

Finance Workshop

Fruit and Vegetables Committee
Presented by Papalii Grant
Percival Chairman

Background

- All ACP Agricultural Commodities Program – identified the need for a cohesive strategy for Fruit and Vegetables
- ITC workshop for stakeholders held with all stakeholders in attendance, farmers, wholesalers, retailers, hospitality industry, agro-processing industry, Government, service providers, tertiary institutions and donors.

Background

- The outcomes from the workshop participants led by Antony Sandana and Hernan Manson was interventions that the sector felt were needed to make a difference. A steering committee was formed and a chair selected.
- This then set about with the assistance of a National and International Consultant to prepare the strategy document to guide the initiative.
- The objectives and their subobjectives and sub-sub-objectives were prioritised by the farmers and the committee.

Background

- The Government then wanted a midterm expenditure framework attached to the strategy and this was prepared in accordance with the priorities and agreed timeframes. This was then subject of another workshop for validation and finalization. Then it was passed through Cabinet and approved.
- Before implementation the Ministry wanted it translated into Samoan. Which was done.

Background

- The major component of the F and V Sector Strategy was financing.
- FAO did a study, World Bank did a study, FAO another study on financing and these are somewhere.
- However I am here to say what happened from there.

Finance Environment for F & V in Samoa

- Leading up to 1998 IMF recommended a major reform of the Samoan economy as a prelude to joining WTO. This involved turning the Development Bank into a more commercial approach to financing
- The result increased interest rates and improved financial modeling for lending.
- This made borrowing from Development Bank almost the same as from the commercial banks.

Finance Environment for F & V in Samoa

- Land ownership in Samoa is largely cultural. Over 80% of the land is customary land with no ability to transfer.
- Leases can only be held in the name of the Government and then they pay the customary land owner.
- Mortgages can be held over collateral however commercial banks are reluctant to do that given the inherent difficulties with the register and the collection, leases can also be registered for mortgage and there have been some however only one is still in existence today and that is for a manufacturing operation.
- There is new legislation in the pipeline the PPSA that shall hopefully also include an electronic web based data base.

Finance Environment for F & V in Samoa

- Samoa has a stable banking environment that is generated from savings through the National Provident Fund and the Accident Compensation Commission.
- Government also has substantial funds in the environment and liquidity is the highest it has ever been.
- Interest rates on deposits are at an all time low around 2 -4% and loans between 8 and 13%.
- Policy movements are made cautiously not to disrupt the profits earned by the financial institutions.

Mechanisms for financing

- This is still the subject of study however Government has tried to facilitate the provision of funding.

Supporting Policies

- Income from farming and fishing is exempt from all taxes
- Exemptions from Import Duty is also available upon application under Code 121 for commercial farming and fishing
- Farming, agro-processing loans interest rates are capped at 9% interest but only for new loans and those through Development Bank previously loans were 13%.

Mechanisms for financing

- Assistance can be had for some capital items, inputs and services by applying to the Private Sector Support Facility. Some of the (town) farmers now have a PHD in applying.
- There is a telefood FAO project for small scale assistance
- Subsidies for MAF identified crops has been established which is essentially half priced growing materials.
- Some civil society funds are also available for farming activities

Pipeline Projects

- The F & V strategy was used as a basis for the World Bank SACEP project to provide grant assistance to farmers.
 - Infrastructure for exports like the HTFA plant
 - Packing facility at Nuu
 - Development Bank Matching Grant scheme

Matching Grant scheme

- Farmer has to undergo a business training course with SBEC
- Provide a viable business proposal
- Loan submitted for approval by the Development Bank of Samoa
- The bank shall give 50% grant on approval, the rest of the application has to have 30% collateral and the applicant has to supply 20% funds (through a loan if he likes)

Matching Grant scheme

- Loans are targeted at:
 - * Subsistence level (training strengthening)
 - * Semi-subsistence level (infrastructure devlt)
 - Upgrading farms to Commercial levels
 - Support Services such as Farmers Coop marketing hubs)
 - Research into commodities considered valuable for the market

Other Initiatives

- Chinese vegetable growing experimental farm
- Trial farming methods to improve yields and quality
- ISFP (FAO) to address rising food prices
- Climate Change initiatives for the production of power using gasification and bio fuel production
- Land laws to simplify the use of customary land

Agriculture Sector Plan

- The Government has now launched the agriculture sector plan and has formed a private sector led committee to manage it.

Conclusions

- Funding and financing is a major issue in these constrained times. At present there is an expectation by Government that the people are lazy and are waiting for remittances. Returns for farming and market access is still a major issue as it is world wide.
- Subsidies are not paid in Samoa and products are still arriving in Samoa carrying subsidies that compete with our local carbohydrate equivalent making viability even more difficult

Conclusions

- Government has put onto their website financial ROIs expected from a variety of crops per hectare.
- However this is based on readily available arable land which is not always the case. Inputs and yields have been calculated and returns provided based on market data.
- Investments need firm markets and contracts this is still not accepted however some commercial farmers are entering into them at present with manufacturers

Conclusions

- The recession of 2 years in Samoa, high food, fuel and transport costs, reduced cash remittances, decreased exports have all led to increased food security in Samoa but this is not being measured.
- Grants and capacity building with good agronomy advice shall go a long way to accelerating this independence and as the market continues to interact with the farmers shall lead to improved returns for all.

- **Faafetai ma soifua**
- **Any questions should be sent to Peseta Frank Fong in the Ministry of Agriculture and Fisheries Apia**