

Wither the Agricultural Sector in the Caribbean?

The economies of Caribbean countries were initially based on production of export-oriented agriculture, sugar and subsequently bananas. Production of food for the domestic market was a secondary activity whose fortunes depended on local import regimes and the level of protection afforded domestic production. Development strategies pursued since the post-war II period were based first on import-substitution industrialization and subsequently on export orientation. The focus on manufacturing detracted from the pursuit of modernization and development of the agricultural sector. Export agriculture survived on the basis of preferential access to the European market.

Trade liberalization from the latter part of the 29th century exposed the weakness of the industrialization strategy pursued by CARICOM countries. Imports continued to grow without concomitant growth in exports. However, agricultural exports grew until the decade of the nineties largely on account of the preferential access to export markets. Liberalization of some of the barriers to agricultural imports during the 1990s resulted in increased imports. Many countries in the region decreased their dependence on agricultural exports as minerals such as bauxite and petroleum products and services such as tourism assumed greater importance in the exports of regional economies.

The main agricultural exports remain sugar, bananas and rice. However, they have been subject to actual and proposed changes in the terms of their preferential market access. Access to the EU market was increased in 2002 for Latin American suppliers of bananas. This has adversely affected banana exports from producers in the OECS region. In 2004 the EU proposed successive reduction in the price of sugar following a challenge to its sugar regime by Australia and Brazil. This would significantly affect export earnings of all the producers in the region. Implementation of the price change was postponed from July 2005 to July 2006. The EU price of rice was reduced in 1995 and this along with safeguard measures introduced against imports through its overseas territories has affected Guyana's earnings from its rice exports.

Liberalization of agricultural trade at the multilateral level (WTO) as well as at regional (FTAA) and bilateral levels (EU-Caribbean) will significantly affect the Caribbean's exports of traditional commodities. Caribbean countries are high cost producers of most agricultural products. Preferential access to EU markets allowed Caribbean countries to benefit from sugar exports although those countries were less competitive than other developing countries such as Mozambique. A similar situation applies to bananas as producers in the Caribbean cannot compete with those in Latin America and Asia for example on account of high labour cost.

A recommended response to the process of trade liberalization has been diversification. This has already occurred to some extent as countries have established manufacturing, mining (including petroleum) and service industries. However, significant diversification is limited by small size of economies in the region. Diversification within the agricultural sector and away from traditional crops would depend on the availability

of suitable land for specific crops, infrastructure, markets, committed farmers and access to finance.

The availability of suitable land is a critical issue as the most suitable agricultural land has been plantation land under sugar cultivation. In addition, fertile land has been allocated to non-agricultural activities such as tourism and real estate development. Allocation of agricultural land must be made to *bona fide* farmers who will be committed to developing a sustainable agriculture as well as a sustainable livelihood. Alternative crops such as fruits and vegetables could be developed but will require a significant amount of land in order to be commercially viable. If directed towards export markets then market access would have to be secured. If production is oriented towards domestic markets then the produce will have to be competitive both in terms of price and quality.

Despite the liberalization that increased over the last decade domestic food production levels increased in major producers such as Belize, Dominica, Guyana and Jamaica. Most of the crops produced include staples such as root crops in all countries, rice in Guyana and maize in Belize. On the other hand, food imports especially of vegetables, fruits, meat and dairy products have grown significantly since liberalization. Further trade liberalization in agriculture will only increase this trend as farmers switch from production to import trade to minimize the risks and increase their earnings in this era of trade liberalization.

The question is whether Caribbean countries should have to choose to produce agricultural products for the local or foreign markets. Diversification within traditional commodities can satisfy requirements of both domestic and foreign markets. Caribbean countries have focused on producing goods in their primary state, as that was the state that could gain relatively easy access to developed country markets. Now that such access will no longer be guaranteed countries will have to consider alternative strategies. These could include processing of produce and differentiating the product by altering the production process.

There are two levels of processing that could be pursued. One is a primary level or first stage processing and involves the preparation of the produce (e.g. cleaning and cutting) for further processing in other countries. The other is agro processing by firms within the country or region. In both cases crops would have to be produced on a large scale to be profitable – vegetable fields and fruit orchards. Plantation lands taken out of sugar for example would be suitable for the establishment of fruits such as oranges and pineapples that could provide the input to processing industries. Agro processing is best pursued for crops that can be grown in abundance and for specialty products such as condiments and organic chocolate based on the high quality cocoa grown in Caribbean countries.

One of the constraints on agricultural production for processing is that of maintaining quality and consistency of output. Caribbean producers, in particular small-scale farmers, tend to produce erratically products of variable quality. This has forced processors to rely on imported inputs for their processing operations. Price is also a factor

in determining the source of supply of inputs for processing industries. Local produce cannot be priced significantly higher than the price processors would have to pay for imported produce unless import tariffs are high enough to make it uneconomical to purchase the foreign product. In the present era of trade liberalization that measure can only be pursued to a limited extent.

The strategy of restructuring the production process has significant merit both in terms of proposed cessation of preferences enjoyed by traditional commodities (sugar and bananas) and given the agricultural practices of the past that contributed to environmental degradation. Two approaches to restructuring can be identified. Both can be considered as diversification within the traditional agricultural sector.

One approach is shifting from the conventional method to an organic method of producing traditional export commodities. The organic method is based on a production management system where only organic inputs (manure and seeds) are used and synthetic pesticides and other chemical means of controlling pests are avoided. There are additional requirements for ensuring that crops are certified as organically produced. These include crop rotation or intercropping and weed control by using crop cover or manual or mechanical methods. This method of production contributes significantly toward protection of the environment.

A number of countries in the region have embarked on a process of organic production of traditional export crops such as sugar, bananas, coffee and cocoa. Most of the certified organic farms in the region are found in Cuba and the Dominican Republic and to a lesser extent in Guyana and Jamaica. Organic production is better oriented towards export markets where premium prices can be obtained. Although domestic food production can be carried out using organic methods the price of food would increase thus making such production unprofitable on account of a relatively small target market. However, organic food production could be undertaken for the tourist market in the region.

Conversion to organic farming is a complex exercise as it requires restructuring the total operation of the farm. Some of the most critical requirements for success in organic production are significant land size, access to financing and management capability of farmers. Land size is important for at least two reasons: to rear livestock to produce organic manure and to facilitate barriers to external conventional operations. Management capability is perhaps the most important requirement since organic farming is more about management of a particular farming system than about the farming itself notwithstanding the importance of the technical aspects of production. Organic farming can be considered a skill-intensive operation, which would therefore require farmers with a higher level of training.

The complexity and time frame (2-3 years) for conversion to organic farming leaves another option for Caribbean countries to meet the challenges posed by reform of the European Union regime for traditional agricultural imports from African, Caribbean and Pacific (ACP) countries. Fair Trade agriculture is an interim measure that allows

farmers and workers disadvantaged by unfair international trade to continue to satisfy their basic needs. It encourages farmers to work towards organic certification in order to earn premium prices by providing market access and a fair guaranteed price. Fair Trade is concerned with protecting the environment as farmers minimise the use of fertilisers and pesticides and partially and gradually replace them with organic fertilisers and biological disease control.

Banana producers in the Windward Islands of the Eastern Caribbean started exporting Fair Trade bananas to the EU market in 2002. Most of the Fair Trade producers are from Dominica, which has been the country most affected by the change in the EU banana regime. Fair Trade producers receive a premium on the price of each box of the fruit they export, most of which is used for social projects and business development. While this would seem to be the answer, at least in the short term, to changes in the preferential access for bananas in the EU market, it is nevertheless subject to demand conditions in that market. The demand for Fair Trade bananas is a lot less than the production capacity of the Windward Islands.

The other approach to restructuring is not to switch to organic production but to improve efficiency within the traditional industry and alter the marketing strategy. Both Guyana and Jamaica, the largest sugar producers in the CARICOM region, have been pursuing improvement in efficiency in the sugar industry. Jamaica's Sugar Company formed an alliance in August 2004 with an Indian sugar company to improve the efficiency and reliability of sugar factories on the island. This has resulted in savings so far of US\$1.6 million. Change in cane farm management systems has resulted in significant increase in yield per hectare (from 56 tonnes in 2002/2003 to 88 tonnes in 2003/2004). Output is therefore expected to increase significantly in 2005 (www.jamaicaobserver.com).

Guyana has embarked on the construction of a new state-of-the-art sugar factory (in Skeldon) to expand production and reduce cost. China is the main partner in the US\$100 million project with technical inputs from Australia, Finland, France, South Africa and the United Kingdom (www.stabroeknews.com). The factory is expected to be completed in 2007 with a large cane production area (13000 hectares) and a co-generation of power element, which will facilitate reduction in the cost of production by at least 50%. The significant increase in production capacity as a result of the new factory will contribute to increased annual sugar output. Guyana expects that the modernization of sugar production through the use of high technology in processing will allow it to successfully compete in the European market as well as supply the Caribbean market with all its sugar requirements.

The strategy that Barbados has been pursuing is not to move out of sugar but to move out of the production and sale of bulk sugar to the EU market. The country has embarked instead on the production of branded sugar for sale in the domestic market as well as in the United Kingdom. Barbados expects to gain as much revenue from 7,000 tonnes of branded sugar as from selling about 35,000 tonnes of bulk sugar to the United Kingdom (www.nationnews.com).

From the above it can be seen that countries in the region have been taking steps to ensure the survival of their export agriculture. But, whereas the sugar and sugar cane industries may survive in Barbados, Guyana and Jamaica, the prospects for the banana industry may not be as bright especially for the small island states of the Eastern Caribbean and in spite of the lifeline offered by the Fair Trade market. The viability of an agricultural sector in the OECS countries may rest on its ability to supply the tourist market in those countries and/or the development of integrated sectors in the CARICOM region as a whole, for example linking crop production to the processing of a high value product.

The small-scale farmer may be the loser from the changes taking place at both the international and domestic levels. Size is critical in enhancing competitiveness so that countries will tend to focus on large-scale farming operations. Access to limited resources, in particular land and finance capital, will also pose a challenge to the small-scale producer. Government assistance will be crucial to the development of the agricultural sector in the region if that sector is to remain viable and provide a sustainable livelihood for the rural communities that depend on it. Most governments in the region have expressed commitment to preserving the sector but there is need for comprehensive policy measures that take into account economic, social and political realities of Caribbean countries.

Selected References

ECLAC, Free Trade and the Development of Sustainable Agriculture in the Caribbean, LC/CAR/L.19, 6 August 2004

ECLAC, Sustainable Agriculture and the Development of the Amerindians in Guyana: The case of the Mabaruma/Hosororo Organic Cocoa Project.