

# FIJI ISLANDS

## INVESTMENT OPPORTUNITIES IN PROCESSED FRUIT AND VEGETABLE PRODUCT INDUSTRY

### 1.0 INTRODUCTION

Fiji like a number of other developing countries is located in a region with a tropical climate, and naturally, produces a variety of tropical fruits and vegetables. The potential therefore exists for value adding. Because of their delicacy and sensitivity to handling and also because of the technology required for the growing, harvesting, transporting, packing, ripening, etc of fresh fruits and vegetables it is prudent that optimal benefit is derived from these crops. To achieve this, processing of surplus, damaged and undersized fruits and vegetables should be undertaken. Processing should alleviate over supply in the marketplace, add value to the resource, increase shelf life, and become easily transportable.

Preservation of fruits and vegetables has been done since the dawn of human history. At present various methods of preserving fruits and vegetables can be cited, such as canning, refrigeration, drying, salt-pickling, sugar preservation, to name a few. However, from the viewpoint of presentation, transportation, sanitation and economy, canning can be said to be most ideal as compared with fruits and vegetables prepared by other methods.

### 2.0 RESOURCE BASE

There are opportunities for processing fruits and vegetables in Fiji. Fresh produce thrives in the tropical climate and fertile soils, and this ensures adequate supply of inputs for processing. These include pawpaw (jam & juice), tomatoes (tomato juice and canning of peeled tomatoes), pineapple (juice and fruit canning), coconut products (cream, timber, and specialty oil), Grain Sorghum Stalk (duruka), mixed vegetables, guava (jam), mango jam/juice, herbal kava products etc. Since these fruits and vegetables are seasonal crops the plant will need to be more versatile so as to allow processing of all these items utilising the same plant thereby ensuring operation of the plant throughout the year.

In addition, potential also exists for the production of taro, cassava, breadfruit and banana chips both for the local as well as export markets. The raw materials are available locally or can be easily produced.

### 3.0 INFRASTRUCTURE AVAILABILITY

The entire infrastructure required for the establishment of enterprises of this nature exists. Fully serviced industrial lots with basic services such as electricity, water, and telecommunications, are available. These industrial lots are in close proximity to modern sea and air ports, commercial centres, and transportation for workers.

The infrastructure for the collection of fruits and vegetables from the farmers will need to be developed further.

### 4.0 EXISTING INDUSTRIES

Companies involved in this sector are Food Processors Limited, Frespac Ginger (Fiji) Ltd, Balthan International (Fiji) Ltd and Foods (Pacific) Ltd to name a few. Existing companies produce fruit juice concentrates (pineapple, orange, guava, mango, passion fruit and other citrus juice). Canned tomatoes and Grain Sorghum Stalk (duruka) are also produced. Vegetables are mostly sold fresh.

Major competitors producing like goods are mostly from South East Asia, and Australia.

Trade statistics relating to imports and domestic exports of fruits and vegetables are shown below: Fruits and Vegetables include HS chapter 7; edible vegetables and certain roots and tubers, HS chapter 8; edible fruit and nuts: peel of citrus fruit or melons and HS chapter 20; preparation of vegetables, fruit, nuts or other parts of plants.

Year	Imports (F\$ million)	Domestic Exports (F\$ million)
2004	54.7	31.3
2005	28.9	29.0
2006	63.9	32.8
2007	65.6	35.5
2008	72.3	33.2

Source: Bureau of Statistics, Fiji.

### 5.0 INCENTIVES AVAILABLE

- Corporate Tax - The corporate income tax rate for resident and non-resident companies is 29%.
- Food processing activities may claim 100% as a deduction on the amount spent on capital investment. The deduction is available for those new business engaged in value adding process. Re-investment for expansion purposes will also be allowed such a deduction. In order to qualify the investor should utilize 50% of local produce (inclusive of raw materials, labour etc) in its production process.
- **40 percent Deduction** - 40% deduction for investment allowance may be claimed on the purchase of capital assets of not less than \$50,000 per annum and provided that the capital asset is not disposed off within 3 years. The capital assets do not include land, buildings, passenger motor vehicle or trading stock. Such investment

allowance can be claimed between 2001 and 2010 (both years inclusive) for the expenditures incurred during this period. However, activity should involve substantial transformation<sup>1</sup> of the natural resources<sup>2</sup> and the manufacturing<sup>3</sup> business carried out on a location not less than 25 km from the General Post Office (GPO) in Suva, Lautoka, Nadi, Nausori or Navua.

### **Duty Concessions –**

- Goods imported in primary form for manufacturing purposes, which require further processing qualifies for a concessionary duty rate of 3% fiscal plus 12.5% VAT. *In order to qualify for the concession, the investor has to set up his factory and install the machines and then advise the Customs Authority for an inspection of the factory set up. An inspection will be carried out by the Customs officials before the approval will be granted to import raw materials at concessionary rate of duty.*
- Other types of goods imported for assembling operations qualify for intermediary duty rates i.e. half the normal duty rates. To qualify for concessions, applicants should first apply to the Customs Authority followed by an inspection before the approval for the concessions is granted. Packaging materials not available locally qualify for 3% fiscal duty plus 12.5% VAT.
- Capital Items - Duty rates on capital items (which refer to machinery used for converting/processing raw materials) will attract 5% fiscal duty + 12.5% VAT.
- Duty-free inputs for exports - All inputs, components and accessories imported for utilisation in production of a final product for export are exempt from payment of any duty under the Duty Suspension Scheme (DSS) or are eligible for drawback of duty under the Industrial Drawback Regulation. The scheme is administered by the Exporters Club Limited (*refer to [www.exportersclub-fiji.com](http://www.exportersclub-fiji.com) for details*)

Carry forward losses – Tax losses incurred in any year may be offset against profits earned during the next succeeding eight [8] years subject to the continuity test or the same business test.

Small and Micro Enterprises (SME's) - For Small and Micro Enterprises (SME's), income tax exemption will be available to certain sectors with a maximum turnover threshold of \$300,000.00. These sectors include the following: Sugarcane farmers, Coconuts, Rice, Ginger, Yaqona, vegetable farming, Bee keeping, Dalo, Cassava & Other Root Crop production

## **6.0 EMPLOYMENT AND SKILL LEVELS**

There is an adequate supply of food technologists in the country. Science graduates of the University of the South Pacific (USP) and laboratory technicians trained by Fiji

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<sup>1</sup> Substantial transformation means the process applied to the natural resources, which result in a product having a different classification under the Harmonised System (HS) codes from that of the raw materials. Substantial transformation does not include repackaging and rebottling and logging of timber.

<sup>2</sup> Natural resources mean unprocessed or raw natural produce, including timber, wholly derived in or from Fiji.

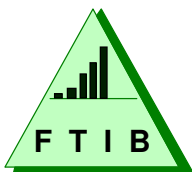
<sup>3</sup> Manufacturing means any activity included under the major Division 3 of the Fiji Standard Industrial Classification (FSIC) codes.

Institute of Technology (FIT) can, with further in-house training be usefully employed in the industry.

For certain activities requiring specialised expertise and skill set, overseas recruitment/training may have to be undertaken.

## 7.0 POTENTIAL FOR EXPORTS AND GROWTH

Markets for processed tropical fruits and vegetables have been identified in Australia, New Zealand, USA, Canada and Japan. Fiji is in a good position to take advantage of the opportunity presented by these markets since it has preferential trade arrangements with these countries and meeting "rules of origin requirements" may be too problematic. There are Sanitary and Phyto Sanitary (SPS) measures and other Technical Barriers to Trade (TBT). To take advantage of the identified markets, production of raw materials will have to increase and modern processing plants will have to be established. Juices, jams and jellies, preserves, confectionery and syrups from tropical fruits have potential for development.



### Fiji Islands Trade & Investment Bureau

#### SUVA OFFICE

6<sup>th</sup> Floor Civic Tower, Victoria Parade  
P.O Box 2303, Government Buildings, Suva  
☎ (679) 331 5988  
☎ (679) 330 1783  
🌐 [www.ftib.org.fj](http://www.ftib.org.fj)

#### LAUTOKA OFFICE

Ground Flr, Jay Lal & Co Complex  
21 Tui Street, Marine Drive  
P.O Box 5105, Lautoka  
☎ (679) 666 0133  
☎ (679) 666 7186

#### LABASA OFFICE

Lot 1, Damanu St  
P.O Box 4665,  
Labasa  
☎ (679) 881 1074  
☎ (679)881 1071