refining Limited.

The Sugar Industry is crucial to Fiji's economy, contributing approximately 0.9% of the GDP, and generating about 5.7% of domestic exports in 2022, according to the provisional data from the Reserve Bank of Fiji.

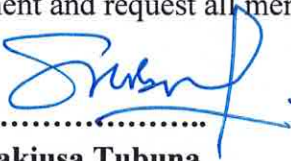
Over the 4 years under review, the Committee noted a significant decline in cane production from 2020 to 2021, followed by a 16% increase from 2021 to 2022. Despite this improvement, cane production remains below the desired level of 2.5 million tonnes and continues to show a declining trend.

The Committee identified several factors contributing to the decline in sugar production. These include: a lack of interest by the farmers who perceive cane farming as unprofitable, inconsistent cane supply to the mill resulting in underutilization of mill capacity, decline in cane quality, non-existence of KPIs and non-renewal/absence of strategic plans to forecast the Corporation's future targets and outputs.

The Committee noted FSC's reliance on Government grants for its operation given its debt levels and recurring losses. However, the Committee strongly suggest that the Corporation develop proper KPIs for all sugar related sectors to ensure the economic viability of the sector.

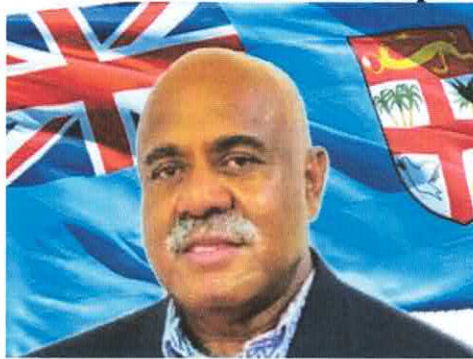
At this juncture, I would like to thank our Committee Members and Alternate Member who were part of the team that produced this report: - Deputy Chairperson Hon. Sashi Kiran, Hon. Premila Kumar, Hon. Tomasi Tunabuna, Hon. Semi Koroilavesau and Hon. Aliki Bia. I also thank the secretariat for their invaluable support.

On behalf of the Standing Committee on Economic Affairs, I commend this Review Report to Parliament and request all members of this august House to take note of the report.



.....
Hon. Sakiusa Tubuna
Chairperson

Committee Membership



Hon. Sakiusa Tubuna
Chairperson



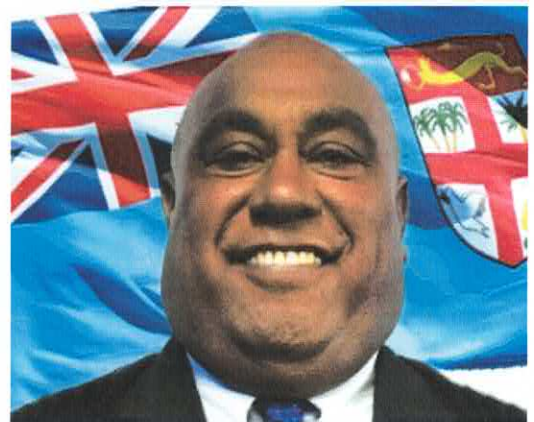
Hon. Sashi Kiran
Deputy Chairperson



Hon. Premila Kumar
Member



Hon. Tomasi Tunabuna
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1.0 Introduction

The Standing Committee on Economic Affairs referred the Fiji Sugar Corporation 2020, 2021, 2022, and 2023 Annual Reports, pursuant to Standing Order 38(2) of the Standing Orders of the Parliament of the Republic of Fiji. The Committee was mandated to review the Annual Reports and table its findings back to Parliament.

1.1 Background

Fiji Sugar Corporation is a government-owned sugar milling company in Fiji having a monopoly on the production of raw sugar in Fiji. FSC is the largest public enterprise in the country employing nearly 3,000 people, and approximately another 200,000 or more depending on it for their livelihood in rural sugar cane farming. FSC operates three sugar mills; the Lautoka mill, the Rarawai mill in the district of Ba, and the Labasa mill in the Northern Division.

1.2 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 on Economic Affairs is responsible for looking into matters related to economic development, finance, banking, and taxation.

1.3 Procedure and Programme

The Committee began its review of the Annual Reports in May 2024. The review process adopted by the Committee was agreed upon through consensus by the Members to review the report and a summary of this is as follows.

The Committee read through the Annual Reports and discussed matters noted by individual Members. From these discussions, a variety of issues were identified, which the Committee resolved and sought clarifications.

The Committee received public submission and briefing from the Fiji Sugar Corporation. At the end of the review, the Committee made recommendations based on the discussions with stakeholders and on the content of the Annual Reports.

2.0 Findings

The Committee extensively reviewed and deliberated on the annual reports, highlighting several key findings stated below:

- 2.1 FSC is insolvent and, without Government guarantees the Corporation will be unable to continue its operation.
- 2.2 Cane production is below the desired level of 2.5 million tonnes and continues to decline. The primary issue is that farmers do not find cane farming profitable due to rising production costs.
- 2.3 The inconsistency in the cane supply to the mill prevents the mill from being fully utilized during the crushing season. While the capital cost to operate and maintain these large factories remains, the drop in crop yields and reduction in sugar cane production continue to severely impact revenue.
- 2.4 The decline of cane quality has reduced sugar production over the years, primarily due to the increased volume of burnt canes. This not only negatively impacts soil health and the environment but also increases operational and processing costs resulting in the loss of revenue.
- 2.5 The Committee noted that KPIs do not exist for all sugar industry stakeholders.
- 2.6 The Committee noted that the industry faces challenges due to a lack of manpower both at the production and the processing level.
- 2.7 The Committee noted the deplorable condition of the railway system during the site visits. Additionally, the Committee concluded during discussion that the investment made on trucks has contributed to deterioration of road conditions, traffic congestion and increased transportation cost to the farmers. The trucks are left idle during non-harvesting period wasting valuable resources.
- 2.8 The Committee was quite astounded to find that the Corporation does not have Strategic Plans in place.
- 2.9 The Committee identified a need to improve soil fertility to enhance sugar cane production.
- 2.10 The Committee noted that the sugar stakeholders are territorial and working in silos. There is a lack of information sharing and coordination that directly impacts sugar production.

2.11 The Committee noted that FSC did not include SDGs in its Annual Reports.

3.0 Recommendations

The Committee recommends the following:

- 3.1 The Standing Committee should be empowered to conduct an inquiry to scrutinize all key stakeholders of the sugar sector to pinpoint the root cause of the Corporation's continuous operating in deficit. The Committee will propose remedial measures to improve the financial position of the Corporation with the aim to reduce its heavy reliance on Government guarantees.
- 3.2 FSC must produce approximately 235,000 tons of sugar to achieve financial sustainability.
 - 3.2.1 The current farm model established by CSR since 1960s, comprising of 10 acres holding is no longer economically viable. Therefore, FSC is advised to prioritize efforts towards amalgamating smaller holdings into larger farming units.
 - 3.2.2 FSC should enhance its collaboration with land owning units to intensify cane farming activities to increase the overall cane production.
- 3.3 FSC should develop strategies to establish an integrated mill capable of efficiently producing raw sugar, refined sugar, ethanol and power generation.
- 3.4 Implement quality cane payment system to ensure only high-quality cane is processed maximizing returns to farmers and FSC.
- 3.5 Sugar stakeholders should collaborate to develop new KPIs for new income streams that will enhance the economic viability of the sugar sector.
- 3.6 Ensure adequate manpower is deployed in the field to successfully meet the production targets by mobilizing resources and conducting appropriate awareness and training programs to address any existing gaps.
 - 3.6.1 FSC to continuously provide better working condition and incentives to their workers.
- 3.7 That FSC needs to invest in railway system to help farmers reduce cost of transportation. A railway system will reduce traffic congestion and damage to roads. The benefits of investing in railway will provide passenger and other cargo transportation.

- 3.8 FSC must prioritize the development and implementation of appropriate policies and strategic plans to improve sector productivity and achieve set targets and outputs. It is crucial for FSC to ensure that these policies and plans are aligned with the current challenges faced by the Corporation.
- 3.9 FSC needs to work closely with SRIF to enhance the use of fertilizers including compost, poultry manure and green manuring amongst farmers. Therefore, the Committee strongly recommends that FSC continuously prioritise working in collaboration with SRIF in developing more efficient production practices tailored to specific geographic locations and specific areas.
- 3.10 Enhance farm production through greater collaboration among various government entities including the Ministry of Sugar Industry, Ministry of iTaukei Affairs, Culture, Heritage and Arts, iTaukei Land Trust Board, Ministry of Youth and Sports, Ministry of Trade, Co-operatives and Small and Medium Enterprises and Communications, Ministry of Agriculture, Business Assistance Fiji to establish pilot farming models engaging iTaukei landowners to form cooperatives and utilizing suitable cane areas within their localities. This joint initiative can maximise resources and empower iTaukei communities in the sugar industry.
- 3.11 FSC must report on Sustainable Development Goals in their Annual Reports, especially on SDG 5 on Gender Equality.

4.0 Sustainable Development Goals

The Committee noted that the Fiji Sugar Corporation Annual Reports for the period under review does not capture any elements of SDGs so as the SDG 5 on Gender Equality on the staff composition and promotions. However, we noted that majority of the FSC Board Members and Executive Management were male.

5.0 Conclusion

The Committee is not satisfied with the Annual Reports during the review period. There is an urgency to review the Sugar sector in particular FSC to improve its performance through more enhanced coordination, commitment, and accountability of all stakeholders.

6.0 Committee Members' Signatures

 _____ Hon. Sakiusa Tubuna Chairperson	
 _____ Hon. Sashi Kiran Deputy Chairperson	 _____ Hon. Premila Kumar Member
 _____ Hon. Tomasi Tunabuna Member	 _____ Hon. Semi Koroilavesau Member

7.0 Annexure

Published evidence

Written evidence, transcripts and supporting documents can be viewed on the Parliament website at the following link:

<https://www.parliament.gov.fj/committees/standing-committee-on-economic-affairs/>