



## IICA-COLEACP CARIBBEAN AGRIFOOD BUSINESS SERIES

Session n°5:

### Agriculture Trade : opportunities for SMEs and businesses in export markets

Thursday 31<sup>st</sup> March 2022 – 10:00-12:00 EST

Online ([Zoom](#))

#### 1. Context

The economies of the Caribbean face several challenges. In relation to the agribusiness sector, some challenges include a lack of economies of scale in production of goods and services exacerbated by small populations, narrow internal markets and scarce capital, which limit the economic gains from self-sufficiency. However, the agrifood sector offers opportunities for trade and employment and has the potential to boost incomes for farmers, processors and other agricultural value chain actors. In this regard, more emphasis should be placed on building export capacity and facilitating trade.

Generally, small and medium-sized enterprises (SMEs) play a crucial role in the economic development of Caribbean economies. Collectively, they generate about 60-70% of the Caribbean's Gross Domestic Product (GDP). They constitute over 70-85 per cent of companies in the Caribbean and account for 50% of employment. In addition, women own 40% of businesses.<sup>1</sup> However, only about 13% of these SMEs export. This suggests that on average the region is not utilising its potential to generate gains from international trade.<sup>2</sup> In addition, Latin America and Caribbean (LAC) SMEs that do export tend to sell only a few products to a very small number of markets. These patterns not only stifle the potential for growth among LAC SMEs that could be attainable through gains from trade; they also render SMEs more vulnerable to domestic business cycles.<sup>3</sup>

Internationalised SMEs outperform firms that do not engage in international trade, employ more workers, pay higher wages, and achieve higher sales and labor productivity than comparable firms that do not engage in international trade. Exporting increases firm productivity, boosts the sophistication of business capabilities, and loosens credit constraints, all of which are key factors for enabling SMEs to grow into large firms that drive trade and job creation. SME entrants that survive and export on a sustained basis can contribute very

<sup>1</sup> D. Mahaaj, [Supporting Micro, Small and Medium Enterprises, the Backbone of Caribbean Economies](#), CARICOM Today. Accessed: 09 March, 2022.

<sup>2</sup> S. McLean and D. Charles, [“A preliminary review of policy responses to enhance SME access to trade financing in the Caribbean”](#), Studies and Perspectives series-ECLAC Subregional Headquarters for the Caribbean, No. 88 (LC/TS.2020/4-LC/CAR/TS.2019/11), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2020.

<sup>3</sup> IDB. [Going Global Promoting the Internationalization of Small and Mid-Size Enterprises in Latin America and the Caribbean](#). 2014.



significantly to their countries' export growth. These firms are also critical for introducing new products to their countries' export baskets, and thus play a critical role in export diversification.<sup>4</sup>

Furthermore, export markets drive innovation and investment in Research and Development (R&D) products and processes that meet customer demands. By becoming more productive through exporting, exporters also reap a larger market share in their domestic markets, thus increasing the productivity of the entire economy. SME exporters can generate positive spillovers, such as growth and job creation in the many firms they rely on for inputs, products, and services. In addition, SME exporters are widely found to help create export ecosystems in their home countries by transferring valuable knowledge and skills gained through exporting to non-exporters.

When given the opportunity to enter new markets, SMEs tend to respond more swiftly and flexibly than large firms, and can therefore play a key role in the creation of new exports. In addition, although small firms tend initially to have a lower chance of surviving as exporters, they grow more quickly than large firms if they do survive.<sup>5</sup>

## 2. Market trends and opportunities for Caribbean exporters

The European Union (EU) is CARICOM's second-largest trading partner, after the United States of America (USA).<sup>6</sup> The main agricultural products exported from the Caribbean to Europe are beverages, spirits and vinegar; cereals; sugars and sugar confectionery; fish and crustaceans, molluscs and other invertebrates; edible fruit and nuts; peel of citrus fruit or melons. These five codes accounted for 85% of exports to the EU.<sup>7</sup>

However, the current volume of Caribbean agricultural and fisheries exports is relatively low and there is a significant growth potential for CARICOM exports to the EU. The EU is a lucrative and high-quality market with high standards of sustainability in the fields of environmental, social and labour. Nonetheless, even if standards are stringent, an increase in quality and standards can generate greater added value for producers and generate satisfaction among consumers. This applies to niche markets, such as sustainability in production, organic or fair-trade food products. It should be noted that compliance with sanitary and phytosanitary (SPS) standards is a fundamental requirement to reach EU markets which gives a key role to the accreditation and certification bodies such as the CARICOM Regional Organization for Standards and Quality (CROSQ) and the National Standards Bodies (NSB).

Exports of agri-food products are led by a few countries. The Dominican Republic is leading the exports of organic fresh fruit, especially bananas, and has excellent perspectives with other products like avocado, mango and even pineapple. Jamaica is leading exports of roots and tubers as well as value-added products such as sauces. Other countries like Guyana and Trinidad and Tobago are more focused on the value-added activities related to nuts and leads the region in this regard.

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<sup>4</sup> IDB. [Going Global Promoting the Internationalization of Small and Mid-Size Enterprises in Latin America and the Caribbean](#). 2014.

<sup>5</sup> WTO. [World Trade Report. Levelling the trading field for SMEs](#). 2016.

<sup>6</sup> North America is the second largest market for ACP-Caribbean products. In 2019, it accounted for 163,000 tonnes of horticultural produce, which represented 20.83 per cent of the exports of ACP-Caribbean countries. Avocado is the most important product reaching almost 28,000 tonnes in 2019 and almost US\$41 million. The growth in this market was 93 per cent in volume over 11 years. Ethnic roots and tubers are the second export product to North America, accounting for almost 15,000 tonnes in 2019, almost US\$41 million. This sector experienced small growth of 16 per cent in 11 years. Mango is in third place with 14,000 tonnes and US\$18 million in 2019. Peppers and pimentos, with 11,000 tonnes, rank third in terms of revenue with almost US\$20 million in 2019. COLEACP. Market study for fruit and vegetables from ACP-Caribbean countries. 2021.

<sup>7</sup> UNCTAD. [Caribbean Community \(CARICOM\) Export Potential to the European Union Voluntary Sustainability Standards \(VSS\): Feasibility Study](#). 2021.



With a Caribbean diaspora of almost 5 million people concentrated mainly in the East Coast of the USA, Canada, the UK and the EU, there is a good opportunity to promote and develop Caribbean cuisine in those markets and hence increase exports of non-traditional value-added products.

The most important market for ACP-Caribbean countries is Europe, which in 2019 received 538,000 tonnes (68.73% of exports), of which 333,000 tonnes were directed to the EU27 countries and 204,000 tonnes to the rest of Europe (including the UK). The UK remains the biggest individual importer of, and most important partner for, ACP-Caribbean products, with a total of 197,000 tonnes representing 26% of the export volume of 2019. This volume, however, has considerably reduced compared with 2009 when the UK accounted for 283,000 tonnes representing 35% of the total volume of exports. It should be noted that there has been a change in the importing countries over the last decade. A share of the imports traditionally directed at the UK has since 2018 been handled by the Netherlands, as a result of Brexit which entered in to force in 2020. Also, countries that imported limited quantities in 2009, such as Germany and Sweden, have considerably increased their direct import of fresh produce (mainly bananas).

The EU27 is the major destination for Caribbean products by volume; the top three products imported in 2019 from the Caribbean are bananas and plantains (294,000 tonnes, or 90.21%), followed by mango (11,000 tonnes, 3.64 %) and avocado (9,000 tonnes, 2.94%). Products exported to non-EU27 countries show a similar pattern with similar percentages: bananas (187,000 tonnes, 92.15%), followed by mango (6,000 tonnes, 3%) and avocado (3,600 tonnes, 1.82%).<sup>8</sup>

#### ▪ Addressing consumer demands<sup>9</sup>

The European market is highly demanding in terms of standards: GLOBALG.A.P. certification is the minimum private standard for most European importers; however, many importers and supermarkets are placing stricter norms and conditions particularly in relation to maximum residue limits (MRL) of pesticides. The COVID-19 pandemic has also changed the way consumers are buying products. A recent report from Fruit Logistica points to an increase of certain fruit and vegetables with high vitamin content such as citrus, ginger and peppers. Health concerns and better nutrition have also driven interest in organic products in Europe during 2020.

The European market is also increasingly concerned about sustainability issues, leading to the establishment of new standards and norms to among other prevent deforestation, excessive water use, better inclusion of small farmers, decent working conditions, and identification of alternatives to plastic packaging that producers will have to adapt to enter this market.<sup>10</sup> The implementation of the EU Farm-to-Fork strategy is expected to reinforce these trends through the establishment of new regulations to comply with for suppliers from EU-partner countries.

New trends for processed fruit and vegetables (offered in smaller portions that are customised to individual diet needs) are growing. Vegetable manufacturers have also responded to this trend by introducing ready-to-cook frozen blends. A good example of the convenience trend is the increasing demand for frozen fruit and purées. Frozen fruit are convenient for consumers, who do not need to wash, peel and cut fruit. Mixtures of prepared fruit for smoothies is an important trend in the frozen fruit category. Several brands and retailers have launched smoothie blends.

The diaspora demands non-traditional products in the form of Caribbean fruit and vegetables, sauces, spices and prepared food. Most of the business is handled by the diaspora. While most companies have stores in cities such as London, New York and Amsterdam, many stores currently boast having online platforms and delivery options to reach a broader market. The products target the 'nostalgic' market, so basically the

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<sup>8</sup> COLEACP. Market study for fruit and vegetables from ACP-Caribbean countries. 2021.

<sup>9</sup> *ibid*

<sup>10</sup> Supermarkets are constantly changing their packaging, replacing plastic trays with cardboard or biodegradable packaging made of different components, such as sugarcane bagasse which is entirely biodegradable and compostable at home.



packaging and product image is the same as in the Caribbean but adapting labels with minimum requirements to comply with local rules.

### 3. Addressing the challenges of SMEs in accessing export markets

Among exporting firms, SMEs are usually strongly represented in terms of numbers, but account for only a small share of a country's overall exports, and often export only a few products to a narrow range of destinations. To a large extent, the relationship between a firm's productivity, size and export experience explains the relatively limited participation of SMEs in international trade: the most productive firms are not only larger in size, but also find it easier to access foreign markets and grow even further through exporting.<sup>11</sup> Many trade barriers are particularly burdensome for SMEs. This is particularly the case for Technical Barriers to Trade (TBT)<sup>12</sup> which range from standards on labelling, packaging requirements and production standards, as well as regulations on the use of chemicals or additives. The standards are important as they are designed to protect animal and human safety and health, ensure quality while protecting the environment, and empowers knowledgeable customers to make proactive choices.

Moreover, international sales contracts are more complex, more risky and less enforceable, thus often requiring some forms of external credit insurance. For all these reasons, exporters are more likely to require access to export credit.

Poor access to information, costly requirements, burdensome customs procedures and lack of trade finance are major barriers to international trade for SMEs. Non-tariff barriers are particularly burdensome for SMEs, because they entail fixed costs independent of the size of the exporter. However, SMEs in the manufacturing sector also consider high tariffs to be a greater obstacle to exporting than large manufacturing firms do. Tighter technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures are particularly costly for smaller firms.

Selling to foreign markets involves market research, developing marketing channels, adapting products and packaging to foreign markets, meeting quality standards and labelling requirement, dealing with new administrative procedures and regulatory requirements. Having access to distribution networks is a crucial component to developing SMEs' business, in particular for diversifying their customers.<sup>13</sup> SMEs have limited time and resources to understand complex public and private standards that differ from market to market. They are even less able to invest in complying with these standards, which range from certification to traceability to basic changes in production processes.<sup>14</sup>

E-commerce offers growth opportunities, especially to SMEs in developing countries. SMEs, however, continue to be less well represented online than larger enterprises due to lack of awareness, unavailability of funds or local restrictions on the international transfer of funds.

Lack of, or insufficient access to, finance can strongly inhibit formal SME development. Lending to SMEs, especially for longer maturity dates, is often inhibited by informational problems and transaction costs, including the absence of records of firm's past performance, lack of collateral, and high fixed costs of financial transactions, all of which often translate into higher interest rates and fees for SMEs than for larger firms.

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<sup>11</sup> WTO. [World Trade Report. Levelling the trading field for SMEs](#) 2016.

<sup>12</sup> [Technical Barrier to Trade](#) (TBT) is any regulation, standard or procedure that could make exporting goods to another country difficult. Specifically standards and regulations are the most common barriers experienced by SMEs

<sup>13</sup> [https://repositorio.cepal.org/bitstream/handle/11362/45101/1/S1901210\\_en.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45101/1/S1901210_en.pdf)

<sup>14</sup> IDB. [Going Global Promoting the Internationalization of Small and Mid-Size Enterprises in Latin America and the Caribbean](#). 2014.



## 4. Way forward

Governments' engagement for export promotion activities could potentially include financial incentives for product certifications to promote certain export-oriented sectors and products and providing training and capacity building for Caribbean producers to open their business to the international market and be more informed about standards.<sup>15</sup> Support can target sharing knowledge and experience on export process and markets; scaled, customized capacity building. It is also critical for export promotion agencies to identify SMEs with potential to grow in foreign markets; coordinated government and stakeholder action. As such, it is critical to achieve close coordination among the many agencies that solve different facets of the challenges facing globalizing SMEs in areas such as export promotion, innovation policy, and economic development, to name a few.<sup>16</sup>

There are numerous organisations such as IICA, COLEACP through its FFM SPS and FFM plus programmes (funded by the EU and OACPS) and Business Support Organisations (BSOs) and bureaus which facilitate and provide a wide breadth of in-depth information and guidance to assist SMEs around various trade matters especially TBTs, such as standards and regulations. Collectively these organisations are supported by regional governing bodies and agencies like the Caribbean Export Development Agency which provides support to SMEs to strengthen their institutional capacity and export competitiveness. This work will contribute to the creation of an ecosystem of export-ready SMEs.<sup>17</sup>

For this session, COLEACP and IICA have also collaborated with the Caribbean Chamber of Commerce in Europe which promotes access for Caribbean operators to EU and UK markets.

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<sup>15</sup> [https://unctad.org/system/files/official-document/ditctab2021d1\\_en.pdf](https://unctad.org/system/files/official-document/ditctab2021d1_en.pdf)

<sup>16</sup> IDB. [Going Global Promoting the Internationalization of Small and Mid-Size Enterprises in Latin America and the Caribbean](#). 2014.

<sup>17</sup> Caribbean Export. Kellianne Williams. [Technical Barriers to Trade Affecting SMEs](#). 2021.



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### PROGRAMME

**31<sup>st</sup> March 2022 – 10:00-12:00 (EST)**

**10:00-10:05 Introduction:** Allister Reynold Glean, Technical Specialist, International Trade and Regional Integration Programme / Representative in Barbados, IICA

Moderator: Roxanne Waithe, Technical Specialist, IICA

**10:05-10:40 Experiences from businesses**

- Roy Newell, Managing Director, Tijule, Jamaica
- Daphne Miaoulis, Managing Director, Abaco Neem, Bahamas
- Roderick St. Clair, Managing Director, Grenada Cooperative Nutmeg Association, Grenada

Moderator: Isolina Boto, Head, Networks and Alliances, COLEACP

**10:40-11:25 Insights from importers, experts in finance and analysts**

This session will include inputs from experts representing importers and distributors into the EU market and experts from research and finance.

- Christophe Sureau, CEO, SURAL-SACICC sas, France
- René Noordam, Owner & Director, René Noordam Group, Netherlands/Poland/Dominican Republic
- Leo Williams, SEAF Caribbean SME Growth Fund, IDB
- Koen Vanderhaegen, Market Insights Manager, COLEACP

**11:25-11:50 Q&A session**

**11:50-12:00 Way forward**

