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FIJI CROP SECTOR FORUM

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TABLE OF CONTENTS

- I. Introduction
- II. Financing Opportunities
- III. Financing Constraints
- IV. Possible Solutions



I. INTRODUCTION

1. The Reserve Bank of Fiji (RBF) introduced the Agriculture and Renewable Energy ratios in February 2012 in its effort to increase lending activity of commercial banks' to these two vital sectors of the economy. The objective of this policy was to facilitate further economic development and growth for Fiji. At their introduction, the agriculture loans ratio was set at 4 percent of commercial bank's deposits and similar liabilities.
2. The Bank is presently far from achieving these targets, reasons for which are discussed under 'financing constraints'.



II. FINANCING OPPORTUNITIES

- Having a rich resource base and tropical climate, Fiji has enormous potential in producing a wide variety of tropical fruits and vegetables.
- There is a lot of potential for growth in the areas of producing for tourist markets, import substitution, niche products and organic farming. These areas also offer financing opportunities to Banks.
- The Bank however does not attract a great number of applications for farming. The larger and most appealing financing requests in recent times have come from wage and salary earners looking to enter into farming ventures whilst maintaining the current employment and income streams.
- Consideration needs to be given to the establishment of machinery cooperatives e.g. for small farmers, tractors are expensive and would be under-utilised. The cost spread across a number of farms lessens the financial burden and maximises the machinery/equipment usage
- Small farms are more suited to intensive farming



III. FINANCING CONSTRAINTS

- Agriculture segment is more often perceived as a high risk by many financial institutions.
- Lack of scale in Fiji's farming sector. Many farms are very small scale operations generating only limited revenue with surplus consumed by living and education expenses. Capacity to expand and opportunities to benefit from the economies of scale are limited.
- An aging farmer base coupled with little real innovation over the past decades. The younger generation appear to have little interest in returning to the farm on the completion of their education.
- Lack of sufficient eligible collateral – For a lender, realistically there is generally no 2nd way out in the event of a default. Mortgagee sales of leasehold farmland are difficult if not impossible to achieve.
- Lack of tailor made financial products to meet specific needs of agricultural borrowers.
- Inadequate access to information on available financing schemes/ products.
- Lack of support to build bankable projects



IV. POSSIBLE SOLUTIONS

- Better collaboration amongst the various stakeholders to improve the success rate of agricultural projects.
- Special attention provided to Bank funded projects i.e. expertise assistance where possible
- On-going support from stakeholders i.e. access to markets, trainings etc.
- Organised forums where issues are raised and addressed to better manage risks etc.

