Land tenure and sugar production in Fiji: property rights and economic performance

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By the end of this decade, more than 6,000 agricultural leases will have expired in Fiji. The families who have farmed these areas for generations will lose a major source of income, and sugar production and its contribution to Fiji’s economy is likely to suffer as a result. This paper looks at the effects of the planned land reforms and the role of the Native Land Trust Board, whose powers inhibit landowners and tenants from freely negotiating terms and conditions of contracts.

Within a period of eight years, more than 6,000 agricultural leases will expire in Fiji (World Bank 1995), and many thousand Indo-Fijian families will have to leave farms where they have lived for several generations. They will lose a major source of income, and in many cases their only means of earning a livelihood. Some of them will be resettled, few of them on farms, most of them on residential plots to where they will have moved the house they have lived in as best they could; others will have moved to relatives, squatter settlements or refugee camps. In a small country with a formal sector workforce of around 110,000 people, this constitutes a social upheaval of major proportions.

The sugar industry is particularly affected by the lease expiry and the repossession of land by Fijian landowners. It is an industry that is going through a period of turmoil even in the absence of rapid change in the system of land tenure. It suffers from a railway system and milling facilities that have been deteriorating for a long time (Davies 1998a), from farmers delivering an increasingly poor quality of cane (Davies 1998b) and a price support scheme by the European Union that is threatened with abolition. At the same time, plans are underway to change the laws governing the renting of native land—changes aimed at strengthening the position of the landowners.
vis-à-vis their tenants. This paper focuses on the consequences of the repossession of land in the context of the changing nature of the legislative environment.

Roughly 5,500 sugarcane leases on native land expire between 1997 and 2010 (Fiji, Ministry of Agriculture, Forestry, Fisheries and ALTA 1999), corresponding to about 25 per cent of a total of 22,178 registered growers in Fiji (Fiji Sugar Corporation 2000). Before this wave began, it was estimated that 80 per cent of Indian tenants would be evicted (NLTB 1998; see also Fiji 1999). Recent reports confirm that of the 3,000 leases that have expired, 20–25 per cent have been renewed (Fiji Post, 15 March 2001). The situation will be aggravated by the announced transfer of a substantial amount of land hitherto administered by the state to the administration of the Native Land Trust Board (NLTB), an advocate of repossession. This transfer was initiated by the Rabuka government, was taken up by the government headed by Mahendra Chaudhry and the Interim Administration, and it is likely to be finalised by the newly elected government. (The NLTB ominously announced that it ‘has already prepared plans for the land once transferred to the board’ (Fiji Times, 12 October 2000:4)).

A transfer of 25 per cent of sugarcane land from Indo-Fijian to Fijian management will not threaten Fiji’s entire sugar industry. The warning of representatives of Indian sugarcane growers of a collapse of the sugar industry and prediction of a major economic disaster if the land problem is not addressed are clearly exaggerations (a position taken by those associated with the interests of Indian tenant farmers such as the former Prime Minister Mahendra Chaudhry (Fiji Post, 17 December 2000; 24 October 2000; Fiji Times, 27 November 2000)). Nevertheless, even careful observers are now saying that ‘the land problem [is] seriously affecting the industry’ (Gerald Barrack, Chairman of the Sugar Commission, Fiji Post, 19 December 2000) and fears have been expressed that sugarcane production might drop in 2002 by as much as 20 per cent. How well founded are these fears?

Substantial negative effects on production are to be expected, particularly in the short term. The insecurity surrounding the lease renewals impinges negatively on the performance of the Indo-Fijian farmers on the one hand; inexperience and undercapitalisation ensure low productivity levels of the incoming Fijian farmers on the other. These short-term problems can be rectified in an environment of reasonably efficient markets. However, significant market imperfections—both under the current land tenure system and those under discussion—ensure that more land is currently reverting to Fijian management than is optimal, and that such inefficient repossession decisions are unlikely to be reversed. This paper argues that the establishment of an efficient land tenure system—compatible with the inalienability of native land—requires the abolition of the monopoly position of the land management agency, the NLTB.

The Fijian system of landholding
in the sugar industry

Fijian tenancy arrangements differ from conventional Western systems for two main reasons: the majority of land is communally owned, and landowners and tenants do not deal directly with each other. A third party, the NLTB, administers the communally owned native land within the margins of the law. These institutional peculiarities heavily influence land-use decisions by landowners and tenants, and an understanding of these decisions requires some familiarity with the main features of Fiji’s system of landholding.

Fiji was ceded to the British Crown in 1874, and the landholding system was put in place by the first colonial governor, Sir Arthur Gordon, who sought to preserve
traditional Fijian institutions and to prevent land alienation by a planter community interested in extending their landholdings and in the employment of Fijian labour. This creation was purportedly based on tradition but in fact was largely a colonial invention, containing as its most important feature the inalienability of land and communal ownership, thus strengthening the traditional village community and village hierarchy, and operating as an insurance against land alienation (see for example France 1969).

The Deed of Cession left Fijians in possession of the land had not been alienated at the time and that they needed for their subsistence. In the following year, the alienation of native land was prohibited altogether. This has remained the law under succeeding ordinances except for a brief period between 1905 and 1908 (Ward 1965).

Over 83 per cent of the land of Fiji is owned under native title, although the alienated land is in general the most fertile. This proportion will increase to over 88 per cent after a large area of land hitherto administered by the state has been transferred to the auspices of the NLTB.

Ownership of native land is vested in the clan or mataqali—over 6,000 registered landowning mataqalis hold on average 243 hectares of land (Kasper et al. 1988). Individuals acquire various user rights to plots of land for housing, agricultural production and subsistence as well as cash cropping. Land in surplus of the requirement of the mataqali can, with some exceptions, be formally leased either to members of the group or to outsiders.

The mataqali can neither sell the land to outsiders nor grant private property rights to individual members. The colonial government and its successors promoted access to land for races other than native Fijians through leasing arrangements, but hedged these transactions with provisions designed to protect both landowners and tenants from commercial decisions detrimental to their long-term welfare. In 1940, the NLTB was set up as the agency through which all leasing transactions had to be conducted.

The NLTB collects and distributes rents and ensures that tenants adhere to the terms and conditions of the contract. What separates the NLTB from a conventional land management agency is its power to determine the terms and conditions of the contract, within the boundaries of the law, independent of the wishes of the landowner. The NLTB is a quasi-proprietor of the soil, deciding whether a mataqali is allowed to lease land and can allocate leases contrary to the wishes of the mataqali (see Ward 1965). In practice, the NLTB will respect the decision of a landowner not to renew a lease.

What are the terms of a lease? They are regulated by the Agricultural Landlord and Tenant Act (ALTA) 1976 and are issued for a minimum of 30 years. Tenants have a right to receive compensation for major improvements to which the landlord has given written consent (Agricultural Landlord and Tenant Act 1976 S40). Rents are set at a percentage of the ‘unimproved value of the land’, defined as the market value of the land ‘assuming that any improvements…made by the tenant or acquired by the tenant had not been made’ (S22:3). The rent is assessed every five years by a group of independent valuers.

ALTA leases were originally ‘development’ leases, with tenants taking over a plot of virgin land and improving it. Tenant farmers supplied the fixed capital stock: farm and residential buildings, drainage and irrigation channels, and access roads. The provision of fixed capital by the tenant distinguishes this tenancy from those encountered in industrial countries and necessitates the relatively long lease periods that induce tenants to invest in fixed capital stock.

There is a further peculiarity that influences the decisions of landowners to rent
the land: only roughly half of the revenue collected by the NLTB goes to the ordinary member of the mataqali. First the NLTB deducts a 20 per cent fee—reduced from 25 per cent in 1999—for its services. Of the remaining 80 per cent, the chiefs at various levels receive 30 per cent. What is left over is distributed among the members of the clan.

What legislative changes are underway? The major proposal drawn up by NLTB—and agreed to by the Great Council of Chiefs (Fiji Times, 13 February 1998)—is to remove native land leases from the purview of ALTA. This eliminates the special protection tenants have enjoyed under ALTA and thus gives the NLTB much greater freedom to determine the terms of conditions of contract. The NLTB suggested that, under the new system, rents would be based on market rates and average periods of contract would presumably be reduced to less than 30 years (NLTB 1998).

The arrangements described so far are identical for all agricultural leases, but there are specific institutional characteristics of the sugar industry. The industry is dominated by a monopoly buyer, the Fiji Sugar Corporation (FSC), which provides extension services, supplies farmers with inputs such as fertiliser on credit, organises the cane harvest and runs the sugar mills. FSC issues licences to grow sugar to growers, and controls entry into the cane growing business. However, the FSC will only issue a licence to farm on native land if the farmer is an NLTB-approved tenant. In this way, the NLTB indirectly controls entry into the sugar industry for producers on native land.

Renewal or repossession?

It is by no means obvious that landowners would, in great numbers, refuse to extend leases to tenants that have been in continuous occupation of a farm for a generation or more.

Some of the repossession originate in social changes. Village populations have increased and more land is needed for subsistence production—the rural Fijian population increased from 180,618 in 1976 to 232,240 in 1996 (Fiji, Bureau of Statistics, various issues). Although it is sometimes said that this is the major cause for the present push for repossession, it provides limited explanation. In the case of the sugarcane areas, there has never been a suggestion that incoming landowners would cease to produce sugarcane and instead engage in subsistence production. Social changes other than population pressure offer more plausible hypotheses why Fijian villagers desire to have their land back. Nowadays they are less inclined to pursue a subsistence existence in the village and are more confident in their abilities and thus more inclined to engage in sugarcane farming themselves.

More importantly, landowners originally supplied a piece of bush or scrub that their tenants have turned into a valuable productive asset. In most cases, the current round of lease renewals is their first opportunity to appropriate that asset, even where leases had expired once before. What had barred repossession in the past was mainly the ‘hardship clause’ in the legislation preceding ALTA—landowners were unable to refuse an extension of the lease if the hardship the tenant suffered from being expelled exceeded the hardship of the landowner from being denied access to their land (Moynagh 1978).

These social changes coupled with the removal of legal barriers would by themselves have led to a major wave of contract terminations. However, distorted market processes provide additional incentive for landowners to reclaim their land.

The temptation to reclaim land is increased by the low levels of rent currently paid—there is widespread agreement that rents are below market rates (Kasper 1988; World Bank 1995; Davies and Gallimore 2000a, 2000b). The average rent per hectare
The issue of low levels of rent has developed into a serious information problem. For some time now, Fijians have been exposed to the notion of the ‘exploited’ landowner who receives a disproportionately small share of the value of the cane produced on their land. The amount of economic rent, the ‘easy money’ claimed to be had by becoming a sugarcane farmer, has taken on staggering proportions. To give an example from an interview with the head of NLTB:

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\text{Imagine if all your land is being leased by other people who are receiving some $10,000 gross income and you get only, say about $250 as your gross income from that lease. And you have to share that with the NLTB which deducts 30 per cent, and then 5 per cent goes to the Turaga-ni-Taukei, 10 per cent goes to the Turaga-ni-Yavusa, 15 per cent to the Turaga-ni-Mataqali, you are left with peanuts. So what is the better alternative for landowners? Farm their own land, get $10,000, rather than $250 (Fiji Times, 9 August 1999:7).}
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This message, also emanating from sources such as the Interim Government, was repeated in newspapers and in provincial councils. It was in this form that the low rent issue filtered down to villagers, affecting landowners’ expectations. Presumably they will painfully discover the difference between gross and net income in actual farming practice.

The price structure is distorted furthermore by subsidies made available to farmers who reclaim their land. Fijian landowner-farmers who take up farming have been promised a grant of F$10,000 worth of farming inputs (Fiji Post, 23 November 2000).

Moreover, the current system of lending allows farmers to shift the risk of bankruptcy to the state. Debts incurred, generally with the Fiji Development Bank, are likely to be written off in due course. With this ability to externalise the cost of bankruptcy, expected returns to incoming Fijian farmers are biased upwards and give further incentives to reclaim the land.
Economic problems of land transfer

What are the likely allocative consequences of repossession? This section discusses the economic consequences of the upheaval in the industry by looking first at the Indo-Fijian farmers and then at the incoming Fijian farmers.

Indo-Fijian tenants of native land are going through a period of extreme uncertainty. In most cases, tenants do not know whether their leases are going to be renewed or not until shortly before—or even after— the leases expire.

Moreover, Indo-Fijian growers are unlikely to be compensated for their investment in fixed capital stock. Compensation for improvements requires agreement by the NLTB, and has not generally been received. For example, in the case of residential buildings, there is evidence that the NLTB actively discouraged farmers from seeking approval for compensation (see Prasad 1984). Fijian villagers who own land do not generally have access to the funds necessary to compensate the tenants for improvements. In the past, such compensation provisions had created an effective bar to repossession and for this reason were strongly resented by the Fijian community (Moynagh 1978). The issue has been complicated by two recent court rulings granting compensation even in the absence of explicit consent (Fiji Post, 26 August 2000; Fiji Times, 11 September 2000). The NLTB has objected to these rulings and has reacted by threatening departing tenants with compensation claims for damages for land deterioration (Fiji Times, 2 November 2000). The net result is probably that the NLTB will manage to contain claims but at the cost of adding to the already tense atmosphere in the industry.

Uncertainty and the absence of compensation induces farmers to reduce maintenance expenditures to a minimum and to run down fixed capital stock during the last few years of their lease. The most dramatic visible manifestation of this process is the destruction of residential buildings. All over Fiji, Indo-Fijian farmers are dismantling their houses, leaving the countryside dotted with ruined concrete walls.

Equally negatively affected are investments in movable capital stock, particularly in an industry where used equipment is difficult to sell. Moreover, the planting cycle is being disrupted. The yield of cane plants decreases with every year of consecutive regrowth—the ratoon. As the end of tenure approaches, it will be cost efficient to avoid expenditures on replanting and to rely instead on old and low-yielding ratoon and, according to FSC field officers in the Seaqaqa area, little replanting is taking place (5 per cent in 2000). In addition, an effective borrowing constraint is operating on farmers who still want to invest with ‘private banks pulling back from lending to farmers whose leases are due to be renewed in the next several years’ (World Bank 1995:105; Barbour 1997)

As Indo-Fijian farmers leave the land and the remaining contracts are being renewed, these problems will recede and equilibrium restored. However, new problems will emerge with the transfer of tenancies to Fijian farmers.

Inherent in any transition of this kind will be the problem of an influx of inexperienced and undercapitalised Fijian farmers. Output will drop markedly in the first few years when the incoming Fijians take over farms without residential buildings and with fields urgently in need of replanting. The magnitude of these losses will depend on the support these farmers receive and the initial human capital they will engage, including their motivation and determination. Whether farmers with the appropriate human capital are attracted to sugarcane farming will partly depend on
their expectations of future income in their new occupation. It will also be heavily dependent on the process landowning units use to select those to be endowed with sugarcane land. Given the exaggerated expectations in the first case and the political nature of the second, scepticism about the quality of the human capital of incoming landowners is appropriate on both counts.

It is tempting to dismiss these problems—capital constraints, inexperience and unrealistic expectations—as temporary. The capital stock—human as well as physical—may be replenished over time by savings and investments. Farmers who enter the industry with unrealistic expectations may decide to go back to renting their land to those more able to pay high rents. Such an adjustment process presupposes, however, a reasonably well-functioning rental market.

Unfortunately, the tenancy system is riddled with imperfections. Rents based on the unimproved value of land and adjusted by the NLTB according to its discretion do not necessarily reflect market prices. Nor can such deficiencies easily be compensated by side payments. Moreover, the minimum tenure of 30 years does not allow a close matching of preferences: relating, for example, leases to the life cycle of landowners and their children. Having to part from their land for a whole generation reinforces the reluctance of Fijian landowners to rent their land.

A further barrier to efficient markets is communal ownership. Decisions to rent repossessed land back to Indo-Fijian farmers involves all the problems of collective action and the high transaction costs associated with this form of ownership. Moreover, current leasing procedures prescribe that only mataqali can enter into a leasing agreement. Thus, a household that has taken over a piece of land for cultivation, thereby effectively appropriating a piece of ‘common’ land, may be reluctant to free it for renting if that means relinquishing control to the mataqali or the tokatoka, a subsection of the mataqali who, in many areas, control access to land.

Informal arrangements can replace a formal market only to a limited degree. Informal sub-lease agreements suffer from the problem that payments by the FSC can only be made to a tenant with an NLTB lease and not to the sub-lessee. Such sub-lease agreements—although probably quite common—are unenforceable contracts. While informal agreements have proved successful in tobacco farming (Eaton 1988) their success cannot easily be transferred to the sugar industry, which requires a greater degree of security of tenure than the production of tobacco.

The current situation of low rents, long leases and communal ownership all suggest that repossessed land is likely to remain in Fijian hands, even if efficiency suffers. Whether or not the argument is borne out by empirical evidence is examined in the next section. Before dealing with the empirical evidence, another proposition has to be introduced—a thesis that postulates that the transition to Fijian farming leads to a fall in productivity for cultural reasons.

The ‘cultural disability’ argument is deeply embedded in popular lore, among Indo-Fijians and—although often resented—is current even among many indigenous Fijians. It holds that deeply ingrained habits and customs prevent efficient farming. A number of mechanisms have been postulated. Time constraints play an important role. Participation in village life involves an exacting schedule of communal work and social activities that leave a limited amount of time for the pursuit of individual gain. Moreover, strong communal obligations promote claims by members of the wider family and tribe on each member’s resources and thus dampen ‘material motivation to work and acquire skills. It also makes saving and capital formation by Fijians more difficult’ (Kasper et al. 1988:133). Particularly,
at ‘times of traditional festivities it is hard for the villager to hold out against the prospect of increased consumption and added status that results from the sale of capital equipment’ (Watters 1969:128; Rutz 1978). Bullocks end up in cooking pots (Rutz 1978) and fertiliser, bought on credit from the FSC, is sold to discharge pressing family obligations (Forsyth 1995). In addition, where plots of land are remote from the village, villagers are loath to abandon their communities and loosen social ties to live in isolated locations. The distance between farmland and the village impairs land productivity by reducing the time spent in the fields and the day-to-day care of the plots.

These factors add up to a major obstacle to economic development

Essentially these stem from the complex cultural patterns of a subsistence people whose productive activities were originally motivated as much by social and ceremonial matters as by purely economic considerations (Watters 1969:142).

Watters’ view conforms to the observation that Fijian cane farmers who remain an integrated part of village life are less successful than those who had disengaged themselves from it. In the words of a field officer ‘the bulk of evidence at our disposal shows that while not all Fijians who live on the farm make successful farmers, virtually all Fijians who live in villages and try to run a farm outside the koro are unsuccessful’ (Prasad 1984:111).

The cultural disability argument alone is not sufficient to establish long-term detrimental effects of the current wave of repossession, it is only relevant in conjunction with market imperfections. If Fijian culture is compatible with well-developed rental markets—and there is no particular reason why it is not—and such a market exists, land that is idle or underused still should attract those producers who are most efficient and thus willing to pay the most for it. Thus, cultural disability only leads to inefficient land use in conjunction with imperfections in the rental market of land.

Some evidence

Evidence from one of the main sugarcane growing areas suggests that the transfer of land from Indo-Fijian to Fijian tenancies will lead—under the current institutional arrangement—to a considerable reduction in output, even in the long term. The result supports the notion of cultural disability and shows that the land market was not flexible enough to reallocate land to more productive users.

The data set, collated by Forsyth, contains information on tenancies operating within the Seaqaqa Sugar Development Project, established in the early 1970s (World Bank 1976, 1985; Forsyth 1995). One of the aims of the Seaqaqa scheme was the integration of Fijians in sugarcane farming, and initially half of the participants in the scheme were Fijian farmers. Although the percentage of Fijian farmers has been dropping steadily over the past two decades, it is still the area with the highest participation of experienced Fijian cane farmers and thus an ideal environment to study performance differences of the main ethnic groups.

Cultural factors can only be isolated if the environment in which the two groups operate are identical or at least broadly similar. In the Seaqaqa area, there are no systematic differences in land quality and location (Kurer 2001), the average farm size is broadly the same (Table 1), and output prices and some input prices (fertilisers) are identical. Moreover, there is no reason why other input prices—mainly labour—would vary in a systematic way among the groups or that land fertility or location favours Indian or Fijian farmers. Both groups borrow mainly from the Fiji Development Bank and face identical credit conditions.
Although both groups were eligible to receive credit, the Fijian Development Bank did discriminate in favour of Fijian farmers. In this respect, the environment advantaged Fijian growers.

The data are derived from extensive records kept by the FSC on individual farmers. It contains information on 445 Indo-Fijian and 403 Fijian leaseholders. It shows that Indo-Fijian tenants performed significantly better on all performance criteria. The productivity gap is smallest in the case of output per hectare of harvested land (50.33 versus 43.42 tonnes). Land use figures show large differences, however. Many more Fijian tenants have abandoned their farms compared to Indians (53 versus 11). Most importantly, Fijian farmers make use of only 25 per cent of their leasehold compared to 48 per cent for the Indo-Fijian farmers. Mainly because of this difference in land use, Fijians harvest 10 tons per hectare of land leased compared to the 23 tons of their Indo-Fijian counterparts. These differences in land use are also the main reason why Indo-Fijian farmers produce an output nearly twice the size of Fijian tenants on roughly the same amount of land (438 versus 234 tonnes).

These gaps have increased since 1994, if only because by 2000 the number of abandoned Fijian farms had doubled to 114: roughly one-third of the registered Fijian growers produce no output at all. No dramatic changes in the other indicators seem to have occurred.

The Seaqaqa data suggest that the transfer of a hectare of land from Indo-Fijian to Fijian tenancies would lead to a drop in output of over 50 per cent. The size of this productivity gap cannot be directly extrapolated to the whole of Fiji. Seaqaqa farms do not constitute a fair sample of the population of Fijian sugarcane farms, if only because Seaqaqa farms are considerably larger than the Fijian average. Nevertheless, there is little doubt that some gap will be observable in the rest of the country.

All Seaqaqa data strongly support the cultural disability thesis and show that markets are too weakly developed to allow land to revert to efficient producers.

**The prospect of reform**

Will the anticipated legal changes remove some or all of the disincentives to lease out land? The proposed changes that include the

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<th>Fiji: sugar production in the Seaqaqa area, 1994 and 2000</th>
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<td>Indo-Fijian farmers</td>
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<td>No. of observations</td>
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<td>Sugarcane output per operating farm, 1994 (tonnes)</td>
<td>437.8</td>
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<td>Land available per farm, 1994 (hectares)</td>
<td>19.4</td>
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<td>Output per hectare of land harvested, 1994 (tonnes)</td>
<td>50.3</td>
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<td>Land use, 1994 (per cent of leasehold harvested)</td>
<td>44.5</td>
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<tr>
<td>Output per hectare of leasehold, 1994 (tonnes)</td>
<td>22.0</td>
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<td>Non-operating farms, 1994 (zero output)</td>
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<td>Non-operating farms, 2000 (zero output)</td>
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**Sources:** Fiji Sugar Corporation (1994 data collected by Forsyth, 1995; 2000 data by the author).
abolition of the minimum length of tenure and increases in the levels of rent do give additional incentives to lease land. On the other hand, the rent-setting mechanism will only accidentally yield market rents. As over 90 per cent of all land is either administered by the NLTB or the state (Ward 1965), there is little land left to lease or buy on the free market. The rental markets on the remaining 10 per cent of land are too thin and too distorted to offer reliable guidance of market rents for the 90 per cent administered by the NLTB. Distorted prices and arbitrary rent-setting is likely to continue even if the envisaged reforms are implemented. Indeed, the greatest obstacle to the market evolving turns out to be the existence of the monopoly administrator, the NLTB itself. It is an obstacle not only because it prevents the establishment of market prices, but also because of its power to set terms and conditions of contracts generally. As long as the NLTB effectively deprives landowners—either individually or collectively through the mataqali—from exercising control over their property, the strong disincentive for landowners to rent out their land will persist. Thus, the proposed changes in the system of land tenure are unlikely to reverse a wave of reposessions on a substantial scale.

Land reforms in Fiji are constrained by the outright sale of native land. However, land markets can be perfectly efficient even if that restriction (or tabu) is respected; all that is needed is an efficient market for renting land. This, however, presupposes that the NLTB is deprived of its role as quasi-proprietor of the soil and near-monopoly supplier of land. Only when landowners are empowered to enter directly into contracts with their tenants—within, presumably, a land legislation setting some minimum standards protecting both landowners and tenants—will an efficient market evolve and repossession decisions be reversed.

Summary

The repossession of land will not destroy the sugar industry in Fiji, but there is little doubt that sugarcane output will fall as a consequence both in the short and the long term. In the short term, output will fall because of the uncertainty surrounding lease renewals and the inexperience and undercapitalisation of incoming Fijian farmers. Negative long-term effects will arise from cultural factors coupled with an inefficient system of land management. Evidence from Seaqaqa indicates that the cultural disability thesis is as relevant today as it was 40 years ago when it became common currency. The persistence of the productivity gap after a quarter of a century of farming experience indicates furthermore that land tenure arrangements are not sufficiently flexible to allow for a rapid transfer of land to the most efficient producer. Thus, a large-scale transfer of land to Fijian management will generate a major drop in output even in the long term, at least under the current land tenure arrangements.

Will the planned reforms improve the current system, and will these improvements be sufficient to generate a reasonably working market for land rentals? More flexible tenure arrangements and higher rents will improve allocative efficiency. Other barriers remain, particularly the NLTB itself, whose powers prevent landowners and tenants from freely negotiating terms and conditions of contracts and from exploiting gains from trade in the process. To prevent the sugar industry from being permanently damaged by the current wave of repossession, structural reforms allowing for a competitive market for renting land are indispensable.
Notes

1 For example, Schedule A and B land. Schedule A land is land whose mataqali is extinct. Schedule B land is land that was unclaimed at the time of cession. Schedule B land is generally of a relatively poor quality (Ward 1965). Of the 79,464 hectares of Schedule A land, 19,356 hectares are leased to 2,501 leaseholders; of the 50,085 hectares of Schedule B land, 26,750 hectares are leased to 517 leaseholders. There are 2,107 leases in the main sugar-producing areas (Ba, Ra and Macuata). It has been estimated that 80 per cent of these leases are sugarcane leases, adding another 1,600 leases due to expire in the near future.

2 Largely through an extensive interpretation of Native Land Trust Act S9, which specifies that the NLTB must satisfy itself that leased land is not required by the Fijian landowners for their own use, maintenance and support (NLTB 1998; Hansard, 19 November 1998).

3 Ironically, this will increase the return to farmers. A large proportion of the harvest is sold under a quota agreement with the European Union at preferential prices. If output drops, a greater proportion of the output will be sold at preferential prices.

4 Optimal is used in the sense that arbitrage opportunities are fully exploited, leaving no room for Pareto improvements.

5 The exceptions are the native reserves. The Native Land Trust Ordinance of 1940 set aside certain lands to ensure a sufficient supply of land to Fijians (Ward 1965).

6 Five per cent goes to the chief of the vanua, 10 per cent to the chief of the yavusa, and 15 per cent to the chief of the mataqali. A vanua consists of a group of villages, a yavusa embraces people connected to a common ancestor, a mataqali is an offspring of a yavusa expanding in numbers (France 1969).

7 A number of tenant farmers who had dismantled their homes after the expiry of their leases are said to be rebuilding on the same land because of delays in agreements on side payments (Fiji Times, 3 January 2000).

8 The average output on Indo-Fijian farms was 444 tonnes versus 214 tonnes on Fijian-run farms.

9 According to some estimates, sugar production in 2002 is expected to drop roughly 20 per cent below the long-term average (Fiji Times, 27 February 2001).

References


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