

FIJI ISLANDS

INVESTMENT OPPORTUNITIES IN PRAWN FARMING

1.0 INTRODUCTION

The concept of prawn (shrimp) farming to utilize otherwise unusable coastal land was introduced over 20 years ago at Raviravi in Ba by the collaborative effort of the Government of Fiji and the FAO Programme of the United Nations.

Fiji currently imports over 70% of shrimps for local consumption. Total imports are estimated to be around 600 metric tons, valued at approximately F\$15.2 million annually from Australia and Solomon Islands to mainly feed our hotel industry. The local supply from natural population is quite small and is estimated to be less than 500 tons per annum.

The local market price for freshwater prawns, was previously was less than F\$20 per kg, and this has improved recently. Now fresh water prawns fetches around F\$25 - \$30 per kg locally.

However aquaculture in Fiji is still at its infant stage (less than 10% of the value of all fishery exports) and this is expected to increase. With a scope of additional projects that may soon come on stream, Fiji could be poised for rapid growth of its aquaculture sector.

2.0 RESOURCE BASE

Fiji at the moment, due to its isolation has been regarded as a disease free country, as far as shrimp is concerned. Fresh Water Prawn Farming in Fiji has the potential to slowly develop into a multi-million dollar industry and other countries that have ventured into fresh water prawn farming have netted millions in the process. The finished product itself is an expensive delicacy in restaurants and five-star hotels/resorts all over the world, and with the steady increase in visitor arrivals the demand for prawns is on the rise.

Fiji's tropical environment is ideal for prawn farming. The clean water systems, sufficient land, fresh air and the lifestyle of people fit this form of farming.

3.0 INFRASTRUCTURE

The Department of Fisheries has been providing assistance to farmers in terms of supplying the Post-larva's (PL's) and this includes spawning, nurture and delivery of prawns. The Ministry of Agriculture, Forestry and Fisheries is therefore requesting the Fiji Government to provide total funding support of F\$25 million for two years to

establish the number of farms or total land area capable of producing the volume of shrimp demanded locally. In the process, this commodity can be developed to be a successful and sustainable industry within the next two years.

Taking the country's geography into consideration, only 16% or 2,933 square kilometers of Fiji's total land area of 18,333 square kilometers are suitable for agricultural activities. These areas are found mainly along the coastal plains, river deltas and valleys. However the establishment of a prawn farm does not require high yielding lands, and therefore shall not compete for available land.

4.0 INCENTIVES AVAILABLE

- **Investment Allowance Deduction – 40% deduction** may be claimed on the purchase of capital assets of not less than \$50,000 per annum, provided that the capital asset is not disposed of 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. Activities eligible for claiming 40% investment allowance are businesses where substantial transformation¹ of the natural resources² is carried out or Rural Manufacturing³ Business carried out on a location not less than 25 km from the General Post Office (GPO) in Suva, Lautoka, Nadi, Nausori or Navua.

Other Concessions Available

- Production Inputs (raw materials) - 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 the 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

¹ 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.

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

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

duty under the Industrial Drawback Regulation. The scheme is administered by the Fiji Export Council Limited (refer to www.fijiexportcouncil.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. These sectors include the following: sugarcane farmers, coconuts, rice, ginger, kava, vegetable farming, bee keeping, taro, cassava & other root crop production.

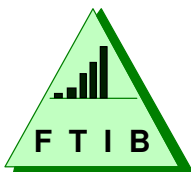
5.0 PROFITABILITY

The economic return from shrimp farming is high and payback time is quick (as harvest cycle is four months). Shrimp has been identified as having a high potential to be developed into a viable, revenue generating industry which could supplement sugar, and could be easily developed to generate revenue earnings in excess of F\$100 million annually. The production revenue per hectare is immense which could easily exceed income from sugar and most other crops. A hectare can easily produce 20 tons per year, valued at around F\$440,000 per hectare/year. Fiji's strength in terms of shrimp farming lies mainly in the existence of low cost production, disease free shrimp, and a clean coastal environment where shrimps are produced.

6.0 MARKETS

Marine prawns or shrimps are of high value, high demand short-term cash crop with a substantial local and overseas market potential. A number of local buyers have indicated that they would require individual sales of 5 – 6 tons per week, and a US buyer requires a minimum volume of 80 tons per month. Local shrimp consumption is currently around 900 metric tons (worth F\$26.4 million), and less than 30 percent of this volume are supplied by the capture fisheries and 70 percent are imported from Australia and other producing countries. Local consumption continues to demonstrate a sustainable increase over the last 20 years.

Apart from farming shrimps to replace imports, this commodity also has the potential to be exported to countries like USA, Japan and France. An American company is interested in purchasing 480 tons of shrimp annually from Fiji. Shrimps produced in Fiji are of the highest quality since it is produced in a disease-free environment. Unlike Asian countries where the coastal water is heavily loaded with pollutants, Fiji's coastal waters are clean and the massive oceanic currents that surrounds us, is an advantage.



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