



**MOTION ON DAIRY INDUSTRY**  
**11AM -FRIDAY MARCH 24 2017 - PARLIAMENT OF FIJI**  
**BY NFP LEADER**  
**HON PROFESSOR BIMAN PRASAD**

Madam Speaker

I move –

“That this Parliament agrees that in light of the struggling dairy industry and worsening plight of dairy farmers, an extensive rehabilitation package be implemented for the vibrancy and vitality of the Dairy Industry and dairy farmers”.

Madam Speaker, the plight of the dairy industry and dairy farmers is an example of another Government reform or policy that has failed to meet its objective.

The reality of our dairy industry is excruciatingly painful. An average of Eighty million litres of milk is consumed each year. Our dairy industry is producing less than ten million litres of milk annually. This means that 70 million litres of milk either liquid or in powdered form is imported.

This means we are producing only twelve and a half percent of Fiji's total milk consumption while eighty seven and a half percent is imported.

Madam Speaker, what does this mean for our dairy industry, dairy farmers and the monopolistic Fiji Dairy Limited? Does it mean that it is making a loss or is technical insolvent? Are our dairy farmers struggling to survive?

The latter, that is dairy farmers, are genuinely struggling to earn a decent livelihood. But Fiji Dairy Limited continues to be a healthy profitable entity – thanks to the 32% duty concession or zero duty it enjoys for milk imports.

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All correspondence should be addressed to the general secretary

On the other hand Madam Speaker, An import duty of 32% is placed on all importers. But this particular company gets a zero duty to import cream/milk and sell them to consumers at a price which many are not able to afford, makes the argument by government to protect the local dairy industry pretty hollow.

This favored company, which has got zero duty has no incentive to promote the local industry when it can continue to rake in millions of dollars by simply importing. This too is at the expense of the ordinary consumers who are paying high prices for milk and milk products. It is a matter of wonderment that government while giving millions of dollars to this private company, is ensuring that the same company maximizes its profits when it is the sole provider of milk to our class one students.

And while this company makes exorbitant profit each year, the dairy farmers are suffering with low milk price and rising cost of feed for cows.

Farmers are paid price per litre of milk in three grades – premium, first and second. The highest price is 94 cents per litre, which is less than the cost of producing one litre of milk. The average price paid to farmers is 80 cents per litre. And four cents per litre is the surcharge for transportation of milk to chilling centres.

Madam Speaker, the rot of the industry started with the promulgation of what was then known as the Dairy Restructure Decree 2010, now known as an Act like other Decrees and promulgations without bringing them to Parliament for ratification.

We all know that a consultant, who happened to be a partner of an Accounting Firm was hired to carry out the restructure of what was then known as Rewa Dairy or Fiji Co-operative Dairy Company Limited.

Madam Speaker, the Decree's main intention was to transfer from FCDCL to Fiji Dairy Limited, all interests for separating milk supply from milk processing. And like other Decrees Madam Speaker, this Decree cannot be challenged in a Court of Law. A draconian and regressive piece of legislation like this is now known as an Act, portraying to the world that we as parliamentarians passed this legislation, which has become a noose around the necks of dairy farmers in terms of them being milked dry by this company.

Madam Speaker in July 2016, FCDCL CEO revealed a huge decline in milk production – in an interview with the Fiji Times published on 23<sup>rd</sup> July 2016.

He revealed that in the first quarter of 2015, dairy farmers were supplying 26,000 litres of milk daily to the factory compared to 19,000 litres in 2016.

The reduction by 7,000 litres means in 2016 FCDCL farmers would have supplied only a little over 6.9 million litres of milk.

This is a significant reduction of almost 27%. But Fiji Dairy Limited is not complaining because it enjoys zero duty on milk imports. And we have fair idea of why they are silent while the dairy industry and plight of farmers is worsening by the day.

Because Madam Speaker, the company will enjoy the zero duty on imports for 10 years. Other importers are subjected to a 32% duty on all milk products except ghee which I am told is 15%.

Perhaps the Minister for Economy and the Minister for Agriculture can either confirm or deny this – I am told that apart from the white packet Rewa Life, butter, yoghurt and a few flavoured milk brands, others are imported by Fiji Dairy Limited. The blue packet Rewa Life, Devondale and Dawn brands are all imported. So there is no incentive for Fiji Dairy to develop the local industry when it can maximize its profits through imports that are zero-rated.

Madam Speaker, FDC, during its Annual General Meeting last year proposed that it have its own processing facility because Milk Supply Agreement with Fiji Dairy Limited was questionable.

The AGM also heard that the price of a litre of raw milk should be \$1.25 from an average of 82 cents.

Madam Speaker, the plight of sugar cane turned dairy farmers in Vatukoula was highlighted recently by The Fiji Times in a series of reports. Despite the series of articles, no response has been forthcoming from the Dairy Company and the Ministry of Agriculture.

“Dairy farmers struggle to survive” was an article on Saturday 4<sup>th</sup> March. Madam Speaker this picture tells us the painful reality of the plight of dairy farmers. A Vatukoula farmer Hirdesh Nand shows cans of milk rejected by the company, causing them more losses in addition to the low price paid for raw milk.

Mr Prasad said the company doesn't even call them the same day to tell the milk has been rejected but return the cans full of milk the next day. He said if the company tells him what is wrong with how

he manages his dairy cows or with production of the milk, he can take remedial action but this is not the case.

Madam Speaker, another article in The Fiji Times on 6<sup>th</sup> March “Dairy cow shortage hits farmers, firm”, quotes FCDCL CEO as saying the number of cows has reduced significantly since 2015. He says the outbreak of Bovine Tuberculosis or Bovine TB in 2015 and 2016 shrunk the stock by 22 to 23 percent. He said it was difficult to import farm animals from neighbouring countries because of disease issues. There is no response in this article or in its aftermath from the Agriculture Ministry to say what is it doing to alleviate this problem.

Madam Speaker on 15<sup>th</sup> March The Fiji Times reported that the Agriculture Ministry remained tightlipped on how it was going to help the affected Vatukoula Dairy farmers who had called for increase to price of raw milk, solutions to transportation issues and rejection of fresh milk by the buyers.

FCDCL CEO is also quoted here as saying that the price of a litre of raw milk had decreased from \$1 in 2012 to 80 cents. This is following the restructure of the company when Fiji Dairy became the supplier. This is confirmed by one of the directors of FCDCL.

The price before was \$1 VEP or VAT Exclusive while the lower price of 80 cents is VAT inclusive.

There we ask why a corporate giant is allowed to profiteer at the expense of farmers and taxpayers?

Madam Speaker, we fear the dairy industry and the plight of farmers will be the same as that of our cane growers if Government does not review its policies and adopts and implements an extensive rehabilitation package to prevent the industry from collapse.

We urge the government to immediately review this policy. And the first thing it should do is to bring to Parliament and review the Dairy Industry Restructure Decree of 2010. For it to be considered an Act, it must be fully scrutinised by Parliament to see how and why this particularly company has been given concessions and zero duty to maximize profits at the expense of dairy farmers, the taxpayers and consumers of Fiji.

Instead of reviving the dairy industry, these measures have and are leading it on a path to destruction.

Madam Speaker, if Government is serious about helping dairy farmers and the the dairy industry, we would suggest that it should be through direct support to the farmers in improving their pastures, breeding, infrastructure and close extension and advisory support to the farmers. The supplementary feed for dairy cows should also be subsidized.

And most importantly the price of raw milk should be increased to \$1.25 per litre and the grading system scrapped.

Madam Speaker, Protecting one company to promote local dairy industry by assisting their imports, has been a colossal failure as I pointed out in this Parliament in December 2014.

Import substitution policy is an age-old policy which has failed elsewhere, it has previously failed in Fiji and there is no doubt that

it will fail in this case. The losers will be ordinary consumers and dairy farmers in this country.

I Commend the Motion