

FIJI ISLANDS

INVESTMENT OPPORTUNITIES IN THE SEA CUCUMBER INDUSTRY

1.0 INTRODUCTION

Sea cucumber, also known as beche-de-mer, has been in Fiji for the past two centuries. In the 19th century sea cucumber trade replaced sandalwood and became Fiji's major export earner. Since the 1980's, elevated export prices and demand from Asian markets have been the catalyst for increased fishing. The export earnings of beche-de-mer for the last five years average about \$5.2 million.

There are about 21 commercial species of beche-de-mer present in Fiji, namely, White teat fish, Black teat fish, Surf redfish, Lolly fish, Brown sandfish, Curry fish, Deepwater red fish, Elephant trunk, Green fish, Snakefish, Tiger fish, Stonefish, Prickly redfish, Pinkfish, Amberfish, Sandfish (dairo), Golden sandfish, Red snake-fish, Flower-fish, Hairy black-fish, Chalk-fish (mudra), and White thread-fish¹.

Majority of sea cucumbers harvested in Fiji are those that have thick body walls and are subsequently processed for beche-de-mer. The production of beche-de-mer is an export driven industry.

2.0 GOVERNMENT POLICY

Government policy is to develop appropriate legislation and infrastructure that will revive and grow the beche-de-mer industry in Fiji through private and public partnership. Government welcomes private sector investment mainly in the capturing and the processing of fish products for exports.

The Department of Fisheries has implemented the Protective Management Guideline to proactively sustain the resource. The guideline includes the establishment of Marine Protected Areas across reef systems where the Holoturian species are found, and setting up sanctuaries for these species. The Guideline also outlines proper handling and harvesting methods for sea cucumber and the potential of the industry. The Guideline recommends that farmers hand-collect beche-de-mer when harvesting and not to use hookahs and scuba diving as they impose threat to other marine organisms. Such awareness program featured in the guideline allows stakeholders to be well aware of Government's initiatives in reviving the industry.

¹ Species names adopted from Fisheries Report, 2nd October 2009.

3.0 AVAILABLE INFRASTRUCTURE AND SUPPORT SERVICES

3.1 Availability of technical assistance and research facilities.

The Fisheries Department conducts research on the sustainable utilization of marine resources inventory through surveys for stock assessments, and also on artificial breeding of certain species. For instance, the Department has commenced research on the breeding of sandfish (dairo) *Holothuria scabra* and its hybrid species, the Golden sandfish *Holothuria scabra* var. *versicolor*².

3.2 Availability and accessibility of physical infrastructure.

Infrastructure facilities in the major centres are 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 uses Suva as their base. To support the rural areas infrastructure facilities like jetties, small wharf, ice making plants and freezer storage facilities are established and frequently serviced by the Fisheries Department.

Water, electricity and telecommunication facilities are available in most of the places where Fisheries centres are located. Beche-de-mer is a low technology commodity requiring a lot of sun for sun-drying, in outer island, drying can be done on the beach-front, thus not requiring the availability of electricity and associated storage facilities. However when purchased by companies, they may then use oven-dryers and electricity for further processing and packaging.

4.0 EXISTING INDUSTRIES

There are approximately 19 companies that are processing beche-de-mer for exports. The major companies are Gold Hold Company Ltd, His Hands Trading Co, Tuvu Seafood, King Wah Trading, Star Dragon General Trading Co, C & J Enterprises, Golden Ocean, Flysha Fiji Ltd, and L & David Enterprise. The number of operating companies has increased as investors continued to come in showing their interest in the industry.

In Fiji, sea cucumber farmers are mainly based in Vanua Levu including Natuvu Village, Nawi Village and Wailevu and in the Western Division. The Department of Fisheries has developed programmes to encourage the farmers to basically hand collect sea cucumber found in shallow water. The sea cucumbers collected are processed by boiling, smoke drying and sun-cured by the farmers before it is bought by the exporting companies.

² *Holothuria scabra* and *Holothuria scabra* var. *versicolor* - are the scientific names of sandfish and golden sandfish respectively.

5.0 INVESTING IN THE SECTOR

Foreign nationals wish to invest either through farming or processing of beche-de-mer will have to register their business first with the Fiji Islands Trade & Investment Bureau. According to the Foreign Investment Regulation 2009, any foreign investor wishing to invest in beche-de-mer farming must have at least F\$500,000 in owner's contribution or paid up capital. This activity is prescribed in the Fiji Standard Industrial Classification Code³ (FSIC) as 05003. On the other hand, any foreign investor who wishes to invest in the export of beche-de-mer, must have at least \$250,000 in owner's contribution or paid up capital. This activity is prescribed as other activities in the Fiji Standard Industrial Classification Code (FSIC) as 74999.

6.0 INVESTMENT INCENTIVES

The beche-de-mer industry is a low capital intensive industry. The following tax deduction and tax holiday is available for commercial fisheries.

- A 200% deduction on capital expenditure for a period of 5 years with effect from 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. A capital asset does 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 transformation⁴ of the natural resources⁵ is carried out or Rural Manufacturing⁶ 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.

³ FSIC 2004 is a classification according to the kind of economic activities performed by entities.

⁴ 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.

⁵ Natural resources mean unprocessed or raw natural produce, including timber, wholly derived in or from Fiji.

⁶ Manufacturing means any activity included under the major Division 3 of the Fiji Standard Industrial Classification (FSIC) codes.

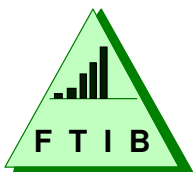
- Duty rates on capital items (which refer to machinery used for converting/processing raw materials) will attract 5% fiscal duty + 12.5% VAT.
- All inputs, components and accessories imported for utilization in production of a final product for export are exempt from payment of any duty under the **Duty 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 (refer to www.fijiexportcouncil.com for details).

7.0 OPPORTUNITIES

Developing the sea cucumber industry is a focus area of government and research institutions across the region. Research is currently being undertaken to develop and fine-tune hatchery-protocols for a number of species, which include Sandfish, Golden sandfish, White teat fish and Black teat fish. The Fiji government is currently working with the Australian Center for International Agricultural Research(ACIAR), Secretariat of the Pacific Community and other partners on developing and consolidating the hatchery production protocols for both Sandfish (dairo) and Golden sandfish (dairo kula). The research on hatchery propagation and grow-out assessment is being undertaken at the Hunter Pearls Ltd Hatchery in Savusavu.

The development of hatchery technology will indicate the increase in volume and harvest of each targeted species on a sustainable framework, thus providing the impetus for the economic growth of the sea cucumber industry.

The industry has a lot of potential to grow thus contributing to the economy's (GDP) given that BDM fetches a competitive price, requires low technology with simple processing protocols. There is also huge demand from the Asian market because it is a highly sought-after delicacy. Fiji in total has about 24 commercial species in its waters, of which only 19 is currently harvested for export purposes. With an increasing market demand and advanced research, other species with market value and demand could be identified.



Fiji Islands Trade & Investment Bureau

SUVA OFFICE

6th Floor Civic Tower, Victoria Parade
P.O Box 2303, Government Buildings, Suva
☎ (679) 331 5988
☎ (679) 330 1783
🌐 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