

**GROWING OUT OF POVERTY: A STRATEGIC DIRECTION IN THE
AGRICULTURE SECTOR - GRENADA'S CASE**

**A paper prepared by the
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1. Introduction

According to the World Bank Development Report 1990, the definition of poverty is: 'the inability to maintain a minimal standard of living.' Most definitions of poverty are related to some significant deficiency of resources. However, in the Caribbean there is the notion that the persons who are caught up in the vicious cycle of poverty are 'the ones paying for the sins that they have not committed.' The political and economic history of Grenada and by extension the wider Caribbean points to the dependence on agriculture and notes the growth of the economies of the colonial powers based on the wealth extracted from these agriculture based economies. Notwithstanding the importance of agriculture exports for the colonial powers, what was exploited was the unskilled labour force as all the value added products and the wealth was produced outside of the Caribbean. Hundreds of years later, there has been no significant change in the production process and we continue to export raw agricultural products at minimal prices on low end of the value chain, whilst the high value added products are manufactured in the developed countries. The net result is that agricultural exporters, while producing the inputs rely on low commodity prices set by market forces, which contributes to the level of poverty when low.

The Government of Grenada conducted a Poverty Assessment survey during the period 1996 – 1998. The survey revealed significant gaps and shortcomings of the social sector of the Grenadian economy. The survey identified the need for a concerted effort to address the deteriorating state of the social environment and to formulate a clear and consistent plan for national social development and poverty eradication. The report indicated that the demonstrated causes of poverty include economic factors and structural differential in the Grenadian economy.

In addition, the report indicated that there is a range of historical, social and psychological factors that cause poverty. These include the following:

- Collapse in earnings of banana producers because for the new EU market regime
- Limitation in the present infrastructure to provide support to farmers seeking to engage in the production of alternative crops
- Bonus orientation of farmers prevents the use of surpluses for transformation and re-organisation of traditional agriculture
- Underdeveloped marketing and distribution system for non-traditional crops
- Slow growth in the commercial production of non-traditional crops
- Credit for non-traditional agriculture difficult and inadequate from main funding sources
- Limited linkages between the sectors
- Weak marketing infrastructure

The report also concluded that natural disasters, personal catastrophe, major illness, differences among peoples and cultural norms can help sustain poverty or condition the interventions at its eradication. Unfortunately, the document does not make reference to the effect of the international trade environment.

The Poverty Assessment Survey concluded that about 1/3 of the population was living below the poverty line. The majority of the poor and unemployed were rural women, children, and youth who have been affected by the decline in the banana industry. In 2002 a poverty eradication strategy document was completed and endorsed by the Government. The document outlined the major interventions required to address the identified constraints.

The dilemma facing the country is that of reducing poverty, increasing exports and contributing to the socio economic development of all citizens. Grenada is a small developing economy that depends on external trade for its economic and social development. Revenue from external trade (imports and exports) accounted for an average of 82% of GDP during the period 2002 to 2006 increasing from 72% of GDP in 2002 to a projected 84% in 2006. External trade was dominated by imports, which accounted for an average of 90% of total trade during the 2002 to 2006 period. The negative balance of trade deteriorated an average of 10% per annum during the review period. Primary agricultural exports accounted for about 57% of domestic exports between 2002 and 2006 moving from a high of 66% in 2004 to a projected low of 36% in 2006.

1.1 The Importance of Agriculture

Undoubtedly, the agricultural sector has made a substantial contribution to the economy and has been responsible for the substantial change in the quality of life for a large number of persons, especially in the rural community. Agriculture continues to be a major contributor to the national economy averaging 8% of GDP between 2002 and 2006 with a high of 10% in 2004. In that same period agricultural exports averaged 47% of total agricultural output moving from a high of 80% in 2002 to a projected 17% in 2006. The overall decline in agricultural exports and its contribution to total agricultural output as well as the GDP predates the 2004 and 2005 hurricanes, which devastated the agricultural resource base of the country. Agricultural output has traditionally been dominated by exports of nutmegs and mace, fish, cocoa and fruits and vegetables (including bananas).

Most agricultural production and fishing activities are carried out in the rural parishes and agriculture is the third largest employer on the island according to the latest available employment statistics.

The agriculture sector makes a significant contribution to economic and social development in Grenada as a major earner of foreign exchange through its exports which averaged \$38 million per year between 2002 and 2004 with a high of \$55 million in 2002; foreign exchange savings through increased production for domestic consumption; employment generation; and stimulation of economic activity in the rural areas and poverty alleviation.

However, the growth in this sector is small due to sub-optimal utilization of technology, the small size of farms, the age of farmers, limited private sector investment (both domestic and foreign) in the sector; ineffective public sector investments; inadequate infrastructure to support the development of the sector; weak institutional framework and policy direction; loss of competitiveness in domestic production and production for exports; and natural disasters.

Unlike the other countries of the Windward Islands sub grouping, the agriculture sector of Grenada is highly diversified with a wide range of marketable products. Primary 'traditional' and 'non-traditional' agricultural crops dominate the product mix. Fisheries products are of increasing importance, and livestock and fisheries products are significant contributors to the output of the sector. The agri-food value-added and manufacturing sectors are still at an embryonic stage of development.

The development of the sector is however constrained by the small domestic market and the variable competitiveness of our agricultural and agri-food products in domestic and foreign markets. This is mainly a result of limitations in the economic infrastructure and operational institutions that determine the ability of our producers to achieve and sustain a competitive position in the market. Also, Grenada continues to be an exporter of agricultural inputs with low value added products.

Grenada is the second largest exporter of Nutmegs in the world; however, we continue to export nutmegs in the raw state for low prices, while the high value added nutmeg products such as nutmeg oil, oleoresins and other products are manufactured outside of Grenada.

It is for these reasons that there must be strategic direction in the agriculture sector and the development on an export-oriented agricultural strategy is an imperative for Grenada since together with tourism it is the single important earner of foreign exchange and has the capacity to impact a significant proportion of the population and contribute to poverty alleviation, employment generation and stimulating economic growth through increased trade. Increased agricultural exports can result in significant growth in rural incomes and employment, both farm and off-farm. In addition to these direct impacts on agricultural sector growth, the strategy would boost foreign exchange earnings.

2. Government Policy and Strategy in Support of the Sector

The policy of the Government is to provide the enabling environment for investment by the local and foreign private investors. In the case of agriculture it is also important to motivate small, unemployed persons to become involved in the sector individually or through co-operatives or sector clusters. In support of this policy orientation Government has initiated with varying success a number of domestic programs to promote the development of the sector as well as given support to a number of regional programs towards that overall objective.

Since the 1980's there have been many attempts transform and diversify the sector. Under the People's Revolutionary Government (PRG) 1979 – 83, a concerted effort was made to link agriculture to industrial production through the introduction of agro-processing and the implementation of the Agricultural Rehabilitation and Crop Diversification Project (ARCDP).

The objective of that program was to strengthen the agricultural production base and institutional framework for the development of the sector including the exports of agricultural products such as fruit nectars, processed fish and agro processing.

The People's Revolutionary Government (1979-1983) also constructed an international airport, which contributed to the creation of the gateway for the important tourism industry as well as the agriculture sector creating access to international markets for fresh fruits and vegetables.

More recently there has been a number of international donor assisted programs to promote the development of the agricultural and rural sector. The following are some of these programs:

- a. In response to hurricane Ivan, the Government in November 2004 launched an **Agricultural Emergency Rehabilitation Program** to rebuild the sector after the ravages of the hurricane.
- b. The Agency for Reconstruction and Development (ARD) recently submitted a proposal for an **Agricultural Enterprise Development Program (AEDP)** to assist in the revitalization of the agricultural sector and rebuild confidence the viability of production activities.
- c. The International Fund for Agricultural Development (IFAD) is supporting a **Rural Enterprise Project, which** started in 2002. The objective is to reduce rural poverty in a sustainable and gender-equitable manner.
- d. The Food and Agriculture Organization of the United Nations (FAO) has supported Grenada in the past years with various programs/projects including **the CARICOM Food Security Project** financed by an Italian Trust Fund, **the FAO Emergency Recovery Program** and a number of technical cooperation projects including: **the Agricultural Marketing Improvement Project** and the project for **Assistance to the Nutmeg Industry**.
- e. The European Union has been supporting several projects through the SFA and STABEX funds. The objective of this assistance has been to support infrastructural development particularly in irrigation, institutional strengthening, and capacity building.
- f. The United States Agency for International Development (USAID) contributed to the reconstruction effort post hurricane Ivan with agricultural revitalization been an important component of the overall project.
- g. The Canadian International Development Agency (CIDA) has been assisting Grenada in the hurricane Ivan reconstruction project to assist in **rehabilitating and resuscitating agricultural and fisheries systems as well as forest and watershed areas**.
- h. The Stanford Fund contributed towards the rehabilitation of the sector post hurricane Ivan. This program was administered by OXFAM.

It is noteworthy to mention that a significant sum of money has been invested in the sector. However, the impact can be greater if the programmes are directly linked to exports, since the domestic market is small and therefore there should be some focus on target export markets with specific products. The focus has been on direct social development, infrastructure improvement and institutional building. Very little attention has been placed on strengthening the supply capacity for export and developing marketing systems to support those activities. The overall effectiveness of these programmes did not bring the desired outcome of significant poverty reduction; however these programmes have contributed to creating sustainable livelihoods in the rural communities and generated some source of income. The shortcoming of the programmes can be traced to the lack of export focus. While there was increased production in the agricultural sector, the crops produced were ideally for the local market creating a glut and reduced income to persons. The crops were not suitable for the export market.

Accordingly, the Government of Grenada has accorded the agriculture sector significant importance in the Medium Term Economic Strategy (2006 – 2008)¹, which places emphasis ‘...on the development of the country’s economic infrastructure and the implementation of major projects in the productive sectors of agriculture...and the environment. ...and on poverty reduction and alleviation’. The medium term economic strategy embraces the philosophy of ‘...creating the enabling environment for the local and foreign private sector to play the lead role in the generation of income, employment and output.’

The government of Grenada has also developed a National Export strategy for Grenada in which the agriculture sector has also been accorded the importance it deserves in the reduction of poverty. The government has also developed a ‘National Medium Term Priority (NMTP) Framework for Agricultural Development in Grenada’² document that was facilitated by the FAO and CARICOM Secretariat in 2006 to identify and agree on a set of medium term priorities for FAO and other donor agencies assistance. The NMTIP was designed to address major constraints to rehabilitate, modernize and diversify the agricultural and rural sectors in Grenada and identified four priority areas of interventions for investments.

As a regional initiative, Grenada is part of the strategy formulation to the Regional Transformation Program (RTP) for Agriculture approved by CARICOM Heads in 1996 which outlines actions to encourage more private sector investment in agriculture, to develop business skills and enterprises, and to improve research and technology development systems to increase production, productivity and diversification; the Jagdeo Initiative (JI) seeks to achieve a resurgence of the regional agricultural potential through the identification of critical constraints affecting agriculture in the region and the crafting of programs and strategies for their alleviation; and the Caribbean Regional Program for Food Security (CRPFS) which aims to promote increased food security at the national, community and household levels through the establishment of holistic, sustainable, food security policies, programmes, production and consumption activities. The CRPFS also emphasizes trade policy and promotion for improved market access and development.

3. Production and Marketing Institutions

In the pursuit of agricultural development, several institutions and agencies have been established in support of the production and marketing of agricultural products. The Ministry of Agriculture is key to the development of the agriculture sector. However, the Ministry cannot boast of success in light of the complexity of the international trading environment and the increasing demands for quality assurance and the need for continuous training of the players in this sector.

The other agencies that assist in the development of agriculture are analysed below:

3.1 The Marketing & National Importing Board (MNIB)

This agency is responsible for the marketing on non-traditional products, which have evolved over the period from subsistence farm production (fresh fruits and vegetables). This agency is a statutory body of the Ministry of Agriculture and institutes contract farming programmes in an effort to generate export quality products. There has been some level of success so far in creating income sources for farmers domestically and on the international market. This is a good attempt at joint export marketing, which addresses the problem of the size of farms and the volume of output, which individually is not sufficient for exports, but through co-ordination, the shipments can be consolidated to bring benefits to farmers.

¹ Economic Affairs - Ministry of Finance (2006) Grenada: Medium Term Economic Strategy Paper, 2006 – 2008.

² Grenada: National Medium Term Investment Program (NMTIP) and Bankable Investment Project Profiles (BIPPs) IL 48/1 CARICOM March 2006

3.2 The Grenada Cooperative Nutmeg Association

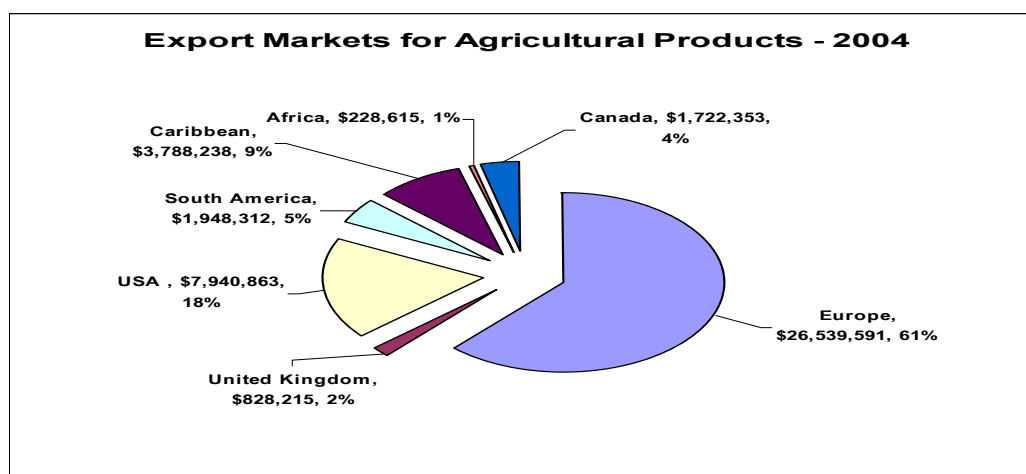
This is a farmer's co-operative that is owned by the nutmeg farmers with the responsibility for the purchase, sale, marketing and distribution of nutmegs. Extensions services are also extended to farmers to guarantee good field and harvesting practices for the export market. This agency operates on 1947 statute, which is outdated and not responsive to the new trading environment. There is emphasis on the production of the raw nutmegs thereby exposing producers to the vagaries of the market forces for this commodity and the resulting effects of falling world market prices, which is poverty. **The Grenada Cocoa Association and the Grenada Banana Association are similarly constituted for the sectors.**

3.3 The Fishermen's Association

Fishermen's co-operatives exist for the marketing of fish. These co-operatives also provide procurement services to their members.

The establishment of organisations to support the development of the agricultural sector together with initiatives by community-based organisations is a necessary condition for the development and the reduction of poverty. However more concerted efforts are needed to address the historical pattern of micro scale producers with small quantities. Joint production, co-operatives and product clusters should be encouraged to increase volumes so that commercial opportunities in the manufacturing and tourism sectors can be exploited. It is an imperative for the creation of employment and to secure export markets.

3.4 Export Performance



Source: Central Statistical Office

Agricultural exports have been on the decline since 2001 in output, value and to a lesser extent export prices. The extent of the decline varied among the different categories of export. Fish exports were the only category showing continuous increases in prices during the period 2000 to 2004. Among the factors contributing to this declining trend has been loss of preferential markets, loss of market access to the United States for key export fruits, overall decline in international prices, and decline in overall competitiveness due to low productivity and improved quality standards demanded in international markets.

Agricultural products are exported to 32 different countries worldwide. European countries accounted for most of our exports, which amounted to 61% in 2004. The USA accounted for 18%, the Caribbean 9% and South America 5%. Nutmegs and mace were the major exports to these markets.

With the devastation to the nutmeg industry in 2004 and the projected extended recovery period for this product, the market distribution is expected to change significantly with increased share from the US, UK, Canada and the Caribbean to total exports.

The table below illustrates the trends in world import of the agricultural products exported by Grenada. Except for nutmegs all of the products exported from Grenada showed increases in total world exports.

However, all of the exports from Grenada to the international markets declined between 2000 and 2004. Our market share on the international market was also very small with only Nutmegs and mace having a share of above 1%.

Market Share Analysis - Grenada

Market Share Analysis					
Product	World	Grenada	Market Share	Annual Growth - 2000-04	
	US\$			World	Grenada
Nutmeg	\$80,771,000	\$10,315,000	12.77%	-6%	-7%
Mace	\$21,028,000	\$994,000	4.73%	5%	-8%
Bananas	\$7,955,000,000	\$216,613	0.00%	7.60%	-1%
Fruits & Vegetables	\$963,000,000	\$78,360	0.01%	10.50%	-13%
Fish	\$40,980,638,000	\$2,982,335	0.01%	3%	-2%
Total	\$49,038,400,000	\$14,586,308	0.03%		-3%

Source: GMNIB

4. The Vision

In order to address the dilemma of high poverty levels in Grenada, the agricultural sector is key. It is for this reason that the Government of Grenada is developing an agricultural policy in recognition of the importance of agriculture for food security and as an important source of foreign exchange, job creation and revenue generator.

The vision for the sector is:

“ To develop an export agriculture sector made up of commercial enterprises that are dynamic, sustainable and flexible, and offer a diversified range of internationally competitive products in an environment that facilitates entrepreneurship, investment, innovativeness, and fair and transparent trading practices.”

4.1 Strategic Direction

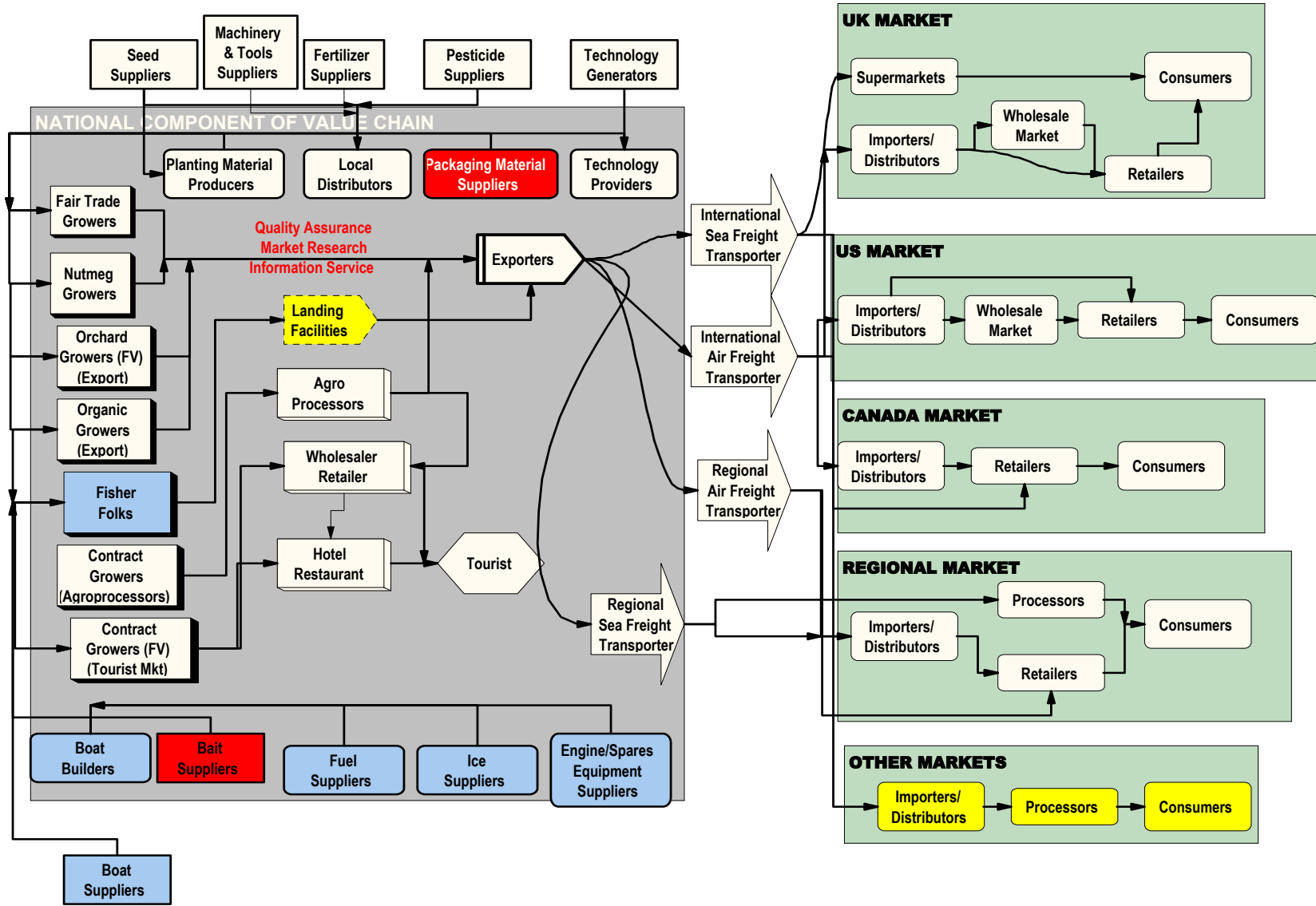
The strategic direction for the agriculture sector has been charted after careful analysis of the value chain. The government of Grenada has identified the following products in the National Export Strategy:

- **Fresh fruits and Vegetables**
- **Spices**
- **Fish**

The current value chain highlights limiting factors to the growth of the agriculture sector. Some are not that apparent. Outside suppliers play a major role in providing critical inputs to the sector and there is a heavy reliance on independent international transporters for moving our products to international markets. Primary producers are fragmented and un-specialized, supplying most of their products through open trading arrangements. Actions are un-coordinated, there is limited information sharing, and formal structures research and development activities. Importers have very little loyalty to exporters.

Based on the value chain analysis, the Government of Grenada has also identified high value added products and services that can be developed to support the development of rural areas, reduction of poverty, creation of employment opportunities and increased foreign exchange earnings for the sector. Creating opportunities in the rural sector is also important to control the migration to the urban areas and reduce the strain on the infrastructure in the city areas. The value chain analysis links the agriculture sector to the important manufacturing and tourism sector creating opportunities for investments – small and large to generate foreign exchange.

FUTURE VALUE CHAIN - AGRICULTURE SECTOR



In summary it is fair to say that the agriculture sector has played and continues to play an important role in the socioeconomic development of the citizens of Grenada in general and in the reduction of poverty in particular. However if this sector is to play an increased role in addressing the poverty situation and its important link to exports, there are some underlying issues, which must be addressed and includes but are not limited to the following:

- Under evaluation/exclusion of the rural farming community as key export producers within the business community.
- Over emphasis/ over centralisation of new export earning activities in the urban centres since the 1990's.
- Low skills levels available in rural communities limit diversification, job creation and value addition activities.
- High unemployment in rural communities especially among women and heads of households.
- Though small business agencies and NGOs are active in the rural communities, co-operatives and clusters are not promoted as a means of increasing the export oriented supply side capacity.
- The agriculture sector should be perceived as more than a provider of subsistence for small growers in rural areas, but be approached as a potential value-adding sector to long-term economic activity.
- According to the Poverty Assessment Survey of Grenada, one third of the population is poor; yet there are inadequate linkages between export promotion and poverty alleviation.
- The agriculture sector must be given priority in national development planning.

The organisational structure of agricultural institutions must be addressed urgently to ensure that they have a focus on exports and that the services that they provide can contribute to increasing capacity. It is for this reason that agricultural clustering should be encouraged by the government and community based organisations.

Agricultural production takes place in the areas with the highest poverty levels. At the same time persons have small plots of lands, which limits their production level. Though large commercial farming should be encouraged, joint productions is necessary to consolidate volumes and contribute to the reduction of poverty.

Of equal importance is the need for policy to address the important linkage with the agro processing, tourism and craft sectors, which needs substantial inputs from the agricultural sector. Creating these linkages is important for the development of the sector. The prospects are many for the supply of services to these sectors also.

It is imperative that the Government consider encouraging agricultural clusters in this sector and that the trade promotion organisations, the Ministry of Agriculture and the Community based organisations work vigorously to develop the culture in the agriculture sector to create clusters which can benefit all.