

Organizing a Fragmented and Disorganized Private Sector – The Creation of Non-Traditional Agribusiness Clusters and Niche Markets for Sustainable Development of Caribbean Agriculture– Peer Reviewed

0



Proceeding of the 26th West Indies
Agricultural Economics Conference
(Caribbean Agro-Economics Society)

in collaboration with the
42nd Caribbean Food Crops Society Meeting

FOOD SAFETY AND VALUE ADDED
PRODUCTION AND MARKETING
OF TROPICAL CROPS

Title: Organizing a Fragmented and Disorganized Private Sector – The Creation of Non-Traditional Agribusiness Clusters and Niche Markets for Sustainable Development of Caribbean Agriculture

Author: Amiel, Keith
President, CABA, Jamaica

Editor: Neela Badrie

Date Published: May 2007

*Copyright 2008 by Caribbean Agro-Economic Society (CAES). All rights reserved.
Readers may make verbatim copies of this document for non-commercial purposes by
any means, provided that this copyright notice appears on all such copies.*

**ORGANIZING A FRAGMENTED AND DISORGANIZED PRIVATE SECTOR – THE CREATION
OF NON- TRADITIONAL AGRIBUSINESS CLUSTERS AND NICHE MARKETS FOR
SUSTAINABLE DEVELOPMENT OF CARIBBEAN AGRICULTURE**

Amiel, Keith
President, CABA, Jamaica

ABSTRACT

Some concerns relating to the demographics of the region as they impact on agricultural production were discussed. Traditional agriculture was in many instances on the decline. Competitive elements have been seizing the opportunity to supply the region through import substitution. Small and medium sized enterprises needed to be empowered by exposing them to state of the art technology and linking them into viable clusters, based on distinctive products, that could enhance their capacity to survive in increasingly globalized economies. This will necessitate both vertical and horizontal integration in the interest of arriving at viable economic entities to facilitate sustainable agri-business. The restructuring will require adjustments and infrastructure support from the Agencies operating in the Region. Development assistance must be goal aligned in the interest of optimizing the use of scarce resources. Governments of each state and stakeholders within will need to rationalize what they do and how they do it. Each entity will not be able to duplicate everything in each location. R&D, further processing and marketing, for example, may need to be subjected to a considerable amount of centralization. To this end the Agricultural Planning Agencies within each Government will need to interact on a regional level to a greater extent.

Keywords: Agribusiness, Niche markets, Caribbean agriculture

Background

The Caribbean region consists of 23 island states and four associated continental countries. The region as a whole has a population of 37.7 M and a total land area of 61 M ha of which approximately 25% is under agricultural production and 11% is arable. The island states account for 37% of the total land area (22.9 M ha) and 94% (35.6 M) of the population. Agriculture is largely based on traditional plantation crops such as sugarcane, banana, cocoa, coffee and tobacco. Over the past decade, globalization has had an adverse impact, with considerable loss of export markets. There is remarkable pressure on arable lands particularly in small island states. Consequently, agriculture is carried out largely on small holdings providing little opportunity for achieving economies of scale and global competitiveness. The geopolitical fragmentation of the region, where territories are separated by political ideology, language and oceanic or land barriers poses a serious challenge for developing appropriate mechanisms for

technology development, transfer and cooperation within the region.

The Agribusiness Private Sector in the Region is the same as it was some twenty years ago - disorganized and fragmented. The colonial legacy of primary production being shipped out to, often unrelated entities that were under no obligation to share the returns from value added activities with the original growers of the raw material, has been a major concern of many. The quality of life endured by Caribbean Citizens was often not commensurate with their physical efforts. Hence there was little commitment to increase productivity beyond that which constituted the barest minimum to get by. There were, to a great extent, horizontal ceilings which the colonial entity below could not penetrate. The system sustained grass root indifference and insecurity. The feedback route to the primary producers was through several bureaucracies that predisposed to delays and misinformation. The tentative efforts at adjustment which resulted were often ineffective. The same strategies were applied across many

colonial territories, driving down farm gate prices and returns to the barest minimum.

Globalization is having a significant impact on Caribbean agriculture as traditional secured markets for plantation crops such as sugar, banana, rice, cocoa, coffee and coconut dry up under global competition and the World Trade Organization (WTO) rules. The large agricultural producers in the region are forced to resize and become more efficient in order to remain competitive. Achieving international competitiveness requires that development efforts be focused on producing and supplying strategic niche crops, technologies and services that have a comparative advantage. However, there is a parallel need for fostering the production of indigenous crops to ensure food security and maintain agricultural employment. Further, in a knowledge-driven global economy development and protection of intellectual property is vital to have a global influence. Agricultural development in the region should therefore have a two-pronged strategy, harnessing the opportunities provided by globalization while at the same time sustaining livelihoods and food security by supporting the indigenous food production activities.



Schematic of colonial and immediately post-colonial Associations and Organizations.

Each functions as an independent entity with an odd grouping of interests within them. The Associations and Organizations often exerted their influence at a tangent to each other. For example the Chamber of Commerce that made a living from importing

cheaply and selling dear could see local Manufacturing Associations as threatening their markets thereby adapting a strategy of undercutting with equivalent goods whenever possible.

If the current Caribbean Association of Industry and Commerce (CAIC) considers itself the latter day manifestation of the original chambers of commerce, it should not be considered to represent the current Manufactures Associations or the proposed Caribbean Agri-business Association (CABA), both of which must contemplate and promote local production.

Given the current and continuous paradigm shift in world trade towards economic blocs, any future development of the Caribbean's Agricultural Sector will be largely determined by the relative international competitiveness of each productive sub-sector that has been regionally integrated. The continued viability will depend largely on the type of commodities produced. A reasonable alternative approach to agri-business in the Caribbean would be the promotion of non-traditional exotic tropical fruits, vegetables and roots in which the region has comparative advantages for the domestic market and especially for the niche markets in North America and Europe.ⁱ Some safeguards will be achieved at processing through distinctive formulations and branding, making the products to be marketed peculiar to our particular environment.

OBJECTIVE

To improve SME's knowledge and compliance with Food Safety Requirements, Standards, and Trade Rules, improving access to and competitiveness within regional and international markets.

Some objectives of the Multilateral Fund (MIF) initiative in Agribusiness Development through the Caribbean Agri-business Association (CABA)

Many traditional Commodity groups and Agencies have exerted considerable effort to make positive adjustments in the interest of

progress. CABA's current efforts will be to broaden the capacity building process to include more viable agriculture-oriented segments in the net through the formation of commodity cluster groupings that will allow for vertical and horizontal linkages. Through its CABA/ Multilateral Investment Fund (MIF) Project entitled "Strengthening Market Access Opportunities for Small and Medium Sized Enterprises (SMEs) in the Caribbean Agri-Food Industry", CABA hopes to make this concept a reality throughout the Caribbean Region.

The nature of the CABA/MIF Project is participatory and incorporates human resources development as a key element of capacity-building and developmentⁱⁱ. Whereas many similar training projects have often been provided by governments and Lead Agencies, in this case, the project will be based mainly on private participation, both in process and funding.

What makes this initiative unique is that it is driven by industry stakeholders. In other words, it is "demand driven". Over the years, various industry stakeholders have identified the need for capacity building in an attempt to fully comprehend and be more responsive to changes in Regional and Multilateral Trade and Quality Regulation (MT/QR). Thus this project is of keen interest for they are fully cognizant of the fact that it will be a source of great benefit to them. Their respective countries will also gain from the industry support at the regional and multilateral negotiating tables, as they will better be able to defend their interests not only internationally and regionally, but also politically in the domestic arena by promoting democratic and transparent processes.

It is on this basis that CABA is hopeful that both the public and private sectors will financially contribute to making this project a success and its ultimate process perennial. These private-public partnerships are common in a number of other countries and we expect the same in the Caribbean once the gains from this process can be appreciated. Such linkages will foster the Caribbean Advisory Group on International Trade (CAGIT) and the Caribbean Agribusiness Export Club (CABEX). These ideas have been engrained in the project.

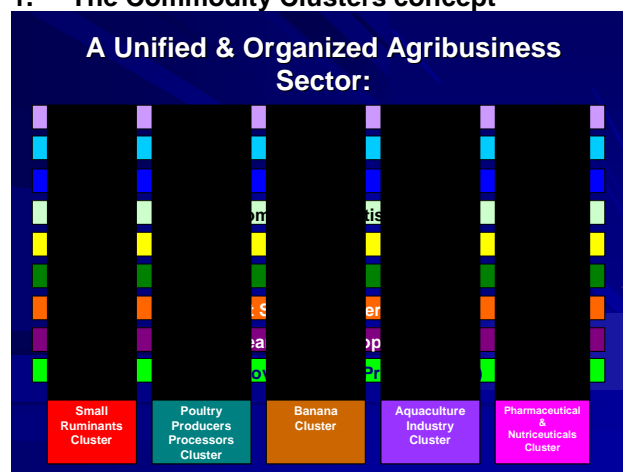
CARICOM Development Model: The Jagdeo initiative (Constraint Resolution Strategy)

The CABA/MIF Project complements other initiatives. For example the United States Agency for International Development, (USAID) is working with the Pan American Health Organization (PAHO) to formulate new legislation for the Organization of Eastern Caribbean States) OECS to improve food safety standards. The Canadian International Development Agency (CIDA) is contemplating support to the Caribbean common Market (CARICOM) for Sanitary and Phytosanitary Safeguards (SPS) as well. Other donors and international organizations working on similar issues include the Inter American Institute for Cooperation in Agriculture (IICA), the WTO and the European Union (EU). CABA hopes to interact with these efforts where feasible.

The Jagdeo initiative (Constraint Resolution Strategy) formulated in early 2005 has identified an unorganized and ineffective Agri-business Private Sector in CARICOM as one of the major constraints preventing its progressive development. Through this Project, CABA (national chapters and regionally) is being promoted as the umbrella organization, that will lead the restructuring of CARICOM agri-business sectorⁱⁱⁱ.

CABA, through its MIF Project, will be working with traditional and yet to be developed Commodity Clusters in order to ensure sustainability of the Project and to ensure that essential areas are covered, as well as reinforcing effects are achieved for Agri-Business development.^{iv}

1. The Commodity Clusters concept



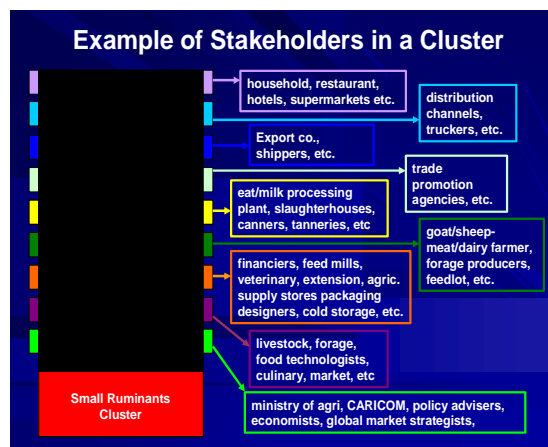
Each Cluster will be vertically integrated. It will include the essential elements for its

success. Nothing will be produced that cannot be marketed.

Elements will range from financiers to planners through Agricultural Research and Development efforts to the producers. The processors will differentiate the raw materials into branded, marketable convenience presentations for the International Market. Each cluster will have similar elements. Hence horizontally linked associations both within and across borders in the areas of R&D, producing, processing and exporting and other areas will be possible. Given the fact that scale presents a problem for most Caribbean territories. The horizontal linkages between clusters, such as already pertains with the Caribbean Poultry Association (CPA) and the pork Association of the Caribbean (PAC) will go a long way to compensate for these concerns.

Given the size of National Organizations in particular and the CARICOM target market in general, no Cluster exists that can successfully meet quotas and respond to the volumes required to sustain meaningful International Trade. Indeed in almost every case there has been a need for compensatory imports just to deal with local consumer demand. There exists the need to go rapidly beyond concepts of food self sufficiency and import substitution in order to confront the global market place with distinctively branded products. To achieve this, each commodity cluster, when it becomes organized at the National level, must create horizontal linkages throughout CARICOM in an attempt to reduce infighting, reinforce outputs, and instill stability.

Clusters to be created to facilitate the generation of raw materials will span traditional as well as non-traditional elements. Even within the traditional clusters there still needs to be a more significant divergence from being mere primary producers into differentiated and distinctive variations that could give the region a competitive advantage. Given our volume limitations, niche marketing will indeed go a long way towards liberating us from the effects of competitors' domestic subsidies and mass produced goods.



CABA, through this pilot project will attempt to achieve vertical integration within the established clusters so as to minimize waste and maximize the chances that those things that can be marketed will be produced. Vertical integration should also facilitate the farmers receiving optimized returns on their investments by sharing in the returns from differentiation of their products into further processed goods. Basically in the vertical integration model the clusters will include those who provide the finance, the state of the art applied technology, growers or producers of the raw materials, as well as those who process, brand and market the end products, all working as a team.

2. Proposed Cluster Groupings



The above list is not exhausted as we could include crafts, products from home economics, honey production and forestry. Indeed many viable associations and commodity groups already exist based on these mentioned here.

Support groups, providing inputs such as packaging, printing and labeling, transport agents, including shipping agents, storage and distribution and sales, public relations and marketing agencies need to at least be Associate Members of CABA Jamaica. Additional Associate members could be the suppliers of chemicals, fertilizers, seeds and general Agricultural equipment.

CABA will ensure that each cluster is formed into a registered Non Government Organization (NGO), co-op or limited liability entity, each with an Executive or Board of Directors. The Chairman or President of each entity will sit on the Board of Directors of the National CABA (or have direct access) so that each entity will be assured of representation at the highest board level. The position of the CABA Board as it relates to that commodity will be that of the Commodity Cluster represented. CABA will also attempt to identify Financial and Market Clusters that will offer assistance with development and venture capital as well as Legal Clusters that deal with branding and intellectual property rights. In order to facilitate Capacity Building the Lead Agencies operating in the Caribbean (FAO, IICA, CIDA, OAS, PAHO, CRNM, CARDI, USAID, and EU Agencies etc.) will be urged to adjust their work plans and Budgets to reinforce the activities required. In this regard CABA will need to interact and consult in a formal way with these Agencies that exist in the region for furthering regional development as these Agencies have International or Trans-regional linkages that will be invaluable in adjusting to the global marketplace and the intricacies of trade and political maneuverings. It is hoped that they will provide support for the agri-business process at all levels, particularly in the field. Thus it is mandatory that the lines of communication between CABA and these Agencies remain open at all times.

CABA will also seek support from other complementary CARICOM Agencies such as the Caribbean Regional Organization for Standards and Quality (CROSQ), Caribbean Association of Animal Health and food Safety (CAHFSA), Caribbean Market Intelligence Data Base (CAMID), Caribbean Agricultural Research and Development Agency (CARDI) and the Caribbean court of Justice (CCJ). The proposed network of Agricultural Planners involving the Planning Officers in the respective Ministries of

Agriculture (CARAPAN) should also be part of this venture so as to provide some rationalization to the use of scarce resources.

The Way Forward

It is anticipated that, with all the relevant stakeholders being a party to this all inclusive process which has a clear regional policy focus, the requisite funding will be forthcoming to ensure that the intervention is successful. Caribbean branding of distinctive products will help to enhance our concepts for agro-tourism in the area and to sustain the Caribbean as a distinctive Tourist and recreation destination. The products our visitors experience will follow them to their respective destinations and into the niche markets where the Caribbean's Nationals abroad and their friends live. Finally, the international appeal of our products, based on taste, quality and value for money will give us a global presence that we will strive to make both distinctive and sustainable. Agriculture must be valued for what it could become for the Caribbean: the bedrock of society and the cornerstone of our respective economies.
