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THE IDEAL ENVIRONMENT FOR EFFECTIVE AGRICULTURAL CREDIT IN THE CARIBBEAN

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Introduction

Despite the Caribbean's long association with agriculture, the region continues to depend to an increasing degree on imported farm products and it appears to be exporting less in actual and money terms. The sector is beset by a host of problems for which solutions do not appear imminent. Uncertain world market prices, coupled with disorganized local distribution and comparatively high cost of production, render Caribbean farming hardly competitive. It is not surprising, therefore, that the sector is sluggish and, as a contributor to regional economic growth, is declining in importance.

The region, however, almost devoid of natural resources, except for limited petroleum in Trinidad and bauxite in Jamaica and Guyana, and faced with an ever increasing level of unemployment and serious balance of payment problems, has little recourse than to develop the agricultural potential and to exploit other special advantages of sun, scenery, sand and geographical location. Improvement of the fortunes of agriculture will not occur all by itself. Conscious efforts have to be made to revitalize the sector. The view has been expressed that the major hindrance to this resuscitation of farming in the region is the lack of agricultural credit.

This paper has been inspired by the fact that agricultural credit in its many manifestations has in fact been available in the region. At least one commercial bank is willing and able to finance farming and one reads in the Press of an ever increasing amount of credit being made available in the Caribbean. Public sector finance has always been available to a greater or lesser degree and recent reports suggest that both the Caribbean Development Bank and the territorial development banks are unable to identify viable commercial agricultural ventures in keeping with the financial resources available to the sector. It would seem that declining productivity will continue and that agricultural credit will not be effective or its utilization increased until an ideal investment climate is developed in the Caribbean. This paper attempts to discuss some of the ingredients of the ideal business environment likely to stimulate and maintain accelerated growth in agriculture.

Official Policy

It is most unfortunate that few Caribbean territories have evolved workable official policies which actively encourage agricultural expansion. In fact, in some islands, it is difficult to understand the official perception of the role of the agricultural sector relative to the other sectors. In one particular territory where agriculture contributes better than 80 per cent to its Gross Domestic Product, a recent survey showed that the national purse allocates something in the order of two to three per cent

of the annual appropriation to agricultural services in that country. It is not surprising, therefore, that in that island the Department of Agriculture is sadly under- and inappropriately staffed, so that the leadership likely to render agricultural credit effective is missing. Farmers with problems will soon grow disenchanted when solutions are not forthcoming. In fact, they have found themselves very much alone with their farm investment. Farmers in this state are going to misuse agricultural credit and, having done so, will depart from the scene at the earliest opportunity.

The question of price control has shown itself to be a serious inhibiting factor in the establishment of the ideal investment climate. Mention must be made of the effect of price control on the development of the livestock industry in many of the islands. The concept of cheap food is a decisive disincentive to farmers and in the absence of subsidies which ensure a reasonable return to investment, the picture becomes queered. Farmers will not seek agricultural credit and, even if they do, experience has shown that they quickly divert the capital to off-farm investments.

Farming is perceived as the means of absorbing the region's unemployables and hence emphasis is put on placing as many persons on the land as is possible without due regard to the financial viability of the exercise. This inability to design viable land settlement schemes has in large measure led to ineffectual use of agricultural credit. Comprehensive land use policies are essential ingredients in the ideal environment; where appropriate land use policies exist, farm land prices tend to be realistic and the protection of farm land is assured, thus ensuring continuity of production.

Official policy tends to influence the attitudes and actions of the people at large and, in territories where there is not ambiguity in official policy, one finds progress.

Public Appreciation

For an industry to survive, it must enjoy the goodwill not only of the people employed in it, but from the public generally. Unfortunately, farming has lost much of this goodwill in most of the Caribbean. This feature may have developed as a result of our history or from the fact that the industry has suffered vicissitudes. Evidence of the low regard the public has for the farming community is demonstrated by the number of stray animals allowed to roam at will in many islands, and the extent of praedial larceny which has been allowed to go unpunished. The laws governing these two criminal acts are ancient and nobody regards their review with priority.

An interesting recent development in some islands is the attempt to re-introduce the teaching of agriculture in schools. The teachers appear to be inadequately prepared for this task and, further, few schools are appropriately equipped. Most Caribbean parents actively discourage their children from taking such courses as they consider agriculture, as a career, to be socially unacceptable.

The ideal environment would include the teaching of agricultural appreciation in schools, possibly in conjunction with subjects such as

geography and biology. School leavers would begin to understand the issues involved, some will get directly involved in the sector, but the majority, who will inevitably do other things, will have gained respect for the understanding of the sector and carry these over into their attitudes towards their community.

Entrepreneurship

Farming is a business. Paternalism and an eleemosynary approach will not make for a vibrant agricultural sector. Agricultural credit in the hands of the efficient agro-businessman is most likely to be effective. It is important that modern management skills and attitudes be applied to the farm and related areas, and it is critical that the "new Caribbean" farmer be identified and given every encouragement to set up in the sector. There can be no doubt that the most serious deficiency in the Caribbean agricultural scene is the absence of a large pool of good managers. It is very depressing to see good projects, well designed and with adequate capital, go sour in a very short time because of poor management.

It is heartening to see that our local University is developing a management component associated with agriculture. It would seem, however, that this is not going to satisfy short-term needs. Efforts should be made immediately to mount short training sessions on agro-business management. In this regard, perhaps the Caribbean Agro-Economic Society could take the lead, particularly in the Leeward and Windward Islands.

Infrastructure

The provision of infrastructure appropriate to the needs of the rural areas provides part of the correct environment for effective agricultural credit. There is little point in a farmer producing items of high quality and in large volume only to find that the items cannot reach the market in good condition and on time. Important infrastructural development includes low-cost and regular transport. The case of citrus going to waste in the Windward Islands, while serious shortages occur elsewhere in the neighbouring islands, is a case in point. Other important infrastructure, necessary for the ideal condition, includes the efficient mobilization of water resources and rural electrification. Caribbean agriculture continues to be plagued by erratic rainfall distribution such that even islands with very high rainfall suffer severely during even short dry spells in the absence of well developed irrigation systems. It is pathetic to see rivers flowing to the sea with water of excellent quality, while farm crops produce far less than their optimum because effective means of moving water over short distances have not been fully applied to the Caribbean farm.

The Technical Package

Despite the fact that the Caribbean can boast of hosting the oldest and possibly the best school of Tropical Agriculture, many farmers in the region do not have the appropriate technical package for a host of their on-farm activities. It is sad that we still use both animal and plant germ plasm which have been selected for other climates and which demonstrate little adaptation to most Caribbean situations.

The ideal environment for effective agricultural credit would involve farmers having access to personnel who can assist with problem-solving as the need arises, as will inevitably be the case over time. The farmer in the dairy business who does not have access to a good veterinarian will never be able to make effective use of agricultural credit and, in the short run, would normally be expected to have difficulty in receiving this, and rightly so.

As part of the appropriate technical package, one could include here, for convenience, the ease of supply of essential production inputs at reasonable costs, and of the correct quality and in the appropriate quantity. For example, it is not good enough simply to have fertilizers available. Fertilizers have become so expensive that one has to optimize their use by timing their application and ensuring that they are of the most efficacious type.

Markets

The question of markets is a very vexed one in the Caribbean. The ideal environment would contain producers who are market-oriented and a marketing apparatus which is sensitive to the critical role it plays in the agricultural sector. It is sometimes difficult to identify in whose interest marketing agencies operate. In many cases, marketing agencies appear to be concerned only with the provision of cheap food for the consumer at the expense of producers. Market mechanisms are urgently required in the region in which farmers are permitted a reasonable return on investment, and at the same time allow food items to be sold at price levels acceptable to consumers.

The smallness of the several economies makes this balance difficult to establish, particularly when one considers the strong seasonality of production and the almost total absence of production planning. The perennial shifts from ruinous over-supply to severe scarcity, accompanied by absurdly high prices, are still with us despite the establishment of marketing agencies throughout the region. The obvious answer is clearly simply to shunt surpluses to areas of low supply. This is much easier said than done, because there appears to be individual territorial resistance to this despite the Marketing Protocol which was designed to help this very problem. The apparent drive to self-sufficiency in each territory is understandable, given the existing unreliable and expensive shipping service between the territories. However, in practice, it does not permit the exploitation of comparative advantage. When this is compounded with the almost total lack of marketing intelligence and production forecasting, it is easy to see why marketing agencies operate under such difficulty, and appear ineffectual in coping with the services demanded by farmers and consumers alike.

It would be true to say that agricultural marketing in the Caribbean is a very uncertain operation, leading to a breakdown in confidence between producers and agency. In this kind of atmosphere, new investment is not likely, hence low demand for capital. It would be unreasonable to extend credit in the farmers' own interest. Many a Caribbean farmer has been ruined by major shifts in unit prices of commodities or the inability of the buyers to accept produce when offered.

It would seem, therefore, that the ideal environment for effective agricultural credit, as far as marketing is concerned, would include a sensible mix between domestic and export supply and, most importantly, some form of contracting between producers and market agency and the free flow of production and marketing information.

Land Tenure

Agricultural credit is most likely to be effectively used in situations where farm operators have unrestricted access to farm land. This security of tenure may arise from ownership or from long-term leases with built-in protection for the lessee. When progressive land laws exist, more confidence develops.

It is unfortunate that share cropping is still with us and many islands' land laws are sadly in need of updating, to be in keeping with modern thinking in this area.

West Indians are particularly land-proud, not so much because of their commitment to farming, but more so, I believe, because of the status land ownership confers. This urge to buy land often impels farmers, particularly small ones, to pay unrealistically high prices for land which invariably places such a strain on the purchaser's already slim capital resources, that the farm never receives the strong development necessary to optimize returns. The leasehold system has much to commend it, and now that Governments have become the major landowners in the area, this should not be difficult to achieve. Mention should be made of the Land Management Authorities now being set up in several islands, and the sobering effect most of them have had on land tenure, and hence credit, by their comprehensive approach to the problem.

The Future

The farm-firm requires time before the fruits of investment can be harvested, a feature not peculiar to the farm, nonetheless, springing mainly from the fact that the firm deals with biological systems and elements of climate and weather. Not only is forecasting made difficult by its very nature, but the Caribbean farm is subject to a number of influences outside the sector and unrelated to biology. High uncertainty can be attenuated by services like farm insurance which is not new to the region, but which works out here to be prohibitively expensive mainly because, as a sector, agriculture is basically disorganized. Risk in farming is difficult to measure at the best of times and, under our conditions, it becomes almost impossible. Yet, if farming is to be sustained, continuity supports are vital.

The future of Caribbean farming is going to depend on how flexible and efficient operations will become, and this is going to require management skills of the highest order. Diversification is no longer an option; it is an imperative, and whether this is done at the level of the farm or at the national level is immaterial. In short, the sector needs more dynamism if it is to attract increasing volumes of agricultural credit and make better use of what is available. New ideas and methods of approach must be sought and find fertile ground among Government officials, policy-makers and farm operators alike. Efforts must be made to speed up the rate of technological

transfer from the colleges and Universities to the level of the farm. Time is not on our side. Action is urgently required.

It must be clear from the above that my major thesis is that agricultural credit by itself is meaningless. The major task immediately before us is to identify individuals in our several countries with entrepreneurial skills and drive and so to set the stage that they would be drawn into the farming sector. With this accomplished, the supports will follow because, by definition, the dynamic agro-businessman is a "go getter". The missing pieces will fall into place when the right men and women are fully awakened to the untapped potential in Caribbean farming.