



“TWENTY-FIVE BY 2025”

Reducing CARICOM’s Agri-Food Imports: Opportunities for CPSO Participation

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for the
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TWENTY-FIVE BY 2025

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EXECUTIVE SUMMARY

*[Investment opportunity valued
US \$450 million]*

The recently established CARICOM Private Sector Organisation (CPSO), in responding to the renewed and urgent call from Prime Minister Mottley for the Region to reduce the extra-regional food import bill by 25% before 2025 contends that:

- **credible agri-food investments exist and can be pursued under ‘prevailing conditions’**, even though ‘sub-optimal outcomes’ in terms of import displacement will result.
- **several agri-food opportunities exist which can substantially reduce the level of agri-food imports** through liberalisation, policy reform and investment in infrastructure within the CSME, that facilitates regional market participation and through engagement by the Community’s stakeholders, including MSME’s.

The CPSO acknowledges the consensus among development specialists, policymakers, the political directorate and CARICOM’s Citizenry, for:

- urgent targeted action and investments in agri-food opportunities which offer sound ‘investment potential’;
- an increased role for private sector investment to contain the agri-food trade deficit and reverse the significant level and increasing trend in CARICOM’s extra-regional agri-food imports, even though CARICOM’s intra-regional agriculture trade share of approximately 17% (2016-2018) is broadly consistent with the trends in other Developing Country Groupings, but where CARICOM is more weakly connected to Global Value Chains (GVCs) than other Groupings.

The Regional Private Sector has a major stake in reversing CARICOM’s protracted agri-food trade deficit, which act as a drag on economic growth and employment. The lingering trade deficit has had a direct impact on the private sector’s trading performance, business growth and profitability.

In this context, the Region recognises that increasing the contribution of agriculture/agri-food to regional economic development demands a departure from previous approaches. Embracing approaches which draw on past experiences, while repositioning the opportunities for agri-food investment is made even more urgent given Prime Minister Mottley’s urgings that private sector initiatives should be implemented in the short-term.

The CPSO considers its 'Twenty-five x 25' approach and initiative as a 'tipping point', with several differences from past efforts, namely, the:

- unprecedented opportunity for the 'entire' Private Sector and its Apex structure (the CPSO) to be directly involved in conceptualisation and subsequent implementation of actions to contribute to increased food production in the Region, made possible through the invitation by Heads. This has to be supplemented by the appropriate incentives to boost investment confidence.
- 'all inclusive' nature of the CPSO membership, which minimises the "Regional-National dichotomy" that existed in the previous thrusts.
- 'building block' of this initiative is the firm, regardless of the company size, which will facilitate cohesion, coordination and sustainability of know-how, relative to usable technologies, market intelligence and business methods, etc.
- selection of winning sustainable opportunities based on sound investment criteria and ability to adjust to product and process innovation.
- recommendation to create a Special Purpose Strategic Project Investment Facility (SPIF), which will 'crowd in' sound investment projects
- pragmatic application of 'agri-food corridors' coupled with the 'value chain creation' methodology for the selection of investment projects.
- recognition of the need for the Community to address weak Implementation in order to boost investor confidence.

Pursuant to the above, the CPSO:

- is committed to preparing investment business cases to capitalise on CARICOM Single Market and Economy (CSME) agri-food opportunities, consistent with the objective of reducing CARICOM's food import bill, enhancing food and nutrition security, strengthening the Region's agriculture resilience and identifying opportunities for extra-regional exports.
- has prepared a comprehensive submission for consideration by the Heads of Government which focuses on seven priority investment business cases: Poultry Meat and Hatching Eggs, Animal Feed, Meat Products, Vegetables, Cassava, and Coconut products, as well as an eighth area of work in progress which focusses on Leveraging Regional Distribution Networks to develop accessible markets for products from Micro, Small and Medium Enterprises (MSMEs).

These priorities target the displacement of US\$418.8 million worth of extra-regional imports (based on 2018 trade data). These are: hatching eggs-\$54 million, poultry meat-\$121 million, corn - \$93.8 million, meat - \$30 million, vegetables - \$50 million, cassava - \$30 million, and the investment opportunity in coconut products which could generate US\$40 million in foreign exchange earnings. Given the scale economies which will ensue from rigorous execution of these investment projects, it is not unreasonable to anticipate that the aggregate value from the import

displacement projects and the foreign exchange earnings from the coconut project could surpass US \$450 million by 2025.

These proposed investments will also allow the private sector to:

- take advantage of existing specific opportunities for immediately making innovation and technology the handmaiden of enhanced agriculture output and employment in the CSME.
- generate the impetus required to address the development imperatives for appropriate enabling policies, vastly improved infrastructure, and skilled human resources.

Concomitant benefits in enhanced intra-regional trade, private sector investment participation, economic growth, employment and economic activity in the CSME (including opportunities in the services sector) are likely to result from this CPSO-driven initiative.

The CPSO appreciates that a major pillar of regional integration within the CSME is the enhancement of trade within the Community. However, while several of the agri-food products prioritised hold immense ‘investment potential’, **they have not been liberalized for trade participation** by the regional private sector. An important reason for this particular deficiency and the sub-optimal performance of the agri-food sector in general, in the view of the Private Sector, is the absence of a Community institution possessing some degree of executive authority to formulate rules and regulations and oversee their implementation in the areas of food safety, animal products, feeds and plant products, among others. In the short term, the Region needs to consider how to close this policy and regulatory gap through the institutional ‘Policy Maturation’ to a common Food and Drug Administration (FDA) - type model for overseeing the development of manufacturing, trade and distribution of agri-food products, among others in the Region. An evolution of the mandate of CAHFSa and CROSQ may be the vehicle to achieve this objective.

In addition, the Private Sector has signalled as high priorities, other policy, regulatory and administrative reforms that CARICOM Member States will need to undertake simultaneously, to enable the desired outcomes in the seven sectoral opportunities identified. To this end, the CPSO:

- is prepared to play an integral role in the establishment of ‘fast track’ modalities, aimed at introducing and entrenching the necessary reforms to agri-food policies and measures that open the Single Market to regional cross-border investment and trade in certain agri-food products.
- envisages, ultimately, that a Memorandum of Understanding (MOU) setting out the framework for the implementation of these projects among Community Organs, the CPSO, and other relevant Institutions, could be signed at the upcoming Forty-First Regular Meeting of Heads of Government in July 2020.

HEADS OF GOVERNMENT (HOGs) ARE INVITED TO:

- i. Instruct the COTED and the SOLAC to finalize and approve the following Instruments for consideration at the Forty First Regular Meeting of the Conference:
 - a) Model Legislation for Animal and Plant Health;
 - b) Draft Policy for Trade in Animals and Animal products;
 - c) Protocol Governing CARICOM Control, Inspection and Approval Procedures for Trade in Animal and Animal Products.

- ii. Direct the CARICOM Secretariat to examine the feasibility of the establishment of a 'FDA-type' institution, designed to work with respective Ministries of Health and Community bodies to formulate and implement rules and regulations relating to food safety, food products, veterinary and animal products, among others (e.g. drugs/ medicines, vaccines, biologics). This FDA-type institution should be considered to have executive authority in cross-border trade to execute the rules and policies that are formulated and its governance structure should include representation from participating Member States, the private sector and the public. The CARICOM Secretariat should be directed further to report to the Thirty- second Inter-sessional Meeting of the Heads of Government of the Caribbean Community on its findings and progress from this examination.

- iii. Direct the CARICOM Secretariat to urgently examine the feasibility of establishing and supporting a Regional Statistical Authority (Eurostat-modelled) for data collection, analysis, and reporting; and to report to the Thirty-second Intersessional Meeting of the Heads of Government of the Caribbean Community.

- iv. Mandate the CARICOM Secretariat and CAHFSA to elaborate Trade Protocols for the lists of: (a) vegetables and animal products and (b) agri-food products prioritized for Investment by the CPSO, with a view to their adoption by Member States at the Thirty-Third Intersessional Meeting in February 2021 and to report on progress achieved at the Forty-First Meeting of the Conference.

- v. Note that the Ease of Doing Business is critical to the 'start-up' and operation of any private sector business. Legislative and administrative reforms conducive to business facilitation

in key areas such as trading across borders' will be an important determinant of the private sectors' uptake of the agri-food opportunities in the CSME.

- vi. Agree that the inclusion of 'Ease of Doing Business' indicators in the 'RBM Framework' can add value by enhancing the delivery of results from policy initiatives, in a context where rapid reform is urgently required to expand intra-regional trade in agri-food products.
- vii. Note particularly, the Next Steps by the CPSO in determining the agri-food Investment Initiatives for inclusion in its 'July Package' as follows:
 - a) Complete Identification of the 'agri-food' investments that CPSO Members are prepared to promote in 2020/2021. In the first instance, the emphasis will be on scaling up existing investments in the agri-food opportunities identified and leveraging regional distribution for 'shelf-ready' products. Private Sector Companies will be encouraged to 'self-select' their investment participation.
 - b) Identify opportunities for 'infrastructure' support (including from non-traditional institutions) for "corridor" investments and for equity and shareholder participation. (e.g. Credit Unions).
 - c) Explore the scope of participation by regional Institutions, such as CDB, CDF, UWI, CARDI, CAHNSA, CROSQ, CARPHA, among others in developing and participating in the Investment Business Cases for the opportunities that have been identified.
 - d) Submit the 'July Package' through the Lead Head/CSME, for delivery to HOGs at the upcoming Forty-First Regular Meeting, in July 2020, an update on the development of Investment Business Cases and specific requests to Heads for assistance with any relevant roadblocks to implementation.
 - e) Present a draft of a 'Memorandum of Understanding' with the Caribbean Community at the Forty-First Regular Meeting (July 2020) proposing roles and responsibilities for key agents to facilitate the pursuit and implementation of the Investment Business Cases being developed.

INTRODUCTION:

[Global agriculture is at a critical juncture]

World agriculture¹ is at a critical juncture and under pressure to meet food demand for a projected 9 billion global population by 2050. To achieve this, food production must increase by at least 2.5 times 2016 levels, within climate change impacts, food loss and waste, changing diets, access, availability and cost of water, competing claims for land and raw material and intermediate inputs, including those required for animal feed, fibre for clothing and biofuels for energy. Certain Regions, such as CARICOM, are projected to experience greater incidence of agricultural output shocks in land and genetic plant and seed fragility, exacerbating the complexities of responding to the food and nutrition security (FNS) challenge.

Meeting the global FNS challenge will require both short and long term responses by both the public and private sectors. The Public sector will be required to urgently establish the legal and policy frameworks that create economic incentives for these innovations to take place in a collaborative manner. Private sector investment in innovation for productivity and efficiency enhancement throughout the agri-food chain will be pivotal to simultaneously raise agricultural productivity and supply side capacity, and reduce output losses and food waste. Taken together, public-private sector investments and partnerships will be critical to reverse the low levels of investment in agriculture that have created major stumbling blocks to operationalizing the CARICOM Single Market and Economy (CSME), and the achievement of regional food and nutrition security.

The CARICOM Private Sector Organisation (CPSO) advances a number of specific short term, realizable opportunities for improving regional FNS through enhancing agriculture within the CSME and through expansion into extra-regional markets. This submission also highlights several factors more general in nature, which remain critical to private sector investment participation. CARICOM Heads of Government can advance this involvement through an immutable commitment to completing and operationalizing concrete principles and policies which create legal certainty and imbue the Private Sector with the confidence to move beyond mere proposals for the development of agriculture to taking concrete investment decisions. Without minimizing the focus on advancing the approved agenda, 'confidence building' would seem to require an exchange of commitments by the private sector and undertaking by the CARICOM Heads of Government (HOGs) for the execution of the specific priority projects identified for immediate private sector participation.

¹ 'Agri-food' and 'agriculture' are used inter-changeably throughout the paper.

CONTEXT

[Active private sector is essential to sustain growth]

The Revised Treaty of Chaguaramas provides the legal framework for regional economic integration among CARICOM Member States. Decades of anaemic economic growth within the regional economy has led to consensus that the private sector must be the ‘engine of growth’ and also, that active private sector involvement was a *sine qua non* for sustained economic growth.

CARICOM HOGs demonstrated their commitment to engaging the private sector in the full implementation of the CSME, as a concerted response by Member States to the twin challenge of slow growth and high unemployment, by approving the formation of the CARICOM Private Sector Organisation (CPSO) at the Fortieth Regular Meeting of the Conference of Heads of Government, in Saint Lucia in July 2019.

The Lead Head with Responsibility for the CARICOM Single Market and Economy (CSME) in the CARICOM Quasi-Cabinet, Prime Minister Mia Mottley, has requested urgent short-term action by the Regional Private Sector to reverse CARICOM’s yawning and growing agriculture trade deficit with the rest of the world, which is manifested in a steady upward trend in the regional ‘food import bill’. The preoccupation of CARICOM’s Heads with enhancing intra-regional trade through greater CSME activity, and shrinking CARICOM’s agricultural trade deficit with the rest of the world, are not mutually exclusive objectives, as interventions aimed at reducing the agriculture trade deficit are primarily directed at displacing imports with regional production, as well as expanding agriculture exports.

Numerous decisions of CARICOM’s Organs and Bodies chronicle the well-intentioned objectives of Member States to increase agricultural output. Many of these initiatives, sanctioned by the Community and involving political commitment at the highest level, have attempted to target the ‘food import bill’, with limited success. The development literature on CARICOM agriculture is replete with diagnostic contributions on the factors that account for the disappointing response of the regional agricultural system in stemming the burgeoning trade deficit, which is a central indicator of the Region’s food security status.

Several stylized factors appear to account for the slow progress in agriculture, viz, relatively high cost of production, inadequate transport and logistics, prevalence of non-tariff barriers in certain sectors, and low economies of scale among others. Undoubtedly, many of these factors remain to be addressed. However, deeper analysis highlights a number of other factors, though less recognizable, that are associated with successful agri-food investments in CARICOM and the wider Caribbean and Central American Regions, which are often absent in many of the less successful investments in CARICOM. These factors include strategic private sector-led investments in innovation critical to the enhancement of agricultural productivity and efficiencies

throughout the agri-food chain, legal and policy frameworks that create economic incentives for these innovations, and available hard and soft infrastructure to connect with regional and global distribution value networks.

The objective of this Paper is to examine the opportunities for immediate to medium term efficiency-based agricultural² import displacement among CARICOM States aimed at reducing the ‘food import bill’ and enhancing food and nutrition security.

- ▶ Section One presents a short list of import displacement opportunities based on consumer preferences and trends, the volume and value of trade into CARICOM, and the opportunities to augment competitiveness by the application of technology-based solutions.
- ▶ Section Two briefly presents some ideas on how the CPSO, using the case example of a major representative player in the retail trade of agricultural products, can leverage its market positioning in catalysing the ‘scaling up’ of existing nascent initiatives in fresh vegetables, poultry meat and hatching eggs, and other agri-food products.
- ▶ Section Three focuses on MSMEs and facilitating the efficient transport of agri-food products as key drivers of agri-food investment opportunities within the CSME. Activating the enormous potential of MSMEs, and according proper attention to aspects of the logistics and transport support, are discussed.
- ▶ Section Four concludes the Paper, with recommendations on a number of priority areas which constitute an urgent ‘agri-food’ policy reform agenda at the Community level, from which the priority projects identified as ‘low-hanging’ fruit will emanate. The Paper highlights that such a ‘priority list’ is not intended to be exhaustive.

² Agricultural products by reference to the harmonised system of product classification as defined, covers not only basic agricultural products such as wheat, milk and live animals, but the products derived from them such as bread, butter and meat, as well as all processed agricultural products such as chocolate and sausages. The coverage also includes wines, spirits and tobacco products, fibres such as cotton, wool and silk, and raw animal skins destined for leather production. Fish and fish products are not included, nor are forestry products.

SECTION ONE: SHORT LIST OF IMPORT DISPLACEMENT OPPORTUNITIES

["The Caribbean has been challenged to slash its annual US \$4.5 billion food import bill - 50 per cent more than what it imported in 2000 - by at least a quarter over the next five years."]

Barbadian Prime Minister Mia Mottley

Responding to the call from the Lead Head with responsibility for the CSME, the CPSO would seek to identify a limited number of projects with the potential for delivering rapid results. The projects chosen will constitute an 'early harvest' on the agreement by HOGs to establish the CPSO at its Fortieth Meeting.

The intention of the CPSO is to identify high priority investment projects for participation by the Private Sector to address the Region's agri-food import bill. The Region's private sector will take an investment focused approach on the profitable and justifiable initiatives wherever they may exist. Accordingly, the CPSO's initial list of agri-food investment priorities has benefitted from a thorough analysis of CARICOM's import trade performance on the basis of the most recent data available from Member States. This analysis is contained in the Annex 3 of the Annex Document.

Consistent with the focus of the Strategic Project Investment Facility (SPIF), the CPSO will seek to convert sound project ideas into bankable investment projects, informed by the aforementioned review of the Region's trade performance, among other criteria. These other selected criteria aim to ensure that these initiatives are sustainable, in terms of economic viability (Criteria 1-6), social equity (Criterion 7) and proper environmental management (Criteria 8-9). (See Table 1)

Table 1: Criteria used in Identifying Investments Opportunities

Criteria Used In Identifying Investment Opportunities ³	
1	Existence of adequate domestic (regional) demand
2	Access to appropriate technology and technological know-how (learning curve)
3	Ability to meet private sector demand for quality, convenience, just in time delivery, etc.)
4	Compatibility with existing operations and management competence
5	Access to raw materials and options at reasonable prices
6	Legal & regulatory framework regarding standards, SPS Rules, measures, labelling and tariff policy
7	Food and Nutrition Security
8	Climate Security
9	Energy Security

³ Criteria were developed based on consultations with CPSO Members and, also Private Sector Commitments to the UN-SDGs.

Based on these above identified criteria the CARICOM market might hold good potential for a selected number of private sector initiatives. (Table 2)

Table 2 - CARICOM Market Value for selected products

Investment Opportunities	CARICOM Market Value based on Imports (2016-2018)
- Poultry Meat	US \$121 million
- Hatching Eggs	US \$54 million
- Corn and Rice (Feed Production)	US \$93.8 million
- Meat (Beef, Pork, Mutton)	US \$30 million
- Niche Vegetables	US \$50 million
- Cassava	US \$30 million*
- Coconut Products	US \$40 million
Total	US \$418.8 million
<i>*Based on potential substitution of wheat.</i>	

Source: Author's Compilation from CARICOM data

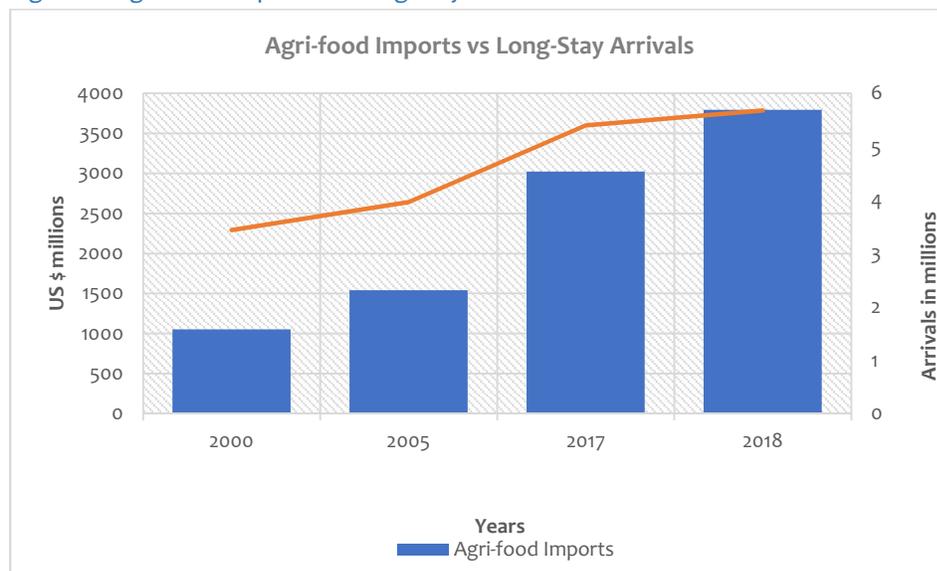
SHAPING EXPECTATIONS

The CPSO offers a unique opportunity through the Private Sector, inclusive of manufacturers, distributors, producers, MSMEs, transport and logistics firms, and tourism operators, to exchange ideas and reach consensus on practical steps to reduce the food import deficit.

According to Figure 1, between 2000 and 2018, the Region experienced an increase in long-stay visitors of 63 percent, reaching 5.6 million visitors. The average length of stay of a visitor in the Region is 7 to 10 days, (except for Barbados and St. Vincent and the Grenadines, which recorded slightly higher numbers of 10.6 days and 13 days, respectively⁴). Over the same period, there was a 260 percent increase in the value of agri-food imports. Considered against the backdrop of contraction of domestic production, the Region essentially has become more import dependent, especially when tourism growth is taken into account.

⁴ The Caribbean Market Report, September 2019, Horwath HTL

Figure 1: Agri Food Imports vs Long Stay Arrivals



Having regard to the relative size and tendencies of the Region’s domestic (supplier and consumer) and import markets, reducing the agri-food trade deficit may be constrained beyond certain limits, since increasingly, both CARICOM consumers and tourist visitors expect ‘global agri-food product choices’ to be accessible. Experts, however, buttressed by the evidence of success of certain niche investments, believe that the private sector, through increased domestic and regional investment in agri-food ventures, can do far more to harvest the gains in existing and emerging agri-food opportunities in the CSME, including those arising from the growth in tourism.

STRATEGIC INVESTMENT PROJECTS

1.1.1.1 Project Concept 1: Enhanced Private Sector Participation in the Poultry Meat and Eggs

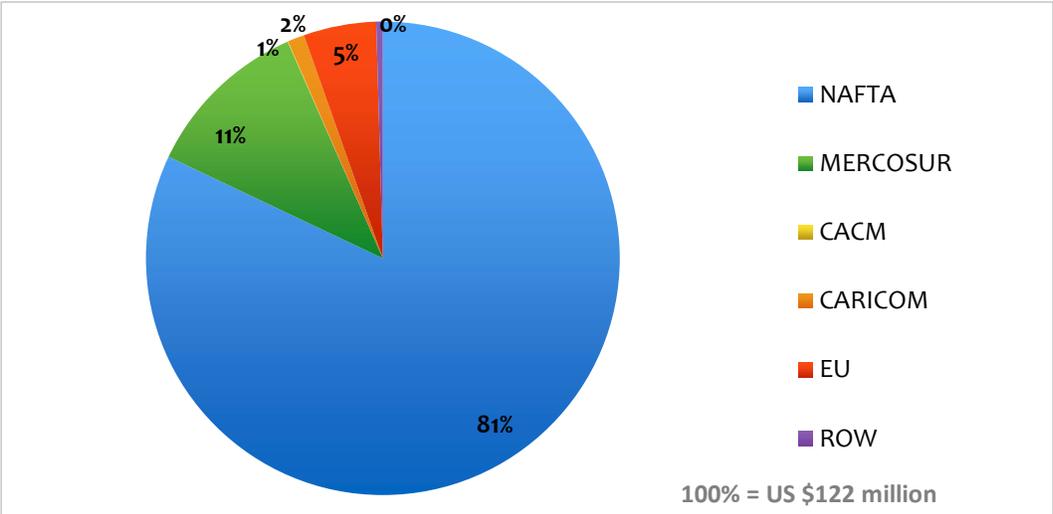
- **Poultry Meat**

Poultry meat accounts for more than 41 percent of the imports of the meat and edible offal category. In terms of distribution of poultry meat imports into CARICOM, for the 2016 – 2018 period indicates that Jamaica (17%), Trinidad and Tobago (17%) and Suriname (13%), accounted for just under half of the Region’s total imports. The OECS⁵ accounted for (50%) of CARICOM’s total imports.

⁵ Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines.

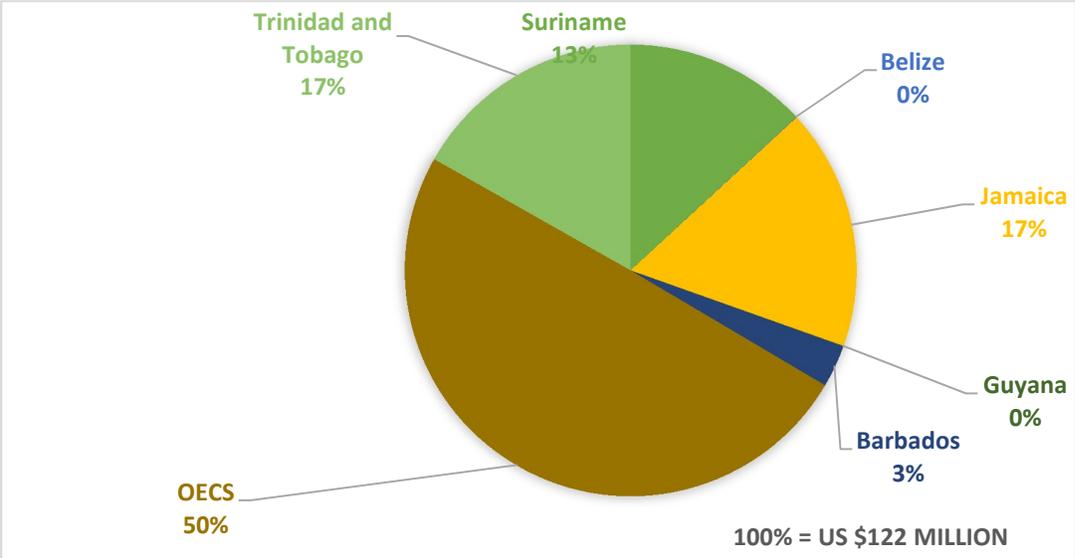
Despite the US \$122 million regional market for poultry meat, intra-CARICOM’s trade in poultry meat was less than US \$1 million in 2018, or less than 1 percent. The major extra-regional supplying regions to CARICOM were: (i) NAFTA, which accounted for 82 percent of CARICOM’s imports (the United States comprised 78.4 percent and Canada 3.7 percent), (ii) Mercosur which contributed 11.4 percent of CARICOM imports led by Brazil, and (iii) EU contributed approximately 5%. (See Figure 2). Figure 3 presents CARICOM’s import of poultry meat by Member States.

Figure 2: Average CARICOM Import of Poultry Meat by Regional Groupings 2016-2018



Source: Author’s Compilation from CARICOM data

Figure 3: CARICOM Import of Poultry Meat by Member State



Source: Author’s Compilation from CARICOM data

It is instructive to note that several CARICOM markets are nearing ‘self-sufficiency’ in poultry meat (Belize and Guyana). The More Developed Countries (MDCs) of Trinidad and Tobago, Barbados and Jamaica, Guyana and Belize, each host successful poultry operations. Many of these entities have already recognized the market opportunities existing in the Single Market; however, salient issues will need to be addressed for the remaining opportunities in the CSME to be realized.

- **Hatching Eggs**

The provision of Hatching Eggs forms a critical nexus to reducing the food import bill and as an intermediate input to a potential burgeoning regional poultry industry. The MDCs combined import approximately 98 percent of all Hatching Eggs into the Region. The remaining 2 percent is shared between Belize and Saint Lucia.

In 2018, the importation of Hatching Eggs, all of which are from extra-regional sources, was valued at US \$53.6 million, an increase of US \$7.6 million or 16.5 percent from 2016. (See Table 3) The development of the end market for poultry meat will naturally correlate with an increased demand for Hatching Eggs and other intermediate supplies.

Table 3: Annual Hatching Eggs Imports for the period 2016 - 2018

COUNTRIES	2016	2017	2018
	US \$		
TOTAL	45,987,732	37,645,072	53,597,462
ANTIGUA AND BARBUDA	11	-	268
BARBADOS	5,870,378	6,102,628	5,874,109
BELIZE	1,591,401	669,844	351,667
DOMINICA	1,237	2,121	-
GRENADA	-	27,481	4,222
GUYANA	8,153,661	9,157,286	10,162,249
JAMAICA	8,817,598	69,944	15,620,033
SAINT LUCIA	700,594	512,911	480,524
ST.VINCENT AND THE GRENADINES	93,283	103,223	75,719
SURINAME	1,860,094	1,940,687	2,329,086
TRINIDAD AND TOBAGO	18,899,475	19,058,948	18,699,585

Source: CARICOM

1.1.1.2 Project Concept 2 - Enhanced Private Sector Participation in Corn and Rice Production
(Derived from the Demand for Poultry Meat and Hatching Eggs)

Corn and Rice are two major substitutable inputs used in the manufacture of poultry feed and other animal (pork and small ruminants) feed. The demand for this input is derived from the demand for the final products of poultry meat and hatching eggs. CARICOM’s supply of corn as an input to feed is largely imported by the MDCs. Poultry accounts for between 60%-80% of total

feed output. CARICOM imported an annual average of US 93.8 million of corn, primarily for use in the animal feed industry. The majority originated in NAFTA – 91 percent, and 2.1 from CARICOM.

Some CARICOM countries, such as, Belize, have demonstrated the capability to produce substantially greater volumes of corn, subject to CARICOM Members' commitment to develop the poultry industry on a rules-based system, providing for greater certainty and predictability and investment in logistics and transportation initiatives.

Guyana and Suriname are producers/users of rice as feed to the poultry industry. Guyana has recently developed the capability of blending corn and rice for feed. Accordingly, increasing the production of both corn and rice, in a vertically integrated poultry industry, as has been suggested by stakeholders in the Industry, is a rational and potentially feasible extension.

Effectively developing the industry by connecting with Global Value Chains (GVCs) will require the Region to act as a true Single Market, undergirded, at a minimum, by a common policy architecture on tariffs; safeguard mechanisms; anti-dumping legislation; SPS regime; food safety standards; transportation and logistics; and development of the raw material base/ intermediate input to sustain the industry.

1.1.1.3 Project Concept 3 - Increasing Private Sector Participation in Meat Products

- **Meat Products (Beef, Pork, Mutton (Sheep and Goat))**

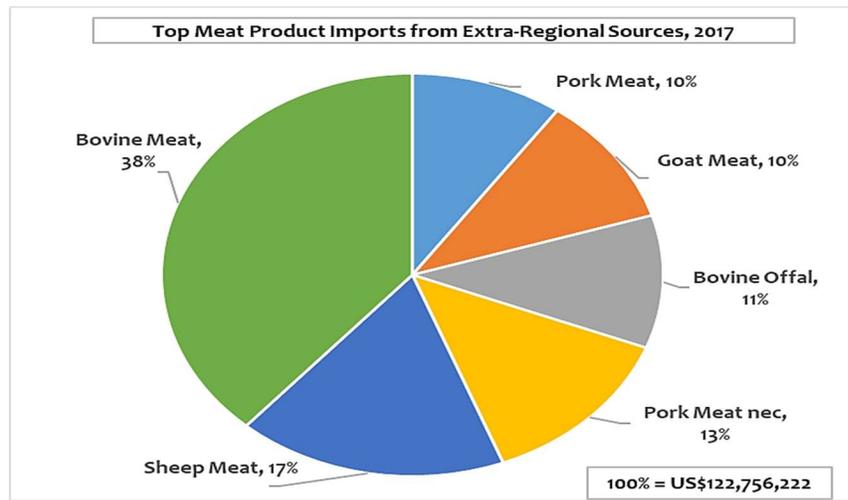
CARICOM imports for these meat products amounted to US \$122.76 Million in 2017⁶. Figure 4 reveals the distribution of these imports among the six categories for 2016 and 2017. The distribution of these imports among CARICOM Member States is reflected in Figure 5. Intra-regional trade does not exceed 1% of total CARICOM Imports for any of the six meat categories.

Trinidad and Tobago, accounted for just under 46.7% of the Region's imports of meats; Jamaica's share of imports was 22%, and Barbados' share on imports made up 17% of CARICOM imports. The remaining 15% was comprised of imports into the OECS, with Saint Lucia leading with 7%, followed by Antigua and Barbuda with 3% of total CSME imports.

A significant component of the imports by Trinidad and Tobago, reflects the demand for meat as an intermediate input into the manufacture of processed products. The data for Barbados and Jamaica also reflects this intermediate use of imported meats. The end user requirements of these markets are therefore important factors in a discussion about import substitutability.

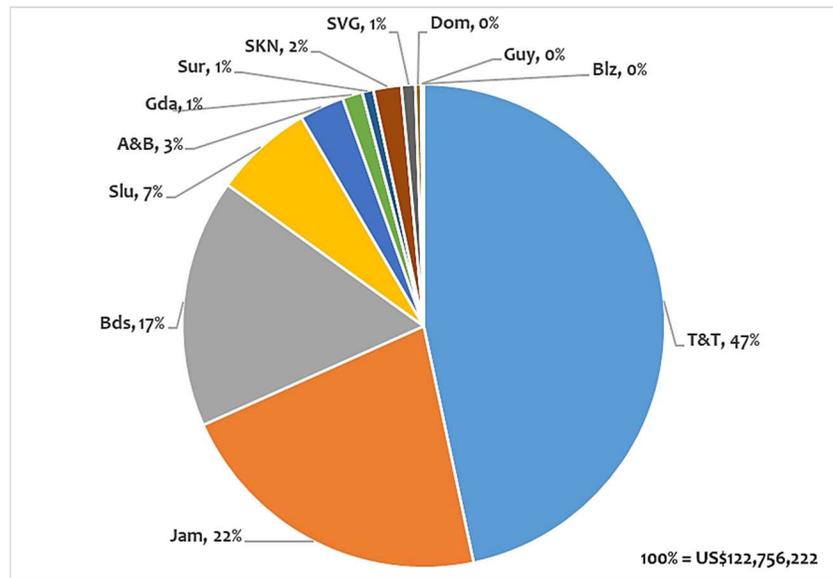
⁶ The most recent year of complete data for all CSME Members, except for Haiti.

Figure 4: CARICOM's Top Meat Products (Beef, Pork, Mutton (Sheep & Goat) Imports



Source: Author's Compilation from CARICOM data

Figure 5: Distribution of Meat Imports among CARICOM Member Countries, 2017



(Beef, Pork, Mutton (Sheep & Goat))

Source: Author's Compilation from CARICOM data

Finally, the trade statistics evidence a rapidly increasing trend in the imports of these meat products. For example, the data reveals year on year increases of 13% between 2017 and 2016 for the six meat categories.

Nascent trade patterns at the bilateral level have led to a resurgence of interest in developing the value chain for a number of these meat products. Among the OECS, trade in bovine meat, mutton and pork has resumed based entirely on private sector initiative and strategic government facilitation. Among the MDCs bilateral Models of Public-Private Partnership are the subject of ongoing engagements. The shift in consumer markets to the consumption of fresh meats and the demand for consumer information on the source of their food supply are reshaping the determinants of competitiveness. The Community's Private sector must be facilitated in repositioning itself to participate in the benefits associated with the changes in consumer preferences.

Modest targets for import displacement in the six meat categories are being evaluated by the CPSO. However, early indications suggest that a target of 20% is attainable by 2025. Further details of this will be presented in the 'July Package'.

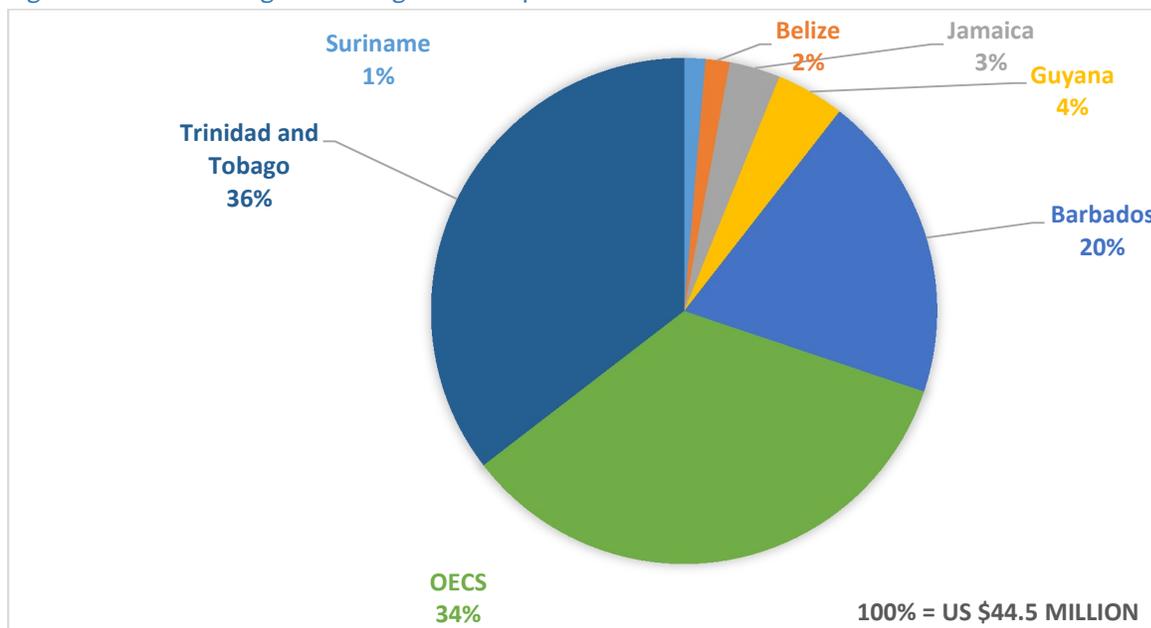
1.1.1.4 Project Concept 4 - Increasing Private Sector Participation in Fresh Vegetables and Niche Vegetables.

- **Niche Vegetables**

Between 2016-2018, CARICOM Members⁷ imported an average of US \$44.5 million worth of vegetables⁸ per annum. Intra-regional imports for the categories selected were US \$400,000 or less than 1 percent between the 2016-2018 period.

Trinidad and Tobago (35%), the OECS (34%) and Barbados (20%), accounted for 89 percent of the Region's Vegetable Imports, (Figure 6). The CARICOM Region's import demand for fresh vegetables seems set to continue its growth path, reaching just over US \$50 million by 2020. (Figure 7.)

Figure 6: Annual Average Niche Vegetables Import data 2016-2018

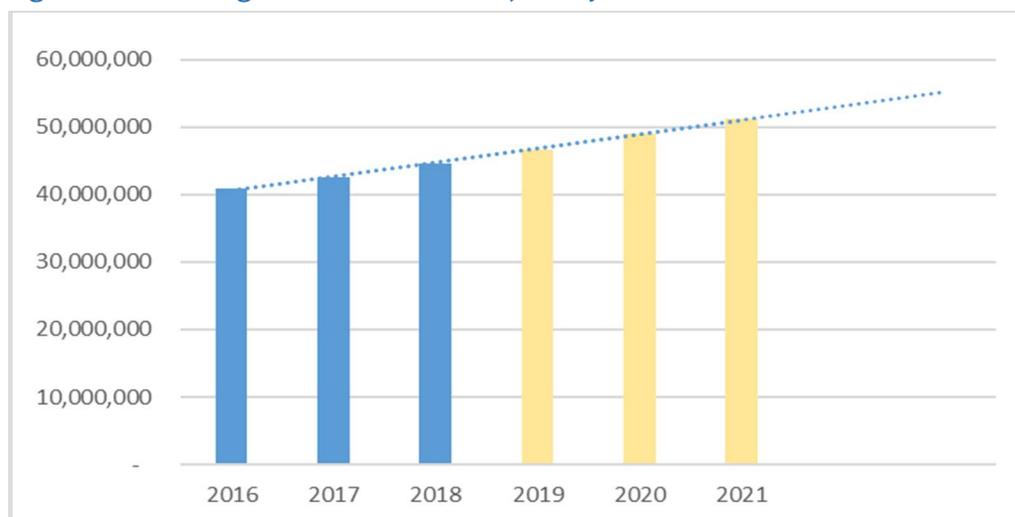


Source: Author's Compilation from CARICOM data

⁷ Excluding Haiti,

⁸ Lettuce (*Lactuca sativa*); and chicory (*Cichorium* spp.), fresh or chilled; cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled; Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled; Tomatoes, fresh or chilled; Cucumbers and gherkins, fresh or chilled; Vegetables (uncooked or cooked by steaming or boiling in water), frozen.

Figure 7 Niche Vegetables Growth Trajectory



Source: Author's Compilation from CARICOM data

Shifting consumer preference towards fresh fruit and vegetables as well as consumer information about source productivity coupled with the widespread diffusions of green and shade house technology are eroding the US competitive advantage in this category. The markets for specialty vegetables, such as mushrooms and mini vegetables, also offer significant opportunities for CARICOM producers in niche markets.

Elimination of Non-Tariff Barriers (NTBs) which have virtually isolated domestic CSME markets is a necessary prerequisite for CARICOM Private Sector investment to capitalize on these vegetable market opportunities. For the selected vegetables, the opportunity exists for reducing the food import bill by US \$50 million by 2021 if self-sufficiency can be attained.

1.1.1.5 Project Concept 5 - Increasing Private Sector Participation in Cassava Production and Substitution

- **Cassava**

Cassava represents an example of an initiative in which well-structured and coordinated private sector participation can result in the seeds of significant trade and development gains for the CSME. In terms of import displacement, cassava may represent an interesting substitution opportunity for wheat flour, beer and other brewery products as well as animal feeds. Data for the 2016 - 2018 period, indicates that the Region imports approximately 800,000 metric tons of wheat for flour, with a value of approximately US \$60 million. Total imports of corn amounted to US \$102 million, of which corn for animal feed amounted to US \$60 million (average for 2016 and

2018). Over the same 2016-2018 period, CARICOM countries spent just under US \$20 Million for imports of malt, (between 40-50,000 metric tons).

It is well established that that cassava can potentially substitute for a significant proportion of CARICOM's imports of intermediate inputs to food manufacturing, now sourced from extra-regional imports of corn (for animal feed), wheat (consumer food applications) and malt (for use in brewing), among other uses.

The example of Red Stripe' 'Project Grow' plans to replace up to 40% of its imported high maltose corn syrup with Jamaica's domestic production volumes of cassava starch in the production of its brewed products. Red Stripe established 'Third-Party Contracts' involving approximately 200 small farmers who cultivate approximately 2384 acres, coupled with its own commercial plantings of cassava on 980 acres of leased land.

The Red Stripe "Project Grow" initiative has resulted in a significant improved quality of rural life, the development of additional skill sets, for example engineering, mechanics, transport facilitators, laboratory technicians (for soil and tissue testing and quality control), and direct mentors to introduce the "concept of business" to small and medium scale farmers (agri-entrepreneurs). Red Stripe is 'proof of concept' that it is possible to reduce the Region's food import bill in the 'big ticket', intermediate input categories' which dominate the upper percentiles of CARICOM's food import account. Other opportunities may exist for cassava displacing up to 40% of wheat imports of use in commercial bread.

Evidently, the size of the 'cassava opportunity' among others, will still need to be 'stress tested' by private sector firms themselves, to ascertain the scope and extent of the actual investments which will be necessary. The CPSO's 'July Package' would benefit from further consultations with key private sector stakeholders, regional support institutions and importantly, global and hemispheric research networks.

1.1.1.6 Project Concept 6: Increasing Private Sector Participation in Coconut and Coconut Products Value Chain.

This rapidly growing demand in regional and global markets and the comparatively lethargic growth in production in CARICOM present the prospect for CPSO Members to gain footing in the regional and global coconut markets. The primary markets for coconut products are: coconut water, desiccated coconuts and coconut oils. Other secondary products, include coconut flour, sugar and milk (for use in confectionery and bakery enterprises), coconut coir (for use in ornamental and landscaping enterprises) and coconut charcoal (for use in industrial and medical enterprises) amongst others that can be considered for niche high-end markets.

At the end of 2018 into 2019, the global demand for coconut as a ‘sports drink’ climbed to US \$4 billion, from US \$1.36 billion 4 years prior. Despite this impressive increase in global demand, the CARICOM Region is not a major player at the global level. According to the FAO, in 2013, nine Caribbean countries⁹ produced 493 million coconuts, representing less than one percent of the estimated 62 billion coconuts produced worldwide.

The Dominican Republic, recognising the opportunity, has planted over 10,700 hectares of coconuts within the last three to five years, while CARICOM Member States have planted less than 1000 hectares. Though inhibited by supply constraints, Dominican Republic exporters have achieved over 60% growth in of desiccated coconuts to the US Market, for which over 50% of the raw material originated from Guyana. Export of desiccated coconuts from the CARICOM Region is virtually non-existent.

Coconut oil products are mainly processed and distributed by firms based in Trinidad and Tobago for the regional market¹⁰.

Enhanced Private Sector participation in the Coconut Industry presents an opportunity for the Region to leverage its sources of competitive advantage (location, availability of skilled and semi-skilled labour, distribution networks, brand recognition, Region’s reputation, among others) in connecting with regional and global value chains.

Excluding other value creation opportunities, the export earnings from the commercial expansion of coconuts (2000 hectares¹¹ over the next three years) is conservatively estimated at US \$40.0 million annually¹². In addition to the enormous scope for commercial expansion, feasible opportunities for satisfying domestic demand for some coconut products, such as coconut water, exist in virtually all Member States.

⁹ Belize, Dominica, Dominican Republic, Guyana, Jamaica, Suriname, Saint Lucia, St Vincent and Grenadines, and Trinidad and Tobago

¹⁰ ITC www.Trademap.org

¹¹ 2000 hectares represents approximately 20% of the hectares planted by the Dominican Republic.

¹² Without accounting for by-product value creation

SECTION TWO: CASE APPLICATION – MASSY STORES

[Massy Stores are in a strong position to stimulate intra-regional food trade]

Massy Stores, a leading supermarket chain in the Region, is a major pillar in the Massy Group. The Group has the ability to leverage its 47 retail locations in five (5) Caribbean markets. (Barbados, Guyana, St. Vincent and the Grenadines, Saint Lucia and Trinidad and Tobago) with several formats including supercentres, supermarkets, pharmacies, express gourmet, home and mega warehouse clubs.

Massy already maintains various levels of involvement with the fresh vegetables, fresh fruit and other specialty product sectors in CARICOM. In Saint Lucia, Massy, has successfully promoted linkages with the fresh fruit and vegetable sector, by forging relationships with a Non-Governmental Organisation (NGO) Project (Plant, Grow, Eat Project), which produces mushrooms and limited amounts of fresh vegetables. This project can be ‘scaled-up’ significantly to supply fresh produce to the domestic, tourist and regional markets.

The Making Agriculture Profitable and Sustainable (MAPS) Project, financed by the IDB-Lab and executed by the Cropper Foundation, serves as a sound example of the fledgling initiatives in Trinidad and Tobago fully supported by Massy for food and nutrition security. The project, which leverages existing institutional and technical partnerships, such as with the Trinidad and Tobago National Agricultural Marketing and Development Corporation (NAMDEVCO) and the Inter-American Institute for Cooperation on Agriculture (IICA), now requires ‘scaling up’.

In addition to ‘scaling-up’ in Trinidad and Tobago, consideration should be given to expanding the Projects patterned on the MAPS in other Member States. Phase 1 could involve Barbados, Guyana and Saint Lucia. Subsequently, the project can be expanded to other Members of the Community (other OECS States, Suriname and Haiti).

SECTION THREE: KEY DRIVERS OF AGRI-FOOD INVESTMENT OPPORTUNITIES

3.1 OPPORTUNITIES FOR MSMES: ADDITIONAL INITIATIVES BEING EXPLORED BY THE CPSO

MSMEs are critical components of the regional private sector, accounting for more than 50% of enterprises, 45% of jobs and accounting for over 50% of regional GDP. In addition, they are also a significant contributor to economic opportunities for the poor and vulnerable and the expanding youth population in CARICOM. Accordingly, they constitute an important economic, social and political cohort of the CPSO's Membership.

Consequently, the CPSO, as the 'Apex' private sector organisation, is well placed to contribute to the alleviation of the constraints to MSME growth and development chronicled in 'CARICOM's Regional Micro Small and Medium Enterprise (MSME) Policy'.¹³ (*refer to Footnote for a concise listing).¹⁴ MSMEs require support to address the following challenges:

- Appropriate financing
- Development of meaningful policies and programmes by Governments
- Human and physical capital enhancement
- Technical support for product development and promotion
- Testing and certification
- Packaging
- Marketing and Distribution
- Ease of Doing Business

The CDB's recent strategic plan 2020-2024, emphasises support to MSMEs. The CPSO in its strategic development plan (forthcoming) will also provide focused and strategic attention to MSMEs, an important cohort of its Membership.

Such support could lead to improved B2B relationships amongst the various categories across CPSO membership that would enhance productivity at the national, enterprise and individual levels. Short term gains can be achieved by providing missing links to a range of product offerings from MSMEs which have complied with most, if not all, of the requirements for marketability. For many of these MSME products, the missing link is access to consumers (shelf space and online markets).

¹³ Regional Micro Small and Medium (MSME) Policy (Final Draft), CARICOM Secretariat, March 2016.

¹⁴ These constraints listed includes Weak MSME Enabling Environments- Legal, Regulatory and Policy Frameworks; Access to Financing; High Cost of the Inputs to Production and Inadequate Supporting Infrastructure; Limited Human Resource and Entrepreneurial Skill, Weak Business Support Organisations (BSOs) and limited business development services; Limited Trade Facilitation Services, inadequate Marketing Support and lack of ability to conform to Regional and International Standards; Inability of MSMEs to facilitate payments by customers via debit and credit cards; and, Absence of information and know-how regarding industry best practices

3.2 FACILITATING THE EFFICIENT TRANSPORT OF AGRI-FOOD PRODUCTS WITHIN THE CSME

The earlier section on trade performance highlighted CARICOM's low participation in regional value chains (RVCs) and GVCs, and low levels of market diversification.

A comprehensive Study of the "Development of Business Facilitation Mechanisms in CARICOM" (December 2016)¹⁵, chronicled the status and challenges attendant to the movement of agri-food products.

The Study indicated that, "the cost, availability and reliability of transportation have been flagged as key issues negatively affecting the potential of the agri-food sector". The Study points out that "the cost of transport and insurance for suppliers and importers in the Region is 30 percent higher than the world average... Overall maritime transport costs to CARICOM traders account for 13 percent of Free on Board (FOB) value as compared to the average of 6.6 percent in other regions of the world and 5.77 percent in developed market-economies."

Based on survey data, the BFM Study found that freight costs in CARICOM were the most burdensome to traders, followed by customs regulations, and service and schedule reliability. The total logistics service and the associated cost were also raised as burdensome.

The BFM Study also drew on work by the World Bank in comparing CARICOM to other regions of the world, and concluded that CARICOM ranked poorly on the costs for border compliance for both imports and exports. While the time for documentary and border compliance proves substantially lower on average than for other Regions, CARICOM nonetheless trailed considerably behind Europe and the OECD countries, which indicate room for improvement.

Evidently, a focus on significant trade facilitation can result in the promotion of new exports, and better access to financing.

Work by the CDB¹⁶ also underscores the significant challenges in maritime infrastructure and connectivity for the Region. The CDB Study advances that only four out of twelve Caribbean economies had adequate port infrastructure.

The agri-food sector continues to face complex challenges in boosting trade competitiveness, as transport and logistics remain as critical 'gaps' and 'missing links' within the regional agri-food corridor in CARICOM.

¹⁵ Antoine. Patrick, A., et al., "The Development of Business Facilitation Mechanisms in CARICOM". Study prepared for the Caribbean Action under the Programme entitled Intra-ACP Agriculture Policy Programme (APP) with focus on the Caribbean and Pacific', (December, 2016).

¹⁶ CDB (2016), Transforming the Caribbean Port Services Industry: Toward s the Efficiency Frontier, Caribbean Development Bank, St. Michaels, Barbados.

The next wave of investment will be significantly retarded should the Community fail to marshal its collective resources to make the critical investments in transport and logistics infrastructure systems and efficient management. These are clearly areas in which several models of partnership, finance and management already exist. Accordingly, no reinvention is required, only that proven solutions, already in operation by other countries and regions can be adapted/adopted to resolve the challenge of connecting CARICOM markets, many of which continue to be linked only through the Port of Miami, and Port Everglades.

As the CPSO develops Investment Business Cases for the opportunities identified in this paper, it will also identify trading lanes which could be prioritized for transportation solutions.

SECTION FOUR: DISCUSSIONS, RECOMMENDATIONS AND CONCLUSIONS

4.1 DISCUSSIONS

The purpose of this submission by the CPSO is two-fold. The first objective is to demonstrate that there exist credible agri-food investments that fit the ('25x25') Mandate. The second is to bring to the attention of Community Heads the fact that fully capturing these opportunities will require concerted effort by Heads and the CARICOM Secretariat to put in place the requisite conditions to facilitate the intra-regional trade and investment which will be necessary. Under 'prevailing conditions', there will certainly be 'sub-optimal outcomes' in achieving the import displacement objective. In the past, some opportunities have been curtailed in their effectiveness given prevailing obstacles at the time. These obstacles must now be addressed. Furthermore, there are a number of agri-food opportunities have been closed to regional market participation which, if liberalised and properly engaged by the Community's stakeholders, can further and substantially reduce the level of agri-food imports. Concomitant benefits in enhanced intra-regional trade, private sector investment participation, economic growth, employment and economic activity in the CSME (including opportunities in the services sector) are most likely to result from this initiative.

The intent of this Paper is not to produce an exhaustive list of agri-food import substitution opportunities. The intent is to produce a prioritized list of opportunities which the CPSO believes should be the first wave of initiatives, upon which success can be built for additional opportunities.

The significance of the extant submission to the Conference at this time is to identify a number of 'Top Line/Headline' priority actions that can be accelerated based on clear directives and mandates from Heads. Without an affirmative demonstration of 'political action' by the Heads, the private sector will be able to achieve moderately more than their historical performance but would continue to undershoot in terms of the targets implied by the '25X25' Mandate.

Within the context of the 'prevailing conditions', the CPSO is committed to expanding existing and engaging new agri-food investment opportunities, consistent with the goals of the CSME. There is, however, the recognition that many of the initiatives, which appear to hold immense potential, will confront the following obstacles in realizing their full market potential:

- (i) 'gaps' and 'missing links' in the 'Regional Agri-Food Corridors';
- (ii) surmountable constraints with value chain development; and
- (iii) a regime of cross-border measures administered by Member States that restrict intra-regional trade in certain agri-food products.

Several of these agri-food products hold immense ‘investment potential’ but they have not been liberalized for trade participation by the regional private sector. In this regard, CARICOM as a regional grouping has been slow to introduce far reaching agri-food trade policy reforms, with the unintended consequence that ‘market preference’ has been conceded to ‘extra-regional’ imports, to the disadvantage of regionally sourced substitutes.

The ensuing discussion seeks to give an indication of the types of ‘specific issues’ to be addressed in developing each intra-regional agri-food investment opportunity by focussing on Trade in Animals and Animal Products and Trade in Vegetables. Evidently, there will be common elements for horizontal application with other agri-food investment opportunities. No major policy and/or regulatory issues inhibit the intra-regional movement of the corn. Investment is required in port infrastructure among other areas, to realize the potential in CSME ‘end-user’ markets. Such investment would also benefit significantly from the creation of a single market for poultry and meats, which would create the scale economies required for corn producers to compete with extra-regional imports. Following consultations with agri-food firms and other stakeholders interested in exploring the investment opportunities, the ‘July Package’ will include a fuller submission of these relevant issues that will influence successful implementation.

TRADE IN ANIMALS AND ANIMAL PRODUCTS (Meat of bovine, pork, goat, sheep, poultry)

Recc #1 A binding Regional Policy and Trade Protocol for Trade in Meat and Meat Products

While several factors affect the expansion of regional trade in animals and animal products, by far the most inhibiting has been the absence of a binding Regional Policy and ancillary Trade Protocols to facilitate this trade. Accordingly, trade in the meats identified accounts for less than 1% of intra-regional trade and represents 3.2% (2017) of extra-regional import expenditure. .

This imbalance, between intra- and extra-regional trade, results from the application of domestic legislation or ‘State practice’ in some Member States, that prohibits the imports of animal and meat products from CARICOM Members, many of which are classified as being ineligible Source Countries for one reason or another. The gravamen of this is that were CPSO Members to immediately signal a desire to proceed with investments in meats at this time, they would find their readiness to bring projects to fruition, stymied by this ‘policy-protocol’ deficit.

The recent consideration, in January 2020, by the CARICOM Chief Veterinary Officers (CVOs) to develop a ‘Draft Policy for the Trade in Animals and Animal Products’ is thus a positive step and welcome development. However, given the usual lag in the Community in the process leading to adoption and eventual implementation by Member States, the date for operationalization of the Policy cannot be predicted with any degree of certainty.

Even where Member States have agreed to the introduction of measures such as the ‘Draft Protocol for Risk Assessment’, the CPSO is aware from experience that this offers no guarantee of timely implementation among all CSME Members. This inconsistency of regional implementation timeframes with investor targets continues to be a challenge to investor confidence and retards the level of investments, even where the intra-regional market openings exist. Consultations with CPSO Members point to three pervasive causes of non-implementation:

- I) Resistance by the ‘Technocracy’ in Member States;
- II) Delays in bringing amendments to domestic legislation, coupled with a hesitancy to apply the measures administratively; and
- III) State actions/inaction aimed at protecting individual Member State markets.

Recc #2 Approval and Entry in Force of ‘Draft Policy for the Trade in Animals and Animal Products’¹⁷ and the ‘Protocol Governing CARICOM Control, Inspection and Approval Procedures for Trade in Animal and Animal Products’ (i.e. ‘Draft Protocol for Risk Assessment’)’

Additionally, the current two (2) year delay presently in approving the ‘Draft Protocol on Risk Assessment’, does not inspire investor confidence and elevates investor exposure and risk to factors over which the investors (Private Sector) have no control. Indeed, the ‘Draft Policy’ and the ‘Draft Protocol’ are inter-related and it would represent an immeasurable injection of market confidence if the Member States were to urgently (by December 31, 2020) approve and implement both instruments.

Recc#3 Single Harmonised Market Regime for Trade in Poultry and Poultry Products

Recc#4 Due Recognition of CAHFSA Certification and Removal of Non-Automatic Import Licenses.

In the instance of poultry, there has been some policy advancement, with the certification of processing facilities in six Member States in principle enabling trade regionally. Caribbean Agricultural Health and Food Safety Agency (CAHFSA) maintains a COTED approved ‘Check List’ for compliance by new processing plants seeking qualification as being ‘certified for export’. Nevertheless, there remains some CSME Members that have retained a ‘licensing process’ for requesting market approval for poultry imports, including imports from the Region.

The highly competitive nature of the global poultry markets dictates that generating economies of scale and promoting vertical integration are strategies that regional investors will need to pursue. Market segmentation by some CSME Member States seems contrary to the prescription

¹⁷ Including the Harmonized Protocols (caprine[goat] and ovine[sheep])

needed to facilitate the required shift towards consolidation of the regional Market. The discordant regimes that have developed in individual CARICOM Member States need to be replaced by a single harmonized trading regime for poultry and poultry products, if the potential inherent in the CSME for the full development of this industry is to be realized. Absence of such a regime within the CSME, CPSO Members will remain sceptical about taking the leap into further major investments.

- Recc#5 Update of the Laws and Regulations relating to animal disease and importation to facilitate a greater level of intra-regional trade
- Recc#6 Strengthen and make Mandatory the CARICOM Poultry Standard through provisions that will foster an improvement in the quality of poultry products in the regional market emanating from extra-regional sources
- Recc#7 Ensure alignment of animal health and food safety systems to International Standards¹⁸
- Recc#8 Introduce a CARICOM SPS Regime.¹⁹

TRADE IN VEGETABLES

- Recc#9 Develop protocols for the trade of vegetables and where necessary amend the legislation to reflect the relevant obligations in the RTC

Developing the trading protocols for each of the vegetable opportunities is the most urgent action required to enable private sector investment in this category. If the private sector were to signal its readiness to invest in these opportunities, they would confront insurmountable challenges entering several CARICOM Markets.

Developing “bilateral’ trading protocols has been suggested as an alternative to surmounting the challenges experienced in reaching agreement on a ‘Regional Protocol/Regime’ for the movement of plant materials. While it can be easily understood that some Member States would wish to move at a faster pace than others based on their national development goals, taken to the margin, the Region could witness the emergence of a plethora of bilateral trading protocols delineated according to ‘trading products’ of interest to pairs of Member States. Evidently, this is a sub-optimal approach compared to a Community- wide Protocol, which by mandate of the Community, establishes a unified single market for trade in each of the vegetable products (e.g.

¹⁸ Trade policy review: Barbados, https://www.wto.org/english/tratop_e/tp408_e.htm

¹⁹ Trade policy review: Trinidad and Tobago, https://www.wto.org/english/tratop_e/tp408_e.htm

lettuce, kale, mushrooms, tomatoes etc.). Bilateral protocols remain an option if the Region does not expeditiously operationalize the Community-wide Trading Protocols.

CAHFSA has a mandate to ‘coordinate and organize the establishment of an effective and efficient regional SPS regime’. The development of these Trade Protocols for Vegetables would therefore appear to fall well within the remit of that Institution. Still, the objective of accelerating the regime to facilitate the trade in vegetables by like-minded Member States should find accommodation in the regional regime that aims to facilitate trade among Members of the Customs Union/CSME.

Recc#10 Open ‘plurilateral’ approach as an alternative to ‘fast-track’ critical policies

Pursuing a plurilateral approach (compared to an approach based on Member States’ consensus, or a bilateral approach) as an alternative to ‘fast-track’ critical policies appears to be a prudent way of proceeding. In this way, CAHFSA can provide leadership to an ‘open’ process in which interested Member States will engage, albeit with the clear approval of other CSME Members who will be free to join the plurilateral Vegetable Trade protocol at any time.

This plurilateral approach, already discussed at length by the CPSO, holds the promise of reducing the delays attributable to Member States that for one reason or another, do not want to proceed (or do not want to proceed at the same pace), but still join a consensus, only to frustrate the process at a later stage. The benefit of this plurilateral approach advocated by the CPSO is that Member States could ‘opt-out’ initially only to ‘opt in’ at a later stage, in accordance with their individual interest.

Whichever approach is adopted, multilateral or plurilateral, involving open-ended time for consultations and amendments (such as with the Protocol on Risk Assessment), the causes for weak implementation which have already been outlined are equally relevant and must be addressed.

Other recommendations to unleash the next wave of private sector investment in vegetables include:

Recc#11 Foster international and regional policy cohesion, regulatory cooperation and inter-agency cooperation among institutions²⁰ to address global and regional challenges (such as food security, nutrition, climate change, price volatility, and water scarcity);

Recc#12 Full implementation of trade facilitation mechanisms, especially risk assessment;²¹

²⁰ Institutions such as the CDB, CARICOM Development Fund (CDF), University of the West Indies (UWI), Caribbean Agricultural Research and Development Institute (CARDI), National Universities.

²¹ Trade policy review: Barbados, https://www.wto.org/english/tratop_e/tp408_e.htm

- Recc#13 Fast-track the development of a flexible and effective rules-based framework to address SPS-related concerns and to expedite the resolution of SPS disputes among Member States;
- Recc#14 Abolish the need for a dual licensing regime for imports and the restrictive nature of licensing for inter-regional vegetable trade;²²
- Recc#15 Examine the Institutional ‘Policy Maturation’ to Food and Drug Administration (FDA) - type model for overseeing the development of manufacturing, trade and distribution of agri-food products, among others.

The CPSO’s perspective would not be complete without reflecting a consensus that, in making the quantum leap that is required to fully achieve the objectives of the CSME, it is timely for the Region to consider the establishment of a Food and Drug Administration (FDA) - type model for overseeing the development of manufacturing, trade and distribution agri-food products, among others. To carry out its functions successfully, Member States would need to vest such an institution with some degree of executive authority to formulate rules and regulations and oversee their implementation in the areas of food safety, animal products, feeds and plant products, among others. Such vesting of authority must be accompanied by appropriate governance arrangements to include representation from the participating Member States, the Private Sector and other key stakeholder interests.

There exists an emerging consensus in some circles that CAHFSA can evolve into such an institution. Whether CAFHSA’s mandate can accommodate this vision, should be the subject of urgent review. In the interregnum, if CAHFSA is to achieve its Community mandate, it is evident that there will need to be a deeper commitment by Member States to allocate the requisite resources to the Institution. Given the difficulties that the regional private sector has encountered in trading plant- and animal-based products cross-border, urgent confidence-building actions are required to establish and entrench a transparent, stable, predictable rules-based CARICOM regime, which offers the prospect of a clear fifteen- to twenty-year horizon for private sector investment.

Existing ‘business as usual’ approaches to the establishment of ‘Trade Protocols’ would at best result in a twelve (12) to eighteen (18) month time-frame for implementation by Member States. These protracted periods for decision-making are antithetical to ‘crowding in’ private sector investment – even in the presence of what appears as attractive agri-food opportunities. Unprecedented changes in global agri-food markets, driven by innovation at all levels of the ‘Value Chain’ and along and around the ‘Agri-Food Corridors’ could severely impair the viability of an

²² Trade policy review: OECS, https://www.wto.org/english/tratop_e/tpr_e/tp408_e.htm

investment, which faces a two (2) years delay by Member States in reaching agreement on urgent reforms needed to facilitate cross-border the trade in plant- and animal-based products.

Our CSME needs to transit a clear and credible signal that the markets that have remained closed for the past thirty years to regional investment and to cross-border participation by CARICOM producers in other Member States are finally open to intra-regional trade and will remain so.

GENERAL RECOMMENDATIONS:

Meeting the objective of reducing food imports by twenty-five percent by 2025 is an attainable goal, if the Community's Stakeholders (Private Sector, Governments, Community Councils, Organs and Bodies, Support Institutions) implement a number of immediate measures. Among these measures are certain decisions of the Conference, followed by deliberate 'goal oriented' actions on the part of the Private Sector and other stakeholders.

DELAYS AND WEAK IMPLEMENTATION

Recc#16 Weak Implementation can be overcome by the adoption of 'fast track' modalities consistent with the provisions of the RTC.

Inordinate delays have been experienced in the length of time taken by the 'Community' to introduce policy reforms critical for the next wave of private sector investment in agri-food opportunities. Delays often arise at the Working Group stage, at the stage of bringing draft submissions to the COTED, and in the time allowed for Member State consultations. Further delays are also experienced at the approval stage, where Member States often request more time for consideration of the matter. Even after decisions critical to the agri-food system are adopted by the COTED, delays are experienced in getting Member States to implement decisions, thereby occasioning even further delays to the introduction of measures.

The short-term resolution of these deficiencies is possible but requires the adoption of 'fast track' modalities consistent with the provisions of the RTC. The CPSO, intends to contribute to this 'Fast Track' Mechanism in its 'July Package'.

Recc#17 Foster MSMEs' access to banks and alternative sources of finance by adapting legislation and/or regulations and introducing targeted policies to support Fintech

Recc#18 Foster urgent collaboration to facilitate the development of alternative financing such as credit-guarantees, peer-to-peer lending, equity financing instruments, equity crowdfunding and venture capital investment

Recc#19 Promote the establishment of a Regional Stock Exchange, with Junior Listings based on the Jamaica experience, to pool economies of scale.

Recc#20 Focus on ‘Ease of Doing Business’

Recc#21 Foster collaboration among Universities, Research and Technology Institutions, Member States in Promoting innovation and high-quality intellectual property rights including through creating economic incentives to enable this process

INVESTING IN STATISTICS

Recc#22 Concerted Action by Governments to provide the human, financial and technical resources at the regional and national levels to ensure the implementation of the RSDS.

Recc#23 CPSO’s willingness to explore partnerships between governments and CCS to develop statistics, including the requisite infrastructure for statistics, that can make the Private Sector ‘data- ready’ to connect with, and participate in, regional and global value chains.

Private Sector investment decisions are information driven. Timely and reliable statistical information on emerging trading patterns, trade norms, such as rules of origin, non-tariff measures (NTMs), and trade performance, are constants in the process of evaluating investment opportunities and taking investment decisions. Assessing business opportunities with a ten- or twenty-year horizon is difficult enough with current data, but it becomes futile with statistical data that lags by two or three years.

The new wave of agri-business investment aims at connecting with global market chains. However, assessing the scope for export synergies is next to impossible where the quality of basic export data from Member States is unreliable, or non-existent, as it is for some countries. The ‘Regional Agri-food Corridors’ and ‘Value Creation’ strategies must be underpinned by a commitment by Member States to provide the information which will be required to fully participate in the dynamic regional and global market for agri-food products.

The Private Sector also requires other key areas of statistics to support this thrust, including agricultural production statistics, and statistics of the macroeconomic environment. In this context, the CARICOM Secretariat since the early days of the integration process has been compiling statistics on the Community submitted by the National Statistical Offices of Member States. The quality, timeliness and integrity of CARICOM Statistics therefore directly mirrors the quality, delivery and integrity of the statistics provided by the Member States. The data used for the current analysis came from the Regional Trade Information System of the CARICOM Secretariat and reflects the most current consistent data available at the Community level.

Modernisation of this trade information system, and by extension modernisation and transformation of the entire CARICOM Statistical System (CSS) at the country and regional levels, is necessary. This will enable, in a timely manner, increased availability and user-friendly access by stakeholders, including the Private Sector, to statistics that can underpin ‘evidenced-based’ decisions by them.

The CARICOM Regional Strategy for the Development of Statistics (RSDS) endorsed by Heads of Government in July 2018 promises this outcome and urgently requires concerted actions by Governments to provide the human and financial resources at the regional and national levels to ensure its implementation.

Instructively, the RSDS makes provision in its strategic outlook for opportunities and partnerships, including with the private sector, which can contribute to leveraging support to ensure access to ‘state-of-the-art’ technology and resources to realise the data revolution that is required to strengthen the CSS.

The CPSO’s call therefore is for partnership between governments and the private sector to support the provision of the requisite infrastructure for statistics that can make the Private Sector ‘data-ready’ to connect with, and participate in, regional and global value chains.

Consideration should be given to establishing a Regional Statistical Authority (Eurostat - modelled institution) for CARICOM Member States with consistent methods for data collection and analysis. By pooling resources, the costs for this service to each Member State could be reduced with the advantage of improved quality.

4.2 CONCLUSION

Twenty-five percent (25%) by twenty twenty-five (2025) - Prime Minister Mottley issued a call for the CARICOM Region to reduce the extra-regional component of the food import bill by 25% over the next 5 years (2020 – 2025).

The CPSO’s suggested Investment Business Cases target approximately US \$419 million of the CARICOM’s US \$3.8 billion food import bill, or a reduction of approximately 11% from the six major agri-food opportunities, in animal meats, poultry meat, hatching eggs, leafy vegetables, corn and cassava, as intermediate inputs to further processing, coconut development, and the ‘low hanging opportunities’ emanating from the strengthening of the Region’s MSME’s as part of the Institution’s work in progress.

Should the Region commit to an annual displacement of extra-regional sources, another ‘cluster’ of agri-food products can be targeted by the private sector for development in the ensuing years. Practically though, concerted action will be required by the entire Community if an outcome different to that which has been achieved over the past thirty years is to be realised.

HEADS OF GOVERNMENT ARE INVITED TO:

- i. Instruct the COTED and the SOLAC to finalize and approve the following Instruments for consideration at the Forty First Regular Meeting of the Conference:
 - a) Model Legislation for Animal and Plant Health;
 - b) Draft Policy for Trade in Animals and Animal products;
 - c) Protocol Governing CARICOM Control, Inspection and Approval Procedures for Trade in Animal and Animal Products.

- ii. Direct the CARICOM Secretariat to examine the feasibility of the establishment of a 'FDA-type' institution, designed to work with respective Ministries of Health and Community bodies to formulate and implement rules and regulations relating to food safety, food products, veterinary and animal products, among others (e.g. drugs/ medicines, vaccines, biologics). This FDA-type institution should be considered to have executive authority in cross-border trade to execute the rules and policies that are formulated and its governance structure should include representation from participating Member States, the private sector and the public. The CARICOM Secretariat should be directed further to report to the Thirty- second Inter-sessional Meeting of the Heads of Government of the Caribbean Community on its findings and progress from this examination.

- iii. Direct the CARICOM Secretariat to urgently examine the feasibility of establishing and supporting a Regional Statistical Authority (Eurostat-modelled) for data collection, analysis, and reporting; and to report to the Thirty-second Inter-sessional Meeting of the Heads of Government of the Caribbean Community.

- iv. Mandate the CARICOM Secretariat and CAHFSA to elaborate Trade Protocols for the lists of: (a) vegetables and animal products and (b) agri-food products prioritized for Investment by the CPSO, with a view to their adoption by Member States at the Thirty-Third Intersessional Meeting in February 2021 and to report on progress achieved at the Forty-First Meeting of the Conference.

- v. Note that the Ease of Doing Business is critical to the 'start-up' and operation of any private sector business. Legislative and administrative reforms conducive to business facilitation in key areas such as trading across borders' will be an important determinant of the private sectors' uptake of the agri-food opportunities in the CSME.

- vi. To agree that the inclusion of ‘Ease of Doing Business’ indicators in the ‘RBM Framework’ can add value by enhancing the delivery of results from policy initiatives, in a context where rapid reform is urgently required to expand intra-regional trade in agri-food products.

- vii. Note particularly, the Next Steps by the CPSO in determining the agri-food Investment Initiatives for inclusion in its ‘July Package’ as follows:
 - a) Complete Identification of the ‘agri-food’ investments that CPSO Members are prepared to promote in 2020/2021. In the first instance, the emphasis will be on scaling up existing investments in the agri-food opportunities identified and leveraging regional distribution for ‘shelf-ready’ products. Private Sector Companies will be encouraged to ‘self-select’ their investment participation.
 - b) Identify opportunities for ‘infrastructure’ support (including from non-traditional institutions) for “corridor” investments and for equity and shareholder participation. (e.g. Credit Unions).
 - c) Explore the scope of participation by regional Institutions, such as CDB, CDF, UWI, CARDI, CAHFSA, CROSQ, CARPHA, among others in developing and participating in the Investment Business Cases for the opportunities that have been identified.
 - d) Submit the ‘July Package’ through the Lead Head/CSME, for delivery to HOGs at the upcoming Forty-First Regular Meeting, in July 2020, an update on the development of Investment Business Cases and specific requests to Heads for assistance with any relevant roadblocks to implementation.
 - e) Present a draft of a ‘Memorandum of Understanding’ with the Caribbean Community at the Forty-First Regular Meeting (July 2020) proposing roles and responsibilities for key agents to facilitate the pursuit and implementation of the Investment Business Cases being developed.