FIJI ISLANDS

INVESTMENT OPPORTUNITIES IN THE DAIRY INDUSTRY

1.0 INTRODUCTION

Dairy production in Fiji is broadly classified into two major categories, namely the (1) formal sector, which comprise farmers who supply milk and cream to Rewa Co-operative Dairy Company Limited (RCDC) and the (2) informal sectors, which comprise fresh milk producers who supply urban dwellers (for home consumption), farm use and production of value adding milk by-products.

Dairy farming mainly operates in the Central division of the main island of Viti Levu, where the main milk processors, Rewa Co-operative Dairy Company (RCDC) operates. Total suppliers of dairy milk are estimated to average 260 a year between 2005 and 2008, of which 80% have been suppliers of milk to RCDC. In 2008, the Animal Health and Production Division of the Department of Agriculture estimated a total production of 9,630 milking cows or a mean average of 37 cows per farm and a production of around 5 litres per cow a day. The Rewa Cooperative Dairy Company being the only local dairy processor, has the capacity to process 40 million litres of milk annually. However, the company recorded a total of 10.341 million litres supplied from local farmers, with total milk fat equivalent at an average of 1.032 million between 2006 and 2008.

2.0 OPPORTUNITIES

Investment opportunities in the dairy industry exist in a number of areas:

- Feed supply services;
  - Organic;
- Value Adding;
  - Food service cheese for chefs;
  - Bulk powdered milk for repacking;
  - The supply of retail yoghurt;
- Breeding and fattening.

There are also opportunities for exporters who can tailor make products/services for the increasing elderly and health conscious population of Fiji. The efficiency in the dairy farms in Fiji would enable higher milk production which could also be utilized to manufacture cheese to meet the local demand and in turn reduce import expenditure.

3.0 REGULATIONS AND STANDARDS

The dairy industry in Fiji is partly deregulated with some concessions enjoyed by RCDC. Apart from bulk butter and powdered milk products, there is no import licensing. However, high tariffs have been introduced to protect the local industry.

Locally produced and imported butter, powdered, condensed, evaporated and baby milk is subject to price control by Prices & Incomes Board, with a limited margin of 13 per cent, while all products are subject to a 12.5 per cent Value Added Tax (VAT). All products are subject to a Value Added Tax (VAT) of 12.5 per cent.

The import duty for dairy products for 2009 is listed below:

- Powdered milk for infant use – 0 per cent;
- Ghee – 5 per cent;
- Full cream and skim powdered milk – 15 per cent. (*For full cream powdered milk 7.5 per cent under concession for companies engaged in repacking);*
- Cream – 32 per cent;
- Yoghurt – 15 per cent;
- Evaporated/condensed milk – 15 per cent;
- Cheese – 32 per cent; and
- Butter – 32 per cent.

The Fiji Islands Revenue & Customs Authority administers the above duty rates. More information can be obtained from http://www.frca.org.fj

Industry standards

For packaging and labeling requirements refer to:

- National and Trade Measurement Decree, 1989 (No 14, 1989);
- National and Trade Measurement (Pre-Packed) packaging regulation 1989;
- Health Department regulations; and
- Food Safety Act, 2008.

Distribution channels

The Food Safety Act regulates the standards of processed and unprocessed goods to be sold in Fiji and/or shipped for export. The Act follows Food Safety guidelines of the Codex Alimentarius Committee[1] which is recognized by the World Trade Organisation (WTO) under the Sanitary and Phytosanitary Agreement. Recent development has seen the upgrading of the competitive authority, the Ministry of Health.

For local distribution, large wholesale companies and some retailers import directly from source markets and sells to wholesalers and communities. These companies supply

[1] *Codex Alimentarius Commission was created in 1963 by FAO and WHO to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The main purposes of this Programme are protecting health of the consumers and ensuring fair trade practices in the food trade, and promoting coordination of all food standards work undertaken by international governmental and non-governmental organizations.*

retailers and smaller shop outlets. Local products go from the manufacturer or wholesaler to retailers. Fiji exports bulk of its dairy products and re-exports to the Pacific region.

Standard shipping terms within the industry are Free on Board (FOB) or Cost, Insurance and Freight (CIF). Letter of credit is losing popularity with telegraphic transfer within 30 days usually preferred as payment terms.

4.0 TRADE DATA

An increase in imports of cheese, yoghurt, milk powder and Ultra High Temperature (UHT) milk and decrease in imports of retail butter, eggs and ghee is recorded in the last few years. Eggs are also categorised as part of dairy in Fiji. Fiji is largely self-sufficient in egg supply with the exception of fertilised eggs for broiler trade from New Zealand. Australia has ceased supplying dairy to Fiji over a number of years now following the ban on poultry products susceptible to Newcastle disease.

Table 1: Trade data for 2007 and 2008

Years	**Exports of Dairy Products**		**Imports of Dairy Products**	
	Volume	**Value (F$)**	**Volume**	**Value (F$m)**
2007	269,198	1,107,744	12,240,952	49,286,103
2008	430,609	1,275,546	14,602,837	60,075,830

Source: Department of Agriculture: F$1.00 = USD0.5099 (11th Feb 2010)

Fiji imports the following dairy products mainly from Australia and New Zealand;

- Butter – retail and bulk;
- Cheese – retail, food service and bulk;
- UHT milk;
- Powdered milk imported bulk and repacked;
- Yoghurt – retail and food service; and
- Milk for infant use.

5.0 Programmes to Revive the Industry (Department of Agriculture)

To boost dairy production at Navuso Agriculture Farm, the Ministry of Agriculture (MOA) proposed to procure and supply 50 heifers[2] on a 1/3 – 2/3 basis to identified farmers. MOA is focusing on Programmes that aimed at improving the breeding stock to maintain a sustainable supply of quality dairy products.

[2] *Heifer is a young female bovine (cow) prior to the time that she has produced her first calf*

6.0 Useful Contact

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