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Linking Farmers to Markets

by Fitzroy James

"We would like to recognize Prime Minister the Rt Hon. Tillman Thomas, the Hon. Michael Lett, Minister of Agriculture and Ex-Prime Minister George Brizan for his inspirational vision in conceptualizing this project and his unwavering persistence in ensuring that this vision was manifested. All of us involved in this project know how determined he has been to make this project a reality.

While the concept of contract farming, guaranteed prices and markets have been around for some time, the importance of 'linking farmers to markets' is presently receiving renewed attention by international agencies.

I quote from the FAO Occasional Paper No. 13 of 2007 titled "Approaches to linking producers to markets":

'Marketing systems are undergoing rapid transformation. Traditional marketing channels with ad hoc sales are being replaced by coordinated links between farmers, processors, retailers and others. As incomes increase, food consumption patterns are changing with a great emphasis on meat, dairy products, as well as fruits and vegetables. Consumers are becoming more demanding in terms of quality, safety and demographic income trends are leading to increased demand for convenience foods, together with assurances of product safety.

It is against this background that donor agencies and others are recognizing the need for activities that link farmers to market demand.

Activities to link farmers to markets involve identifying market demand and then seeking a group of farmers to satisfy that demand. The availability and development of sustainable and reliable markets is therefore a necessity for successful linkage development.

A typical marketing paradox in developing as well as developed countries is that buyers, such as retailers, supermarkets, wholesalers, food service operators, and processors complain about inadequate supply while farmers complain about lack of markets. This failure in the system reflects the difficulty faced by buyers in seeking out new suppliers, and the challenges for farmers who generally lack the skills and resources to identify new markets, and their inability to take advantage of identified markets through value addition activities

such as grading, cleaning, sorting, packaging, bulking, and primary processing.

Organizations working to link farmers to markets have to develop sustainable supply relationships with agri-food businesses, traders, retailers, exporters and identify their product shortages. This is the first step of any program to develop sustainable linkages.

Commercialization of agriculture and linking of farmers to markets is much more than 'finding markets'. It is a complex and dynamic process involving several dimensions related to technology, markets, finance, institutions, infrastructure and social structure. It requires partnerships and mutual trust among all parties. The linking organization must take into consideration the risks that are associated with crop production and marketing which are major deterrents to investment in the sector. It must therefore put in place measures to mitigate those risks through interventions in the market and pricing system and providing safeguards against failure in the system.

The Marketing and National Importing Board welcomes the opportunity to be the 'linking organization' in the Grenada Commercial Agriculture Development Project' which most appropriately has its theme 'linking farmers to markets'.

We take this opportunity to also acknowledge the other institutions that are partnering with us in the implementation of this important project. They are as follows:-

- 1) The Ministry of Agriculture which will provide technological support, training and coordinate the supply inputs;
- 2) The Grenada Bureau of Standards which will provide quality assurance and food safety services;
- 3) The Grenada Cooperative Bank which has agreed to provide the working capital credit for farmers.

We especially recognize the input of the Co-Op Bank without which this project would not have been possible. We applaud their willingness to participate in this project at a time when most commercial financing institutions are reluctant to finance



agricultural projects because of the perceived high risk and weak credit profile of farmers. In fact the records show that in 2007 although agriculture contributed 6% of GDP only 1.4% of commercial loans went to agriculture. This is an opportunity we cannot miss to demonstrate to other financial institutions that investment in farming if properly executed can be profitable and that farmers under the right circumstances are good credit risks.

One of our goals in this project is to change this perception and increase the amount of commercial lending to agriculture.

The Commercial Agriculture Development Project consists of three components:

1) A price and market guarantee scheme under which guaranteed prices will be offered for the production of specific crops through a contractual arrangement with the MNIB,

2) A working capital loan facility to provide credit for those contracted farmers who require additional financing for the development of their production enterprise, and

3) An Agri- Business Information system to provide access by all participants and beneficiaries to information related to commercial agriculture.

This project is designed to boost the commercial production of short term crops and to align production with the market demand by:

- • Mitigating production and marketing risks
- • Providing more security to farmers and consumers in relation to availability/markets and prices;
- • Encouraging more specialized crop production on economic units using the most modern and appropriate technologies;
- • Providing the financing required to support the investments that are necessary to achieve the productivity increases;
- • Improving the linkage between production and markets;
- • Equipping farmers, customers and consumers with the information they require to make informed production and purchasing decisions.

During the past few years we have met to discuss the project with institutional buyers (hospitals, schools, prisons etc.) buyers in the food service and hotel sector together with the farming community. The response has been very positive and both the buyers and farmers have welcomed this initiative and expressed their commitment to participating in and making this project a success.

The main concerns of the institutional buyers are with consistency of supply and quality, in addition to these the food service buyers expressed interest in greater variety of the more exotic produce, more value added products, and strict adherence to quality assurance and health and safety standards. Retailers and supermarkets are concerned about affordability, standards, grades packaging in addition to those referred to earlier.

Farmers' main concern were with mitigation of their production and marketing risks safeguards for crop failure, securing a reliable supply of inputs and obtaining profitable returns from their enterprises. With

regards to the safeguards for crop failure we are exploring various options such as the WINCROP Crop Insurance Scheme, the Regional Micro-Insurance program and Catastrophic Reserve Fund to determine whether elements of these programs can be incorporated in this project.

We have already shortlisted over 80 farmers with access to more than 1000 acres who may possibly qualify for participation in this project. At full capacity these farmers alone can produce as much as 20 million pounds of produce annually.

During the first phase of this project we will be targeting 32 produce varieties targeted for the export market, import substitution, enhanced food security, the food service and agro-tourism sectors and raw material for agro-processing.

In support of this project, MNIB together with its partners will be boosting campaigns to increase local consumption of fruits and vegetables. We have already started with the schools with great success. These campaigns will be spread to all segments of the Grenadian Community.

We are also in discussions with regional and international companies to explore opportunities for partnering to increase exports and broaden the range of products offered for export.

The project complements a number of other initiatives currently undertaken to improve and strengthen our supply capacity. These include the cluster formation initiative, the fruit tree crop development project, the root crop development program, the banana improvement program and the hot pepper development program among others.

We are also partnering with regional organizations such as the Caribbean Farmers Network (CAFCAN) to provide support for our farmers in the strengthening of their organizations capabilities.

This is not a welfare project. It is a development project that seeks to rationalize the operations of our agricultural enterprises and strengthen their competitiveness. We look forward to the full support of the buyers in the agri-food sectors, the farmers and producers, as well as the consumers in making this project a success.

In closing I would like to thank everyone for sharing their time with us at this official launch of the project and to remind farmers that we will be starting the processing of farmers for participation in the project."

The Marketing and National Importing Board is the premier supplier of locally produced quality fruit, vegetables and agro products at the best prices.

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