IICA

AN OPTION FOR CARIBBEAN AGRICULTURAL DEVELOPMENT: "TROPICAL BOUTIQUE AGRICULTURE."

IICA OFFICE IN JAMAICA

WHAT IS IICA?

The Inter-American Institute for Cooperation on Agriculture (IICA) is the specialized agency for agriculture of the inter-American system. The Institute was founded on October 7, 1942 when the Council of Directors of the Pan American Union Approved the creation of the Inter-American Institute of Agricultural Sciences.

IICA was established as an institution for agricultural research and graduate training in tropical agriculture. In response to changing needs in the hemisphere, the Institute gradually evolved into an agency for technical cooperation and institutional strengthening in the field of agriculture. These changes were officially recognized through the ratification of a new Convention on December 8, 1980. The Institute's purposes under the new Convention are to encourage, facilitate and support cooperation among the 32 Member States, so as to better promote agricultural development and rural well-being.

With its broader and more flexible mandate and a new structure to facilitate direct participation by the Member States in activities of the Inter-American Board of Agriculture and the Executive Committee, the Institute now has a geographic reach that allows it to respond to needs for technical cooperation in all of its Member States.

The 1987-1991 Medium Term Plan, the policy document that sets IICA's priorities, stressed the reactivation of the agricultural sector as the key to economic growth. In support of this policy, the Institute is placing special emphasis on the support and promotion of actions to modernize agricultural technology and strengthen the processes of regional and subregional integration.

In order to attain these goals, the Institute is concentrating its actions on the following five programs:

- Agricultural Policy Analysis and Planning
- Technology Generation and Transfer
- Organization and Management for Rural Development
- Marketing and Agroindustry
- Animal Health and Plant Protection

These fields of action reflect the needs and priorities established by the Member States and delimit the areas in which IICA concentrates its efforts and technical capacity. They are the focus of IICA's human and financial resource allocations and shape its relationship with other international organizations.

To further reach its objectives of encouraging promoting and supporting the efforts of the Member States in the area of agricultural and rural development, the Institute renders technical services aimed at strengthening national institutions involved in this sector and serves as a multinational body for cooperation among member countries. IICA also provides direct advisory services and consultancies, implements projects, and acts as a forum and vehicle for the exchange of ideas, experiences and cooperation between the countries, organizations and other entities active in the agricultural arena.

The contributions provided by the Member States and the ties IICA maintains with its twelve Permanent Observer Countries and numerous international organizations provide the Institute with channels to direct its human and financial resources in support of agricultural development throughout the Americas.

The Member States of IICA are: Antigua and Barbuda, Argentina, Barbados, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, the Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, the United States of America, Uruguay and Venezuela.

The Permanent Observer Countries of IICA are: Arab Republic of Egypt, Austria, Belgium, Federal Republic of Germany, France, Israel, Italy, Japan, Netherlands, Portugal, Republic of Korea and Spain.

ISSN – 0534 – 5391
82/JM – 92/002

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IICA OFFICE IN JAMAICA

May 19, 1992

MISCELLANEOUS PUBLICATIONS SERIES
ISSN-0534-5391
82/JM-92/002

Kingston, Jamaica
May 19, 1992

The views expressed in this article are those of the author and do not necessarily reflect those of the Inter-American Institute For Cooperation On Agriculture.

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The world's movement towards free-market oriented economic principles; highly appreciable since the late 1980's, is one of the most stimulating reforms in today's economic environment. This, intertwined with other no less stirring processes; the political and economic reconfiguration of Eastern Europe and also the Union of Socialist Soviet Republics --USSR--, are conforming ample economic markets yonder national frontiers. i.e. The EEC Common Market for 1992, The North American Free Trade Area between Canada, The United States and Mexico, The Enterprise for the Americas Initiative, The Pacific Basin, The Caribbean Basin Initiative. Indeed, anew international political relations and economic competitiveness are becoming key issues in present political and economic scenario.

Granted, the world scene is being delineated into grand economic blocks, and this will be translated into changed structures and patterns of world trade. Factor endowments and production technologies for a/or group of countries can affect international trade 1/. Thus economic integration; if not political, among nations is nothing new. These concurrent processes 2/, retarded in Latin America and the Caribbean, had been essentially an attempt to thrive social and political stability. Its pursual has been politically hazardous and a long-winded agenda. And yet it is recognized that if Latin America and the Caribbean are to keep pace with the rest of the world, its economic unification is compelling. The interrelationship of economic vis-a-vis political well-being does not need to be dramatize.

As for the Caribbean region, political acknowledgment to address and hasten integration is palpable. The willingness is manifested, but deliverance is retained and needs to be

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Notes: 1/ For further reading on models explaining the structure of international trade see Baldwin, R.E. and Richardson, J.D. Eds. International Trade and Finance: Readings. Part I.

2/ i.e. The Central American Common Market--CACM--, The Caribbean Community--CARICOM--, The Andean Pact--ANCOM--, The Southern Cone Common Market--MERCOSUR--.

accentuated. Adherence to integration rhetoric has never been a prerequisite for economic development, only as an explicit augury of good will and purposes. Surely, through economic integration, if not political, the plausibility for the region to set foot into a wider world market could considerably be heightened; provided the Caribbean embraces a trade and market liberalizing thrust. This demands efforts to strengthen economic policies and reforms to fulfill growth and development within a free-market framework.

Presently what resembles to be decisive, is how the Caribbean region in on itself, will seizure economic benefits if any, derive from arising economic opportunities?. The latter on account of extended world markets and more unobstructed trade 1/. The question then is not whether the imperfections in international markets systematically operate to the disadvantage of the Caribbean?. And if freer and broader market improvements increases the Caribbean countries income and improve competiticn and efficiency simultaneously?. These fundamental issues have not been settled yet and the literature is abundant in trade topics 2/. But what prevails is a general trend towards a less restrictive world trade, which will alter the Caribbean 3/.

The envisioned expanded markets and conformation of economic blocks will have economic and trade implications for the Caribbean; specifically the Single European Market in 1992. *"....Major changes in the 'rules of the game' governing EEC-Caribbean trade would have far-reaching consequences on Caribbean agriculture, foreign exchange earnings, employment and resource allocation. These impacts would not be felt solely in the agricultural sector, but also would affect the entire Caribbean macroeconomy, given the importance of EEC-Caribbean agricultural trade to national income, foreign*

Notes: 1/ For a theoretical presentation on the basic trade model regarding gains from free trade within an international markets see: Caves, R.E., and Jones, R.W., 3rd. edit. World Trade and Payments. Pages 13-29.

2/ A provocative address to the issues about gains and trade-offs of market efficiency and imperfections is presented by: Cline, R.W., Policy Alternatives For A New International Economic Order. Pages 357-384

3/ The Uruguay Round Talks on General Agreement on Trade and Tariffs--GATT--highlights this trend.

exchange earnings and employment. The implications are crucial for the region's economic and political stability and survival" 1/.

Whether trade liberalization and markets globalization proffers anew opportunities for the region to export; despite what the outcome of EEC/1992 would signal for the Caribbean regarding preferential markets, it remains to be seen. The key to the full realization of feasible benefits from freer trade hinges on competitiveness. As subsidies and trade barriers are dismantle, the countries are ever pressed for integrating their economies and developing joint strategies to implement policies and plans that accent production and productivity for them to be competitive and profit from these possibilities.

The foreseeable broader world economic setting, suggests promising opportunities to increase agricultural trade and thus economic growth. To capitalize on this, the immediate challenge is to determine the competitive edge of the Caribbean countries. In short, what is their comparative dominance?. Of exceeding interest, it is indeed the agricultural sector and agroindustry that in the short-run yields this edge, and vanguard economic growth 2/.

For agriculture to perform the role it merits, the strategy requires answers concerning the efficient allocation of resources --land, labor and capital--, economies of scale, generation and transfer of technology issues, value added of traditional and non-traditional agriculture, labor and capital productivity. No less crucial, said strategy obliges interlinkages with agroindustry and marketing considerations; for more is required than just trade liberalization. Indeed, competition and the fundamentals that determine the capacity to compete are central. Efficient marketing systems are to be arranged if world market opportunities are to be meaningful.

With the above mentioned advent, it is imperative to develop strategies tailored to foreseeable situations to contrast

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Notes: 1/ Budhram, D. and Rock, L. The Single European Market of 1992: Implications and Policy Options For Caribbean Agriculture. Pag. 16

2/ For a detailed presentation on this topic see: Inter-American Conference of Ministers of Agriculture., Reactivating Agriculture: A Strategy For Development. IICA, 1987.

adverse effects and promote growth and development. In this context, the agricultural sector and its modernization has a role to play as the engine of economic reactivation. "*...a proposal for the economic reactivation .... must be based upon, the reactivation of the agricultural sector, through increases in productivity and improved efficiency, as well as upon increased coordination of agricultural production with the rest of the economy.*

....This proposal is consistent with current economic conditions, since an increase in agricultural production would have a favorable impact on the external balance of payments; reduce the pressure of inflation; have an important multiplier effect on the rest of the economy; an immediately improve the living conditions of the poorest sectors of the population, those who live in the rural areas. Furthermore, ...this strategy will not require large transfers of income from other sectors of the economy, but rather neutral macroeconomic policies that do not contain biases against agriculture.

....The increase in the intersectoral linkages resulting from the process of agricultural reactivation and modernization would make it possible to conceive new ways to connect agriculture and industry, whereby the development of the latter would be based on the reactivating effect of greater agricultural income from productivity increases" 1/.

For the Caribbean, the potential contribution of agriculture to the overall economy is understandable. The economic significance of the agricultural sector and its behavior in each Caribbean country is heterogeneous at best as illustrated in tables #1 & #2 in the annex. The prominence of the agricultural sector for the Caribbean social and economic development process needs not to be underscored. Neither, its abiding resistance to adverse and unyielding economic times in the 1980's. It was agriculture that endured and impeded greater economic setbacks during the so called "Lost Decade" for development.

It is anticipated that Caribbean agriculture will have to compete; in the world markets, with those countries with tropical agriculture. The region could substantially increase its agricultural production and productivity, provided there is an adequate economic environment and the necessary

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Notes: 1/ Structural And Sectoral Adjustment Programs: Implications For The Reactivation And Development Of Agriculture. EDI, IICA Pag. 7

incentives.

Evidently, the Caribbean needs to reassess its agriculture; if this sector is to be economically viable in the envisioned anew world economic order. The times demand a reevaluation of agriculture's role, if the countries are to reap wider benefits from their integration and freer world trade. Specially now, when the terms of the external trade relationship with the European Community are being questioned, and the relative importance of agriculture in said market. See table #3 and #4 in the annex for the Caribbean export concentration indices showing the ratio of leading commodity exports to total exports. Also the degree of their agricultural dependence on EEC favored markets. *"At this time, it is too early to determine the medium-to long-term impact of the single market in 1992 on the EEC's policy of granting Caribbean countries preferential markets, but it is essential that the region places itself in the best position to minimize the shock of any loss of preferential markets for key exports, or to take advantage of any policy of continued trading preferences and opportunities provided by an expanded EEC market"* 1/.

The changing world economic and political milieu; especially in Eastern Europe, augurs an increase trade and thus competition including for agricultural produce. *"....For the world economy as a whole, the opening of these economies is good news. It promises new markets for exports, new sources of imports, and new investment opportunities"* 2/. To derive benefits from this and world expanded markets, an assertion is outlined that the real competing dominance for the Caribbean, depends within tropical agriculture. For *"More generally, who are the likely winners and losers from expanding trade flows to and from the East?. For the industrialized countries. EESU will be a market for exports as well as a source of imports. Consumers and producers as a whole will benefit from this mutual expanding trade, tensions in sectors notwithstanding. For the developing countries, on the other hand, the impact threatens to be negative. In all*

Notes: 1/ Budhram, D. and Rock, L., Pag. 16

2/ For an study on the economic implications of likely developments in Eastern Europe and the Soviet Union for global trade and capital flows see Collins, S.M. and Rodrik, D. Eastern Europe and The Soviet Union in The World Economy. Washington. D.C. USA., 1991. Pag 1.

likelihood, the initial phase of EESU exports will be based on agricultural commodities and on products where labor-cost advantages play an important role. Exports of the latter will compete head-on with labor-intensive manufactures presently exported by the developing countries" 1/. The agricultural competition will be of temperate produce rather than tropical.

The Caribbean agricultural sector appears to have compelling comparative advantages to compete in international markets. Granted the region's limited land available for expanding agriculture to increase production by additional acreage are bounded; the path of productivity and agroindustry is to be chosen. The question pending is what are the agricultural produce that the countries are competitive and/or may have a leeway?. Additionally, it is important to determine which are the elements of competitiveness for the Caribbean that are "natural" and those that are "man-made" ?.

Notwithstanding that what is significant to highlight is that while in the Caribbean much improvement can be expected from its traditional tropical produce: i.e. bananas, sugar cane, cocoa, and citrus, among others, its competitive edge rests on **TROPICAL BOUTIQUE AGRICULTURE**. Certainly, produce such as papayas, mangos, avocados, ackees, breadfruit, limes, squash, dasheen, yams, ginger, pimento, peppers, nutmeg, exotic flowers and foliage and non-traditional tropical fruit, and spices among others could well be introduced as **BOUTIQUE &/or GOURMET**. The supply range can thrive considering exotic flavors and fragrances, sauces, dried fruits, snacks, and a wide diversity of tropical fruit juices. These are some products that the region conveys a competitive lead and the plausibility to find market niches in thriving world markets. In table #5 in the annex there is data regarding the fresh market for selected produce for the USA as an illustration of a market potential with said trading partner.

An appraisal of the agricultural productivity levels of land, labor, and capital in the Caribbean, abets the pronouncement that the development of **TROPICAL BOUTIQUE AGRICULTURE** is the most advantageous and viable option, in the short-run. To follow this agenda will bestow the Caribbean countries in a privileged market position.

To engage in this endeavor, there are certain issues that

Notes: 1/ Idem., Pag. 115

merit attention. First, an assessment of opportunities and limitations in the region; whether economic, technological and/or structural, for the production and export of **"Exotic"**, **"Gourmet" and/or "Boutique"** produce. Second, the outlook of specialized market niches for the chosen commodities and those of other competitive countries. The tourist influx to the region, and Caribbean nationals presently residing abroad and ethnic groups, could be regarded as target groups and/or specialized market niches. Third, to focus on marketing strategies, trade and sanitary policies and regulations ought to be emphasized. The clue to success hinges on recognizing the significance to constitute markets for these specialized produce, for the Caribbean to be competitive with its tropical agriculture.

Some Caribbean countries already enjoy an unrecognized marketable position with **TROPICAL BOUTIQUE AGRICULTURE,** which needs to be elated and adopted as a national policy for the agricultural development of the region. For instance Blue Mountain Coffee, Ginger, Pimento, Sea Island Cotton, Yellow Yams are some of those **"Exotic"** produce. At a first glance, the range could be further enhanced and pursued such as: Mini-sett Yams, Foliage, Exotic Flowers, Ackees, Spices, Sauces, Unprocessed Dried Fruits, Tropical Fruit Juices and Purees, Flavors and Drinks, etc. These produce with agroindustry considerations do not need to be underscored. Fragrances, extracts can be obtained for cosmetics, toiletries, and cleaning products. Undeterminable agroindustrial possibilities also exist with regard to: chocolates, candy, carbonate and alcoholic beverages, liqueurs, snacks, canned juices and foods, additives and condiments, jams and jellies are among other products that could be tapped for specific export market niches.

Doubtless, **TROPICAL BOUTIQUE AGRICULTURE,** envisioned within an integrated perspective with the agroindustrial sector in the medium-term, could prescribe even higher prices than today. This agricultural development option could place the Caribbean countries in a competitive advantageous position and as front-runners; relative to other countries, in a world growed market economy.

The challenge deserves to be scrutinized. To delimit the real potential for the production and export of **"Exotic"**, **"Gourmet" and/or "Boutique"** agricultural produce and agroindustrial commodities is indeed an imperious task. For it is the development of **TROPICAL BOUTIQUE AGRICULTURE** that the future of the Caribbean agricultural sector; and thus its economic development in today's more competitive world, lingers. Granted, recognition is deserving to the issues of technology transfer (know-how), productivity, capital, access to technology, marketing and management. Stressing the issue of supply and demand, in addition to marketing for the introduction of new products for specialized markets need not to be pronounce.

ANNEX

Table # 1

Caribbean Countries: Contribution of Agriculture to GDP
(Percentages)

Countries	1980	1985
Antigua	7.4	3.7
Barbados	10.3	9.6
Dominica	25.7	29.2
Grenada*	20.9	20.1
Guyana*	21.5	25.9
Jamaica**	8.3	8.9
Montserrat	4.2	4.6
St. Kitts and Nevis	16.8	13.9
St. Lucia	11.8	14.1
St. Vincent & The Grenadines	13.1	17.4
Trinidad & Tobago	2.4	2.5

Notes: * GDP at market prices, ** GDP at producers' prices
Source: Modified from Budhram, D. and Rock, L., The Single European Market of 1992: Implications and Policy Options For Caribbean Agriculture Pag. 36

Table # 2

Growth Rate of Agricultural GDP in The Caribbean
(Percentages)

Countries	1985	1989
Barbados	-0.7	-7.8
Guyana	0.0	-1.0
Jamaica	-3.5	-4.3
Trinidad & Tobago	7.6	14.9
Antigua & Barbuda	2.2	3.2
Dominica	-2.5	-12.8
Grenada	-6.4	2.4
St. Kitts & Nevis	-2.25	-3.9
St. Lucia	12.2	1.0
St. Vincent & The Grenadines	8.4	1.3

Source: Modified from Budhram,D. and Rock, L., The Singles European Market of 1992: Implications and Policy Options For Caribbean Agriculture. Pag. 36

Table # 3

Ratio of Leading Commodity Exports to Total Exports

Country	Ratio	1st Com.	Ratio	2nd Com.	Ratio	3rd Com
Barbados1/	61.2	Sugar	71.3	Electro-nics	80.3	Clothing
Guyana1/	47.7	Sugar	79.7	Bauxite	85.1	Rice
Jamaica2/	37.3	Alumina	50.9	Bauxite	59.7	Sugar
Trinidad & Tobago1/	48.3	Mineral Fuels	82.0	Chemical	89.9	Sugar
Antigua & Barbuda3/	45.6	Clothing	48.2	Rum	48.8	Lobsters
Dominica2/	43.7	Bananas	81.3	Soaps	86.7	N.A.
Grenada1/	26.1	Nutmeg & Mace	45.3	Cocoa	62.4	Bananas
St. Lucia2/	41.5	Bananas	55.4	Paper Products	66.3	Clothing
St. Vincent & Grenadines4/	42.8	Bananas	56.6	Flour	65.3	Rootcrops

Source; Plan of Joint Action For Reactivation of Agriculture in the Caribbean Countries. IICA 1989 Pag. 11

Notes: 1/ in 1987, 2/ in 1986, 3/ in 1982, 4/ in 1985.

Table 4

Degree of Caribbean Countries' Dependence on EEC Preferential Markets

Countries	Agricultural Commodities Bananas	Sugar	Rice	Economic Dependence
Barbados	-	X	-	Min-Mod 1/
Guyana	-	X	X	High
Jamaica	X	X	-	Mod-High
Trinidad & Tobago	-	X	-	Min
Antigua	-	-	-	Min
Dominica	X	-	-	High
Grenada	X	-	-	Mod-High
St. Lucia	X	-	-	High
St. Vincent & The Grenadines	X	-	-	High
St. Kitts & Nevis	-	X	-	Mod-High

Source: Budhram D., and Rook L., The Single Market of 1992: Implications and Policy Options For Caribbean Agriculture. 1991. Pag. 37

Notes: 1/ Min=Minimal Dependence, Mod= Moderate Dependence

Table 5

The USA Market For Selected Produce

Produce	Imports 1/ 1975	Imports 1/ 1987	Growth Rate 2/	Per-Capita Consumption 3/ 1975	Per-Capita Consumption 3/ 1987	Growth Rate 2/
Avocados	1.338	1,810	2.5	0.348	0.849	7.7
Cantaloups	63,012	136,421	6.6	2.316	3.825	4.3
Honeydews	10,852	75,325	17.5	0.464	1.107	7.5
Limes	3,955	32,228	19.1	0.103	0.257	7.9
Mangoes	8,054	51,999	16.8	0.076	0.272	11.2
Peppers	30,742	118,831	11.9	1.138	1.889	4.3
Squash	16,824	70,399	12.7	0.381	0.613	4.0

Source: Data taken from the output tables of U.S. Demand For Selected Non-Traditional Caribbean Basin Initiative (CBI) Agricultural Products., AID 1991

Notes: 1/ Metric Tons, 2/ 1975-1987, 3/ Kilograms

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