

FIJI ISLANDS

INVESTMENT OPPORTUNITIES IN THE PROCESSED FISH, FISH PRODUCTS AND PROCESSED SEAFOOD INDUSTRY

1.0 INTRODUCTION

The fisheries sector contributed 2.3 per cent to GDP in 2008 and generates \$134.2 million of exports in 2008. Moreover, this sector is cited as being among the sectors in the economy demonstrating the highest growth potential. The Government of Fiji is of the view that marine resources be exploited in a manner that ensures maximum sustainable returns to the economy.

2.0 RESOURCE BASE

Fiji's 200 mile exclusive economic zone (EEZ) covers a very large area i.e. some 1.3 million square kilometers. The large stock of marine resources in the EEZ presents a lot of opportunities for investment. Tuna and deep-sea snapper are commercially exploited and both are primarily destined for the export market. The coastal waters, coastal mangroves and surrounding reefs has sizeable stock of not only fish but also crabs, clams, shellfish, prawns, lobsters, etc. In addition, various varieties of seaweed are also available in Fiji waters.

3.0 INFRASTRUCTURE AND LAND AVAILABILITY

Infrastructure facilities in the major centres are very well developed. Fully serviced industrial lots, ports with modern material handling facilities, air and ocean carrier services, and such transport links are readily available. A port facility in Walu Bay in Suva and at the Fiji Fish Jetty in Lami, which is in the outskirts of Suva, caters for the growing fishing vessel traffic that use Suva as their base. Fishing activity is mainly in Fiji and other waters of Vanuatu, Solomon and the high sea pockets adjacent to Fiji waters. To support the inshore fishery in the outer islands and in rural/coastal areas infrastructure facilities like jetties, small wharf, ice making plants and freezer storage facilities are established and frequently serviced by the Fisheries Department. However, any project involved with coastal fisheries resources will have to organise collection points if processing is to be done in any of the major commercial centres.

Water, electricity and telecommunications facilities are available in most of the places where Fisheries centre are located.

4.0 EXISTING INDUSTRIES

The level of processing varies from enterprise to enterprise depending on the market

requirement. Offshore industrial fishery includes long line tuna fishing and to a small extent deep-water snapper fishery. A few companies including PAFCO and Voko Industries are involved in canning. Other companies like Celrock Holdings Limited, The Fiji Fish Marketing Group Limited, Hangton Pacific Company Limited, Golden Ocean Fisheries Limited, Tripacific Marine Ltd and Tosa Bussan (Fiji) Ltd are involved in both semi and full-processing of fish, i.e. heading, gutting, loining, value adding and filleting for the export markets and a small quantity for the domestic market.

High quality fish are exported as chilled or processed for tuna sashimi mainly to Japan, Europe and United States. Other processing activities include smoking and drying of fish, seaweed and processing of trochus shell for buttons.

The competition in the domestic market for canned and other processed seafood comes from imports from Australia, Thailand, Korea, Malaysia, and Hong Kong. The competition in the export market comes from United States, Thailand, Japan, Solomon Islands, Papua New Guinea, Australia and New Zealand.

5.0 TRADE STATISTICS

The statistics relating to domestic exports and imports of fish and products of fish is shown below:

	Canned Fish (F\$ million)		Fresh Fish (F\$ million)		Others Fish Products (F\$ million)		TOTAL (F\$ million)	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
2004	2.0	13.6	63.5	49.6	15.9	5.1	81.4	68.3
2005	1.6	15.5	68.2	40.6	13.1	6.7	82.9	62.7
2006	1.2	20.4	82.3	33.5	14.5	6.5	97.9	60.3
2007	1.7	24.3	83.6	22.8	16.1	7.7	101.3	54.8
2008	3.6	25.2	117.1	30.3	13.5	8.9	134.2	64.4

Source: Bureau of Statistics, Fiji.

6.0 INCENTIVES AVAILABLE

- Companies involved in offshore long line tuna fishing venture are eligible for the following fiscal duty concessions under section 10 of the Customs Tariff Act;
 - (i) Free fiscal duty plus 12.5% VAT on specialised fishing boats imported for the purposes of commercial fishing;
 - (ii) Free fiscal duty plus 12.5% VAT on specialised fishing gear & equipment;
 - (iii) Free fiscal duty plus 12.5% VAT on Fish baits; and
 - (iv) Two cents (F\$0.02) per litre plus 12.5% VAT on ADO (Automotive Diesel Oil/Fuel)
- Furthermore a 200% deduction on capital expenditure for a period of 5 years W.E.F 2006 for all investors engaged in fisheries activity.
- **40 percent Deduction** 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. 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 business 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 is 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 to be followed by an inspection before the approval for concessions is granted.
- Packaging materials not available locally qualify for 3% fiscal duty plus 12.5% VAT.
- Duty rates on capital items (which refer to machinery used for converting/processing raw materials) will attract 5% fiscal duty + 12.5% VAT.
- 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 Duty Suspension Scheme or DSS would enable exporters to have access to inputs without having to pay for duties upfront. Imported goods are conditionally relieved from payment of fiscal duty and VAT on the basis that such goods will be substantially transformed through manufacturing or processing and subsequent exportation. The scheme is administered by the Fiji Export Council Limited (refer to www.fijiexportcouncil.com for details)

6.0 POTENTIAL MARKETS

Markets have been identified in Japan, Europe and the US for semi-processed fish such as tuna, billfish, and snapper. Markets for processed prawn and canned crabmeat have been identified in New Zealand and Australia

For the local market, opportunity exists for upstream processing and value adding in the

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.

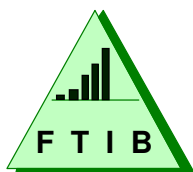
³ Manufacturing means any activity included under the major Division 3 of the Fiji Standard Industrial Classification (FSIC) codes.

production of fish fingers, fish cakes, fish burgers, fish sausages, fish paste, etc. Souvenir/handicraft products made of seashells also have potential both in the local tourism industry as well as for export.

The main competitors for the export markets come from the United States, Thailand, Japan, Solomon Islands, Papua New Guinea, Australia and New Zealand. The competition in the domestic market for canned and other processed seafood comes from imports from Australia, Taiwan, Korea, Malaysia, Solomon Islands, and Hong Kong.

7.0 OTHER USEFUL CONTACT

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