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## ECONOMIC POLICY & SUSTAINABLE RURAL DEVELOPMENT

### FEATURE

### Enhancing Value-Added in the Agri-food System in the Caribbean

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*The primary thesis of this paper is that in developing the region's export capability, emphasis on value-added products which are not necessarily processed products is a necessary condition. Increasingly, a sufficient condition is through public-private sector partnership which links suppliers with prospective buyers.*

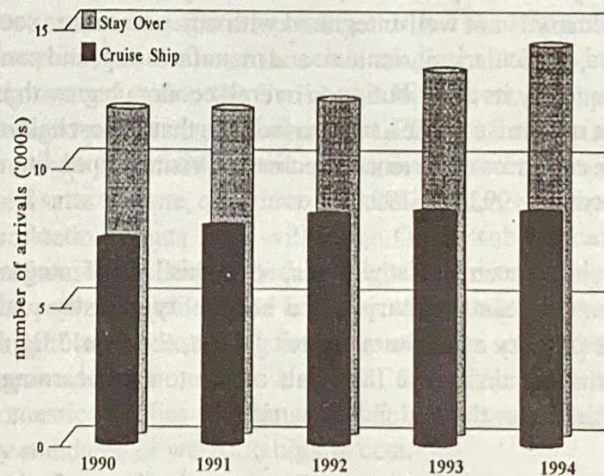
In order to increase value-added in domestic markets, Caribbean countries focused on increasing the linkages with the region's rapidly expanding tourism and hospitality industry. Tourism remains an important contributor to the region's economic development as is underscored by the trends in visitor arrivals and expenditures. Stay-over tourists (which comprise 60% of arrivals) and cruise-ship passengers, both increased at a rate of 6% per year during 1990 to 1994 (Figure 1).

#### Introduction

Caribbean countries have placed varying degrees of attention to the development of their agro-industrial sector. This, notwithstanding the level of integration with primary agriculture, remains limited for most Caribbean economies. Extra-regional imports and surplus production account for a large portion of intermediate input requirement of the processing sector. This pattern of extra-regional sourcing contributes to the low domestic value-added in agri-food processing.

The term 'value-added' as employed in this paper, should be interpreted as a firm's sales less intermediate and final input costs. Value-added may therefore be enhanced by increasing productivity, either through scale or scope of economies, cost reductions, or product differentiation.

Figure 1: Total Tourist Arrivals - Caribbean Region, 1990-94

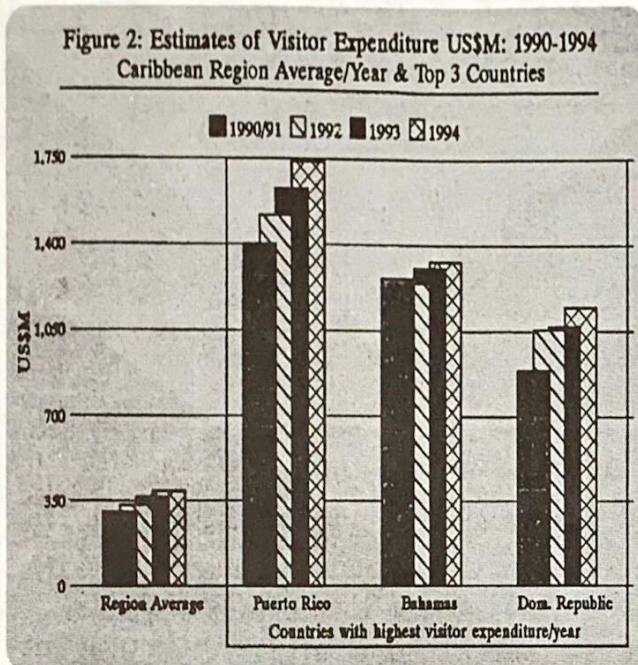


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Visitor expenditure also recorded a 9% growth per year, increasing from an average of US\$300 in 1990 to US\$400 in 1994 (Figure 2). The three countries receiving the highest visitor expenditure (Puerto Rico, Bahamas and the Dominican Republic) are also highlighted.



Despite the importance of tourism to the Caribbean, the industry is not well-integrated with other economic sectors, particularly agriculture and manufacturing, and consequently its contribution to overall economic growth is not maximised. The data also indicate that almost half of the countries experienced declines in visitor expenditure between 1993 and 1994.

Major concerns exist with respect to this lack of integration between the tourism and hospitality industry with the primary agricultural sector. In fact, the World Bank estimates that more than half of the tourism earnings which enter the region is repatriated.

The increasing trend toward all inclusive hotels further emphasises the need for Caribbean agri-food firms to devise strategies to increase supplies to the expanding tourism and hospitality industry. Caribbean firms have over the years, attempted to supply the lucrative cruise-line market, however, efforts resulted only in ad-hoc purchases due mainly to ships running low on specific items during a voyage.

The results of marketing research conducted by the CARICOM Export Development Project (CEDP) suggest that this limited success was, in part, due to the perception that Caribbean countries were incapable of consistently supplying the fairly sophisticated cruise-line market.

Historically, a major difficulty facing Caribbean firms was that while many of their products were of a fairly 'acceptable' standard, the link between supplier and purchaser was absent. This process of 'facilitation' was the focus of the CEDP/Florida-Caribbean Cruise Association (FCCA) joint project aimed at the establishment of direct links between potential suppliers and buyers.

This facilitation was achieved through trade shows which put cruise-line executives in contact with the representatives of Caribbean agri-food firms. In 1994, due largely to the efforts of this initiative, a number of small Caribbean firms began receiving small orders.

Examples of agro-processing firms in the Caribbean which have established strong links with the tourism and hospitality industry are briefly highlighted.

### Caribbean Case Studies

*The Barbados Ice Cream Company (BICO) Ltd* began its export thrust into regional markets (St.Kitts/Nevis, St.Vincent/Grenadines, Belize, Trinidad/Tobago, Dominica) in the latter part of the 1980s. Its regional sales had, however, been constrained by the lack of refrigerated shipping service to potential markets such as Guyana. In addition, the relatively high cost of shipping made shipment container loads of less than 40-ft capacity only marginally profitable.

Taking advantage of CARICOM's Common External Tariff and Barbados's stable macroeconomic environment, BICO refocused its export thrust on the formation of a product-packaging-marketing strategy, of which a pricing strategy was a major element. BICO's experience in producing ice-creams, its reputation for quality and the implementation of this refocused strategy led to breakthroughs in the cruise-line segment of the hospitality market in 1993. BICO concentrated its efforts in a narrow range of products (ice-cream) and in its first phase, focused on increasing the acceptance of these products by the cruise-ships. Today, the company supplies approxi-

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mately 23 exotic West Indian flavours of ice-cream and sherbets to cruise-ships, with sales topping US\$150,000 in 1994. The growth in cruise-line sales have been steady since then.

An examination of BICO's success in gaining and maintaining access to the cruise-line market highlights the importance of several factors, such as:

- \* quality
- \* reputation
- \* product price
- \* service delivery
- \* reliability
- \* firm strategy

A factor which is often taken for granted, and one from which BICO has benefitted, is the firm's location (within 1 km of the major cruise-ship facility in Bridgetown). BICO's locational advantage (within a major port-of-call) also spares cruise-line companies the costly ordeal of air-freighting refrigerated containers from Miami to Barbados in order to replenish supplies. The combination of these factors, coupled with the obvious attributes of BICO's products, reduce the significance of price considerations in the decision of cruise-lines to purchase.

**Pine Hill Dairy (PHD)** in Barbados supplies fruit juices to the regional airlines from its UHT line, which has expanded substantially since its introduction in the early 1990s. The exposure of PHD to the cruise-line industry motivated the company to institute several changes, such as, changes in packaging to satisfy demand for convenience products and the minimum trash requirements of cruise-lines, as well as, radical improvements in its delivery and service record. In return, PHD has experienced a steady increase in sales volume to the cruise-lines, so much so that by 1995, it was supplying 8 cruise-lines on a steady basis and 4 on a sporadic basis with six main products, including sour-cream, yogurt and fresh milk.

**Dominica Coconut Products (DCP) Ltd** has also achieved a fair degree of success in supplying soap and other cosmetic products to the cruise-line industry. The case of DCP constitutes one of the best examples of public-private sector cooperation in market development among Caribbean countries. The case of this successful Dominican company is also distinguished by the substantial sourcing of raw materials domestically. DCP now supplies approximately 5 major cruise-lines and maintains a fairly major export thrust to markets in Guadeloupe and Martinique.

**The Nevis Model.** A Nevis Growers Association of Farmers (NGAF), comprised of small farmers, is the sole domestic supplier of a range of vegetables and other crops to a five-star luxury hotel, Four Seasons Hotel. From the beginning of this contractual arrangement in 1990, several problems had to be overcome to upgrade the activities of these farmers so that their produce could become readily acceptable. The close collaboration between the NGAF and Caribbean Agricultural Research & Development Institute (CARDI) led to several changes in varietal selection, and farmer education programmes emphasised the need for strict adherence to quality standards.

Initially, however, much of the produce supplied was consumed by hotel employees. Eventually, some of the produce supplied to the hotel began reaching the plates of hotel guests. While only 6 commodities were supplied in 1990, by 1995, that number increased to 29. Notwithstanding the achievement of the programme, the NGAF still only supplies between 7-15% of the Four Seasons' requirements. Limited supply capabilities continue to be a major constraint.

## Discussion and Conclusion

As previously indicated, one of the limiting factors to the increased integration of the primary agricultural production, processing and tourism sector, has been the small component of raw material or intermediate materials being sourced within the Caribbean. In a recent study of the agro-processing sector among OECS for instance, of the eight firms with export shares in excess of 40% of total sales volume, only three sourced above 50% of their production inputs from within the OECS sub-regional market. In fact, despite the fairly high transportation costs and port charges and the loss of preferential "Rules of Origin" status, processing firms have opted to source their requirements from outside CARICOM either because domestic supplies were unavailable, did not meet quality standards or were too high in cost.

A major problem with the regime of policies instituted to "forge linkages" between the sectors (agriculture and tourism) is that policies continue to be based on the capabilities of individual Caribbean countries. A more com-

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### The Analysis of Policies for Women in the Rural Sector in Trinidad and Tobago\*

In 1990, the Inter-American Institute for Cooperation on Agriculture commissioned a study on "Policies for Women in the Rural Sector" involving case studies in 6 Latin American and Caribbean countries. The principal objective of this regional initiative was the identification of alternative actions to strengthen and support the role of women in the rural development process.

The study for Trinidad and Tobago was conducted by a team of consultants from the Women and Development Studies Group of the University of the West Indies, St Augustine. Information was collected mainly through the analysis of secondary data and updated by conducting interviews with senior government officials and representatives of non-governmental organizations.

Recognizing that there existed no governmental policy geared specifically towards the needs of women in the rural sector, the researchers examined a broad range of policies and programmes related to agricultural development and those intended to advance the status of women in general, in an attempt to identify the impact, if any, on rural women. The study also provided a critical analysis of the conceptual and operational difficulties to such policies. Following are some of the highlights.

#### Policies and Programmes - Women

The portfolio on the "Status of Women" was shifted from one Ministry to another and was ultimately removed from the name of the then Ministry of Social Development and Family Services. The Women's Bureau, however, had been retained within the Ministry. Some initiatives taken by the government of the day included the formulation of a National Policy Statement on Women, the appointment of an "Inter-Ministerial Advisory Committee for Women in Development Issues" and the preparation of the draft Medium Term Macro Planning Framework 1989-95. Recommendations with respect to agriculture and rural women, which were made by the National Commission on the Status of Women during the 1986-91 period, highlighted the need for appropriate technology, rural oriented training programmes and support services among other things.

It was noted, however, that no positive action followed.

The specific needs of rural women had not been addressed. In fact, information received from the Women's Bureau suggested that rural women were not considered a priority at that time.

Mention was made of the operational frustration within the former National Commission on the Status of Women in its attempts to accord priority to rural women. This resulted from the Commission's dependence on actions by other departments and ministries and demonstrated the futility of locating responsibility for improving the position of women solely within an advisory body without power of decision-making and implementation.

#### Policies and Programmes - Education

In relation to the policies of the Ministry of Education, it was noted that while agriculture was emphasized at the primary level, a low number of trained teachers, the low status of the subject and prejudice against it by both teachers and parents culminated in it not being an attractive option for students. Further, although the subject is open to both girls and boys, it was mainly the latter who pursued it on account of historical factors which discouraged participation by females.

#### Policies and Programmes - Agriculture

In the absence of any public policy related to rural women specifically, it is the Ministry with the responsibility for agricultural development which, *de facto*, assumes responsibility for rural women. However, the analysis of the "Draft National Agricultural Development Plan" of 1987 in which the agricultural development policies and strategies of successive governments were stated and assessed. It was noted that none of the policies therein, nor those of the government of the day (1992), had identified rural women as a specific target group.

The study looked at the institutional measures for policy implementation making reference to the operations of the Agricultural Development Bank (ADB) and the Extension Services Division (ETIS) of the Ministry of Food Production and Marine Exploitation. With respect to the former, it was reported that women seldom applied for credit on their own, presumably due to limited access to

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collateral. In terms of rural women's access to resources and services, the point was made that although the lending policy of the ADB did not discriminate against women, their lack of access to valued instruments of security restricted them from access to credit. In the case of the ETIS, a survey conducted by this division revealed:

- ◆ A low participation in training courses and farm-related demonstrations and meetings.
- ◆ Lack of involvement in decision-making and responsibility for family/household activities were cited, *inter alia*, as possible reason for women's limited involvement.
- ◆ The perception among male extension officers and male and female farmers that farming is a male activity. This resulted in the female farmers being defined as "housewives".
- ◆ The need for education of all concerned to bring about change in such perceptions.



### Policies and Programmes - Non Governmental Organization (NGO)

The operations of two regional non-governmental organizations (NGOs) based in Trinidad and Tobago -- the Caribbean Association for Feminist Research and Action (CAFRA) and the Caribbean Network for Rural Development (CNIRD) -- were reviewed. CAFRA is committed to improving the life circumstances of all women in the region, rural women constituted a specific target group and had embarked upon a project on "Women in Caribbean Agriculture". On the other hand, CNIRD was committed to improving conditions for all rural dwellers and, as such, rural women did have a special significance. With regard to these two NGOs, it was noted that, as regional organizations, their strategies stressed working through local organizations in order to reach specific target groups.

The study made mention of the Agriculture, Research

and Extension Project (CAREP) of the Faculty of Agriculture, UWI. The objective of this project was to improve the well-being of small-scale farming households in the Eastern Caribbean with no specific targeting of women.

The study looked briefly at experiences from other English-speaking Caribbean countries. It concluded that rural women throughout the region experienced similar difficulties. Overall, there was little statistical data on women and the absence of governmental policies and programmes that specifically address their needs and inaccessibility to resources and services.

### Conclusions of the Study

It was concluded that the responsibility for improving the conditions of women and rural women in particular should be placed in an entity with appropriate power to formulate and implement policies. Further, that entity must be sensitive to the existing imbalance in society where many women are responsible for

both productive and reproductive activities as opposed to men whose responsibilities are generally in the economic sphere. It was noted, however, that sensitivity to gender issues was not sufficient but that concrete action was needed to bring about change.

Recognizing that the causes of gender inequality are complex and linked to wider issues, such as, race, class, culture and religion, among others, and to personal and intra-household decision-making processes, the study was premised on the view that allocation of resources is influenced by market signals and institutional norms and convention. It therefore becomes important that public policies work to compensate for market failures in the area of gender equality and equity. These policies should provide equal opportunities for both women and men and redirect resources to those investments with the highest social returns. Of these, the investment in female education is such that it increases the impact of other investments in health, nutrition, family planning, agriculture, industry and infrastructure.

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Public policies will not be effective without the full participation of the target group; in this case, the rural women. Their views must be incorporated into policy formulation.

It is against this background that the study proposed a series of national training workshops for policy planners and rural women. As a consequence, IICA in 1992, instituted a national project, "Enhancing the Participation of Women in the Rural Development Process in Trinidad and Tobago through Institutional Strengthening". As part of the project's activities, comprehensive training programmes were conducted for selected women's groups on Small Business Management, Agronomy, Cooperative Development, Financing, Gender Awareness and

Food Preservation. In addition, planners and policy makers, viz. heads of divisions within the Ministry of Agriculture and other para-statal organizations were participants at a gender sensitization workshop in December 1995. It is hoped that the work of the project would provide some data for the introduction of a gender component into the existing extension programme. Also, to inform policy makers on the interest and concerns of rural women in the development process. §§

*\*Excerpt from a report on 'Policies for Women in the Rural Sector'. Women & Development Studies, UWI (May 1990).*

*continued from page 3*

### Enhancing Value-Added in the Agri-food System in the Caribbean

prehensive CARIFORUM (English, Spanish, French and Dutch-speaking countries of the Caribbean Basin) focus is required. Considering this and within the context of an expanded Western hemispheric grouping in 2005, Caribbean countries should begin thinking of how the matter of Rules of Origin will be affected.

Within the expanded arrangement contemplated, the protectiveness of CARICOM's Rules of Origin will be severely diluted. Given the significant amount of sourcing already occurring from other Caribbean countries, such as the Dominican Republic, the adoption of a CARIFORUM approach to the forging of linkages will be a significant boost to processing firms in Jamaica, Barbados, Dominica and Trinidad and Tobago, among other countries.

At the micro-level, it should be evident that efforts which improve the productivity and competitiveness of the agri-food sector, including processing will be an important impetus to the fostering of agri-food-tourism linkages. The development of transformation infrastructure will be critical to increasing intra-regional value added in markets like Guyana and the smaller Caribbean countries such as the British Virgin Islands, for which the tourist statistics indicate increasing tourist expenditures and arrivals.

As far as lessons are concerned, the above three cases highlighted that with the correct combination of regulatory environment, firm strategy, product choice and adherence to market development fundamentals, Caribbean countries can compete. Particularly among the Caribbean countries which now eschew mass marketing, major problems exist in coordinating the demands of a highly sophisticated tourist market with inconsistent supplies, particularly from small farms. Developing entrepreneurial capabilities and organizing the small farm producing sector should therefore be considered major elements of market development strategies.

Disparities between the demand patterns revealed by fairly well-developed markets and the supply capability of relatively small agri-business firms are characteristic of many Caribbean countries. Such inconsistencies underscore the critical role of brokering relationships among suppliers and intermediate and final consumers as a way of sustaining product and market development. This establishes a more focused role for organisations engaged in agricultural development, trade promotion and the delivery of agri-business services. While two of the three cases cited have dealt with agro-processed products, the lessons may be readily extended to primary agricultural products, such as the Nevis case. §§

*\*Paper presented at a seminar held in Hawaii on "Enhancing the Role of Value-Added Agriculture in Tropical Island Economies."*

## SOCIO ECONOMIC POLICY, TRADE & INVESTMENT

### Uruguay Round - Impact on Agriculture\*

After 7 years of negotiations, the Uruguay Round concluded on December 15, 1993 and the Final Act originated in this agreement has important consequences -- "tariff cuts are greater; non-tariff barriers are tackled more comprehensively and, for the first time, two major sectors -- services and agriculture -- have been included in the negotiated agreement."

While the Agreement on Agriculture is quite extensive and goes far beyond the tariff and customs measures, it still represents only a partial liberalization agreement. The quantitative cuts in support to agriculture are relatively small and spread over a number of years. However, the dimensions of the commitments are still impressive -- global domestic support will be cut from US\$198 billion to US\$162 billion, export subsidies will be cut from US\$21.3 billion to US\$13.8 billion. Virtually all agricultural tariffs will in future be bound, with established ceiling rates, which will reduce to trade insecurity.

To develop the study, a "baseline projection" is taken into account which considers income growth, productivity changes and demographic trends and in which product prices are linked to world market prices by tariffs and other natural forms of protection; and a "Uruguay Round Projection" which considers the reduction in tariffs stipulated in the agreement and its subsequent effect on price relations.

According to those parameters, the agreement's impact on the main agricultural commodities is analyzed. For rice, the Uruguay Round's projection indicates an increase of 4% per annum, a higher rate than that of the 1980s and foresees a substantial increase in exports of developing countries in detriment to those from developed countries. It also points out that the higher world demand will raise the international prices of rice. Overall, it is estimated that the Round will have very marginal positive effects on rice production and consumption and a marked impact on trade and international prices.

For wheat, the base projection indicates a slower growth in world trade for the 1990s compared to the previous decade. The agreement is expected to generate price increases diminishing the volume of imports of the grain. The study continues with the analysis of other products, such as, coarse grains, seeds, oils and oilmeals, meat, cof-

fee, sugar and bananas. As for dairy products, an important item, no significant effects are foreseen in the global volume of trade of milk and milk products as a result of the Uruguay Round.

#### Implications in the Region

Subsequently, the study reviews the possible implications by regions, since it indicates, "for each country the impacts of the revised outlook for agricultural commodity markets following the implementation of the Uruguay Round by the year 2000 stem from the following:

- changes in marked prices;
- the new market opportunities for exports; and
- the extent to which external market signals are transmitted back to producers and consumers."

#### Impact on Imports

For Latin America and the Caribbean, the analysis signals that the region is a net importer of cereals, even though several countries, like Argentina and Uruguay, are exporters.

It is estimated that the price increase in nearly all agricultural commodity products will lead to a substantial rise in import bills, both of food and non-food agricultural commodities, with particularly large increases in wheat, rice fats and oils, bovine meat, dairy products and sugar.

#### Impact on Exports

Nonetheless, the income obtained through exports of agricultural commodity products will also have a substantial increase. It is expected that the Uruguay Round will boost these exports by \$3,300 million even allowing for a loss of the potential value of preferences of around \$300 million. Significant gains are expected for exports of grains, oilseeds, oilmeals and some livestock products by Argentina, Brazil and Uruguay. By contrast, the export of bananas is projected to be lower than trend, although still higher than in 1987-89, as is poultry, thanks to the rapid growth of consumption. As a net result of these changes, it is expected that the positive balance of

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\$20,000 million obtained by the region in 1987-89 from agricultural exports will increase to an estimated \$32,000 million for the year 2000; \$2,400 million of this increment being accredited to the Uruguay Round.

In concluding, the study mentions that "the outlook for commodity markets included in this evaluation indicates that, even after all the on-going trade liberalization efforts have been put into practice, growth rates will be lower than those of the 1980s. In general, the impact of the Uruguay Round on world agricultural commodity production is negligible. Production in temperate zones will slow down and grow slightly in developing countries.

The Uruguay Round is estimated to have a positive effect on the value of trade as the small boost to volume is coupled with a positive effect on prices, but it will not overturn the slowdown trend that is caused by decreased import growth in the main developed country markets. World agricultural market prices are generally expected to be higher than in the 1987-89 base period, the growth due significantly to the effects of the Uruguay Round. Overall the global value of world trade of the principal agricultural commodities is expected to rise in \$53,000 million between 1987-89 and the year 2000, of which \$14,000 million may be attributed to the Uruguay Round.

There will be changes also in the volume of imports and exports. An improvement is expected for net exports in Latin America and the Caribbean and in Asia and the Pacific.

*"The Uruguay Round, though only accounting for a part of these changes, will affect the agricultural import bills of all developing regions adversely and boost exports to a lesser extent. Apart from the higher prices and shifts in market shares towards the more efficient exporting countries, the Uruguay Round will raise food import bills because of the reduction in export subsidies on these products and will lead to a significant fall in the value of preferential trading arrangements."*

Finally, the study concludes that, besides the sizable effects of the Uruguay Round, it should be noted that the Agreement on Agriculture is also a milestone in the development of agricultural policy. The implications for national policy formulation are manifold and are the focus of normative and operational policy work at present and will continue to be in the future. §§

**IICA and FAO will commence a study on the impact of Trade Liberalization on the Caribbean in August 1996.**

*\*Abstract of FAO's study "Commodity Review and Outlook".  
FAO Newsletter No. 36 Dec. 1995.*

### "Quotable Quote"

***Improved food security and nutrition is still a major goal when upgrading the life of poor sectors. Solutions must be found that discourage assistance approaches and focus instead on promoting the active role of these sectors, as a way to empower them to overcome the major barriers linked to poverty.***

***R. Moya, A. Montero, A. Yurevic  
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