A STRATEGY FOR THE MARKETING OF FOOD CROPS PRODUCED WITHIN THE CARICOM REGION

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Introduction

Agriculture represents an important sector in the economies of all the CARICOM territories. The contribution of this sector to Gross Domestic Product (GDP) over the period 1973-80 is shown in Table 1, Appendix 1. Agriculture is also important in terms of its contribution to foreign exchange earnings and employment.

Caribbean agriculture can be divided broadly into two subsectors: (a) export crop and (b) domestic food. The export crop subsector produces on large tracts of fertile land, such crops as sugar and banana for the export market, utilising hired labour and a high level technology. The domestic food subsector produces for the local market on marginal land located at the periphery of the plantations, crops such as fruits and vegetables and rears livestock such as pigs, poultry, sheep and goats, on small holdings utilising in the main, family labour and a low level of technology.

The structure of Caribbean agriculture gives rise to two fundamental problems:

(1) critical dependence on a narrow production base; and

(2) heavy importation of basic food items.

The export-oriented subsector of Caribbean agriculture concentrates on the production of one or two crops as a consequence of which there is an unhealthy dependence on the fortunes of these few crops.. Because the Caribbean producers and exporters of these crops have little or no control over the price they receive, their foreign exchange earnings - on which they depend heavily - fluctuate widely from year to year causing immense social and economic problems.

The lack of emphasis on the domestic food subsector imposed artificial restrictions on the production of food giving rise to the importation of large volumes of basic food items. Details on the food trade balance are shown in Table 2, Appendix II. The regional importation of food in 1981 is estimated to be in excess of EC$2.0 billion. The Region can ill afford this large capital outflow. Indications are that this will continue to grow, if positive action is not taken to prevent it.

With the terms of trade moving progressively against CARICOM Member States and with consequent balance-of-payments difficulties, it is somewhat difficult to rationalise why such a structural imbalance in agriculture is allowed to continue in the light of the capabilities of the individual States and the very pressing needs of development, particularly in the LDCs. It is predicted that the Caribbean would remain in a state of *persistent poverty* unless and until positive action is taken to change the strangle hold of the export crop subsector on the domestic food subsector.

The necessity to restructure the regional agricultural sector is now more urgent than ever. This urgency was brought about by the sharp and continuous fall in the price and the drying up of market opportunities for our traditional exports of sugar and banana on the one hand, and on the other by the spiralling increase in the price of food and other items the Region imports.

Forces both within and outside the Region tend to favour expansion in the domestic food subsector. Serious reservations have been expressed about the rationale to increase production without the export crop subsector particularly in the light of falling prices and diminishing market opportunities. Indeed, some regional planners strongly advocate de-emphasizing the export crop subsector and the transfer of its resources to the domestic food subsector.

Indications are that market opportunities are unlikely to improve to the level which would justify expansion in the production of the traditional export crops. Even the continued production of some of these crops is now questionable and is recommended only if adequate regional utilisation can support such continuation.

Because of the general problem of Fixity of Assets, one can be tempted to argue for the continuing production of sugar, banana and the other traditional crops. However, it is important to observe that of the production factors which have gone into the export crop subsector of Caribbean agriculture, machinery is perhaps the most specific. While the sugar and banana lands can be utilised to produce other crops, it is doubtful whether the sugar factories can be used to process other forms of agricultural production. Since a large number of these factories may be approaching absolvence, this is perhaps the opportune time to phase them out and replace them with more modern and versatile pieces of equipment. The possibility exists, however, that adaptive research in produce development and utilisation may facilitate the continuing production of these traditional crops for use within the Region rather than for export.

While resource endowment can permit expansion in the production of food crop, one major difficulty to be overcome relates to the rigidity in the food consumption pattern of the Caribbean people. The intense psychological attachment to and preference for imported foods will tend to inhibit consumption of locally produced foods and hence restrict their market opportunities. It is heartening to note that some Governments have already taken steps to correct this problem and with the support of regional trading mechanisms (AMP) and other regional support policies (Rules of Origin), this difficulty is likely to be overcome.

In the last decade and particularly in the last five years, CARICOM Member States have been advocating programmes of *self-sufficiency* particularly as it related to food. Positive action aimed at achieving this objective is being taken in all the Member States.

There are indications that the Region would soon experience an increase in the production of food, both crops and livestock. Unless an adequate and efficient marketing system is in place to cater for this increase in production, then the resultant problems are likely to discourage farmers and thwart further production efforts. The main objective of this paper is:

> *"to outline a strategy which may be utilised to facilitate the efficient marketing of the food produced within the Region."*

The Marketing Strategy

There is no one acceptable definition of Marketing. Generally, however, marketing is defined as *the series of activities concerned with the movement of a commodity from the point of production to the point of consumption.*

In the case of agriculture, marketing this definition will need to extend backwards to include such activities as:

(a) appropriate time of harvesting; and

(b) proper on-farm methods of grading, packaging and storage.

Within the CARICOM Region the function of agriculture marketing is carried out by both private sector individuals and public sector agencies, for example, marketing boards. Indeed, there exists in each CARICOM territory a marketing board which is charged with a two-fold responsibility of providing for small farmers a guaranteed market for their produce and for consumers, food at reasonable prices. The *modus operandi* of all the operators within the marketing system have been extensively studied and intensively documented.

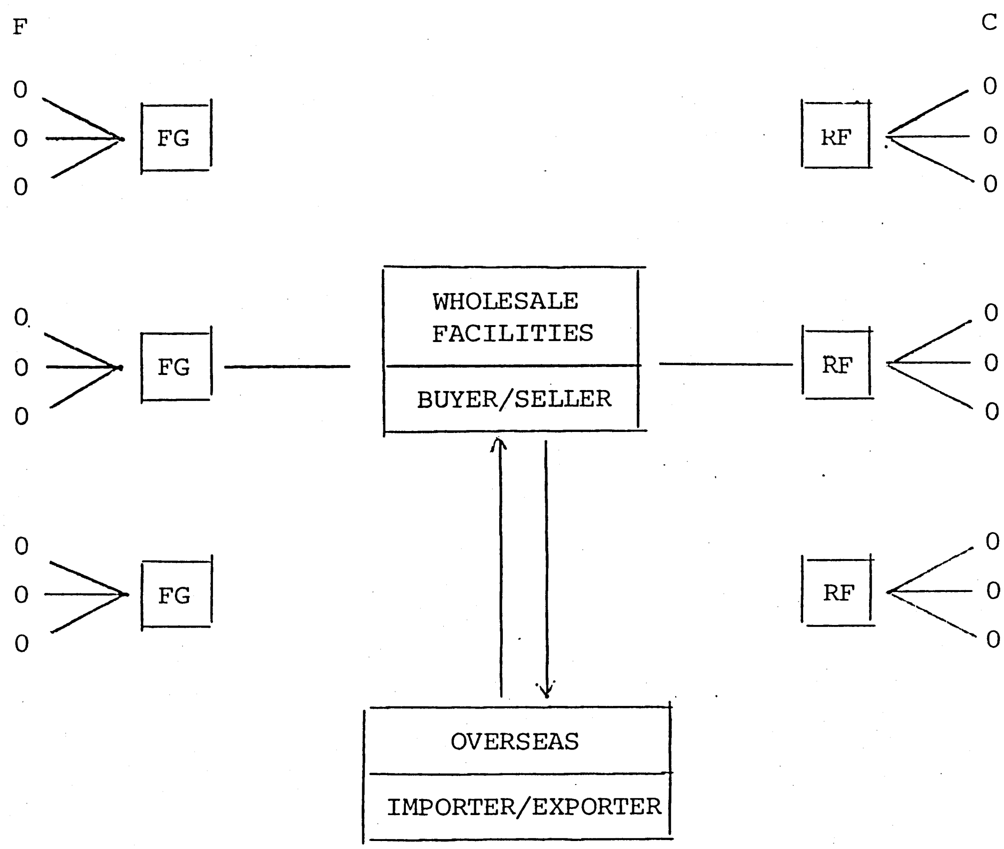
The domestic food production and marketing system which is characteristic of most CARICOM Member States is one which is extremely fragmented. As a consequence, it is highly wasteful and inefficient. Post-harvest food losses are unacceptably large and consumer prices are high relative to cost of production. Growth in export trade in general is sluggish, and for some commodities is believed to be declining in both volume and value terms. Gluts and shortages are tangible indications of improper linkage between production and marketing systems. In view of the emphasis being put on production, these problems are likely to be aggravated if immediate corrective action is not taken.

Because of the pivotal importance of marketing in the whole scheme to improve the domestic food subsector, it was considered useful and necessary to develop a strategy which will allow this function to be performed with optimal efficiency by both the public and private sector operators.

The suggested links in the proposed marketing system are shown in Diagram 1. For the system to perform efficently, it must be supported, at all the critical points, with a range of reliable and up-to-date information which is well coordinated and disseminated.

The domestic food subsector comprises a large number of very small farms scattered throughout the country. This structure gives rise to a number of serious problems. On the production side, because the needs of farmers - in terms of inputs - cannot be promptly and adequately met, output is often low and sometimes unpredictable. On the marketing side, predicting market flows is a major problem. In addition, the inability to effectively gather the widely scattered production at one point where it can be properly graded and packaged before transportation, causes high degrees of post-

Diagram 1: Proposed Marketing System



F = Farmers
FG = Farmer group

RF = Retail facility
C = Consumer

harvest damange and consequential losses. Further, the costs involved in assembling and transporting these relatively small quantities of production result in high food prices at the consumer level.

To overcome these problems at the farm level the formation of farmer groups is recommended. It is believed that these farmer groups can play an important role in solving the production and marketing problems currently being experienced. In terms of obtaining their supplies, farmers will be better serviced, and in terms of marketing, both farmers and marketers will benefit from the formation of these groups.

The specific organisational nature of the farmer group would be decided by the farmers themselves. In some instances there may be formalised cooperatives, while in others there may be loose informal groupings. The fundamental objective, however, would be to promote the welfare of the whole group. Specifically, these groups would coordinate the buying of inputs and the selling of outputs, and this is likely to benefit both farmers and marketers. Under the proposed arrangement, instead of each farmer dealing individually with a marketer, the farmer group will transact business on behalf of the members of the group, thus strengthening their bargaining positions.

The key element in the proposed marketing strategy, which is facilitated by groupings at the farm level, is the establishment of wholesale buying/selling facilities serving the needs of both farmers and consumers. Those wholesale buying/selling facilities will need to have linkages not only with local retailers but also with regional and extra-regional importers and exporters. They can be publicly or privately-owned and operated and the number in a particular Member State would be determined by the needs of the Member State. A number of farmer groups within the same catchment area can join in supplying the same wholesale buying/selling facility from which it can also obtain its inputs.

The establishment of such wholesale facilities allows for the efficient undertaking of a number of important activities e.g. grading, packaging and transport which is not possible under the current system. In addition, this arrangement permits the collection and dissemination of vital pieces of information useful to both the farmers and marketers. Given this development, one can reasonably expect not only a reduction of post-harvest losses - both quantitative and qualitative, but also a stabilisation of food prices at the consumer level.

Purchases by these wholesale facilities will be disposed of through two channels - one portion going through local retailers directly to local consumers and the other portion going to overseas markets. The retail outlets, in addition to selling farm produce can provide consumers with their other household needs. On the import/export side, these wholesale clients can be responsible for exporting farm produce as well as importing farm inputs and other commodities for consumers. The proposed arrangements should allow for the efficient grading, packaging and handling of farm produce destined not only to satisfy local needs but also overseas markets.

In order to establish an efficient link between transactions at the farm level and those at the consumer level, it is recommended that an improved system of transportation be established. A number of vehicles and other transport facilities presently provide this service but because of the large number of small users of the service and because the schedules are unorganised there is much duplication and waste. The recommendation is to first focus on organising the schedule and then to identify and install what additional facilities may be required to make the service efficient.

These transport facilities can be publicly or privately-owned and operated but must exist within a generalised scheduled system. Fees would be chargeable to all users and the service would be available to any individual or organisation wishing to make use of it. This arrangement should provide the opportunity for large-scale handling of farmers' produce and should result in the development of the most cost-effective system of transportation.

Inadequate and inappropriate transportation service - particularly shipping - is considered one of the most serious constraints to intra-regional and extra-regional trade in agriculture. This service is currently provided by The West Indies Shipping Corporation (WISCO) and a number of small vessel shippers. Even though there are plans to increase the facilities available to WISCO and to upgrade the service by the use of mini-refrigerated containers, it is believed that it will still be inadequate for the needs of the Region. Despite this inadequacy, however, the real problem seems to centre around the unorganised manner in which the shipping service is provided.

It is, therefore, strongly recommended that this aspect be urgently examined with a view to developing a scheduled system embracing both WISCO and the small vessel shippers.

The establishment of the wholesale units provides an excellent opportunity for determining and coordinating the need for shipping and other transportation service at the national level. This can lead to an increase in the use of the existing facilities and reuslt in lower freight charges. Additionally, since some duplication will be avoided and much valuable time saved, spoilage of perishable commodities is likely to decrease - to the ultimate benefit of both farmers and consumers.

Necessary Supportive Mechanisms

In order to establish and maintain an efficient marketing system, there is the ever constant necessity to provide supportive mechanisms. The need for support in agriculture marketing is no less obligatory.

As indicated earlier, an efficient regional agricultural marketing system can be sustained only if it is supported by an equally efficient information system. Such a system must be able to collect in an efficient and timely fashion, information at the national level and effectively disseminate this throughout the Region. An efficient national marketing system is seen as a necessary input for an efficient regional marketing system.

At the national level the information system must be able to collect relevant production and marketing data at both farm and consumer levels and disseminate these for the benefit of all operators involved in the system. A capable *feed back* mechanism must be put in place and maintained.

The mechanism for channelling appropriate national information to a regional centre, which must be able to disseminate the information on a regional basis, must be established.

The stimulation of intra-regional food production and the improvement in its trade, will require the development and utilization of appropriate trading mechanisms e.g. Agricultural Marketing Protocol/Guaranteed Market Scheme (AMP/GMS) and Oils and Fats (OF) agreement.

The AMP/GMS is the mechanism governing regional trade in fruits and vegetables while the OF agreement governs trade in these commodities. There are also mechanisms governing trade in sugar and bananas. These mechanisms seek to regulate the conduct of trade in locally-produced commodities, with the over-riding objective of encouraging and supporting regional production. There is, therefore, the constant necessity to monitor these mechanisms to ensure that they are continually reviewed and amended so as to promote and preserve the regional interest.

At present there are a number of regional organisations working on various aspects of regional agricultural development. Among these are the CARICOM Secretariat, the Caribbean Development Bank (CDB), the Caribbean Food Corporation (CFC), the Caribbean Agricultural Research and Development Institute (CARDI), the West Indies Shipping Corporation (WISCO), the Caribbean Food and Nutrition Institute (CFNI), the University of the West Indies (UWI), the Eastern Caribbean Common Market (ECCM) and the Caribbean Agricultural and

Rural Development Advisory and Training Service (CARDATS). In addition, there are also a number of bilateral and multi-lateral organisations operating in the Region such as the Inter-American Institute for Agricultural Sciences (IICA), the Economic Commission for Latin America (ECLA), the Food and Agriculture Organisation (FAO - of the United Nations), the United Nations Development Programme (UNDP), the United States Agency for International Development (USAID), the European Economic Community (EEC) and the Caribbean Development and Cooperation Committee (CDCC).

In order to develop an effective coordinating mechanism it would first be necessary to identify and allocate the precise function which could be undertaken by each of these institutions. WISCO for example, will have responsibility for shipping while CARDI can be responsible for research and these agencies will collaborate closely with other regional and international organizations and with respective Member States.

It is believed that the establishment of the proposed marketing system, assisted by the necessary supportive mechanisms, can make a significant contribution towards improving the performance of the agricultural sector.

APPENDIX I: Contribution of Agriculture to Gross Domestic Product (factor cost at current prices)

(EC$m.)

Country		1973	1974	1975	1976	1977	1978	1979	1980
	Agri. Contr. to GDP	6.7	7.8	9.6	10.9	11.6	12.8	13.5	
Antigua	Total GDP	99.9	111.6	120.6	120.8	142.0	164.2	196.7	
	% Contr. of Agri.	6.7	7.0	8.0	9.0	8.2	7.8	6.9	
	Agri. Contr. to GDP	-	68.5	100.0	99.9	124.0	123.8	147.3	194.0
Barbados	Total GDP	418.6	640.4	749.7	1024.5	1180.8	1323.5	1606.1	1972.4
	% Contr. of Agri.	-	10.7	13.3	9.8	10.5	9.4	9.2	9.8
	Agri. Contr. to GDP	28.7	49.9	63.0	50.4	66.4	74.4	82.7	-
Belize	Total GDP	116.2	164.1	199.5	229.1	253.0	286.3	328.4	-
	% Contr. of Agri.	24.7	30.4	31.6	22.0	26.2	26.0	25.2	-
	Agri. Contr. to GDP	16.1	17.1	23.7	29.5	37.2	50.1	40.3	-
Dominica	Total GDP	48.8	51.9	63.7	72.9	89.8	110.6	101.0	-
	% Contr. of Agri.	33.0	32.9	37.2	40.5	41.4	45.3	39.9	-
	Agri. Contr. to GDP	12.7	16.3	32.7	33.8	36.7	40.6	49.8	-
Grenada	Total GDP	65.9	65.4	81.9	94.7	108.2	132.5	152.9	-
	% Contr. of Agri.	19.3	24.9	39.9	35.7	33.9	30.6	32.6	-
	Agri. Contr. to GDP	97.7	242.9	314.2	240.7	223.5	280.4	277.7	-
Guyana	Total GDP	530.3	800.2	1010.0	1059.2	1072.2	1193.5	1240.2	-
	% Contr. of Agri.	18.4	30.4	31.1	22.7	20.8	23.5	22.4	-
	Agri. Contr. to GDP	279.9	367.8	487.2	652.5	778.5	610.3	497.3	594.4
Jamaica	Total GDP	3415.7	4477.6	5677.8	7112.8	8235.7	6824.4	6019.0	6628.5
	% Contr. of Agri.	8.2	8.2	8.6	9.2	9.5	8.9	8.2	9.0
	Agri. Contr. to GDP	2.2	0.0	1.5	1.7	1.3	1.2	-	-
Montserrat	Total GDP	17.3	20.0	19.1	21.3	21.9	24.1		
	% Contr. of Agri.	12.7	0.0	7.9	8.0	5.9	5.0		
	Agri. Contr. to GDP	10.7	8.1	-	12.7	14.8	14.6	-	-
St. Kitts-Nevis	Total GDP	48.3	57.2	-	6.8	69.8	98.8	-	-
	% Contr. of Agri.	22.2	14.2	-	20.6	21.2	18.5	-	-
	Agri. Contr. to GDP	12.3	16.4	16.1	19.7	21.1	28.5		
St. Lucia	Total GDP	78.3	97.4	104.0	131.4	151.8	190.1		
	% Contr. of Agri.	16.6	16.8	15.5	15.0	13.9	15.0		
	Agri. Contr. to GDP	12.4	7.1	8.9	14.0	14.8	20.2	17.1	-
St. Vincent	Total GDP	49.6	57.9	60.5	71.0	80.2	106.3	113.5	
	% Contr. of Agri.	25.0	12.3	14.7	19.7	18.5	19.0	15.1	
	Agri. Contr. to GDP	81.6	106.0	135.6	189.9	245.7	266.4	300.1	301.4
Trinidad	Total GDP	2579.1	4212.9	5782.0	7172.7	9465.1	10662.6	13005.9	16057.6
	% Contr. to GDP	3.2	2.5	2.3	2.6	2.6	2.5	2.3	1.9

Note: Compiled by the Agricultural Section, CARICOM Secretariat.

Appendix II: Food Trade Balance (Section C)

(EC$'000)

Year	Antigua	Barbados	Belize	Dominica	Grenada	Guyana	Jamaica	Montserrat	St.Kitts/ Nevis	St.Lucia	St. Vincent	Trinidad & Tobago	Total
Imports													
1973	14,877	79,716	22,608	9,434	14,540	51,411	247,485	2,861	8,154	17,251	11,531	161,006	640,875
1974	21,853	94,220	33,763	12,538	15,084	66,712		3,870	10,254	3,265	15,448	252,267	941,103
1975	24,521	98,970	49,877	14,171	18,256	83,386	426,380	4,478	10,676	25,220	17,444	284,884	1,058,263
1976	20,891	127,732	50,233	16,622	21,505	115,876	477,616	5,191	13,232	32,165	19,792	343,785	1,242,740
1977	25,274	141,714	54,149	16,824	21,505*	106,054	367,833	5,176	13,629	36,260	22,972	412,436	1,223,827
1978	31,911	165,666	69,547	22,335	36,099*	98,923	459,666	6,237	16,039	46,116	31,887	497,489	1,481,915
1979	31,911*	181,041	87,083	15,012	36,099	107,289	346,758	6,871	18,191	52,216	43,434	632,969	1,525,874
1980	31,911*	212,110	72,826	25,695	39,178	86,166	534,645	9,324	18,191*	59,905	40,434*	796,285	1,926,670
Total Exports													
1973	531	44,206	40,820	13,712	13,613	109,710	155,984	258*	6,907	10,934	8,913	87,775	492,463
1974	417	73,479	63,119	17,623	17,493	326,410	248,125	258*	13,041	22,706	12,874	158,792	954,337
1975	447	125,938	110,553	21,089	25,522	474,934	430,034	258*	29,001	19,647	14,114	232,088	1,433,625
1976	865	85,136	74,484	22,686	32,460	360,776	273,117	493	28,132	24,333	22,455	203,566	1,128,503
1977	542	91,782	101,456	24,882	32,460*	290,802	342,011	258	27,013	30,123	23,312	184,005	1,148,649
1978	861	90,633	137,942	32,267	42.251*	375,244	324,100	283	32,953	38,794	39,368	155,236	1,269,932
1979	861*	109,201	131,391	15,694	53,843	340,596	296,591	646	32,111	43,661	32,697	192,378	1,249,670
1980	861*	184,576	169,046	10,494	42,251	383,019	269,787	221	32,111*	35,763	32,697*	199,046	1,359,872
Trade Balance													
1973	-14,346	-35,510	18,212	4,278	-927	58,299	-91,501	-2,603	-1,247	-6,311	-3,518	-73,231	-148,411
1974	-21,436	-20,741	29,356	5,085	2,409	259,698	-146,106	-3,610	2,187	441	-2,574	-91,475	13,232
1975	-24,074	26,968	60,676	6,918	7,266	391,548	3,654	-4,220	18,325	-5,573	-3,330	-52,796	-425,362
1976	-20,026	-42,596	24,251	6,064	10,955	244,900	-204,499	-4,698	14,800	-5,832	2,663	-140,219	-114,237
1977	-24,732	-49,932	47,307	8,058	10,955	184,748	-25,822	-4,918	13,384	-6,137	340	-228,428	-75,177
1978	-31,050	-75,033	68,395	9,932	6,152	276,321	-135,566	-5,954	16,914	-7,322	7,481	-342,255	-211,983
1979	-31,050	-71,840	44,305	682	17,744	233,307	-50,167	-6,225	13,920	-8,555	-7,737	-410,591	-276,204
1980	-31,050	-27,534	96,220	-15,201	3,073	296,853	-264,858	-9,103	13,920	-24,142	-7,737	-597,239	-566,798

Note: *Estimates *Source:* Compiled by CARICOM Secretariat