PN-AAT 170

40751

Agriculture in Grenada: A Critical Assessment

Prepared for the U.S. Agency for International Development under IQC No. PDC-1406-I-19-1089-00

Tony Babb
Loren Parks
Harvey Neese
David Hughes
James Berlin

October 1984

Development Alternatives, Inc. 624 Ninth Street, N.W. Washington, D.C. 20001

PREFACE

Development Alternatives, Inc. was asked by the USAID Regional Office for the Carribean to provide advisory services under an IQC work order to the USAID program in Grenada. The Scope of Work (see Annex A) called for analysis and policy advice on issues related to the divestiture of government-owned farms and agro-industrial enterprises, the agricultural export commodity associations and the Marketing and National Import Board, and the structure and functions of the Ministry of Agriculture.

A team of three advisors (an agricultural economist, an agribusiness manager, and an agricultural marketing specialist) spent four months in Grenada working on the assignment, with some short-term visits from other consultants contributing on certain issues. The team worked closely with the Interim Minister of Agriculture and his senior staff, and spent considerable time with the managers of the associations, the parastatals, and private firms in the agricultural sector.

This report contains a discussion of the issues, the analysis and conclusions on these issues, and recommendations for action by the Government and for additional AID project assistance.

Grenada has been through a severe political crisis and is in the process trying to put the pieces back together to form a viable political and economic state. Agriculture is critical to Grenada's social system: it is the dominant sector in the economy (25% of GDP), it is the major source of foreign exchange (75%) and tax revenues, and it provides a livelihood for a third of the population.

There are serious problems in Grenada's agriculture. Most are addressed in this report, but few of them can be easily remedied. It is hoped that this report will prove valuable in identifying potential solutions.

TABLE OF CONTENTS

Page

CHAPTER ONE
THE STATUS OF STATE-OWNED FARMS IN GRENADA..... 1

SUMMARY AND CONCLUSIONS 1
INTRODUCTION 4

LEGAL AUTHORITY FOR GOVERNMENT ACQUISITION OF AGRICULTURAL LAND 6
CURRENT STATUS OF GRENADA FARMS CORPORATION PROPERTIES 7
PERFORMANCE OF THE GRENADA FARMS CORPORATION 12
DIVESTITURE OF FARMS WITH PENDING CLAIMS 31
DIVESTITURE OF FARMS WITHOUT PENDING CLAIMS 36
THE URGENCY FOR ACTION..... 46

CHAPTER TWO
THE STATUS OF GOVERNMENT-OWNED AGROINDUSTRY IN GRENADA 49

GRENADA AGROINDUSTRIES LIMITED..... 49
SPICE PROCESSING PLANT 52
COFFEE PROCESSING PLANT 56
MT. HARTMAN LIVESTOCK AND GENETIC CENTRE 60
GRENADA DAIRIES LIMITED 63
GRENADA SUGAR FACTORY LIMITED 65
NATIONAL FISHERIES COMPANY LIMITED 69
FORESTRY DEVELOPMENT CORPORATION 72
MIRABEAU TRACTOR AND EQUIPMENT CENTRE 76
CARRIACOU SHEEP DEVELOPMENT PROJECT 79
GRENADA AGRO-INDUSTRIAL RESEARCH AND DEVELOPMENT CENTRE 81

CHAPTER THREE
OPERATIONS OF THE COMMODITY ASSOCIATIONS..... 83

COMMODITY ASSOCIATIONS IN GRENADA..... 83
GRENADA BANANA COOPERATIVE SOCIETY 83
EVALUATION OF THE VIABILITY OF THE GBCS..... 103
GRENADA COCOA ASSOCIATION 105
GRENADA COOPERATIVE NUTMEG ASSOCIATION 128
MINOR SPICES COOPERATIVE MARKETING SOCIETY 148
RECOMMENDATIONS 161

CHAPTER FOUR
THE MARKETING AND NATIONAL
IMPORTING BOARD 169

INTRODUCTION 169
OBJECTIVES OF THE MNIB 169
FUNCTIONS AND AUTHORITY OF MNIB 171
THE MONOPOLY IMPORTATION OF BASIC FOOD AND
NON-FOOD ITEMS 172
ORGANIZATION OF MNIB 173
MNIB FACILITIES AND SUPPLIES 174
ASPECTS OF MNIB OPERATIONAL PERFORMANCE 176
THE MONOPOLY IMPORTATION OF BASIC FOOD AND
NON-FOOD ITEMS..... 178
FINANCIAL PERFORMANCE OF THE MNIB 181
PRIVATE SECTOR MARKETING OF LOCAL FRESH PRODUCE
AND IMPORTED COMMODITIES IN GRENADA 185
PRIVATE SECTOR IMPORTING OF BASIC COMMODITIES..... 188
MNIB AND THE PRIVATE SECTOR IN GRENADA -- SOME
ISSUES AND RECOMMENDATIONS..... 189

CHAPTER FIVE
ASSESSMENT AND RECOMMENDATIONS ON THE
ORGANIZATIONAL STRUCTURE OF THE
MINISTRY OF AGRICULTURE AND
NATURAL RESOURCES 199

INTRODUCTION 199
GOVERNMENT POLICY ON MINISTRY STRUCTURE AND FUNCTIONS.... 202
AGRICULTURAL EXTENSION SERVICE 206
THE MARDIGRASS DEVELOPMENT PROJECT..... 212

LIST OF TABLES

Tables		Page
1	Category of GFC Farms	viii
2	Grenada Government Agroindustry Summary . . .	xi
3	Summary of Recommendations for the Disposition of Government-Owned Agroindustries . .	xiii
3a	Summary of Land Holdings of Grenada Farms Corporation August 1984	1
4	Status of Grenada Farms Corporation Properties.	8
5	Crop Production, By the Grenada Farms Corporation, 1982 and 1983.	12
6	Grenada Farms Corporation: 1983 Production By Farm	13
7	Grenada Farms Corporation Statment of Income and Expenditure, 1982 and 1983.	17
8	Grenada Farms Corporation Balance Sheets as of December 31	18
9	Grenada Farms Corporation 1982 Sales and Net Income By Farm.	20
10	Expenditures By Farm Using Caribbean Development Bank Loan Funds	23
11	Summary of Caribbean Development Bank Loan Utilization	30
12	Task Force Recommendations for Claims Settlement	33
13	Financial Performance of Grenada Agro-Industries, LTC.	51
14	Production by The Spice Processing Plant. . .	54
15	Financial Performance of the Spice Processing Plant	55
16	Coffee Processing Plant Income and Expenditure Statement for Year Ending December 31.	58
17	Financial Performance of Grenada Dairies LTD..	64

18	Production by The Grenada Sugar Factory, LTD.	67
19	The Grenada Sugar Factory Limited Profit and Loss Statement For Year Ending June 30.	68
20	National Fisheries Company, Limited Consolidated Income and Expenditure Statement April 1981 - December 1983	71
21	Forestry Development Corporation Income and Expenditure Statement for Year Ending December 31 (EC$)	75
22	Amounts and Value of GBCS Banana Exports - 1979-83	91
23	Growers' Receipts and Prices Received per Pound - 1979-1983.	91
24	Fluctuations in Selected Budgetary Items 1982-1983	92
25	Cost Breakdown Ratios of Largest Expenditure Items - 1982-1983 (EC$).	95
26	Grenada Banana Co-operative Society Balance Sheet at 31st December, 1983	96
27	Grenada Banana Co-operative Society Statement of Income and Expenditure for the Year Ended 31st December, 1983	97
28	Grenada Banana Co-operative Society Statement of Fruit Operations for the Year Ended 31st December, 1983	98
29	Grenada Banana Co-operative Society Management Information Schedules for the Year Ended 31st December, 1983.	99
30	Mats Destroyed By Moko Eradication	100
31	Cocoa Production and Sales Figures (1976-1983)	108
32	Cash Position of GCA-1982-1984-EC$	113
33	Cost Breakdown Ratios of Largest Expenditures of the GCA - 1982-1983	115
34	The Grenada Cocoa Association Balance Sheet as at 30th September 1983.	116

35 The Grenada Cocoa Association Statement of Trading and Profit and Loss for the Year Ended 30th September 1983. 117

36 The Grenada Cocoa Association Statement of Earning and Retained Earnings for the Year Ended 30th September 1983. 118

37 The Grenada Cocoa Association Details of Spraying and Pest Control Operations for the Year Ended 30th September 1983. 119

38 The Grenada Cocoa Association Statement of Expenses for the Year Ended 30th September 1983. 120

39 Cash Position of GCA - 1982-1984 - EC$. 122

40 Cost of Establishing and Maintaining One Acre of Cocoa Over First 3 Years 123

41 Minimum Cost of of Production of Various Crops. 124

42 Average F.O.B. Export Prices for Nutmeg and Mace - 1979-1983. 134

43 Grower's Average Net Returns from Nutmegs and Mace (EC$). 135

44 Cost Breakdown Ratios of Largest Expenditures of the GCNA - 1982-1983 137

45 Balance Sheet - 1983 - GCNA 142

46 Detailed Statement of Trading and Surplus Distribution - 1983 143

47 Statement of Trading and Surplus Distribution For the Year Ended June 30 - 1983 - GCNA. . . 144

48 Statement of Trading - 1983 - GCNA. 145

49 The Grenada Co-operative Nutmeg Assocation Statement of Direct Expenses for the Year Ended 30th June 1983 146

50 Prices and Quantities Sold of Minor Spices - 1976-1983 150

51 Buying Prices by Year - 1976-1983 153

52 Minor Spices Co-operative Society LTD. Balance Sheet as at 30th September 1983 155

53 Minor Spices Co-operative Society LTD. Statement of Earnings and Retained Earnings for the Year Ended 30th September 1983 156

54 Minor Spices Co-operative Society LTD. Statement of Trading 157

55 Minor Spices Co-operative Society LTD. Statement of Trading for the Year Ended 30th September 1983 158

56 MNIB Purchases of Fressh Produce from Farmers, by Volume 177

57 Importation of Products by MNIB 179

58 Exports of Fresh Produce (Other Than Traditional Export Crops) From Grenada, 1980 to 1983 187

LIST OF FIGURES

Figures		Page
1	Grenada Farms Corporation Organization Chart	21
2	Organizational Structure of the GBCS.	86
3	Organizational Structure of the GBCS.	107
4	Grenada Co-operative Nutmeg Association - Organizational Chart - Personnel.	130
5	Old Extension Division Organizational Chart . .	213

INTRODUCTION

In discussing agriculture in Grenada, one has to remember how small the island is. Grenada has only 133 square miles and 8,000 farmers, (half of them part-time), a few export crops, and 37 extension agents. It all seems so manageable when one is used to a country such as Kenya or Pakistan. Although many problems troubling larger developing countries also bother Grenada, others do not. Rampant population growth does not exist; in fact, the population has fallen from 110,000 to 89,000 in recent years through emigration. The problem is that most of those leaving are young people, seeking better opportunities elsewhere. What this means over the long term for the vitality of the society and the economy is not well understood, although it must make a difference.

The agricultural sector is in trouble, and has been in decline for the past two decades. The acreage being farmed and the number of farmers are dropping at a rate of 1.5-2.0% per year. The reason is that farming is not very profitable, even on the larger commercial operations. The lack of profitablilty may be attributed to several factors:

- Prices of the major export crops have been declining for some time.
- The cost of inputs (fertilizer and chemicals) has been increasing.
- The cost of farm labor has been increasing and its productivity is low, a particularly serious factor for medium- and large-size farms.
- Most of the export commoditities go to Europe, particularly the United Kingdom, where the pound in relation to the U.S.-pegged EC dollar has devalued heavily in recent years, further depressing commodity prices.
- As volumes have declined, the percentage of gross revenues attributed to overhead costs of the commodity associations has increased, further reducing unit farm-gate prices.
- The grower associations are not efficient, have not adjusted well to changing circumstances, and have not been effective in securing markets for nutmeg and minor spices.
- Two major commodities, cocoa and nutmeg carry on export duty of 18%.

- Serious disease and pest problems exist, particularly on cocoa and bananas.

- Crop yields are low because farmers will not invest in inputs and labor.

- Praedial larceny (the theft of unharvested crops) is widespread, representing 20-30% losses for some farmers.

- Transport of crops is difficult and expensive due to a bad road system.

In addition to these factors, which have directly contributed to reduced profitability, a number of other conditions affect performance in agriculture:

- The expropriation of private farms by the Government has discouraged investment in farm development by the owners of medium and large farms.

- The labor-intensity of farming on the steep hillsides is not appealing to most Grenadians, even if incomes are fairly good. The young leave for more attractive opportunities elsewhere. The average age of full-time farmers is about 56.

- Sixty-eight percent of the farms are 2 acres or less, and most farmers are part-time; only 20% of available farm family labor is used on the farm; and even full-time farmers only average 20-30 hours per week, presumably because of their age.

- The research and extension systems of the government have not been effective in assisting farmers with improved technologies or in diversifying their farming systems.

- Government intrusion into the management of the grower associations and in the ownership of agribusinesses has had a dampening affect on private sector initiative.

- The high cost of establishing new trees is constraining farmers from renewing old stands or developing new ones.

- The programs for diversifying production and marketing of minor spices and fresh produce have had only limited success in creating alternatives to dependence on nutmeg, cocoa, and bananas.

The Interim Government is moving to divest itself of the farms and agro-industries it now owns. Operating losses on these enterprises are extremely high and -- when divestiture is complete, the savings to Government will be significant. While divestiture will be a welcome change and should relieve pressure on the budget, it will not improve the low productivity and profitability of farming in Grenada.

Although there are some signs that prices may be improving, there is no assurance that a long-term upward trend will occur. There is also no assurance that the value of the British pound will improve in the near future. Diversification over the long-term may provide some more profitable alternatives, but the contraints on productivity will prevail.

It does not appear that the generally negative attitudes about farming are likely to change, and there are no apparent opportunities for major labor-saving mechanization on the hillsides, short of highly capital-intensive bench terracing. Gains in productivity will come in small increments through such practices as improved pest and disease mangement, fertilization, reduction in praedial larceny, and perhaps diversification. The following sections of this report provide analysis and recommendations for a program of divestiture of farms and agro-industries, and improvements in the commodity associations and the Marketing and National Import Board. The section on the Ministry of Agriculture and Natural Resources provides recommendations for improving the approach to research and extension. These are all steps in the right direction, but they fall short of providing all the answers to the constraints on productivity and profitability of farming in Grenada. A great deal of work still needs to be done to put a viable long-term strategy in place.

EXECUTIVE SUMMARY

Direct government ownership of agricultural enterprises in Grenada began over two decades ago with the expropriation and management of a few commercial farms and culminated with dramatic acceleration of ownership and/or control of numerous enterprises and services associated with farming, agroindustry and marketing under the People's Revolutionary Government (PRG) from March, 1979 to October, 1983. Following the military intervention the Interim Government of Grenada (GOG) decided to reorganize public sector support services and increase private sector involvement in the agricultural sector. USAID responded to a GOG request for technical assistance by funding this study to assess the status of government-controlled agricultural land, agroindustries, marketing institutions, and the Ministry of Agriculture (MOA), and to recommend managerial reforms or divestiture methodologies. Assessments and recommendations pertaining to these activities are described herein by section: Agricultural land, agro-industry, commodity associations, the Marketing and National Importing Board, and the Ministry of Agriculture.

AGRICULTURAL LAND

Assessment

Expropriation of agricultural land in Grenada began in the 1960s under the guise of eminent domain and culminated in October 1983 after three years of rapid expropriation by the PRG. The principal legal vehicle for expropriation by the PRG was the Land Development and Utilization Law of 1981 (recently repealed) which gave the Government license to take land "underutilized" according to its own subjective determination. By 1983 the government controlled 35 farms on 7,800 acres--approximately 20 percent of the farm land in use.

Following the intervention the GOG declared a return to the principle of private ownership of agricultural land, stopped action on expropriations in process, and began the process of returning lands to their previous owners and settling claims accumulated since the 1960's. By August, 1984 the status of farms vested in the Grenada Farms Corporation (GFC)--the government parastatal set up in 1980 to operate commercial farms--was as follows:

TABLE 1

Category of GFC Farms	Number of Farms			Acres
1. Total under GFC management, Oct 1983	35			7,156
2. Farms without claims pending		13		1,600
3. Farms with claims pending		13		2,559
(a) owners want payment			6	<1,152>
(b) owners want land			7	<1,407>
4. Farms returned	9			2,997
5. Total under GFC management, Aug 1984	26			4,159

The government has insufficient funds to pay outstanding claims, but if and when it does the GFC will add six farms to the 13 it already owns "free and clear." There has been no move to divest the 13 farms without claims pending. Seven prior owners are willing to retake their farms (with conditions and sometimes payments attached), but five of those returns are held up by their inclusion in a loan guarantee agreement between the GFC and the Caribbean Development Bank (CDB).

The CDB loan guarantee agreement prohibits the sale or transfer of 23 farms pledged as collateral on a US$ 2.7 million loan to the GFC for farm improvement To date the GFC has drawn approximately US$ 300,000 on the loan, repayment of which would free the farms for return or sale.

Compensation claims are pending on five non-GFC agricultural properties comprising 678 acres; one is returnable (100 acres) and the rest require payments totalling about EC$ 2.0 million.

The GFC suffers from low land and labor productivity due to the poor condition of the farms it inherited, low prices for export commodities, an excessive number of farm workers, lax work standards, praedial larceny and unsatisfactory management. The GFC had an operating loss of over EC$ 1 million in each of the past two years and will lose nearly as much in 1984. Improvement is not expected, and the financial burden is severe.

It is estimated that loss of approximately 350 farm jobs (half the GFC work force) would occur with divestiture to private owners. It is not clear what would happen to overall production and productivity once these farms are returned to private ownership. Many of these properties were expropriated because they were not being managed for optimum production. Interviews suggest that family farms of less than 50 acres are more profitable on a per-hectare basis than larger farms, and are the only ones that can earn profits, given current difficulties with organized labor and low commodity prices. Small farms benefit from unpaid family labor and better protection against produce theft.

The Interim Government has expressed a preference for private land ownership. Alternative forms of divestiture such as leasing or conversion of the GFC to private status are considered less desirable or impractical. Given the preference for private owership, the remaining divestiture issues are:

- Should large farms be sold intact or divided into smaller parcels?
- How can indivisible assets be allocated if farms are fragmented?
- Can employment be found for displaced workers?
- Should credit and technical assistance to land purchasers and re-vested owners be provided so that production will not decline?
- Should an effort be made to provide family size farms to existing GFC farm workers or other Grenadians who wish to farm?

Retention of government farms for non-commercial purposes such as experiment stations, model farms or input supply centers is not recommended because the Government already possesses enough of these facilities.

Political competition for the farm vote could result in perpetuation of the GFC to protect farm jobs hence divestiture and provision of alternative employment is a matter of urgency.

Recommendations

Prompt divestiture of Government-controlled agricultural land is an economic and political necessity, but action is stymied by lack of money to settle claims, the loan guarantee agreement between the GFC and the CDB, and lack of political will. The following recommendations are intended to renew progress.

- The GOG, with guidance from the Minister of Agriculture, should formulate a general plan to dissolve the GFC, divest farms and settle pending claims.
- If the CDB loan cannot be repaid the GOG should present the divestiture plan to the CDB with the intention of renegotiating the Loan Guarantee Agreement or setting up a loan repayment schedule on the existing debt. This will free all or part of the GFC farms for divestiture. The GFC should immediately cease drawing CDB funds to minimize debt.

- The Minister of Agriculture should appoint a Land Divestiture Task Force with a mandate to:

(a) Inventory and appraise land, structures and equipment on each of the 13 wholly-owned GFC farms.

(b) Evaluate each farm with respect to income potential, labor force quantity and quality, and suitability for parcelization.

(c) Make recommendations on the form and method of divestiture such as keeping parcels intact or subdividing, selling to the highest bidder or to farm families at an established price, and other issues.

(d) Determine the legal issues and financial obligations (e.g., severance pay) that must be settled prior to sale, and proceed with settlement.

(e) Determine the nature and extent of financial and technical support needed by land purchasers and work with the appropriate institutions to obtain it.

- Pay compensation claims on farms that cannot be returned using the proceeds from farm sales. The Task Force should follow the same procedures outlined above for evaluation and sale of these farms as claims are settled.

- The Interim Government Council should be prepared to implement employment programs immediately for farm workers who lose their jobs as a result of divestiture. A rural roads project, for example could give first priority to farm laborers from GFC farms.

AGROINDUSTRY

Assessment

Government equity ownership in agroindustrial enterprises reached a peak of 11 in 1983; nine of those were still operating in August, 1984 (Table 1). Motivation for Government involvement ranged from attempting to stimulate economic development and providing essential public services to implementation of the socialist philosophy of the PRG.

Five of the 11 enterprises evaluated are autonomous parastatal companies, five are under the direct jurisdiction of the Ministry of Agriculture, and one--the Sugar Factory--is 51 percent owned by private sector shareholders. The extent of commercial activity in these enterprises is mixed. For example, the food testing laboratory performs no commercial function, the garage operation of the Mirabeau Tractor and Equipment Centre

TABLE 2

GRENADA GOVERNMENT AGROINDUSTRY SUMMARY

Firm	Product	Control	Employment
Grenada Agro-Industries Ltd.	Canned foods	Autonomous	(closed)
Spice Grinding Plant	Ground, packaged spices; grinding service	MOA	7
Mt. Hartman Livestock Production & Genetic Centre	Breeder pigs, goats & sheep	MOA	8
Coffee Processing Plant	Roasted, ground packaged coffee	MOA	11
Grenada Dairies, Ltd.	Ice cream	Autonomous	6
Grenada Sugar Factory, Ltd.	Rum	Private	91
National Fisheries Corp.	Fresh and processed fish	Autonomous	(closed)
Forestry Development Corp.	Posts, milling services	Autonomous*	18
Mirabeau Tractor & Equipment Centre	Tillage service and Garage	MOA	15
Carriacou Sheep Development Proj.	Breeder sheep Fresh meat sales	MOA	20
Grenada Agro-Industrial Research and Development Centre	Food Testing	Autonomous	7

* Forestry has been transferred to the Ministry of Agriculture.

services all Ministry of Agriculture vehicles as well as tractors used in commercial tillage services, and the Carriacou Sheep Project sells a minor amount of fresh meat in addition to breeder animals. All of these enterprises are included in the study at the request of the Ministry of Agriculture (MOA) regardless of the extent of their commercial activity.

The performance of government-managed agribusinesses has been consistently poor. With few exceptions the enterprises share the following characteristics:

- Poor management. Managers lack experience and technical knowledge specific to the enterprise, and have little understanding of finance. The chain of command is frequently vague and accountability cannot be determined. Decisions are made reluctantly or postponed indefinitely. Enterprises are chronically over-staffed.

- Absence of feasibility studies. The Government started new enterprises and took over existing ones without conducting economic or financial feasibility studies. Market demand in most cases was not investigated, input supply was not checked for dependability, quality or cost, and financing was not determined in advance. Government entry in an enterprise was often done to demonstrate activism rather than as a matter of economic necessity.

- Financial losses. All of the enterprises were intended to make operating profits, but only one--the ice cream plant--was able to do so. Some of the enterprises should not have been expected to be self-supporting.

- Poor records. Incomplete and misleading statements of physical and financial performance are the norm in all enterprises. Depreciation frequently was not calculated and management salaries were often charged to government ministries rather than the enterprises.

In summary, the GOG had made little progress in either divestiture or management reform of the nine operating enterprises as of August 1984. Action was taken to sell the Grenada Agro-Industries equipment and lease the building; the corporate status of forestry was dissolved and brought under direct control of the MOA; and a few organizational changes were made to improve control of certain enterprises; but no other significant action had been taken to divest enterprises or implement management reforms.

Recommendations

Recommendations for the disposition of Government-owned agroindustries are summarized in Table 3.

TABLE 3

SUMMARY OF RECOMMENDATIONS FOR THE DISPOSITION

OF GOVERNMENT-OWNED AGROINDUSTRIES

Enterprise	Recommendations
Grenada Agro-Industries Ltd.	Remain closed. Sell equipment. Lease or sell land and factory shell.
Spice Grinding Plant	Transfer or sell equipment to Minor Spices Cooperative. Use building for testing livestock feed as a new function of the Grenada Agroindustrial Research and Development Centre.
Mt. Hartman Livestock Production & Genetic Centre	Limit functions to production of breeder pigs for sale and training in pig production. Keep in Ministry of Agriculture as publicly supported activity.
Coffee Processing Plant	Continue to operate but pay a lower price to domestic bean producers. Incorporate the activity into a private sector food company.
Grenada Dairies, Ltd.	Sell business to private sector. Lease plant site.
Grenada Sugar Factory, Ltd.	Sell ownership share to private sector.
National Fisheries Corp.	Remain closed. Transfer usable assets to Artisanal Fisheries Development Project supported by the Ministry of Agriculture. Obtain technical assistance for evaluation of suitability of Cuban fishing boats. Cease taking proprietary interest in fish in the Artisanal Fisheries Project.
Forestry Development Corp.	Dissolve corporate structure. Continue traditional forestry activities as publicly supported responsibility of the Ministry of Agriculture. Contract logging and sawmill services to private sector.
Mirabeau Tractor and Equipment Centre	Technical assistance is required. Continue to operate under the Ministry of of Agriculture, but with management reforms.

Carriacou Sheep Development Project	Continue to operate under the Ministry of Agriculture. Limit objectives to production and sale of breeder sheep, and training. Implement management reforms.
Grenada Agro-Industrial Research & Development Centre	Continue to operate as publicly supported activity of the Ministry of Agriculture. Expand activities to include feed quality and standards testing. Specify new scope of activities and management structure.

COMMODITY ASSOCIATIONS

Assessment

There are four commodity associations in Grenada which have sole purchasing and exporting privileges for their respective products.

- Grenada Banana Cooperative Society (GBCS)
- Grenada Cocoa Association (GCA)
- Grenada Cooperative Nutmeg Association (GCNA)
- Minor Spices Cooperative Society (MSCS)

Each association provides services other than marketing, including collection, grading, bagging, storage, curing, processing, pest and disease control, and fertilizer procurement and distribution. Most farmers belong to more than one association.

Exports of bananas, cocoa, nutmeg and mace account for 75 percent of agriculture's contribution to the GDP and approximately US$ 14 million worth of foreign exchange annually.

The GBCS, GCA and GCNA all had their elected boards of directors forcibly replaced by Government appointees at some time by the PRG, but the Interim Government rejected such intervention in 1984 by reinstating elections and limiting Government appointees to three per board.

All of the associations are currently under financial stress. As of July 1984, the Nutmeg Cooperative had EC$ 5.2 million in unsold inventory and was operating on a bank overdraft of EC$ 630,000. The Minor Spices Cooperative had EC$ 1,040,000 in unsold inventory and was operating on an overdraft of EC$ 250,000. The Banana Cooperative has had almost continuous financial deficits since 1977, and the Cocoa Association has had deficits the past two years. A principal reason for financial difficulty is the decline in world commodity prices beginning in 1979, which was precipitated by large supply increases and diminished buying power resulting from worldwide economic recession. In addition, the Grenada currency value is tied to the pound sterling which has been devalued 25 percent against the dollar since 1979. The cooperatives themselves have exacerbated the deficits by continuing to pay growers higher prices than they receive in world markets. The rationale is that lower prices will discourage growers from harvesting at all, and lead to neglect of plantations and further yield declines. Additional problems specific to cooperatives are:

- Export duties of 18 percent of FOB value on nutmeg and cocoa exports. These duties approach 30 percent of farmgate price.

- Managerial deficiencies due to many members and transactions but no computer facilities (all cooperatives).

- Inadequate shipping services to Latin America (nutmeg).

- Unsatisfactory representation by U.S. sales agents (nutmeg and minor spices).

- Legal action concerning the banana quota system established for Windward Islands shipments to the United Kingdom.

- Allocation of excessive managerial time by the Banana Cooperative to the Windward Islands Banana Association (WINBAN).

- Lack of marketing capability (minor spices) and market information (nutmeg).

In spite of these problems the cooperative societies must be credited with setting up effective systems for production support and marketing without which producers would be worse off. No evidence surfaced to indicate member dissatisfaction with the commodity associations' monopoly status in exporting or monopsony status in purchasing. The GOG has moved to extricate itself from the operations of these private cooperatives, and management recognizes the necessity of increasing the efficiency and reducing the costs of operation.

Recommendations

- Determine the feasibility of merging selected activities of the commodity associations (all associations).

- Install computerized record-keeping systems to improve the efficiency and effectiveness of operations (all associations).

- Conduct a national campaign to combat praedial larceny, thereby reducing losses and increasing profitability for crop owners (all associations).

- Repeal the 18 percent export tax. (Cocoa and nutmeg)

- Implement a diversified marketing plan to increase the number of products, product forms, and sales outlets. (Banana, nutmeg, minor spices)

- Improve the efficiency and effectiveness of the Banana Cooperative Society with a series of cost-cutting and managerial reforms as detailed herein.

- Increased and improved programs for control of pests and diseases to increase growers' profitability (all associations).

- Prepare an effective fertilizer distribution program for the impending USAID fertilizer grant. (Banana, cocoa)

- Establish a committee to help coordinate the extension services of the commodity associations and the Ministry of Agriculture, with the objectives of minimizing redundancy and conflicting advice to farmers (all associations).

- Transfer the government-owned spice grinding plant from MOA ownership and control to the Minor Spices Cooperative in order to reduce government deficits, increase efficiency and provide the Cooperative with ownership and control of a necessary service.

MARKETING AND NATIONAL IMPORTING BOARD (MNIB)

Assessment

The MNIB is a statutory body established by the GOG which has extensive powers in the marketing of Grenadian agricultural and fisheries produce (except products covered by the four commodity associations) and in the monopoly importation of certain basic food and non-food items.

Produce Marketing

The MNIB purchases fresh produce from producers who bring it to the retail sales outlet in St. George's, and collects some produce at farmgate or rural collection points (about one-fourth of total purchases). Approximately one-half of all purchases is resold through the retail outlet and one-half is resold to government institutions such as hospitals, schools, and government-owned hotels. On average a 25 percent gross margin is added to the buying price, which is low relative to industry norms in the Caribbean, North America and Europe. In 1982 and 1983 total purchases of fresh produce were around 600 tons annually.

The MNIB has failed to attain its principal objectives of (1) mitigating supply and price fluctuations, (2) foreign exchange savings via import substitution, (3) increase in export earnings from non-traditional products, (4) increase in effi-

ciency of the marketing system, and (5) improvement in the equity of earnings distribution among producers, consumers and traders. In fact the MNIB has had no perceivable impact on agricultural development at all. MNIB marketing facilities are inadequate to support a commercially viable and vibrant fresh produce marketing business. The retail store and packing/storage area are unsuitably located, delivery/shipping access is poor, and there are no parking facilities. The physical plant is not designed for fresh produce storage and handling, the facilities are dilapidated, and there are inadequate and unsuitable transport facilities both for picking up produce from farmers and delivering to customers. Furthermore, procurement staff are inadequately trained in the operations of fresh produce marketing tasks such as grading and packing.

Monopoly Importation

The MNIB has a monopoly on imports of raw and refined sugar, rice, powdered milk, cement and fertilizer. In 1982 these imports accounted for EC$ 10.7 million of the MNIB's total sales of EC$ 12.2 million. In 1982 the MNIB established the Shipping Division to undertake duties associated with the following: shipping agency; customs brokerage; freight forwarding; ship chandling; cargo handling; chartering agency; and ship management. The purchase of a cargo vessel--the MV Albatros--was a central tenet in the expansion.

The marketing margins for MNIB products are set by the Government, and MNIB management argues that these margins are insufficient. Persistent financial losses might be due in part to this alleged problem, but it must also be noted that financial statements are not current, are deceiving in their presentation, and are in general a sad testimony to government mismanagement. For example, the MNIB owns large stocks of unsalable commodities in storage such as 20,000 cases of Algerian wine, approximately 7,000 Algerian bathroom fixtures, and an unspecified quantity of deteriorating canned foods left over from the defunct government-owned food cannery. A comprehensive inventory is unavailable, and no policy or action could be discerned to dispose of these stocks.

Recommendations

Produce Marketing

The MNIB should undertake the buying and selling of Grenadian fresh produce solely on a commercial, self-supporting basis. If successful on these terms it can be an example for private sector companies to follow; if unsuccessful it should die a natural death to the immediate benefit of taxpayers and the longer-term benefit of all produce marketing system participants.

Secondly, it is strongly recommended that the MNIB redirect its resources and activities to facilitate agricultural sector development and to provide a market-driven focus to the current agricultural diversification efforts in Grenada. This would include:

- Development of an agricultural marketing policy for Grenada and subsequent management of selected marketing programs.
- Establish a production and marketing intelligence unit within the MNIB.
- Establish a "trade facilitation" unit with an experienced "trouble-shooter" to assist private firms in penetrating export markets.
- Undertake basic market research to identify export market opportunities for Grenadian entrepreneurs.
- Introduce export grades and standards for Grenadian produce.
- Take management responsibility for upgrading local public market and wharf facilities.
- Represent the GOG at Regional Agricultural Protocol meetings.

Monopoly Importation

The DAI team concludes that the MNIB should continue to manage the importation of basic bulk commodities but should change its procedures to eliminate problems and inefficiencies. Private sector firms should be allowed to submit tenders under a reformed system as suggested herein.

To protect the interests of both the public and private sectors against MNIB abuse of its monopoly importation powers it is recommended that a "Committee of National Interests" be established comprising members representing the interests of consumers and traders. The Committee would meet on a regular basis to monitor the MNIB's accounts and actions. If the MNIB should prove incapable of performing its functions at costs higher than industry norms, the Committee should recommend to the GOG alternative means of doing so.

A financial feasibility study of the MS Albatros should be conducted immediately to determine whether or not this activity should be continued.

Upgrading of MNIB staff is recommended immediately, including procurement of technical assistance to undertake an organizational and management audit. This audit would indicate the required organizational structure, staffing mix (of skills and experience), and a preferred manpower development plan given the MNIB's recommended range of activities.

Aid should be sought from a donor agency to launch the operations of the restructured organization and to provide in-service training for MNIB personnel. Aid should include both technical assistance and capital inputs. Capital inputs such as loan funds for credit devoted to marketing infrastructure investment by the private sector, or grant funds for the GOG to utilize in upgrading national marketing facilities (public markets, abattoir, etc.) would be particularly useful.

THE MINISTRY OF AGRICULTURE

A new organizational structure for the MOA was proposed in July, 1984, but had not yet been formalized by August. In brief, the new organizational structure has three operational units under the Minister and the Permanent Secretary: (1) Administration, (2) Agriculture, and (3) Lands and Surveys. This assessment focuses on the Agriculture unit, and in particular those functions of central importance to increasing farm production and productivity. Seven additional MOA activities are evaluated in the agroindustry section of this report.

The MOA is under intense pressure to reorganize, reduce costs, implement management reforms, and manage a substantial inflow of aid programs from foreign donors while providing uninterrupted delivery of routine services. All this activity has strained personnel resources to the extent that long range planning has been neglected, yet specification of the type and scope of MOA activities that should be carried out depend upon such a plan. Nevertheless, some general observations can be made on the direction the MOA should take.

Assessment

General problems currently in evidence at the MOA include:

- Lack of middle-level managerial personnel to whom the Minister can delegate decisions and tasks, resulting in a work overload for the Minister, the Permanent Secretary, and a few administrators.

- Ill-defined lines of authority within the units of the MOA, resulting in absence of decision-making and inability to assign responsibility.

- Inadequate accounting and reporting systems, resulting in lack of cost control and information necessary for decision-making.

- Absence of evaluation criteria for MOA units, resulting in inadequate personnel direction and inefficiency.

- Separation of MOA management from operatives for lack of office space in one location, resulting in diminished communication and supervision.

Extension Service

The Agricultural Extension Division was recently reorganized to include (1) district extension offices, (2) information and statistics, (3) 4-H clubs, (4) the Mirabeau Agricultural School, and (5) the Mirabeau Tractor and Equipment Centre (discussed under agroindustry). Some problems specific to provision of traditional extension services are:

- Extension service objectives are stated almost exclusively in terms of increased production without mention of profitability for farmers.

- Extension service personnel at all levels lack sufficient training.

- Lack of vehicles severely limits the efficiency and effectiveness of extension officers.

- Crop and livestock enterprise budgets--the principal tool of farm and enterprise financial analysis--have not been prepared on a regular basis by the extension service.

- The MOA extension service and the extension services provided by commodity associations are redundant in many instances, leading to inefficiencies that Grenada can ill afford.

- There is no marketing specialist in the extension service to provide backup assistance to production specialists.

- The Director of Extension is responsible for both administration and field supervision of extension officers, leaving insufficient time to do a proper job of either.

Information and Statistics

The Information and Statistics unit of the Extension Division has a serious shortage of trained staff. Although critical information is gathered on an irregular basis, there is little analysis or interpretation to help either private or public sector managers make decisions.

The Mardigras Development Project

Mardigras is an 80-acre experimental farm intended to demonstrate intensive cultivation of non-traditional crops on steep, terraced slopes. The project costs about US$ 2,500 per month to operate now that infrastructure is in place, about 60 percent of which is funded by the FAO. The MOA is hard pressed to continue its share of support much less pick up the FAO's share if it pulls out this year as scheduled.

Although Mardigras is an agronomic work of art, its contribution to Grenada has been severely limited by underutilization. There is no outreach program to farmers in the area because the extension service does not have the resources to do so. Relevance to farmers is limited due to the high capital costs of terracing and irrigation, and domestic markets for the fruits and vegetables produced are very limited.

Recommendations

As a general strategy it is recommended that the MOA adopt a farming systems research, extension and training approach (FSR). The FSR approach takes into account the entire set of circumstances faced by the farm family and attempts to use its resources in the most efficient way to maximize welfare. In essence it is a "bottom up" approach which utilizes on-farm testing of crops, livestock and production technologies to arrive at an improved set of production activities within the constraints of the farm family's resources.

Specific recommendations include the following:

- The MOA should solicit technical assistance to launch a sustained FSR program and orient other MOA functions accordingly.

- Qualified management personnel should be brought into the MOA promptly to relieve the pressure on the Minister and the Permanent Secretary. One person should be assigned full-time to coordinate technical assistance programs sponsored by foreign donors.

- Technical assistance in systems management should be sought to help set up workable lines of authority and communication within the Ministry, define responsibilities of personnel, and establish criteria for evaluation.

- Complete reform of the accounting system is imperative.

- The MOA should seek to regain control of its former offices now occupied by other government agencies in order to improve communcations and supervision.

- The Director of Extension Services should have a deputy for administrative functions so he can concentrate on field operations.

- Close coordination with the extension services of the commodity associations should be effected, and eventual merger of the services should be considered.

- A revolving fund for extension agents to purchase their own vehicles with the cost to be repaid from mileage payments for official travel should be implemented.

- Additional training in farm management concepts stressing budgeting and whole-farm analysis is recommended for extension personnel.

- Marketing expertise should be included in the extension service.

- The extension service should be more closely linked to research, such as that provided at Mardigras.

- The information and statistical unit should be strengthened with trained staff and better guidance. Basic analytical tasks should be included along with information collection and presentation.

- The FAO should be requested to continue financial support of the Mardigras Project. If this cannot be arranged the MOA should consider leasing the property to cut costs. In any case, greater utilization of the project for educational purposes should be sought.

CHAPTER ONE

THE STATUS OF STATE-OWNED FARMS IN GRENADA

SUMMARY AND CONCLUSIONS

Expropriation of agricultural land in Grenada began in the 1960's under the legal guise of eminent domain and culminated in October, 1983 after three years of accelerated expropriation by the People's Revolutionary Government. By 1983 the government controlled 35 farms for 7,800 acres--approximately 20 percent of the farm land in use.

Following the military intervention the Interim Government Council declared a return to the principle of private ownership of agricultural land, stopped action on expropriations in process, and began the process of returning lands to their previous owners and settling compensation claims accumulated since the 1960's. By August 1984 the status of farms vested in the Grenada Farms Corporation (GFC)--the government parastatal set up in 1980 to operate commercial farms--was as follows:

TABLE 3 - A

SUMMARY OF LAND HOLDINGS OF GRENADA FARMS CORPORATION
AUGUST 1984

Category of GFC Farms	Number of Farms	Acres
1. Total Under GFC Management 10/83	35	7,156
2. Farms with no claims pending:	13	1,600
3. Farms with claims pending:	13	2,559
(a) owners want payment	6	<1,152>
(b) owners want land	7	<1,407>
4. Farms returned	9	2,997
5. Total Under GFC Management 8/84	26	4,159

The government has insufficient funds to pay outstanding claims, but if and when it does, the GFC will add six farms to the 13 it already owns "free and clear." There has been no move

to divest the 13 farms with no claims pending. Seven prior owners are willing to retake their farms (with conditions and sometimes payments attached), but five of those returns are held up by their inclusion in a loan guarantee agreement between the GFC and the Caribbean Development Bank (CDB).

The CDB loan guarantee agreement prohibits the sale or transfer of 23 farms pledged as collateral on a US$ 2.7 million loan to the GFC for farm improvement. To date the GFC has drawn approximately US$ 300,000 on the loan, repayment of which would free the farms for divestiture.

Compensation claims are pending on five non-GFC agricultural properties comprising 678 acres; one is returnable (100 acres) and the rest require payments totalling about EC$ 2.0 million.

The GFC suffers from low land and labor productivity due to the poor condition of farms it inherited, low prices for export commodities, an excessive number of farm workers, lax work standards, praedial larceny and unsatisfactory management. The GFC had an operating loss of over EC$ one million in each of the past two years and will lose nearly as much in 1984. Improvement is not expected, and the financial burden is severe.

It is estimated that loss of about 350 farm jobs (half of the GFC work force) would occur with divestiture to private owners. It is not clear what would happen to overall production and productivity once these farms are returned to private ownership. Many of these properties were expropriated because they were not being managed for optimum production. Interviews suggest that family farms of less than 50 acres are more profitable on a per-hectare basis than larger farms and are the only ones that can earn profits given current difficulties with organized labor and low commodity prices. Small farms benefit from unpaid family labor and better protection against produce theft.

The Interim Government has expressed preference for private land ownership. Alternative forms of divestiture such as leasing or conversion of the GFC to private status are considered less desirable or impractical. Given the decision for private ownership, the remaining issues in divestiture are:

- Should large farms be divided into smaller units or sold intact?
- How are indivisible assets able to be allocated if farms are divided?
- Can employment be found for displaced workers?
- Should credit and technical assistance to land purchasers and re-vested owners be provided so that production will not decline?
- Should an effort be made to provide family size farms to existing GFC farm workers or other Grenadians who wish to farm?

Retention of government farms for noncommercial purposes such as more experiment stations, model farms, or input supply centers is not recommended because the Government already possesses enough of these facilities.

Political competition for the farm vote could result in perpetuation of the GFC to protect farm jobs, hence divestiture and provision of alternative employment is a matter of urgency. Additional recommendations are as follows:

Recommendations:

- The Interim Government Council, with guidance from the Minister of Agriculture, should formulate a general plan to dissolve the GFC, divest farms and settle pending claims.
- If the CDB loan cannot be repaid the government should present the divestiture plan to the Caribbean Development Bank with the intention of renegotiating the Loan Guarantee Agreement or setting up a loan repayment schedule on the existing debt. This will free all or part of the GFC farms for divestiture. The GFC should immediately cease drawing CDB funds to minimize debt.

- The Minister of Agriculture should appoint a Land Divestiture Task Force with a mandate to:

  -- Inventory and appraise land, structures and equipment on each of the 13 wholly-owned GFC farms.

  -- Evaluate each farm with respect to income potential, labor force quantity and quality, and suitability for parcelization.

  -- Make recommendations on the form and method of divestiture such as remaining intact or subdividing, sell to highest bidder or to farm families at an established price, and other issues.

  -- Determine the legal issues and financial obligations (e.g. severance pay) that must be settled prior to sale, and proceed with settlement.

  -- Determine the nature and extent of financial and technical support needed by land purchasers and work with the appropriate institutions to obtain it.

- Pay compensation claims on farms that cannot be returned using the proceeds from farm sales. The Task Force should follow the same procedures outlined above for evaluation and sale of these farms as claims are settled.

- The Interim Government Council should be prepared to implement employment programs immediately for farm workers who lose their jobs as a result of divestiture. A rural roads project could give first priority to farm laborers from GFC farms.

INTRODUCTION

Almost exactly ten years after Grenada achieved independence the Permanent Secretary of the Ministry of Agriculture issued a letter on behalf of the Interim Government Council advising ten owners of expropriated farms that,

> "You are at liberty to enter and take possession of the land, it being clearly understood that both you and the Government will make no claim whatsoever against the owner for compensation for improvements or for damage or otherwise." [March 22, 1984]

Thus was halted government expropriation of farmland a practice which had been expanded by each successive government since independence. Expropriations were greatly accelerated by the People's Revolutionary Government (PRG) from March 13, 1979 until the military intervention on October 25, 1983. Contrary to current popular belief the PRG did not initiate farm expropriations in Grenada; it began in the 1960's under the Gairy government which reportedly used expropriation and the threat of it as political weapons. In the aftermath of the PRG collapse the Interim Government Council made good on its post-intervention pronouncements that Grenada would henceforth adhere to the principle of private ownership by moving to settle outstanding claims and returning land to rightful owners for compensation regardless of the era or motivation behind land expropriations.

Implementing the policy of getting Government out of commercial farming and divesting farms to the private sector has presented problems not initially anticipated by the Interim Government or AID. In consideration of these difficulties the United States Agency for International Development provided technical assistance to the Ministry of Agriculture to assess the legal and economic status of government-controlled agricultural lands and make recommendations regarding their disposition.

The specific objectives of this study are to (1) review the legal authority by which the government acquired agricultural land, (2) enumerate the legal status and claims pending on expropriated lands, (3) evaluate the performance of the Grenada Farms Corporation which operates commercial farms vested in the government, (4) describe the progress and obstacles associated with settlement of claims for compensation, and (5) describe the alternatives for utilization and/or divestiture of government-owned farms.

LEGAL AUTHORITY FOR GOVERNMENT ACQUISITION OF AGRICULTURAL LAND

The two laws used for government acquisition of agricultural land are Land Acquisition Ordinance No. 153 and the Land Development and Utilization Law of 1981, as described below.

Land Acquisition Ordinance #153

The Land Acquisition Ordinance of 1958 expanded the 1945 version of eminent domain to permit confiscation of land, with compensation, for public use at the discretion of the Governor in Council. Although innocuous in appearance the ordinance was used to achieve personal and political objectives as well as legitimate public needs. Private farms were expropriated, often without compensation, for control by the government or resale to political allies. Interviews with senior government officials and private-sector farmers revealed that on numerous occasions before 1979 the best part of an expropriated farm was sold to a political ally of the reigning government, leaving the remainder in the public domain. When the Grenada Farms Corporation (GFC) was formed in 1980 to manage the properties, the government controlled 3,967 acres on 32 agricultural properties ranging in size from 2 to 600 acres. The GFC subsequently disposed of some properties and acquired others via the Land Development and Utilization Law of 1981.

The Land Development and Utilization Law of 1981

The Land Development and Utilization Law of 1981 gave the government power to expropriate arable land which lay idle or underutilized for two years or more. "Underutilization" was judged by a commission appointed by the Minister of Agriculture under the following criteria:

> "...it shall be the responsibility of an occupier of an agricultural unit to farm the agricultural land in the unit to such an extent as may be practicable having regard to the character and situation of the unit and other relevant circumstances." [People's Law No. 21 of 1981, page 99.]

The vagueness of the "underutilization" definition gave license to abuse by the People's Revolutionary Government (PRG) which expropriated properties for ideological and partisan political reasons as well as economic. By October, 1983, the government controlled 7,800 acres--approximately 20 percent of the cultivated land in Grenada. These lands were vested in the GFC whether or not compensation claims were settled.

The Law also requires that the sale of any agricultural property be approved by government. This served as a deterrent to owners who wanted to sell large properties under the PRG and in effect made the government the only willing buyer.

CURRENT STATUS OF GRENADA FARMS CORPORATION PROPERTIES

The GFC is a semi-autonomous, wholly owned government entity created in 1980 for the purpose of operating commercial farms. The GFC was initially vested with 32 properties which the government had obtained under the Land Acquisition Act. Some properties were subsequently transferred to other government agencies and additional properties were acquired under the Act until the military intervention in October, 1983. Following the intervention some properties with pending compensation claims were returned to their former owners. The current status of GFC properties is summarized in Table 4 and described herein.

Farms With No Claims Pending

The GFC owns 13 farms "free and clear" because the government completed payment or because the government accepted the properties in payment of "death tax." These farms employ

TABLE 4

STATUS OF GRENADA FARMS CORPORATION PROPERTIES

AUGUST 1984

Farms With No Claims Pending

Farm	Acreage	Average Employment	
1. Annandale	105	--	Included in Bon Accord
2. Belle Vue (St. George)	72	--	Included in Bon Accord
3. Bocage	275	115	Includes Diamond
4. Bon Accord	140	19	
5. Carriere	78	17	
6. Grand Bras/Cardona	184	47	
7. La Sagesse	110	47	
8. Levera	119	1	Not producing
9. Marlmount I	148	25	
10. Mt. Horne	62	16	
11. Paradise	198	51	
12. Pechier	66	41	Includes La Force
13. Samaritan	43	16	
Subtotal	1,600	395	

Farms With Claims Pending

Farm	Acreage	Average Employment	Owner Preference
14. Belle Vue (St. Andrews)	220	40	Payment
15. Black Bay	100	22	Land
16. Diamond	190	(Inc. in Bocage)	Payment
17. Grand Bacolet a/	600	35	Land
18. La Force	183	(Inc. in Pechier)	Land
19. Laura	104	24	Land
20. Loretto	82	22	Payment
21. Mt. Reuil	250	50	Payment
22. Perseverance	280	1	Payment
23. Poyntzfield	50	16	Land
24. Requin a/	130	15	Payment
25. Springs	266	58	Land
26. St. Omer a/	104	3	Land
Subtotal	2,559	286	
TOTAL	4,159	681	

a/ Not included in the CDE loan guarantee.

Table 4 (Continued)

Farms Transferred To Ministry Of Agriculture

Farm	Acreage	Use
27. Mirabeau	173	Agricultural School
28. Mt. Hartman	471	Livestock Production Center (Claim Pending)
Total	644	

Farms Returned Since January 1984

Farm	Acreage
29. Baille's Bacolet	399
30. Beausejour	350
31. Calivigny	110
32. Belvedere	777
33. Grenville Vale	295
34. Marlmount II	188
35. Minorca	172
36. River Antoine	400
37. Woodford	306
Total	2,997

an average of 395 persons during the year with seasonal variations. Recent GFC budget reductions forced reduction of the work week to three days on some farms, but five-day weeks continue where harvesting is necessary or where workers can be utilized on more than one farm. This category of farms encompasses a total land area of 1,600 acres, some of which is forest or fallow. One farm--Levera--is not producing and two farms--Annandale and Belle Vue--are maintained at minimal levels because the GFC lacks funds for development and rehabilitation.

Farms With Claims Pending

GFC farms with claims pending from either the Land Acquisition Ordinance or the Land Development and Utilization Act comprise 13 properties on 2,559 acres and employ an average of 286 persons. All of these claims are under negotiation with the Interim Government. If owner preferences are an accurate forecast seven farms comprising 1,407 acres will be returned and six farms comprising 1,152 acres will remain vested in the GFC. Total GFC holdings owned "free and clear" would then amount to 19 farms and 2,752 acres.

Farms Transferred To The Ministry Of Agriculture

Two farms owned "free and clear" were transferred to the Ministry of Agriculture. Mirabeau is the agricultural school and experiment station, and Mt. Hartman is the Livestock Production and Genetic Centre. The latter still has a claim for compensation pending.

Farms Returned Since January 1984

Nine farms totaling 2,997 acres have been returned to previous owners since January 1984. These were the easiest claims to resolve because the owners wanted the farms, no exchange of money was required, and the farms were not pledged as collateral on a loan to the GFC from the Caribbean Development Bank (discussed subsequently).

Miscellaneous Properties

The government expropriated some agricultural properties which were never vested in the GFC. Compensation of EC$ 150,000 was paid in July 1984 for one 25-acre parcel known as Gutt. Pressure for settlement of this claim was intense because the land was unjustifiably expropriated by the Gairy government as an act of political retribution against a prominent opposition leader. Recommendations for settlement of five additional claims are listed in Table 12 as part of a subsequent discussion.

PERFORMANCE OF THE GRENADA FARMS CORPORATION

The GFC has been plagued by low productivity and heavy financial losses since its inception. Much of the difficulty is attributable to the farm labor situation, but part must be attributed to managerial deficiencies.

Production and Productivity

The GFC still operates 20 producing farms (some properties are combined for managerial purposes) which account for approximately ten percent of the cultivated land in Grenada. In 1982 the GFC produced 4.2 percent of Grenada's nutmeg, 8.9 percent of cocoa and 10.2 percent of bananas. Total production declined in all crop categories except cocoa, nutmeg and coconut from 1982 to 1983 (Table 5) due to increasing praedial larcency, lack of funds to properly operate some farms, and disturbances associated with political strife and the military intervention.

Nearly all GFC farms maintain the traditional perennial crop system of bananas, cocoa and nutmeg. (Production by farm in 1983 is shown in Table 6.) All but a few farms produced vegetables and fresh fruits, and some produced minor spices (other than nutmeg/mace) and coconuts. In general, the GFC farms demonstrate a crop mix consistent with Grenadian agricultural practices.

TABLE 5

CROP PRODUCTION BY THE GRENADA FARMS CORPORATION, 1982 AND 1983

Crop	1982	unit	1983	Percent Change
Banana	1,711,750	lbs	1,648,840	- 3.6
Cocoa	555,820	lbs	606,606	+ 9.1
Nutmeg	258,365	lbs	265,151	+ 2.6
Mace	12,039	lbs	10,664	- 11.4
Sugar cane	584	tons	518	- 11.5
Spices	10,054	lbs	5,653	- 43.8
Coconut/Copra	187,918	lbs	257,207	+ 36.9
Fruits	160,037	lbs	106,013	- 33.8
Vegetables	236,321	lbs	219,802	- 7.0

TABLE 6

GRENADA FARMS CORPORATION: 1983 PRODUCTION BY FARM a/

(pounds)

Crop	Belle Vue (SA)	Black Bay	Bocage/ Diamond	Bon Accord Annandale	Carriere
Bananas	97,315	1,192	71,412	33,202	47,404
Cocoa	8,307	22,975	86,031	27,098	37,526
Nutmeg	78,342	58	8,115	12,288	140
Mace	3,650	---	235	969	---
Fruits	2,399	6,241	5,368	8,288	2,249
Vegetables	9,290	24,466	21,587	8,610	595
Coconut/ copra	431	1,589	---	50	50
Spices	23	---	363	765	--
Sugar Cane (tons)	---	---	---	---	375

Crop	b/ Grand Bacolet	Grand Bras/ Cardona	La Force Pechier	La Sagesse	Laura
Bananas	16,392	154,451	147,396	215,948	28,699
Cocoa	10,419	77,404	20,397	16,439	29,164
Nutmeg	13,187	1,761	12,377	---	1,006
Mace	872	52	361	---	27
Fruits	5,519	4,576	8,843	12,952	7,176
Vegetables	855	7,368	17,459	43,276	13,936
Coconut/ copra	3,616	1,271	100	25,057	2,383
Spices	---	1,485	338	---	858
Sugar Cane (tons)	---	---	---	---	---

---

a/ Includes only farms still under GFC control in August, 1984.
b/ March through December.

Table 6 (Continued) Page 2

Crop	Loretto	Marl-mount	Mt. Horne	Mt. Reuil	Paradise
Bananas	4,855	22,016	92,076	97,690	87,897
Cocoa	20,970	34,095	31,901	29,460	13,710
Nutmeg	---	991	1,897	1,827	121
Mace	---	19	52	52	---
Fruits	3,830	8,694	3,355	3,006	2,994
Vegetables	1,394	1,350	3,151	3,537	21,694
Coconut/ copra	---	6,112	---	700	120,667
Spices	4	---	---	23	378
Sugar Cane (tons)	---	---	---	---	22

Crop	Poyntz-field	Requin	Samari-itan	Springs	St. Omer c/
Bananas	58,511	193	30,709	210,248	21,107
Cocoa	25,449	1,808	7,116	19,221	---
Nutmeg	1,993	---	479	48,270	4,860
Mace	354	---	8	2,393	124
Fruits	1,542	2,540	---	8,293	---
Vegetables	2,415	722	5,445	16,629	---
Coconut/ copra	32,447	4,939	---	---	---
Spices	---	---	---	672	---
Sugar Cane (tons)	18	---	---	---	---

---

c/ April through December.

Determination of land and labor productivity is obfuscated by the early stage of investment on some farms. Investments on new plantations and rehabilitation of tree crops on previously neglected farms have yet to realize returns, and insufficient investment funds has precluded the GFC from rehabilitating numerous low-yield plantations. The GFC farms also suffer (along with the rest of the agricultural sector) from yield-reducing plant diseases and pests.

Praedial Larceny

Low apparent crop yields on GFC farms are due in large part to the high rate of crop theft. Aggregate losses of the two principal cash crops--nutmeg and cocoa--are estimated by the GFC at 20 percent, and losses of food crops at 40 percent. Under these conditions it is difficult to draw conclusions about land or labor productivity using reported production figures.

Farm Labor

Labor productivity on GFC farms is very low. In 1981 and 1982 the ratio of gross production/wage fund indicated that for every dollar paid in wages only 50 cents in sales was obtained. In 1983 it increased to 80 cents--an increase of 60 percent.

The GFC became a benevolent, inefficient and impersonal manager, leading to a decline of worker incentives and responsibility. In addition to produce theft tasks are defined so that a work day rarely exceeds four or five hours and it is nearly impossible to fire someone. This situation is critical for prior owners willing to take back farms without perpetuating the work rules to which employees have become accustomed.

Agricultural laborers have the right to unionize on each farm--public or private--regardless of the number of workers or the wishes of the employer. Prior to the military intervention

the dominant union--Agricultural and General Workers' Union (AGWU)--was controlled by the People's Revolutionary Government (PRG) and served as an important political constituency. Under PRG direction the GFC payroll was inflated to gain political support and remains so despite the demise of the AGWU. Two unions, the Agricultural and Allied Workers' Union (AAWU) and the Grenada Manual Maritime and Intellectual Workers' Union (GMMIWU), are competing in farm-by-farm elections to fill the union vacuum. They are running about even. The GFC is apprehensive about having to deal with two different unions, each trying to outdo the other in wages, benefits and conditions promised to potential members.

Finances

The GFC has been a consistent and large money loser. In 1982 it suffered an accounting loss of EC$ 1,104,512, and in 1983 a loss of EC$ 512,351 (Table 7). However, the real deficit in 1983 was EC$ 1,313,590 after deducting the direct government subsidy of EC$ 705,740 and a foreign donor grant of EC$ 95,499 which are listed as income on the GFC income statement. The loss for the first trimester of 1984 was EC$ 274,770. Financial statements provided by the GFC are unaudited.

Asset values shown in the balance sheet (Table 8) are suspect. For example, the aggregate value of land and improvements cannot be verified by any documentation on the values of individual farms. Whatever appraisal reports or records may have existed have disappeared from GFC files.

The GFC had a serious liquidity problem at the close of 1983; the liquidity ratio was 0.59. Payables amounted to nearly EC$ 730,000, but the sum of cash on hand, bank balance and debtors amounted to only EC$ 383,000. Creditors to the GFC, including other government enterprises, have been unable to obtain payment for services and supplies.

TABLE 7

GRENADA FARMS CORPORATION

STATEMENT OF INCOME AND EXPENDITURE, 1982 and 1983

(EC$)

Item	1982	1983
Income		
Sales	1,058,851	1,260,827
Bonus: Cocoa	245,055	298,631
Nutmeg	--	37,500
Sugar cane	--	9,467
Fertilizer Subsidy	--	55,421
Government Subvention (Pensions)	--	55,000
Budget Support (Government)	--	705,740
Grants and Miscellaneous	19,187	144,802
Total	1,323,093	2,567,388
Less Direct Expenses		
Labor	1,547,273	1,854,121
Fertilizer	82,887	159,477
Chemicals, materials, seeds	15,982	81,660
Vehicles and transport	131,398	152,981
Other	13,415	29,306
Total	(1,790,955)	(2,277,545)
Less Construction	(467,862)	(289,843)
Less Employee Indirect Expenses		
Salaries and holiday pay	310,542	262,761
NIS Employers Contribution	--	68,469
Sick and maternity leave	--	8,529
Pensions	--	29,796
Gratuity	--	16,394
Total	(310,542)	(385,949)
Less Other Indirect Expenses		
Rent, training, travel, surveying, utilities, maintenance, etc.	39,343	111,037
Total	(39,343)	(111,037)
Less Depreciation & Interest		
Depreciation	227,642	305,208
Interest	59,123	77,566
Total	(286,765)	(382,774)
TOTAL DEFICIT	(1,045,389)	(512,351)

TABLE 8
GRENADA FARMS CORPORATION
BALANCE SHEETS AS OF DECEMBER 31

	1982	EC$	1983
Balance	18,397,420		18,397,420
Add Capital Grant	0		157,146
Less Surplus (Deficit)	(1,745,037)		(2,257,388)
Total	16,652,383		16,297,172
Long Term Liability			
CDB Loan	0		558,602
Total	16,652,383		16,855,783
Represented by: Fixed Assets			
Land and improvements	13,859,993		14,272,466
Buildings	2,113,639		2,058,082
Tools and equipment	189,604		141,679
Motor vehicles	523,965		414,989
Furniture and fittings	4,983		4,554
	16,692,184		16,891,770
Current Assets			
Cash in hand	2,950		2,157
Bank balance	0		11,718
Trade debtors	302,924		344,827
Sundry debtors	8,157		24,402
CDB disbursement	0		36,958
Livestock	7,530		8,030
Stores	80,283		265,527
Special project	36,210		0
Total Current Assets	438,054		693,619
Less Current Liabilities			
Trade creditors	337,195		409,010
Sundry creditors	29,855		270,662
Accruals	1,980		49,934
Provision	2,518		0
Bank overdraft	106,307		0
Total Current Liabilities	477,855		729,606
Current Assets minus Current Liabil	(39,801)		(35,987)
Net Assets	16,652,383		16,855,783
Return on capital employed	6.28		(2.58)
Current ratio	0.92		0.95
Liquidity ratio	0.67		0.59

Financial performance of individual GFC farms has been dismal; in 1983 they lost a total of EC$ 662,324 on sales of EC$ 1.5 million (Table 9). Only two farms still under GFC control--Carriere and Poyntzfield--had positive net revenues in 1983. These farms did not lose because Poyntzfield produces rum and Carriere is a fully-developed cocoa plantation which has exceptionally low maintenance costs due to a fully-developed tree canopy. Every farm lost money in the first trimester of 1984.

Management

The GFC organizational structure was recently overhauled and seven academically trained managers were dismissed in an effort to reduce costs. Costs were certainly reduced, but the few remaining qualified managers are overextended. The current structure is shown in Figure 1. Since October, 1983 the GFC has had an Acting General Manager and no Board of Directors, although nominations were recently made for the latter by the Minister of Agriculture.

The weakest link in GFC management is the on-farm manager. Critical for efficient farm operations, the farm managers are often inexperienced or technically unqualified. Their ability to operate efficiently is also hindered by bureaucratic controls and lack of resources. For example, a routine expenditure for materials requires nearly a month to process before approval, severely curtailing the ability to respond to immediate needs and changing conditions on the farm.

The GFC has virtually no managerial records -- no record of production costs, labor utilization, or tasks performed. A new record-keeping system was installed in 1984 and a micro-computer has been purchased to help keep accounts.

TABLE 9

GRENADA FARMS CORPORATION

1983 SALES AND NET INCOME BY FARM a/

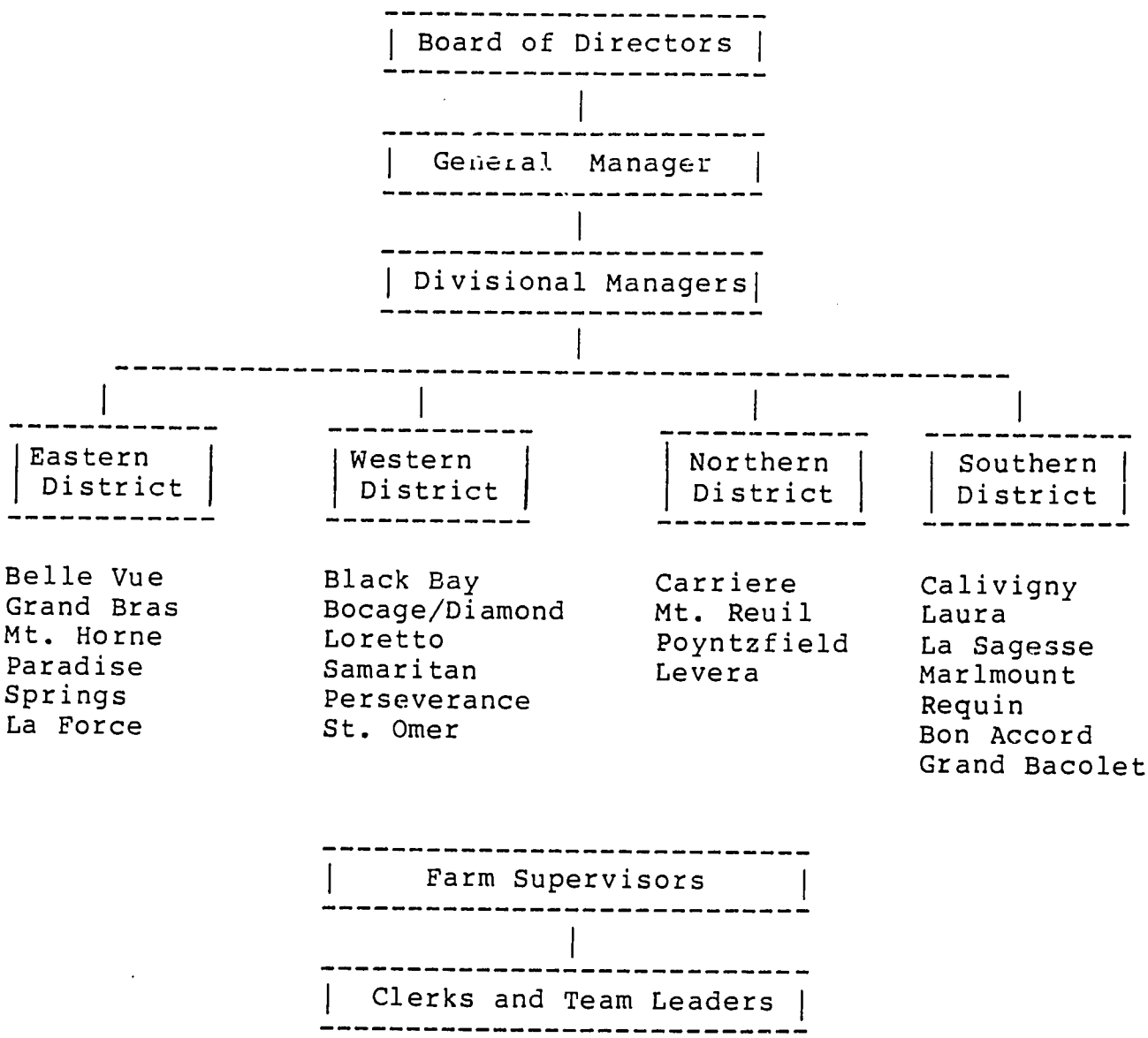
	Farm	Total b/ Revenue EC$	Net c/ Income EC$
1.	Belle Vue (St. Andrews)	74,694	(47,654)
2.	Black Bay	30,490	(9,888)
3.	Bocage/Diamond	202,256	(65,280)
4.	Bon Accord/Annandale	43,274	(32,578)
6.	Carriere	49,445	4,088
7.	Grand Bacolet	37,759	(61,828)
8.	Grand Bras/Cardona	111,650	(17,503)
9.	La Force/Pechier	65,420	(40,340)
10.	La Sagesse	98,994	(77,653)
11.	Laura	42,115	(20,851)
12.	Loretto	36,955	(17,600)
13.	Marlmount	74,891	(14,015)
14.	Mt. Horne	53,768	(2,754)
15.	Mt. Reuil	90,850	(65,292)
16.	Paradise	88,366	(78,205)
17.	Poyntzfield d/	270,779	12,524
18.	Requin	5,096	(48,478)
19.	Samaritan	13,137	(18,416)
20.	Springs	105,698	(55,308)
21.	St. Omer	5,617	(5,293)
	Total	1,501,524	(662,324)

---

a/ Includes only producing farms still controlled by GFC in August, 1984.
b/ Includes sales, commodity sales bonus, and fertilizer subsidy.
c/ Allows for direct, indirect, and overhead expenses.
d/ Includes River Antoine, since divested.

FIGURE 1

GRENADA FARMS CORPORATION ORGANIZATION CHART



Caribbean Development Bank Loan

The GFC obtained a US$ 2.7 million loan from the Caribbean Development Bank (CDB) in 1983 for the establishment, rehabilitation and maintenance of crop and livestock enterprises on 23 estates over a period of six years. The loan also provides for expenditures on equipment, roads, bridges, radio communications and personnel training. The CDB funds are to be distributed over a three-year period during which time the GFC must contribute 25 percent of the investment costs. During the second three-year period the GFC is to pay all investment costs, reducing the total CDB contribution at the end of six years to 41.3 percent.

Conditions have changed dramatically since the project was initiated. In an effort to curtail Government deficits the subsidy to the GFC has been reduced so the GFC has difficulty making cash outlays that would be reimbursable by the CDB. The GFC has consequently fallen behind the planned investment schedule by approximately half the budgeted amount. Investments have been made on only 17 of the 23 farms programmed (Table 10).

Approximately 59 percent of CDB project investments to date have been for crop establishment, 26 percent for crop rehabilitation and 15 percent for infrastructure and equipment (Table 11). The total expenditure assignable to individual farms as of May 31, 1984 was $EC 546,403, but additional funds spent on stored materials have not yet been assigned. The total debt to the CDB at the end of May was EC$ 773,509 (US$ 288,622) including EC$ 33,037 in interest. Low expenditures on nutmeg (no new establishment) and significant expenditures on establishment of avocado, root crops and vegetables are positive steps toward diversification. However, expenditures on the traditional crops of cocoa and bananas account for 76 percent of all crop establishment and rehabilitation. The wisdom of this concentration will depend on the international commodity markets since the GFC is a price-taker along with all other Grenadian producers of export crops.

TABLE 10

EXPENDITURES BY FARM USING CARIBBEAN

DEVELOPMENT BANK LOAN FUNDS

(As of May 31, 1984)

Farm & Activity	EC$ Labor	Material	Total
Belle Vue (St. Andrews)			
Crop Establishment			
Banana	11,194	3,748	14,942
Cloves	123	0	123
Root Crops	1,885	69	1,954
Vegetables	22	0	22
Subtotal	13,224	3,817	17,041
Infrastructure			
Building			5,420
Farm Roads			29,829
Subtotal			52,290
Interest, fees, misc.			2,460
Total: Belle Vue	13,224	3,817	54,750
Black Bay			
Crop Establishment			
Root Crops	15,252	1,278	16,530
Vegetables	2,894	0	2,894
Subtotal	18,146	1,278	19,424
Crop Rehabilitation			
Cocoa	15,194	6,112	21,306
Nutmeg		52	52
Subtotal	15,194	6,164	21,358
Interest, fees, misc.			2,437
Total: Black Bay	33,340	7,442	43,219

Table 10 (Continued) Page 2

Farm & Activity	Labor	Material	Total
Bocage/Diamond			
Crop Establishment			
Banana	35,933	7,024	42,957
Cocoa	11,847	337	12,184
Root Crops	1,564	42	1,606
Subtotal	49,344	7,423	56,747
Crop Rehabilitation			
Cocoa	20,237	7,945	28,182
Interest, fees, misc.			5,491
Total: Bocage/Diamond	69,680	15,368	90,420
Bon Accord			
Crop Rehabilitation			
Cocoa	0	2,572	2,572
Interest, fees, misc.			103
Total: Bon Accord	0	2,572	2,675
Carriere			
Crop Establishment			
Cocoa	2,182	15	2,197
Banana	187	0	187
Subtotal	2,369	15	2,384
Crop Rehabilitation			
Cocoa	15,868	8,986	24,854
Farm Equipment			914
Interest, fees, misc.			1,701
Total: Carriere	18,237	9,001	29,853

Table 10 (Continued) page 3

Farm & Activity	Labor	Material	Total
Grand Bras/Cardona			
Crop Establishment			
Banana	15,152	9,279	24,431
Cocoa	6,360	2,294	8,654
Avocado	2,254	0	2,254
Coffee	83	0	83
Root Crops	1,011	41	1,052
Vegetables	1,236	48	1,284
Subtotal	26,096	11,662	37,758
Crop Rehabilitation			
Cocoa	3,187	342	3,529
Farm Equipment			1,266
Intfrastructure			
Farm Roads			18,467
Interest, fees, misc.			3,348
Total: Grand Bras/Cardona	29,285	12,004	64,368
La Force/Pechier			
Crop Establishment			
Banana	7,216	4,034	11,250
Pepper	134	0	134
Paw Paw	21	92	113
Coffee	872	796	1,668
Avocado	2,965	788	3,753
Root Crops	14,395	3,218	17,613
Vegetables	42,	200	242
Subtotal	25,645	9,128	34,773
Crop Rehabilitation			
Cocoa	12,021	7,780	19,801
Nutmeg	2,052	43	2,095
Subtotal	14,073	7,823	21,896
Interest, fees, misc.			3,442
Total: La Force/Pechier	39,718	16,951	60,111

Table 10 (Continued) page 4

Farm & Activity	Labor	Material	Total
Laura			
Crop Estabishment			
Cocoa	1,300	2,245	3,545
Banana	918	220	1,138
Avocado	129	0	129
Vegetables	92	0	92
Subtotal	2,439	2,465	4,904
Interest, fees, misc.			304
Total: Laura	2,439	2,465	5,208
Loretto			
Crop Establishment			
Banana	4,051	5,935	9,986
Cocoa	2,270	75	2,345
Root Crop	64	0	64
Subtotal	6,385	6,010	12,395
Crop Rehabilitation			
Cocoa	14,966	2,772	17,738
Interest, fees, misc.			1,717
Total: Loretto	21,351	8,772	31,850
Marlmount			
Crop Establishment			
Avocado	827	225	1,052
Banana	1,068	861	1,929
Subtotal	1,895	1,086	2,981
Crop Rehabilitation			
Cocoa	502	0	502
Interest, fees, misc.			171
Total: Marlmount	2,397	1,086	3,654

Table 10 (Continued) page 5

Farm & Activity	Labor	Material	Total
Mt. Horne			
Crop Establishment			
Banana	2,592	2,289	4,881
Cocoa	651	0	651
Coffee	33	0	33
Root Crops	1,150	0	1,150
Vegetables	1,336	29	1,365
Subtotal	5,672	2,318	8,080
Interest, fees, misc.			585
Total: Mt. Horne	5,762	2,318	8,665
Mt. Reuil			
Crop Establishment			
Banana	26,026	10,502	36,528
Farm Equipment			1,266
Infrastructure: Farm Roads			575
Interest, fees, misc.			2,384
Total: Mt. Reuil	26,026	10,502	40,753
Paradise			
Crop Establishment			
Banana	733	79	812
Cocoa	54	0	54
Cloves	118	67	185
Coconut	634	0	634
Ginger	151	0	151
Pepper	1,096	14	1,110
Root Crops	9,572	2,514	12,086
Vegetables	14,756	1,347	16,103
Subtotal	27,014	4,021	31,135
Crop Rehabilitation			
Cocoa	504	311	815
Coconut	252	0	252
Subtotal	756	311	1,067
Farm Equipment			3,366
Interest, fees, misc.			2,238
Total: Paradise	27,770	4,332	37,806

Table 10 (Continued) page 6

Farm & Activity	Labor	Material	Total
Perseverance			
Crop Establishment			
Avocado	10,085	1,380	11,465
Root Crops	110	0	110
Vegetables	3,019	253	3,272
Subtotal	13,214	1,633	14,847
Crop Rehabilitation			
Cocoa	558	0	558
Interest, fees, misc.			618
Total: Perseverance	13,772	1,633	16,023
Poyntzfield			
Crop Establishment			
Cocoa	2,840	1,196	4,036
Root Crops	762	0	762
Subtotal			4,798
Farm Equipment			1,266
Interest, fees, misc.			439
Total: Poyntzfield	3,602	1,196	6,503
Samaritan			
Crop Establishment			
Banana	11,375	5,500	16,875
Cocoa	3,735	217	3,952
Root Crops	2,002	703	2,705
Subtotal	17,112	6,249	23,532
Crop Rehabilitation			
Cocoa	5,761	1,516	7,277
Interest, fees, misc			1,927
Total: Samaritan	22,873	7,936	32,736

Table 10 (Continued) page 7

Farm & Activity	Labor	Material	Total
Springs			
Crop Establishment			
Banana	13,202	6,247	19,449
Coconut	54	16	70
Ginger	47	0	47
Coffee	112	0	112
Root Crops	11,705	1,641	13,346
Vegetables	404	61	465
Subtotal	25,524	7,965	33,489
Crop Rehabilitation			
Cocoa	4,971	0	4,971
Nutmeg	6,843	0	6,843
Subtotal	11,814	0	11,814
Infrastructure			
Farm Roads			818
Farm Equipment			1,296
Interest, fees, Misc.			3,623
Total: Springs	37,338	7,965	51,040
Head Office			
Building			1,200
Interest, fees, misc.			48
Total: Head Office			1,248
TOTAL: ALL GFC	366,544	115,360	580,882

a/ These figures represent total expenditures reimbursable by the Caribbean Development Bank.

TABLE 11

SUMMARY OF CARIBBEAN DEVELOPMENT BANK LOAN UTILIZATION a/

(As of May 31, 1984)

Activity	EC$	Subsector Percent	Overall Percent
Crop Establishment			
Avocado	18,653	5.8	3.4
Banana	185,365	57.5	33.9
Cocoa	37,618	11.7	6.9
Coconut	704	0.2	0.1
Coffee	1,896	0.6	0.3
Cloves	308	0.1	0.1
Ginger	198	0.1	--
Paw Paw	113	0.1	--
Pepper	1,244	0.4	0.2
Root Crops	50,494	15.6	9.2
Vegetables	25,739	8.0	4.7
Total	322,332	100.0	59.0
Crop Rehabilitation			
Cocoa	132,105	93.5	24.2
Coconut	252	0.2	--
Nutmeg	8,990	6.3	1.7
Total	141,347	100.0	25.9
Infrastructure			
Buildings	6,620	9.0	1.2
Farm Roads	66,730	91.0	12.2
Total	73,350	100.0	13.4
Farm Equipment	9,374	100.0	1.7
TOTAL	546,403		100.0

a/ Does not include interest or fees.

The CDB loan is an impediment to government divestiture of farms because the Loan Guarantee Agreement locks 23 farms into collateral (Table 4 indicates the farms). According to the Agreement the GFC cannot sell or lease any of the collateralized properties.

At a time when the Government of Grenada and the GFC are suffering a severe financial crisis it is unwise to continue drawing CDB loan funds for new perennial crop establishment. Economic payoff, if any, will not be realized for years. Furthermore, the future of GFC farms is uncertain; if farms are divested the investments made on them will remain as government debts to the CDB. It is not at all certain that investments made now will be reflected in the market price of farms devastated by low international commodity prices.

DIVESTITURE OF FARMS WITH PENDING CLAIMS

Soon after the military intervention the Interim Government Council ceased action on farm expropriations in process and established a claims settlement task force with the objective of setting financial claims and returning farms to their previous owners. The task force was not authorized to study divestiture of farms owned "free and clear" by the Government.

Divestiture Task Force

The divestiture task force--composed of four senior civil servants--reviewed each claim, met with the former owners and made recommendations to the Minister of Agriculture. The Minister examined each recommendation and, when in agreement, forwarded the recommendation to the Interim Government Council (of which he is a member) for action. If the Minister did not agree with a particular recommendation, or if he foresaw significant impediments to implementation, he requested the task force

to continue negotiations with the former owners. All 18 claims still pending (Table 12) are under negotiation or stalled for lack of funds to make payments.

Issues Concerning The Return Of Farms

Return of expropriated farms is not a simple matter; each property seems to be a special case. Previous owners or the government can request compensation or impose conditioins. For example, there are claims for deterioration of properties and tree crops through Government mismanagement and neglect. In some cases the Government has requested reimbursement by previous owners for investments made in their expropriated properties now that they are about to be returned. The issues under negotiation come under four categories: financial compensation, a line of operating credit for owners of returned farms, reduction in the number of farm workers, and permission to the owner to subdivide and sell his property.

Financial Issues

A multitude of financial claims by previous land owners must be settled as a condition to the return of land. Representative claims by these owners are:

- The government built permanent housing for workers on the property, and the owner wants payment for the land taken out of production and occupied by housing.
- The end-of-year price bonus on nutmeg harvested before Government took control of a farm was kept by the government instead of passing it on to the owner as promised.
- The government promised to pay off debts against the farm when expropriated, but did not do so. The owner cannot get more credit until the debt is paid, and wants either a line of credit or payment of the debt.
- Reimbursement for production expenses incurred just prior to expropriation was promised but never paid. The government reaped the harvest and sold it.

TABLE 12

TASK FORCE RECOMMENDATIONS FOR CLAIMS SETTLEMENT

Farm	Acres	Recommendation
GFC Properties a/		
Belle Vue (SA)	220	Payment. No valuation yet.
Black Bay	100	Return land with subsequent payment for land occuppied by housing.
Diamond	190	Payment. No valuation yet.
Grand Bacolet	600	Return land; permission to subdivide/sell.
La Force	183	Return land with permission to subdivide and sell.
Laura	104	Return land. Evict tenants.
Loretto	80	Payment of EC$ 150,000 plus 5% interest from 1972 to date of payment.
Mt. Reuil	250	Rejection of payment amount and conditions requested by owners. Negotiations stalled.
Perseverance	280	Payment. Amount to be determined.
Poyntzfield	50	Payment of EC$ 37,000 for one 10-acre parcel. Return of 40 acres for subdivision and sale denied at this time.
Requin	130	Payment. Amount undetermined.
Springs	266	Return land.
St. Omer	104	Return land plus undetermined payment.
Non-GFC Properties		
Belmont	10	Payment of EC$ 40,000 plus 5% interest from 1974 to payment date.
Bonair	40	Payment of EC$124,000 plus 5% interest from 1974 to payment date.
Golf Course	57	Payment of EC$ 419,000.
Hope Vale	100	Return of land.
Mt. Hartman	471	Payment of about EC$ one million.

a/ All GFC farms except Grand Bacolet, Requin and St. Omer are part of the loan guarantee with the Caribbean Development Bank

- Deterioration of farm structures and roads under government management was so severe that the prior owner wants compensation to rehabilitate them.

Credit

Revested land owners need credit immediately for production expenses and rehabilitation of plantations. Even though physical repossession takes place, it takes time to establish title status with the bank, prepare an investment plan, and get property appraised for loan collateral. Some prior owners have consequently requested an immediate line of operating credit as condition to accepting the farm.

Labor

The excessive number of workers on GFC farms has caused some prior owners to request reduction as a settlement condition. Since the average age of GFC farm workers is thought to be in the range of 40 to 50 years, the issue is of particular social concern. Some of the workers have been on the farms much of their working lives and are beleived to have no employment alternatives. This will be a matter of negotiation with the re-vested owners but there is certainly need for employment opportunities for displaced workers.

The problems of lax work standards and produce larceny are strong cause for the re-vested owners to seek dismissal or replacement of the existing work force. In some cases it is expected that workers' resentment of takeover by a prior owner will inspire looting of tools and produce, and vandalism of structures and trees. In other cases the GFC is an unpopular owner/manager and the workers will welcome return of the former owner or takeover by a new owner.

Subdivision and Sale

The Land Development and Utilization Law of 1981 specifies that agricultural land cannot be subdivided or sold without permission from the government. As one condition to acceptance of farms at least three prior owners have requested permission to subdivide and sell parcels. It is believed repeal of the Law is imminent in any case.

Caribbean Development Bank Loan

The CDB Loan Guarantee Agreement with the Grenada Farms Corporation and the Government of Grenada specifies that none of the 23 GFC farms included in the project may be sold or otherwise removed from the project. To do so could trigger demand for immediate repayment of the loan amount drawn to date. The Government must resolve this problem with the CDB, by renegotiating the terms of the loan or paying off the outstanding principal.

Settlement of five pending claims by former owners who desire payment in lieu of land return is not an immediate issue since the GFC is not attempting to force previous owners to take back land if they do not want it. However, the return of five farms desired by the previous owners--Black Bay, La Force, Laura, Poyntzfield and Springs--is precluded until some agreement is reached with the CDB release them from the guarantee. Similarly, the other 18 farms cannot be sold or leased until the loan issue is resolved.

The government does not have funds to repay the outstanding balance of US$ 0.3 million to the CDB. In lieu of repayment a formal request for restructuring the CDB loan must be made by the Government of Grenada. To do so, the government must have an idea of what it wants to do with the farms that cannot be

returned to prior owners. At issue, therefore, is the role of the government in commercial agriculture and the fate of the Grenada Farms Corporation.

DIVESTITURE OF FARMS WITHOUT PENDING CLAIMS

Once pending financial claims are settled on the farms not being r turned to previous owners the GFC will have title to a total of 19 farms comprising 2,752 acres, most of which are operating at a financial loss and some of which are producing at minimal levels for lack of operating capital. Given the bleak financial outlook for the GFC and the stated philosophy of the Interim Government Council, the GFC cannot and should not retain control of these properties. Permanent divestiture will require consideration of a complex set of issues, but to date there has been neither statement of intent nor action to confront them. Some of the principal issues that must be confronted are discussed herein.

Divestiture Issues

Various arguments have been advanced in favor of continuation of direct government participation in commercial farming, the principal of which have been economies of scale, increase in total production, and maintenance of employment.

Economies of Scale

"Economies of scale" means that the average cost per unit produced declines as the size of the firm increases. The case has been made that the government should continue commercial farming because it has the resources to operate large farm units that the private sector is unable or unwilling to provide, and that the government can therefore produce more cheaply, export more, earn more profits and employ more people than can private sector farms regardless of size. In consideration of this argument the sources of economies of scale in farming need be enumerated.

- Allocation of fixed costs of depreciation and interest associated with equipment and structures over a greater land area.
- Technical complementarities and efficiencies of large equipment and machinery units.
- Discounts on bulk purchases of materials such as chemicals, seeds and fertilizer.
- Production volume sufficient to justify purchases of equipment that would otherwise be contracted as a service.
- Specialization of labor and management.

Although no empirical studies could be found to support or refute the hypothesis of economies of scale in Grenada farming, observation and inquiry suggest that economies of scale are minor. Tree crop farming in Grenada is imdemiably labor intensive; the use of machinery on the steep slopes is severly limited. Structures are few and irrigation systems are typically not used. There are instances, however, in which production volume makes it worthwhile to purchase equipment which results in savings. A pickup truck used for hauling produce to market and inputs to the farm enables the producer to reduce transport costs and increase timeliness in marketing.

Discounts on bulk purchases are possible in Grenada, but most producers belong to at least two of the commodity cooperatives which purchase fertilizers and other inputs in bulk and resell to all members at the same price regardless of quantity. Cost savings in bulk purchases of other supplies probably do exist but the savings are believed to be minor.

Labor specialization is believed to occur at relatively low levels of labor intensity due to the rudimentary nature of most field work. It is unlikely to be a significant source of economies of scale.

Management expertise affordable for larger holdings may be the greatest potential economy of scale but in practice it does not appear to be benefiting to GFC. Diseconomies of scale appear to be far more significant in Grenada farming than economies, but no empirical evidence could be found to test this hypothesis. The previaling opinon of farm managers interviewed is that as the number of workers on a farm increases the more difficult it becomes to enforce work standards--particularly in a physical environment of trees and hills where workers cannot be observed. Praedial larceny seems to increase with farm size. The labor situation dominates other factors in mitigating against achievement of economies of scale in Grenada. Ad hoc interviews with farmers, including professional farm managers, suggest that both labor and land productivity would increase if large farms were subdivided into smaller family farms. These farms can realize positive cash flows by using principally family labor and controlling praedial larceny. The upper limit on size of a manageable family farm seems to be about 50 acres, with 20 - 30 acres being the most commonly mentioned figure for reasonable profitability under good management. No farms in excess of 100 acres, private or Government-owned are known to be profitable at this time, but it must be emphasized that inquiries were neither comprehensive nor systematic.

Production

It has been hypothesized that total production will decline if the government divests its commercial farms to the private sector, the reasons being that the private sector will be unable and/or unwilling to make the infusion of resources necessary to keep production levels up. This hypothesis is probably correct if farming is unprofitable because private sector farmers can be expected to react in an economically rational manner to market conditions; they will not continue to invest capital in losing enterprises. To argue that the government should continue to farm commercially irrespective of profitability is to argue that

the economic (foreign exchange earnings) and social (employment) benefits to the country exceed the financial benefits to which the private sector responds. No empirical studies exist to support or refute this hypothesis for Grenada, but it is difficult to make a case for continued commercial farming by government without evidence. Whether or not the case can be made that economic benefits exceed financial benefits, Grenada cannot afford the luxury of continued high financial deficits in commercial farming.

Divestiture of government farms might lead to decline in the production of unprofitable crops, but in the long run the private sector farmers might shift production to crops with positive financial returns. The difficulty and expense of replacing unprofitable tree crops could also lead to a more common phenomenon in Grenada farming: neglect. Low current prices for nutmeg and coconuts result in poor care of the trees, less frequent harvesting, decreased production and lower quality products. Breakup of large government farms into family farms would probably be the best insurance against declining aggregate production because, as mentioned previously, family farms are believed to have greater productivity and labor cash costs than large estates.

Employment

The importance of rural employment in Grenada cannot be ignored; unemployment exceeds one-third of the labor force and young people are not entering farming for lack of economic incentives and jobs. But continuation of government commercial farming for the purpose of providing employment is an expensive and inefficient welfare program which the country can ill afford; alternative means of employment need to be generated.

Legal Status of Divested Farms

Once the Government of Grenada decides to remove itself from direct involvement in commercial farming, the ultimate legal status of divested properties must be decided. The principal alternatives espoused are private ownership, lease, and conversion of the GFC to private corporate status.

The general decline in Grenada's farm production is attributable to several factors which affect all sizes of farms, Government and private: low commodity prices, high input costs, low productivity of labor, and praedial larceny. The latter are in better control on viable family-sized units as mentioned. The best long-term strategy for Grenada's farming sector appears to be a greater emphasis on this size of operation. The part-time minifarm (2-5 acres) will no doubt continue to be a major factor, but the larger farms (50-400 acres) appear to be on the decline.

Over the long-term the mid-sized family farm under good management is the most promising prospect for agriculture. Farms of this size can diversify more readily and ride out periods of low prices in traditional commodities by producing fruits and vegetables for the domestic and regional markets. Furthermore, family members can augment income with non-agricultural jobs.

Private Ownership

The legal status of divested farms preferred by the Interim Government and AID is private ownership. The conclusions of the DAI team support that position. The reasons are that private ownership has strong historical precedent in Grenada, and that private enterpreneurship has proven to be a driving force in agricultural development when sufficient ownership security, economic incentives and production resources are available. Security of land ownership is a key decision factor for farmers contemplating long-term investments in tree crop development.

"Ownership security" means that the land owner is not fearful of expropriation or intimidation by the government with respect to land use. Without this security farmers cannot be expected to invest. The success of the conversion of the GFC properties from state to private farms will depend upon government assistance in helping to provide the right conditions and incentives.

Leasing

It has been suggested by some knowledgeable individuals that the government enter into long-term leases with farmers in lieu of sale, perhaps using the Springhall Project in Barbados as a model. Under this scheme the government would retain title to the land but the leaseholders would have leases of such long duration (e.g., 20 years) that they would have economic reason to make investments in infrastructure and tree crops. Furthermore, lease renewal would be automatic if the leaseholder lives up to lease provisions requiring some predetermined level of investment and production. Upon termination of a lease the government would be obligated to compensate the leaseholder for the present market value of improvements in excess of those which existed at the beginning of the lease.

While it is an improvement over direct Government management of farms, leasing is a less-desirable alternative than private ownership. Government ownership might still serve as temptation to control the private sector by force or political intimidation in the future. The incentive of a leaseholder to improve property is weaker than that of an owner, even with a long-term lease. Further, leaseholders usually cannot use the land as loan collateral, although special programs tailored to their credit needs could be provided by government.

Leasing of Government farms would be a political compromise between those who want continuation of government commercial farming and those who want divestiture to the private sector, but it is not believed to be a satisfactory long-run solution. As

long as the government retains the power to decide who gets leases, how much they will pay, and the terms and conditions of the leases the threat of political intimidation and abuse of power will remain.

GFC Private Corporation

The Special Committee on Divestiture of Parastatal Bodies reviewed the Grenada Farms Corporation and recommended that the GFC be converted to a private corporation. Corporate stock could then be issued, in part, to settle claims emanating from land expropriation.

The efficacy of the Committee's recommendation has already been dismissed within Government. The GFC has insufficient financial credibility for the private sector, and issuance of stock to settle claims would be correctly perceived as no payment at all. Stock in a losing enterprise is not worth much.

Determination of Farm Characteristics for Divestiture

"Farm characteristics" pertain to the physical forms in which farm land, equipment and infrastructure will be divested. Each farm must be analyzed to determine if it can be divided into parcels and, if so, to specify the economically viable farm size; it takes a minimum amount of land and production to support purchases of certain equipment, to obtain bank credit or to make it worthwhile to hire a truck to haul produce.

Indivisible Assets

There could be cases in which assets critical to the farm are indivisible among parcels but necessary for the operation of the farm unit. An irrigation system might be critical to the farm operation, for example, and parcelization would disrupt efficient operation of the system. The GFC farms observed thus

far have few of such installations critical to operation of the farm unit with one exception--mace and nutmeg drying facilities. These could be used on a cooperative basis.

Labor Force

Both labor shortages and surpluses exist on GFC farms; each farm is unique, requiring a case-by-case analysis of divestiture alternatives. In some cases existing employees might be offered a chance to purchase parcels created by subdividing the estate in others a purchaser might be sought who would keep the farms intact and provide security of employment to an appropriate number of workers.

Legal Issues

Several legal issues must be resolved to effect divestiture of government farms. These include renegotiation of the CDB loan guarantee, repeal of land expropriation laws, and establishment of legal title to farms as described below.

CDB Loan Guarantee

If the Government of Grenada cannot repay the amount the GFC has drawn on the CDB loan, a formal solicitation must be made to restructure the Loan Guarantee, permitting the sale or lease of GFC farms.

Repeal of Land Expropriation Laws

Private sector buyers of the GFC-owned farms (and renewal of confidence of existing private sector farmers) will come forth only if they have security of land tenure. Among other things that requires repeal of the Land Development and Utilization Law of 1981, requested by the Minister of Agriculture in July 1984, and under consideration by the Interim Council. Land Acquisition Ordinance #153 is a resonable and appropriate eminent domain law

that should pose no threat to farmers if used responsibly by Government. It was interpretation and abuse in implementation that made the Ordinance onerous. There is no reason to repeal or modify it and, of course, no way to assure that future Governments will behave responsibly.

There remains sentiment among some Grenadians for forcing the private sector to utilize agricultural land "productively" despite the ignominous history of the Land Development and Utilization Law. Reasons for leaving land idle or neglected might be lack of resources, unprofitability or disinterest by the owner, but the sight of underutilized land in a country with such scarce land resources evokes some resentment. In lieu of the threat of expropriation by a government which can neither pay compensation nor productively manage farms itself, it would be preferable to invoke economic disincentives. As an example, land taxes could be structured to reward production and/or productivity, while discouraging low economic utilization. Owner-operators could be rewarded and absentee owners penalized.

Establishment of Legal Title

The method by which title would pass from public to private ownership is unknown. Although farms are vested in the GFC, titles and accompanying legal documents are frequently in disarray or have been lost. A case-by-case legal review and action on the documents for each farm will be necessary prior to sale. Extraordinary court action might be necessary to effect title transfer in some cases.

Retention of Farms for Noncommercial Purposes

Justification for government retention of farms for noncommercial purposes focuses on three potential uses--research experiment stations, model farms and input supply centers. These are discussed in turn.

Research Experiment Station

The case for retaining some of the government farms for more agricultural experimentation is not supportable in Grenada. The Ministry of Agriculture already operates an agricultural teaching facility and farm at Mirabeau which has unused land suitable for experiments. Second, Grenada receives the benefits of membership in the Caribbean Agricultural Research and Development Institute (CARDI) which has the resources and expertise to carry out an effective agricultural research program superior to what Grenada could accomplish alone. CARDI already operates an experiment station in Grenada. Third, the scientific community (including CARDI) is reducing reliance on the centralized experiment station approach to research in preference to the farming systems approach that gives more emphasis to use of private farms for research.

Model Farms

The use of government farms as models of good economic and managerial practices has more validity in concept than installing experiment stations, but the arguments against it are also formidable. Such farms might serve as agronomic models, but certainly not likely as economic models. Farmers will discern that the levels of resources required to sustain a "model" farm may generate good produce but not necessarily profits. Agronomic practices can be demonstrated on private farms under "real" conditions with the support of the extension service, and farmers will give more credence to the economic viability of the examples.

Input Supply Centers

Some GFC farms sell production inputs such as fertilizer and chemicals, and in fact this function is included in the GFC charter. This has been found to be an expensive and inefficient

means of input distribution; the GFC has not proved effective in handling material stocks. Theft is a persistent problem, inventory control is inadequate, and even a cursory inspection of stocks reveals significant materials spoilage and damage. There are alternatives for the distribution of inputs, including the commodity associations and private dealers.

THE URGENCY FOR ACTION

As Grenada moves toward renewed democracy the farm workers are again becoming a political constituency to be protected by one party or another. Job protection might not only preclude labor practice reform necessary for efficient agricultural production, but might also preclude divestiture of the government farms that employ them. The certainty of continuing financial losses by the GFC makes it even more urgent that the government move to cut its losses and expedite divestiture of farms. The specific steps to be taken are:

- The Interim Government Council, with guidance from the Minister of Agriculture,should formulate a general plan to dissolve the GFC, divest farms and settle pending claims.

- If the CDB loan cannot be repaid the government should present the divestiture plan to the Caribbean Development Bank with the intention of respecifying the Loan Guarantee Agreement or setting up a loan repayment schedule on the existing debt. This will free all or part of the GFC farms for divestiture. The GFC should immediately cease drawing CDB funds to minimize debt.

- The Minister of Agriculture should appoint a Land Divestiture Task Force with a mandate to:

  -- Inventory and appraise land, structures and equipment on each of the 13 wholly-owned GFC farms.

  -- Evaluate each farm with respect to income potential, labor force quantity and quality, and suitability for parcelization.

  -- Make recommendations on the form and method of divestiture such as remaining intact or subdividing, sell to highest bidder or to farm families at an established price, and other issues.

-- Determine the legal issues and financial obligations (e.g. severance pay) that must be settled prior to sale, and proceed with settlement.

-- Determine the nature and extent of financial and technical support needed by land purchasers and work with the appropriate institutions to obtain it.

- Pay compensation claims on farms that cannot be returned using the proceeds from farm sales. The Task Force should follow the same procedures outlined above for evaluation and sale of these farms as claims are settled.

- The Interim Government Council should be prepared to implement rural employment programs immediately for farm workers who lose their jobs as a result of divestiture.

CHAPTER TWO

THE STATUS OF GOVERNMENT-OWNED AGROINDUSTRY IN GRENADA

GRENADA AGRO-INDUSTRIES LIMITED

Grenada Agro-Industries Limited (GAIL) was a food canning plant which began operations early in 1981 and closed down with the military intervention in October, 1983. The plant, located just south of St. Georges in a place called True Blue near the new Point Salines airport, was looted during the intervention and some essential equipment is missing. The Government has no intension of attempting to reopen the cannery.

Initial funding for the project included soft loans totaling EC$650,000 from the three major commodity associations plus EC$157,216 from the Ministry of Agriculture's capital budget. Some equipment was donated by the FAO and the buildings were contributed by the government without assigning their value or charging depreciation to the enterprise. At its operating peak the plant employed 47 persons and purchased produce from approximately 800 farmers.

Performance

Justification for this food canning plant was to provide an additional market outlet for Grenadian crops. Unfortunately, no economic feasibility or marketing studies were ever conducted and it turned out GAIL was unable to sell much of what it produced.

The plant was popular with fruit producers because it purchased nearly everything they wanted to sell regardless of market demand. The government Marketing and National Importing Board (MNIB) was directed to purchase GAIL's entire output at a cost-plus-margin price and store it until sold. The MNIB did not do well at marketing GAIL's products because they lacked experience in processed foods, the products were often overpriced

Previous Page Blank

by GAIL, and the quality was often substandard. Approximately EC$700,000 of GAIL products are still in MNIB warehouses and they are deteriorating rapidly. The products do not meet USA standards and cannot compete in other regional markets such as Trinidad because of the prices the MNIB asks. In spite of accelerating product deterioration and continued storage charges, the MNIB has been reluctant to lower the price to dispose of the products in either domestic or regional markets.

The GAIL plant operated with difficulties from its inception. In 1983 the following major problems were identified by a senior government official who studied its operations.

- Inexperienced staff;
- Insufficient working capital to ensure stocks of essential inputs such as packaging materials, preservatives, and chemicals;
- Poor quality packaging materials;
- Unreliability of electricity supply; and
- Frequent breakdowns of equipment, which was not new when installed.

The financial statements of GAIL (Table 13) reveal a loss in every year of operation but the figures do not reveal the full magnitude of losses because depreciation, the value of unsalable inventory, and storage charges are not included in the costs. By adding the value of these items to the reported accumulated annual losses of EC$609,071, it is estimated that GAIL accumulated a total loss to the Government of approximately EC$2.0 million in less than three years.

Recommendations

The food canning plant should not be reopended by the government. Management expertise is inadequate, the costs of renovating the equipment would be substantial, and it is unlikely

TABLE 13

FINANCIAL PERFORMANCE OF GRENADA AGRO-INDUSTRIES, LTD.

(EC$)

	1981	1982	1983a/
Sales	277,642	845,433	545,818
Expenditures			
Raw materials	132,790	184,582	97,703
Packaging materials	174,477	496,141	164,137
Direct labor	104,857	146,156	100,888
Overhead	29,826	75,749	33,695
General & administrative expenses	151,837	205,000	182,146
Total expenditures	593,767	1,107,628	576,569
Net Profit or (Loss) before depreciation	(316,125)	(262,195)	(30,751)

a/First 9 months.

that the products could compete in regional markets given the costs of production in Grenada. The tropical fruits (mainly mangos and guavas) which comprised the bulk of raw material for this plant are also surplus throughout the Caribbean and Central America during the same time of year. A private sector effort to grade and airship these fresh tropical fruits for export to other markets is under consideration and should be encouraged by the Ministry of Agriculture.

The factory shell is in good condition and would be suitable for other types of enterprises such as clothing manufacturing. It is recommended that the factory shell be leased or sold and the equipment sold. The Ministry of Agriculture reports that three prospective investors have expressed interest in this facility. Should a private sector food processing company consider investment in a cannery in Grenada, it would probably find it advantageous to develop facilities specific to its own requirements rather than trying to adapt the existing plant.

The Minister of Agriculture issued a directive in July 1984 to inventory the facilities, appraise the equipment, and advertise the sale of the remaining equipment and the factory shell.

SPICE PROCESSING PLANT

The spice processing plant grinds and packages nutmeg, mace (a nutmeg byproduct), cinnamon, clove, pimento, ginger, and tumeric. The entire packaged output is marketed by the Marketing and National Importing Board (MNIB). The plant also provides grinding service to the Minor Spices Cooperative. Although the plant does not enjoy a protected position it has little private sector competition.

Commercial operation of the plant began in 1982 following a three-year pilot project funded by the Organization of American States. Initially the plant operated within the government's

Produce Laboratory--a food quality control facility--but was moved to a separate facility in St. George's in 1983 and made an autonomous unit of Grenada Agro-Industries, Ltd.

Performance

Commercial production got underway in 1982 with a total output of 2,284 pounds processed and packaged, plus 3,677 pounds ground for the Minor Spices Cooperative (Table 14). Production increased nearly fourfold in 1983 which caused excessive inventory buildup and a consequent reduction in operations during the first five months of 1984. Spice grinding for the Minor Spices Cooperative also diminished because of excess unsold inventory.

Financial performance has deteriorated since 1982 due to unsold inventories and continuing fixed costs in spite of a production decline (Table 15). The first five months of 1984 yielded a loss of EC$8,262. Financial performance is difficult to measure because of inconsistencies and omissions in reporting from year to year, but the ratio of expenses to revenues indicates the severity of the deteriorating situation; the ratio increased from 0.79 in 1982 to 1.56 in 1984. No balance sheet is available.

The plant is currently overstaffed by an estimated 50 percent and little attention has been given to cost-cutting measures. The relatively high production costs and the 12 percent MNIB markup result in products priced too high to compete in international and regional markets.

Insufficient working capital has resulted in production delays and increased production costs, for example, lack of funds to purchase containers and labels has delayed filling orders. The regular payment of salaries and other fixed costs during

TABLE 14

PRODUCTION BY THE SPICE PROCESSING PLANT

(pounds)

Product	1982	1983	1984a/
Nutmeg	666	1,392	311
Mace	450	575	183
Cinnamon	490	1,184	64
Clove	290	786	52
Pimento	235	1,041	153
Ginger	40	89	3
Tumeric	113	246	3
Subtotal	2,284	8,464	769
Spices ground for other institutions	3,677	1,838	1,874
Total	5,961	10,302	2,643

a/ January through May

TABLE 15

FINANCIAL PERFORMANCE OF THE SPICE PROCESSING PLANT

(EC$)

	1982	1983	1984a/
Revenues			
Sales	72,339	141,339	8,696
Grinding Charges	1,378	n.a.	729
Plus Inventory Value	0	n.a.	5,312
Total	73,717	143,131	14,737
Expenditures			
Salaries	n.a.	37,556	9,707
Raw Materials	n.a.	27,719	7,806
Labels	n.a.	8,508	n.a.
Packaging	n.a.	42,838	3,312
Overhead	n.a.	11,697	924
Depreciation	n.a.	7,200	1,250
Total	57,948	135,518	22,999
Net Revenue	15,769	7,613	(8,262)
Ratio Expenses/Sales	0.79	0.94	1.56

a/ January through May

periods of non-production has increased the deficit. The seasonal supply variability of some spices--particularly ginger and tumeric--also contributes to plant underutilization.

Minor spices are an important part of Grenada's agriculture. They offer alternatives to the reliance on the three major export crops and provide farmers with opportunities to diversify. In order for Grenada to compete on world markets it will have to manage the minor spice industry more efficiently than it has so far, and it will need to market more aggessively. (The Minor Spices Cooperative Marketing Society is discussed in a subsequent section of this report.)

Recommendations

The spice grinding plant provides an essential service for which there is no satisfactory alternative. It is therefore recommended that the operation continue, but not under government ownership or management. Two satisfactory alternatives merit consideration: (1) sale of the plant to a private investor, or (2) acquisition of the plant by the Minor Spices Cooperative, a possibility already under consideration by the principal parties.

COFFEE PROCESSING PLANT

The Spice Island coffee processing plant converts coffee beans to ground and packaged coffee for the domestic market. This company is the sole purchaser of domestically grown coffee beans and the only processing facility in Grenada. Approximately 75 percent of domestic coffee consumption is supplied by the plant which markets the entire output through the Marketing and National Importing Board (MNIB).

Since 1980 the plant has operated with new equipment--dehuller, roaster, and grinder--which replaced equipment destroyed by fire nearly four years earlier. The scale of the

plant is indeed modest; all of the equipment will fit inside a small room and could be operated by one or two people although eleven are on the payroll.

Initial justification of the plant was made as part of a program to diversify Grenadian agriculture while generating rural employment, increasing small-farmer incomes, and saving foreign exchange by substituting for imports. Farmers were encouraged to plant coffee and the processing plant guaranteed them a market. Domestic production has been insufficient so far to support the plant and 86 percent of the beans processed are imported from Trinidad. Even with imports the plant operates at only 40 percent of capacity.

Performance

The plant has operating losses of EC$50,149 (12%) on sales of $390,496 in the first four years of operation, (Table 16), and was running an EC$11,601 deficit in the first five months of 1984. One reason for the losses is that the price paid Grenadian producers is EC$6.25 per pound (after dehulling), compared to EC$3.50 for Trinidad beans.

However, domestic coffee bean prices are not the principal reason for poor financial performance; less than five percent of total plant operating expenditures in 1983 were for domestic coffee bean purchases. Yet if the percentage of domestic coffee beans increases significantly the plant would lose more money. The small scale of operation and overstaffing are the principal reasons why this plant loses money. Losses in 1982 and 1983 ran about 8 percent of sales and 33 percent of labor costs, suggesting that a reduction of about one-third in the number of employees would allow the plant to break even.

TABLE 16

COFFEE PROCESSING PLANT

INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING DECEMBER 31

(EC$)

	1980	1981	1982	1983	4-year total	Aug.
Income	27,227	85,623	167,205	110,441	390,496	97,624
Direct Expeditures						
Salaries and wages	9,985	25,300	36,900	30,514	102,699	25,694
Raw Materials	27,585	50,232	95,472	53,324	226,613	56,653
Packaging	10,000	8,665	40,306	1,240	60,211	15,053
Total direct	47,570	84,197	172,678	85,078	389,523	97,380
Indirect Expenditures						
Overhead	1,800	4,000	6,000	n.a.	n.a.	n.a.
Miscellaneous	870	1,860	2,000	n.a.	n.a.	n.a.
Total indirect	2,670	5,860	8,000	8,621	25,151	6,287
Total Expenditures	50,240	90,057	180,678	93,699	414,674	103,669
Net Profit before depreciation and interest	(23,013)	(4,434)	(13,473)	(9,229)a/	50,149	12,537

a/The loss reported for 1983 cannot be calculated accurately from the income and expenditure figures reported. Some expenditures are apparently missing.

Recommendations

The Grenada coffee industry should be put on a financially sound basis or abandoned. First, the government should divest the processing plant, preferably to a private sector firm which can provide good business managment and integrate coffee processing into ongoing activities so that overhead costs can be shared with other products. In addition, installation of technically correct sorting screens in the dehuller will permit substantial reduction in the labor cost of cleaning coffee. Greater efficiencies in labor use could probably reduce salaries and wages by 50 percent. These changes will help reduce the average cost per unit of coffee processed. If a private sector firm cannot be found to take it, consideration should be given to formation of a coffee growers' association to operate the plant.

Second, the price paid to domestic coffee producers must be brought into line with the competition. If the domestic coffee industry is to remain unprotected by tariffs, Grenadian coffee producers must continue to compete with imported coffee beans from Trinidad. Since current estimates of domestic coffee production costs are unavailable, and since there are no data or empirical studies with which to determine the long-run supply response of coffee producers, the ability and willingness of domestic producers to compete is unknown. With appropriate technical assistance the growers should be able to increase yields above the reported low levels they now achieve and unit costs.

Spice Island coffee should be able to capture another 10 to 15 percent of the domestic market with an aggressive marketing campaign and increase the plant's volume. Combined with reductions in operating costs this has the potential for becoming a profitable business.

A change in the location of the coffee processing plant is a relatively simple matter because a minor amount of equipment and other assets are involved. Prompt divestiture of this enterprise is recommended.

MT. HARTMAN LIVESTOCK AND GENETIC CENTER

The Livestock and Genetic Center was founded in 1981 on an expropriated estate--Mt. Hartman--in the Point Salines area. The objectives of the project were to supply meat and breeding stock in pigs, sheep and goats, thereby increasing local consumption, reducing imports, and improving domestic herd productivity. Small amounts of vegetables such as corn, peas, tomatoes and cabbage are also grown on the property and sold to the Marketing and National Importing Board or direct to the public.

Administrative responsibility for the Center was transferred from the former Ministry of Agro-Industry to the Livestock Division of the Ministry of Agriculture in April 1984. The commercial meat supply objective was dropped leaving the provision of breeding stock the only function. Although animals will be sold to Grenadian farmers, the Center is not expected to be self-supporting; it will function as a government-subsidized service on the assumption that benefits will accrue to producers and consumers in the form of increased meat production and productivity.

Performance

Pig breeding stock and rearing facilities are good. Cuban technical assistance and breeding stock were provided to start the operation. Since the intervention in October 1983 management has deteriorated and much of the stock has been stolen. Over 100 sheep and goats--half the herd--have been stolen since January, and over 20 pigs have disappeared in the last few months. Little effort was made to control theft until June when the police

increased night-time protection in addition to the single watchman employed by the facility. Protection is difficult because the brush-covered hills on the border of the facility provide cover for thieves, and a large low-income settlement is adjacent to the Center.

The Center is unable to provide adequate inventory figures, but the animal inventory was valued at $EC67,000 on June 1, 1984. No financial records could be found for this operation: no budget, no record of sales (value or numbers of animals), no record of expenditures, no financial statements, and not even a guess as to the total cost of operation.

Recommendations

In the absence of a proper evaluation of the costs and benefits of continued operation cannot be conducted. The following recommendations are based on observations of the farm and interviews with the manager. The Center should be retained as a supplier of high quality boars because there is no other domestic supplier, imports are expensive and inconvenient to manage, and the country needs to increase both production and productivity. The same objectives are valid for sheep and goats, but there is no point in continuing this enterprise unless the herd can be protected. Pigs are easier to protect than sheep and goats because they are raised in confinement some distance from the property borders.

The Ministry of Agriculture believes there is an adequate demand for breeding stock to justify the Government continuing to operate this farm for that purpose. The objective would be to maintain a continuous supply of improved breeding animals to farmers. There are no private producers of breeding animals because it is not a profitable business. In most developing countries the improvement and distribution of breeding stock is a government function.

Accepting the conclusion that this is a legitimate function of the Ministry of Agriculture, the Government will incur a substantial cost in operating Mt. Hartman. The recommended plan of actions is: 1) conduct a study of demand for sheep and goat breeding stock, 2) determine if the Mt. Hartman Centre can meet that requirement, 3) prepare a farm management plan to achieve that objective at lowest cost to the Ministry of Agriculture (including a plan to protect the farm from the current high rate of theft), 4) prepare a work schedule and financial plan for the operation, and 5) implement the plan. It is recomended that USAID provide a technical adviser to assist the Ministry with carrying out the above plan of action.

As an alternative to the above plan of action the following should be considered. A private sector grain milling firm recently expressed interest in leasing the Mt. Hartman facility for production of purebred swine breeding stock, production of market pigs, and development of a commercial slaughter house and meat processing industry. If this interest becomes a firm offer, the Government should consider it seriously as an opportunity to achieve some important objectives at little public cost. Grenada swine producers would benefit from a ready supply of quality breeding stock, consumers would benefit from an increased supply of quality meat, and the country would benefit by saving foreign exchange currently spent on meat imports. Livestock imports accounted for an annual average of ten percent of Grenada's total value of imports from 1976 to 1980.1/

1/ Grenada: Delivery Of Veterinary Services, April 1984. Author and agency unknown.

GRENADA DAIRIES LIMITED

Grenada Dairies Limited is the sole manufacturer of ice cream in Grenada. It was acquired by the government from Bestlait Grenada Limited in November 1981, and resumed operation one year later following major plant renovation. In spite of strong demand for the product the enterprise has suffered from a combination of internal and external problems. The plant is currently operating at a fraction of capacity due to lack of dependable electricity.

Performance

Plant equipment was obsolete and fully depreciated when acquired by the government in 1981. In spite of renovation breakdowns are frequent and spare parts are difficult or impossible to obtain. The plant continues to operate with improvised repairs and an almost inoperable boiler. The boiler at the defunct Agro-Industries plant at True Blue might be substituted.

At first the quantity of ice cream reaching the outer parishes was limited due in part to inadequate refrigerated transport. A refrigerated truck was purchased but continued electricity shortages preclude merchants from purchasing quantities to stock. Approximately 75 percent of all sales are delivered by refrigerated truck. At present the company sells all the ice cream it can make and has no input constraint except electricity.

In its first and only full calendar year of operation (1983), Grenada Dairies Limited earned a net profit of EC$36,633 on sales of EC$153,305 (Table 17). During the first quarter of 1984 the company essentially broke even on sales of EC$42,083 due to continuing fixed costs when electricity shortages curtailed production.

TABLE 17

FINANCIAL PERFORMANCE OF GRENADA DAIRIES LTD.
(EC$)

	Year 1983	First Quarter 1984
Revenues and Stocks		
Sales	153,305	42,083
Closing Stocks	26,699	23,653
Finished Goods	472	0
Total	180,476	65,736
Expenditures		
Direct Wages	13,984	2,748
Fuel & Gas	7,906	768
Maintenance & Repairs	8,743	577
Donations	682	0
Supplies	67,978	20,048
Electricity	17,806	4,773
Water	3,095	1,248
Rental	200	0
Salaries	16,637	7,912
Staff Benefits	2,095	0
Shipping	481	310
General Expenses	4,188	937
Total	142,363	39,321
Plus Opening Stocks	1,480	26,699
Total	143,843	66,020
Net Profit	36,633	(284)

Recommendations

The Government of Grenada should divest Grenada Dairies Limited. Ice cream is not a strategic industry and there is no reason for the Government to be in this business. The private sector appears ready and willing to purchase this economically viable business; two prospective buyers have already expressed interest.

It is further recommended that a new plant site be obtained by the purchaser because the extensive renovation required in the present site would appear to be very expensive.

The plant's waterfront location is too valuable for this business.

The Government should sell or lease the property to a firm that required a waterfront location.

THE GRENADA SUGAR FACTORY LIMITED

The Grenada Sugar Factory Limited (GSFL) produces rum, syrup, molasses, methylated spirits and a small quantity of sugar for the domestic market using sugar cane produced by local farmers. Prior to 1979 the factory was owned privately, but when financial difficulties arose the government provided capital and services in exchange for 51 percent ownership. The private owners now claim the Government used questionable accounting practices and intimidation in the transaction. Management of the factory has remained in the hands of the private sector owners and negotiations are in process for the government to sell back its share.

Performance

Shortage on the quantity of cane processed by the plant declined by one-third from 8,610 tons in 1981 to 5,749 tons in 1983, (Table 18). The factory now operates at approximately 60 percent of capacity. Production of rum is constrained by lack of sugar cane, not lack of demand for the product. The factory does not pay a price sufficient to stimulate greater cane supply, hence producers have allowed production to dwindle. Furthermore, some cane producers distrust the factory management because of past transgressions and prefer to sell their cane to the five competing mills in the country. A public relations effort will have to be made to convince cane growers that the sugar factory has reformed its management policies. Steps will have to be taken to obtain more cane because the factory is installing a new alcohol still which will require about 30,000 tons of cane to operate at full capacity. The newly formed Sugar Cane Producers Association may be able to increase cane production sufficiently to make this a viable operation.

After turning a modest profit of EC$32,000 in fiscal year 1980 the factory lost money every subsequent year (Table 19). The private sector owners are willing to continue operations without government ownership in the belief that input supply constraints and other operating problems can be corrected.

Recommendations

The government should follow up on its intention to divest ownership in the sugar factory, as the private partner is apparently able and willing to own and operate it. Settlement should be negotiated with payments made over a number of years.

The government should help promote increased production of sugar cane. Increased cane production would allow increased rum production, which generates tax revenues and substitutes for

TABLE 18

PRODUCTION BY THE GRENADA SUGAR FACTORY, LTD.

Product	1981	1982	1983
Cane ground (tons)	8,610	7,459	5,749
Rum produced (proof gallons)	65,069	67,652	40,106
Syrup/Molasses (gallons)	179,635	138,760	133,591
Methylated spirits (gallons)	1,612	1,660	1,562
Sugar produced (tons)	45	58	59

TABLE 19

THE GRENADA SUGAR FACTORY LIMITED

PROFIT AND LOSS STATEMENT FOR YEAR ENDING JUNE 30

(EC$ Thousand)

	1980	1981	1982	1983
Sales				
Factory	1,252	1,239	1,689	2,480
Distillery	571	339	158	169
Other	9	11	27	11
Total	1,832	1,589	1,874	2,660
Expenditures				
Raw materials	427	379	517	520
Manufacturing costs	1,230	1,060	833	1,561
Field operations	(15)	112	176	182
Administration/overhead	135	119	159	210
Depreciation	59	196	253	255
Interest	(36)	(9)	(7)	1
Total Expenditures	1,800	1,857	1,931	2,729
Net Profit (Loss)	32	(268)	(57)	(69)

imports. Increased cane processing would also increase plant efficiency and lower the unit cost of production. Sugar cane is also a low cost, high quality feed source for beef cattle--an industry which needs rehabilitation in Grenada.

Sugar production for import substitution should be studied although it is unlikely that sugar can be produced locally at a cost less than triple the current world market price of US$0.07 per pound.

It is recommended that the factory grow 30 to 40 percent of its cane requirements to assure a minimum quantity be available at the times necessary to keep the plant operating. Purchases from independent cane growers will continue to make up the balance of supply. Approximately 1,000 total acres of cane will have to be cultivated to supply the 30,000 tons necessary to keep the new still operating at capacity. With proper agronomic conditions and management, yields can be increased by one-third in Grenada. To induce increased productivity by cane growers the factory should conduct intensive field trials on a limited scale to prove the benefits of available technology. Introduction of improved cane varieties from Barbados would be particularly appropriate.

NATIONAL FISHERIES COMPANY, LIMITED

The National Fisheries Company Limited (NFCL) was liquidated in March 1984 after three unsuccessful years. The NFCL was engaged in ocean fishing and the processing and marketing of fish for domestic consumption and export. In spite of technical assistance and the gift of ten trawlers from Cuba, the enterprise never became viable. It was organized in haste without feasibility studies and, equally important, without the support of local independent fishermen with whom this state-owned business was competing. The enterprise consequently encountered severe labor problems.

Performance

Grenadians complained that the ferro-concrete trawlers were unsuitable for local conditions, and that the Russian diesel engines that powered them could not be maintained for lack of parts. Four out-of-service trawlers are moored in the main harbor at St. George's, three with new diesel engines.

Fish processing equipment supplied by the Cubans was inadequate and the products did not meet export quality standards.

The financial performance of NFCL was poor; the enterprise lost EC$571,000 in 33 months, not including depreciation and interest (Table 20). Each of the two principal activities--fishing and processing--lost money. Revenue from fleet operations covered only 42 percent of costs and revenue from fish processing covered only 54 percent of costs.

Recommendations

The NFCL should not be reinstated; support of the fishing industry is best continued by the Ministry of Agriculture through the Artisanal Fishing Development Project (AFDP). This project, jointly funded by the International Fund for Agricultural Development and the Ministry of Agriculture, provides services to independent local fishermen--cold storage, input supplies, market facilities, credit and ice manufacture. Unfortunately, there are few NFCL assets that can be utilized by the Artisanal Fisheries Project but those that can should be transferred. Continued government support of the AFDP is warranted on the basis of the benefits which accrue to over 1,000 fishermen and their families and to consumers in the form of a steady and inexpensive source of protein. The AFDP is in the second year of its three-year program; over 650 boats and 400 motors have been financed through the Project to date.

TABLE 20

NATIONAL FISHERIES COMPANY, LIMITED

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT

APRIL 1981 - DECEMBER 1983

	EC$
Income	
Fishing Fleet Operations	387,532
Fish Processing Plant	86,110
Cold Storage Fees	12,287
Ice Sales	7,915
Boat Hire	14,159
Total	508,003
Operating Expenses	
Fishing Fleet	677,050
Fish Processing Plant	111,423
Total Operating Expenses	788,473
Overhead	
Fishing Fleet	241,557
Fish Processing Plant	48,766
Total Overhead Expenses	290,323
Net Profit (Loss) before depreciation and interest	(570,793)

The Grenville Market Cold Storage Unit is a prototype of six such facilities to be operated under the AFDP. Vendors can place their unsold fish in cold storage for a fee, thereby reducing losses and ensuring the public of a more constant supply of fish. Fishermen purchase ice from the plant for preservation of fish at sea, and vendors purchase ice for preservation of fish in the market.

Appointment of a Deputy Minister of Agriculture for Fisheries would improve the coordination of fishery support activities and emphasize the importance of the industry to the nation. Continuation of the AFDP effort to promote consumption of fish species not currently popular in Grenada is recommended, as is study of the effects of fishing on the island's ecology.

The AFDP should cease taking a proprietary interest in the fish harvested by artisanal fishermen because it will lead to financial losses, dependence by fishermen, and overfishing if the state guarantees purchase regardless of market conditions. AFDP activities should be limited to support services.

Controversy about the suitability and value of the Cuban fishing vessels should be resolved by obtaining technical assistance from persons knowledgeable in marine engineering and fishing operations. Prompt evaluation is recommended so that the vessels can be utilized or sold. Technical assistance from a marine engineer exerienced in fishing operations is necessary.

FORESTRY DEVELOPMENT CORPORATION

The Grenada and Carriacou national forests comprise about 17,000 acres, 10,000 of which are supervised by the Forestry Development Corporation (FDC). In addition, the FDC engages in small scale timber harvesting and milling. Creation of the corporate structure in 1979 reflected the government's intention of making forestry a self-supporting enterprise, an impossible

task given the limited revenue-generating activities planned at that time. However, most of the forestry-related objectives of the FDC were and continue to be justified:

- Preservation of watershed;
- Flood prevention and erosion control;
- Sustained yield of forest products;
- Foreign exchange savings via substitution for imported wood products;
- Expansion of educational opportunities for professional and vocational training; and
- Preservation of natural habitat for Grenada's flora and fauna.

These objectives should have been left in the realm of the public sector and financed out of general revenues with no expectation of being self-supporting.

The government reserve consists of natural forests and plantations of many species. The principal hardwoods are mahogany and blue mahoe--which are especially suitable for furniture--and gommier which is suitable for construction.

Grenada's only professional forester estimates that a forest resource valued at EC$ 50 million could be created with a well-managed harvesting and reforestation program. Additional social and environmental benefits would accrue.

The privately-owned Duncan sawmill at Grenville is prepared to increase its capacity and capability to handle and expanded volume if profit margins from government contracts are satisfactory.

Performance

There are several reasons for limited of harvesting of domestic timber. There has been a chronic lack of funds to train loggers and sawmill workers, purchase logging equipment, and build roads for access to the forest and for reforestation after harvest. Also, there has been a legitimate reluctance to log forests without proper equipment and management because of the irreversable damage that could result; most forest land is characterized by heavy rainfall, steep slopes, and thin soils.

Financially, the FDC has been a large money loser; it lost EC$271,353 in 1982 and EC$296,611 in 1983 (Table 21). Recurrent government grants were insufficient to cover losses.

Recommendations

The FDC corporate structure should be dissolved and Traditional forest management should be continued as part of the Ministry of Agriculture. Both logging and sawmill operations needed in conjunction with forest management should be done by private companies. Incentives are needed to induce the private sector sawmill company to increase both the scope and scale of operations. The cost of stumpage must be low enough to provide the logger/mill operator with incentive and ability to compete with imports. For example, a stumpage price of EC$50 per cubic meter per round log and a harvest of 5,000 cubic meters per year would provide government with revenue of EC$ 250,000, sufficient to cover annual reforestation costs.

Significant benefits could accrue to Grenada from cooperation between government and the private sector. The government would manage its preserve and other government owned lands, selling stumpage to the private sector which would log and mill it for the domestic market. Forestry would be a publicly supported activity, whereas logging and milling would remain in

TABLE 21

FORESTRY DEVELOPMENT CORPORATION

INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING DECEMBER 31 (EC$)

	1982	1983
INCOME:		
Sales	66,370	105,548
Other: Hire of Tractor	18,457	14,675
Government Grant	159,914	28,495
Total Income	244,741	148.718
EXPENDITURES:		
Salaries Includes Forestry Department		
And Sawmill Operators	59,742	97,726
Wages	92,610	69,032
Travel	9,074	7,728
Electricity	131	100
Fuel	13,695	16,923
Insurance	948	948
Office supplies	6,304	4,113
Repair and maintenance	13,854	4,752
Technical assistance	7,884	0
Telephone	0	724
N.I.S. Contribution	0	3,828
Bad Debts	0	1,559
Rent	0	400
Bank Interest		2,316
Miscellaneous	0	559
Total Expenditures	204,242	210,708
Trading Profit and Loss	(40,499)	(61,990)
Memo Items Not Consolidated		
Depreciation	18,245	118,245
Inventory	50,513	50,157
Bank Overdraft	-------	50,000

Depreciation figures suspect as sawmill more than 25 years old. Only tractor (D6) is of any value.

the private domain. Domestic employment and incomes would increase relative to current levels, and foreign exchange would be saved by import substitution.

MIRABEAU TRACTOR AND EQUIPMENT CENTRE

The Mirabeau Tractor and Equipment Centre provides tillage services to farmers for a fee, and operates a central garage for Ministry of Agriculture vehicles. Subsidized tillage service is provided by the Ministry of Agriculture because farmers needing tractor services for several acres of land cannot afford the purchase of tractors and plows. Private sector tillage service is almost nonexistent.

A comprehensive record-keeping system was only recently begun for the tillage service, so the level of activity is a rough estimate. Approximately 300 farmers per year use the service, with 500 acres plowed. About 200 acres of that are in sugar cane. Counting repeat passes over the same land for different operations, the total number of tractor hours supplied is approximately 3,000 per year. These figures indicate that the service is used on many small plots of land; the median plot size is approximately two acres.

Although accounts are unavailable for the tillage service operation, the price paid by farmers is estimated to be approximately half of actual cost. Farmers pay EC$50 per hour for a 100-horsepower tractor with operator and EC$35 for a 60-horsepower tractor. The former plows approximately two acres per hour, and the latter plows approximately one acre per hour. The total annual subsidy to farmers is at least EC$ 100,000, which translates to EC$ 333 per farmer and EC$ 200 per acre.

Performance

Management of this enterprise is inefficient. There is no clear directive defining the responsibility and authority of the manager and basic managerial tools, such as an up-to-date inventory of equipment, are unavailable. Additional examples of Centre deficiencies include:

- Complaints by farmers that the Centre is slow to respond to their requests for tillage services;
- Charges that the mechanics work on private vehicles at the workshop;
- Inoperable equipment due to lack of parts;
- Lack of essential equipment for tire repair and arc welding, delaying repairs;
- Unsatisfactory storage and dispensing facilities for lubricants and fuels.

There has been much discussion about the trade or sale value of the Russian and East German tractors acquired through gifts. Close examination indicates that little can be derived from tractor sales, if indeed a purchaser could be found. The used Russian tractors were obsolete when delivered to Grenada. They were received without spare parts and are today inoperable.

Recommendations

The Ministry of Agriculture should continue to provide tillage services on a fee basis, but the subsidy should be gradually eliminated. Extensive managerial reforms and policies must be implemented with the help of technical assistance to lower costs and financial losses, including:

- An immediate 50 percent increase in the price charged for tillage services, with future adjustments as necessary to break even financially;

- Introduction of a comprehensive accounting and record-keeping system and appointment of a full-time accountant on site;
- Improved scheduling of field operations to achieve more efficient use of equipment and operators;
- Definition of the authority and responsibilities of management personnel;
- Prohibition of private vehicles in the workshop area;
- Investment in essential vehicle repair equipment to reduce the down-time of vehicles;
- Disposal of obsolete and inoperable equipment; and
- Implementation of a policy requiring mechanics to own their own small tools.

Technical assistance for the garage is recommended such as that currently provided to the Central Garage (Ministry of Construction) by Sentra, Ltd. on contract to the Canadian International Development Agency (CIDA) and the Government of Grenada. Some of the problem areas to be addressed by a technical consultant in shop management are:

- Evaluation and placement of equipment and tools;
- Preventive maintenance program;
- Record-keeping to correctly charge labor and parts to personnel, equipment, and tasks;
- Procurement of spare parts and maintenance of inventory;
- Repair cost estimation;
- Calculation of equipment operating costs for use in setting service charges; and
- Establishment of guidelines for equipment disposal.

For the long-term the Government should encourage private operators to provide tillage services so the Ministry can get out of the business. The first step in that process is to charge

farmers the actual cost of tilling their land. Credit could be provided to operators wishing to buy equipment. The Ministry should offer training tractor operations and maintenance.

CARRIACOU SHEEP DEVELOPMENT PROJECT

The Carriacou Sheep Development Project is an activity of the Ministry of Agriculture. The Project's pastures, 95 acres in Dumphries and 35 acres in Limlair, are excessively overstocked for the dry season with almost 600 head of poorly conditioned sheep.

Overstocking is a common malpractice in the tropics. Herdsmen maintain a wet season carrying capacity through the dry season incurring heavy losses in animal condition and high mortality rates. The situation can be remedied and profits increased by reducing herd numbers by one-fourth to one-half during the dry season. Thus, maintaining good health throughout their life cycle and reaching slaughter weight earlier with lower mortality rates. Operators also have the option to harvest surplus grass as hay or silage for use when feed is scarce.

Project Objectives and Performance

The project objectives have been to produce stock and meat animals; it does neither well. To be successful it should focus on one purpose. The Sheep Project goal should be production and sale of high quality breeder animals to the private sector, both on Carriacou and the mainland of Grenada. The Project should also serve as a demonstration unit and model farm for educational purposes. Production of sheep for commercial meat sales should cease because it unnecessarily competes with the private sector and because it loses money. It is unlikely that it would ever be commercially profitable under government management.

Soil Erosion on Carriacou

There is much evidence of soil erosion on the island of Carriacou and the Government has extensive and potentially costly plans for erosion control measures. The principal causes of erosion are overgrazing and indiscriminate cutting of trees on hillsides. Controlling these two practices will eliminate a major part of the problem.

A water catchment project was constructed about twenty years ago in one area to reduce gully erosion from rainy season runoff. It is thought to be a failure by local residents because the hillside below the structure has gullies. The real failure is lack of maintenance. The structure encompassing about four acres is full of sediment and the trees and brush growing there indicate that it has not been cleaned in years. A small crawler tractor and blade could clean the catchment within a week. Either the original design did include an out-take or it is silted over. In any case the catchment pond cannot be drained between rains.

Recommendations

- Appoint a senior agriculturalist to Carriacou to provide leadership and management for MOA projects.
- Conduct a public educational campaign on problems caused by indiscriminate tree cutting and overgrazing of hillsides. Provide on pasture management and sheep husbandry.
- Give attention to maintenance of erosion control structures that are in place.
- Assign the Forestry Department responsibility for reforestation of the hillsides and introduce the production of food-growing species for local use.
- Include Carriacou agricultural staff in training programs to upgrade skills by participating in both Grenada and overseas seminars and short courses. Include Carriacou in the pest control programs to Grenada.

- Change the objective of the Sheep Development Project to that of producer of quality rams and ewes for sale to private sector sheep producers in Carriacou and the mainland, and eliminate the production of meat animals. With purebred Barbados Black Belly rams selling at EC$ 450, approximately four times more than meat animals, the farm should be self-supporting in the production quality breeding animals for sale locally and for export. One hundred high-quality breeding ewes would provide for a significant improvement in Grenada's breeding stock without overgrazing the farm. The National sheep herd on Grenada and Carriacou is about 6,000 and about 1,800 are slaughtered annually for meat.

GRENADA AGRO-INDUSTRIAL RESEARCH AND DEVELOPMENT CENTRE

The Grenada Agro-Industrial Research and Development Centre (GARDC) was founded in 1972 with a grant of 35,000 Pounds Sterling from the British Government. Prior to 1981, simply called the Produce Laboratory, its purpose was to test and monitor the quality of food products produced domestically and imported. GARDC is not and never has been an "agro-industry", it is a services facility. The People's Revolutionary Government (PRG) used the laboratory to develop a technical base for the food canning plant opened in 1981, known as Grenada Agro-Industries Limited (GAIL). The lab was made a subsidiary of GAIL and handled quality control until the canning plant ceased production in October 1983. One of the principal activities of the staff now is monitoring the quality of approximately EC$700,000 of canned foods still stored in warehouses of the Marketing and National Importing Board.

Performance

The laboratory has provided an essential service to Grenada over the years. The staff is competent but would benefit from training in the latest laboratory techniques. Equipment in the working area of the laboratory is well maintained but much stored equipment is inoperable for lack of parts and service. A staff of seven is maintained although underemployed since the demise of

the canning plant. The building needs renovation to control temperature, humidity, and dust. Redefinition of the objectives and scope of activities of this facility is needed.

Feed Control Function

The laboratory should develop on animal feed control function beyond the capacity to analyze feeds for protein, fat and fiber for the verification of feed bag tags.

It is suggested that Grenada introduce livestock feed regulations and standards to protect livestock producers and promote higher quality feed. It is possible that the Caribbean Agro-Industries feed mill in Grenada would routinely submit samples for analysis on a fee basis to check composition of feed ingredients and finished feeds.

Recommendations

The laboratory should be retained by the Ministry of Agriculture and supported primarily by public funds. The following functions are suggested:

- Monitor the quality of processed and unprocessed foods produced by and imported into Grenada;
- Maintain a current list of grades and standards required by countries importing Grenadian products and work with exporters to help them comply;
- Provide technical advice on food and feed processing and other technical subjects for potential investors in Grenada;
- Cooperate with the Ministry of Health to identify and control hazardous food conditions in Grenada;
- Develop livestock feed control capability to check quality of feeds produced in Grenada and imported.
- Provide other technical services to government agencies and the private sector on a fee basis.

CHAPTER THREE
OPERATIONS OF THE COMMODITY ASSOCIATIONS

COMMODITY ASSOCIATIONS IN GRENADA

The four commodity associations in Grenada have been granted exclusive rights to export members' produce. These commodity associations are:

- Grenada Banana Cooperative Society (GBCS)
- Grenada Cocoa Association (GCA)
- Grenada Cooperative Nutmeg Association (GCNA)
- Minor Spices Cooperative Society (MSCS)

Most of the estimated 8,000 full- and part-time farmers in Grenada belong to more than one of these associations, yet deal separately with each one.

Grenada Banana Cooperative Society (GBCS)

The GBCS is a statutory body established by the Banana Ordinance of 1955. It has the authority to rehabilitate banana plantations, stimulate production and control the sale of all bananas produced for export. Membership in the GBCS is open to all banana growers.

General Objectives

The general objectives of the GBCS are:

- "To keep abreast with all the developments related to the production, reception and handling of bananas for export; with a view to adopting these techniques where such will bring appropriate benefits to growers and enhance output and over-all fruit quality."
- "To ensure that all registered banana growers are kept daily informed on the following matters:

-- Individual credit and cess balances

-- Information related to the marketing of bananas on both the domestic and foreign scene."

- "To conduct all operations in a manner that ensures continuing reasonable investment and financial viability."

More specific objectives stated in 1981 are:

- Facilitate the delivery process at boxing plants, consistent with quality standards and issue payment to growers within three days of delivery of fruit;
- Re-equip boxing plants with platform scales;
- Design and implement strategies for reducing operating costs of GBCS's processing plant;
- Through assistance of a financial advisor to prepare (by June 1982) an accounting manual to increase accounting efficiency procedures;
- Have NCR computer fully operational by June 1982;
- To provide training opportunities for office and field staff and mechanics as an on-going exercise;
- Increase extension activities by working closer with cocoa rehabilitation and better utilizing the government's feeder road program;
- To initiate collaboration in joint activities of mutual interest with the other two commodity associations;
- To implement a prepaid cess scheme for providing farmers with nematicide for nematode control;
- Intensify Moko eradication campaign;
- To cooperate with WINBAN Research in setting up six Piche evaproimeters which will enhance the present Leaf Spot forecasting system and reduce control by approximately 7-10 percent;
- Intensify efforts with farmers and farmer groups to increase the number of field packs to 40 (by end of 1982); and
- To have all growers who own or hold land entitlements (rents) registered.

Major Functions of the GBCS

The major functions of the GBCS are as follows:

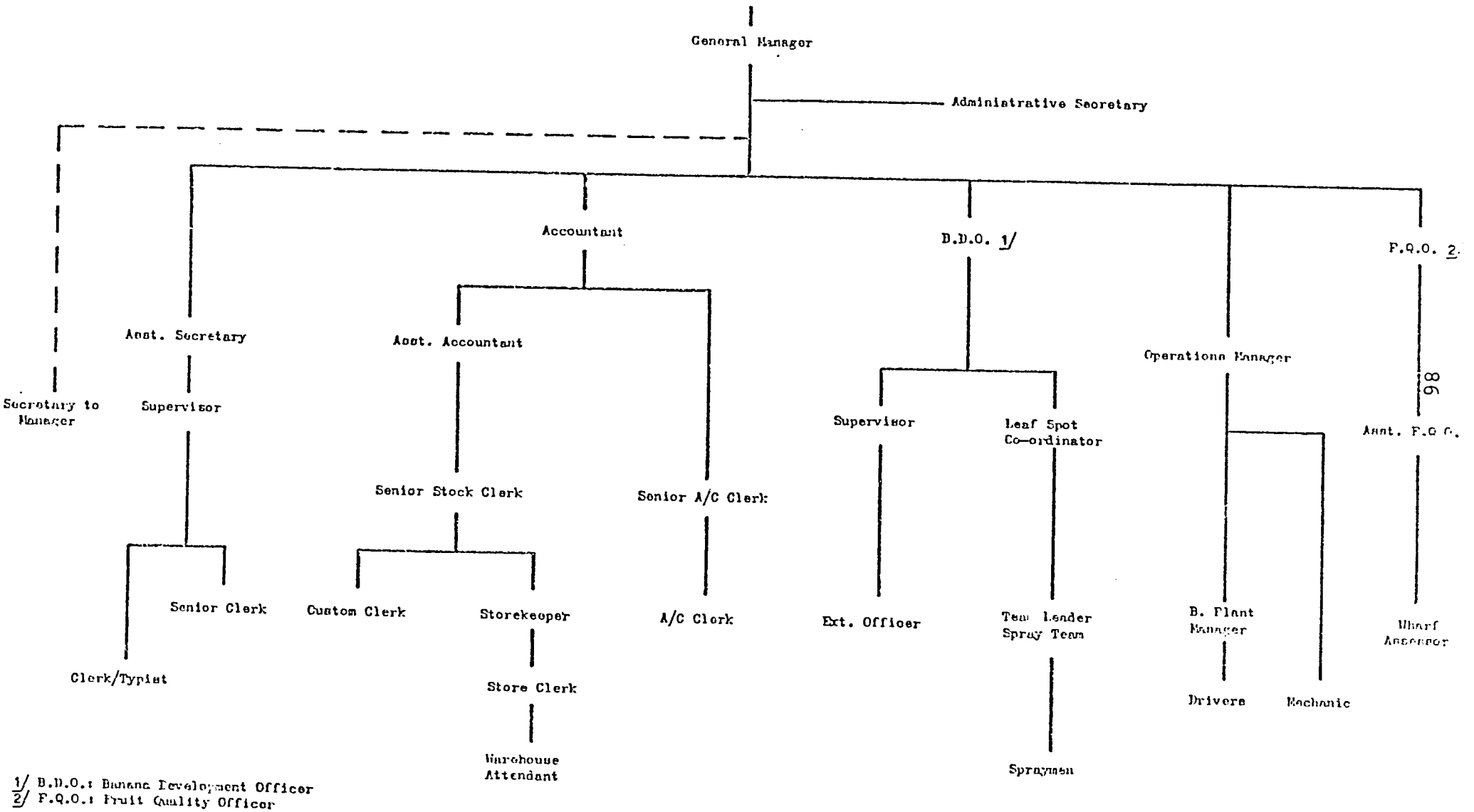
- Receiving, selection, processing, boxing and transportation of bananas to the shipping port;
- Importation and distribution of agricultural inputs;
- Provide an extension service to growers;
- Control of two major banana diseases (Leaf Spot and Moko);
- Monitoring of fruit quality;
- Keeping records and accounts;
- Coordinating services provided by WINBAN (Windward Islands Banana Growers' Association); and
- Maintaining an efficient operation to insure viability of banana growers.

Organizational Structure and Management

The 10-member Committee for Management (Board of Directors) has been appointed by the government since 1972. In 1972 the elected board was dissolved and replaced by government appointees according to the General Manager. However, a recent government directive authorized the GBCS to elect six of its members from the ranks of growers. Not less than two or more than four members can be appointed to the Board by the government according to the directive (the same directive applies to the GCA and the GCNA). In April 1984, six Board members were elected by the growers in conformance with the government's policy to reduce governmental influence and interference in affairs of the commodity associations.

The GBCS is headed by a General Manager who reports to the Board. Four departmental heads and the Administrative Secretary report directly to the General Manager. There are 32 full-time, direct employees of the GBCS. The organizational structure of the GBCS is shown in Figure 2.

Figure 2 - Organizational Structure of the GBCS



Source: Grenada Agricultural and Diversification Project, Vol. II, FAO/World Bank, 1983.

Importance of Bananas in Grenada Agriculture

The banana industry can be said to be the focal point of agriculture in Grenada. Banana trees provide the necessary shade for two long-term maturing crops, nutmeg and cocoa. The harvest and sale of bananas in a relatively short time period (about nine months from planting) allows farmers to help pay for their long-term investments in cocoa and to a lesser extent nutmeg. Without the sale of bananas to cushion the financial drain of new acreages of cocoa and nutmeg, it is questionable that many new stands of these crops would be established.

The GBCS represents approximately 1,400 banana growers who produce bananas for export on approximately 2,800 acres of land. With an average of five family members per grower, banana exports affect about 7,000 people.

GBCS Services to Growers

The GBCS provides a number of important services to its growers, described below:

Credit. The GBCS is a major supplier of credit-in-kind to its members in the form of fertilizer and chemical inputs. Fertilizer credit is advanced to growers on the basis of one pound of fertilizer for eight pounds of bananas sold by the growers the previous quarter. Farmers prepay through a cess fund which is deducted from each pound of bananas marketed. The cess fund covers expenses projected by the GBCS for that year. The cess deduction in 1984 is EC 4.5 cents/lb.

Agricultural Inputs. Banana growers have been able to purchase some additional quantities of fertilizer from the GBCA, but the recent shortage of operating funds to import fertilizer now limits stocks to credit sales.

The GBCS, in cooperation with the Windward Islands Banana Growers' Association (WINBAN), also undertakes island-wide aerial spraying for Leaf Spot disease. The spray program is paid for by all members on a per-pound-of-fruit-sold basis, deducted before the growers' price is determined.

There are 22 technicians on the WINBAN supported Moko Eradication Team destroying banana mats (root systems) where Moko disease is found. Leaving the land barren is the only known control measure. Other pesticides can be purchased from the GBCS for individual application.

Fruit Quality Monitoring. Fruit quality monitoring is conducted by the GBCS in conjunction with extension personnel, boxing plants, wharf assessors, WINBAN and Geest Industries.

Extension Services. Two supervisors and seven field assistants report to the Banana Development Officer--the head of the GBCS extension program. The functions of the extension staff include teaching improved cultural techniques, assessment of disease infection levels, organization of field days, collection of relevant data, and liason with the WINBAN Research Department, the Fruit Quality Officers and boxing plant managers.

Operation of Boxing Plants. The GBCS operates six boxing plants of its own and receives bananas from nine private boxing plants. In 1983, 76 percent of exported bananas were packed in boxing plants and 24 percent field packed by growers. In 1983 the plants employed an average of 273 laborers one day per week.

Marketing. The GBCS is one of four members of WINBAN. Other members include the banana growers associations in St. Lucia, St. Vincent and Dominica.

Through WINBAN the four banana growers associations conduct research, disease control services, and marketing. WINBAN negotiates marketing contracts for the four associations in the United Kingdom, (U.K.). The current quota is 120,000 tons annually, of which Grenada is supplying about nine percent.

A formal marketing agreement exists between WINBAN and Geest Industries, Ltd. based on the terms and conditions of banana marketing in the U.K. Geest Industries, operates a regular weekly shipping service between the U.K. and the West Indies. Geest is the sole transporter and importer marketing agent of Windward Islands bananas in the U.K. Geest also plays a major role on behalf of WINBAN in obtaining a quota for bananas in the U.K. by participating on the Banana Trade Advisory Committee. This Committee compares supply and demand forecasts to insure a market for all bananas from traditional producers.

Past Government Intrusions into Marketing Activities

In 1972 the government dissolved the Board of Directors of the GBCS which had been composed of six elected and four government-appointed members and replaced it with a Government-appointed board. The Interim Government recently returned to the original proscribing legislation in that six of the ten Board members are elected by the growers and three appointed by the Minister of Agriculture. The GBCS members elected six Board members in April 1984.

There were no other apparent direct intrusions into the activities of the GBCS by the two former governments.

Financial Position of the GBCS

Production and exports in 1983 were the most depressed in over 15 years (with the exception of 1974 the year of a major hurricane). There has been a 38 percent decline in banana exports over the past five years and a 13 percent decline from 1982 to 1983 alone.

Table 22 shows exports of 9,835 metric tons in 1982, sold at a F.O.B. value of EC$ 8.9 million. This volume dropped to 8,599 metric tons in 1983, which was sold for EC$ 8.2 million. This decline in exports occurred at the same time there was an unfilled quota in the marketing agreement to the U.K. Despite the decline in exports, growers' receipts show an increase from EC$ 3.6 to EC$ 3.9 million from 1982 to 1983 reflecting the 7 percent increase in average prices received by growers (Table 23).

Current account deficits were incurred in each year from 1977-1981. In 1981 there was a record loss of EC$ 1.5 million. In 1982 a drastic reduction of growers' prices combined with cost cutting economies were used to reverse the downward trend, producing a surplus of EC$ 561,000. In 1983 a deficit of EC$ 156,410 was incurred when exports further declined increasing the accumulated deficit to EC$ 991,740.

So far in 1984 the GBCS has received between EC 33.6 and 47.0 cents/lb. for bananas. The average gross price received by growers is EC 19.5 cents/lb. with 4.5 cents deducted for the cess, for a net price of EC 15 cents/lb. This price does not cover production costs for most growers.

Table 24 compares operating costs in 1982 and 1983. The cost of banana sales in 1982 remained about the same as 1983 and administration costs rose slightly by 1.5 percent. Boxing plant operationing expenses increased 10 percent on a per-pound basis, although total boxing plant expenses decreased by 6.7 percent as salaries and wages at boxing plants declined in 1983 by 5 percent.

Table 22 Amounts and Value of GBCS Banana Exports - 1979-83

Year	Export in Tons (MT)	Export Value
1979	13,798	EC$ 9,819,835
1980	11,819	10,672,711
1981	11,201	9,872,056
1982	9,835	8,942,723
1983	8,599	8,207,422

Source: 1983 Annual Report - GBCS

Table 23 Growers' Receipts and Prices Received per Pound - 1979-1983

Year	Growers' Total Receipts	Cents per lb. to growers
1979	EC$ 5,436,280	EC 17.9 cents*
1980	5,750,046	21.4
1981	5,600,446	22.0
1982	3,635,619	17.88
1983	3,585,841	19.38
1984	- - - - -	(June prices) 19.5

*Does not include deduction for cess fund which is 4.5 cents/lb. in 1984, leaving 15 cents/lb. net to growers.

Source: 1983 Annual Report, GBCS and interviews with General Manager.

Table 24 Fluctuations in Selected Budgetary Items 1982-1983

	1982	1983	Comments
Total bananas sold (lbs.)	22,031,456	19,262,742	Decline; -12.6%
Gross revenue from sales	EC$ 8,920,220	EC$ 8,189,471	Decline; -8%
Cost of sales	3,635,220	3,585,841	Same
Admin expenses	428,328	435,848	Slight increase; +1.5%
- Salary and wages	219,317	216,094	Decline
Operating expenses	4,219,980	3,967,601	Slight decrease
Boxing plant operations	786,000	732,965	Decline; -6.7%
- Salary and wages	369,247	350,264	Decline; -5%
- Average operating cost/lb. of bananas sold	EC 5.4 cents	EC 6.0 cents	Increase; +10%
Value of banana weight shortages, pier rejects and left back fruits	EC$ 112,335	EC$ 170,277	Increase; +34%

Source: 1983 GBCS Financial Statement.

A comparison of the cost structure of the St. Vincent Banana Growers' Association (SVGBA) was made in a recent study.[1] The SVGBA is comparable to the GBCS in size and operations and, according to the report, provides a useful yardstick for comparison. The study compared Grenada with St. Vincent for the years 1978-1982 on a cost-per-pound of fruit exported. Potential for cost savings in Grenada boxing plant operations was found. The report stated, "there is no doubt that the plants are overstaffed" and "the number of workers seen in the plants is higher than in similar plants seen elsewhere in the Caribbean."

Administrative costs in St. Vincent account for a lower percentage of total expenditures than in Grenada, indicating further potential for cost reductions.

The per-acre cost of pest and disease control was found to be considerably less in St. Vincent, although the different terrain and cropping patterns accounted for at least some of the difference.

Costs of cartons and packaging materials were the single largest cost component for both Grenada and St. Vincent.

Although expenditure differences between the two associations are not dramatic the disparities are nonetheless significant. The report states, he absence of further reductions in the Society's costs combined with better productivity and less wastage it is difficult to see how the banana industry in Grenada can be viable."

---

[1] Project Brief on the Grenada Agricultural Production and Diversification Project - Vol.II, FAO/World Bank Cooperative Programme, 1983.

Tables 25 to 29 give the 1983 Financial Statement of the GBCS and a review of the 1982 performance.

Major Problem Areas

Published materials and interviews with those familiar with the banana industry in Grenada have specified various problem areas--some of which are common to farming operations in general.

Farmers' Problems According to 1981 Agricultural Census.

- Praedial larceny (considered very serious);
- Unavailability of labor;
- Pest and disease (Leaf Spot and Moko in bananas);
- Lack of planting materials; and
- Bad roads.

Low Prices and Reduction of Inputs. Some farmers are reported to be taking land out of production and, in some cases, not harvesting fruit due to low prices. Quality is down and rejects are increasing because of a letdown in cultural practices such as fertilizer application, sleeving and sanitary controls. According to the 1983 GBCS Annual Report, the cost of producing and selling a pound of bananas varied between EC 14 and 16 cents in 1983, provided the full package of inputs as recommended by WINBAN's Research and Development Department was employed. Some knowledgeable persons interviewed said that these production costs can only be attained if unpaid family labor is used. With hired labor, costs could increase to over EC 20 cents a pound.

Moko Disease. Moko disease is the most serious threat to the banana industry in Grenada. There are currently 22 field technicians and supervisors attempting to control the disease by destroying banana root systems (mats) in a wide area around infected plants (see Table 30). Understandably some farmers

Table 25 Cost Breakdown Ratios of Largest Expenditure Items - 1982-1983 (EC$)

(Percent of net revenue)*

	1982		1983		Overall % change 1982 to 1983
	Expenditures	% of net revenues	Expenditures	% of net revenues	
Cartons and wrapping materials	EC$ 1,944,237	36.7%	EC$ 1,785,969	38.7%	-8%
Disease and pest control	897,110	16.9%	817,994	17.7%	-9%
Assoc. boxing plant operations	786,987	14.9%	732,965	15.9%	-7%
Administration costs	435,845	8.1%	428,328	9.3%	-1.7%

*Net revenue: Total revenue less payments to growers of basic growers' prices - (1982 - EC$ 5,284,601; 1983 - EC$ 4,603,630).

Source: 1983 GBCS Financial Statement.

TABLE 26 - GRENADA BANANA CO-OPERATIVE SOCIETY

BALANCE SHEET AT 31ST DECEMBER, 1983

	Notes	1983	1982
CURRENT ASSETS			
Cash at bank		106,886	195,568
Accounts Receivable:			
Growers (less provision for doubtful accounts $100,000)		770,637	874,308
Windward Islands Banana Growers Association		206,044	207,068
Other receivables	3	431,955	224,694
Inventories		335,064	420,504
		1,850,586	1,922,142
LESS: CURRENT LIABILITIES			
Bank overdrafts	4	520,517	593,230
Accounts payable and accrued liabilities		816,954	416,648
Long term liability - Instalments due within one year	5	66,683	166,019
		1,404,154	1,175,897
WORKING CAPITAL		446,432	746,245
LOANS RECEIVABLE	6	135,000	135,000
FIXED ASSETS	7	710,587	731,636
DEFERRED LOSS ON FOREIGN EXCHANGE	8	1,419	12,062
		1,293,438	1,624,943
LESS: LONG TERM LIABILITIES	5	232,593	437,387
NET ASSETS		$1,060,845	$1,187,556
REPRESENTED BY:			
FUNDS OF THE SOCIETY			
General Fund		(991,740)	(835,330)
Special Funds		2,052,585	2,022,886
CAPITAL EMPLOYED		$1,060,845	$1,187,556

The notes on pages 7 to 10 form part of these financial statements.

: Chairman : Secretary

Source: GBCS Financial Statement - 1983.

TABLE 27 - GRENADA BANANA CO-OPERATIVE SOCIETY

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31ST DECEMBER, 1983

	Schedule	¢ per lb.	1983	¢ per lb.	1982
Income					
Net surplus from:					
Sale of fruit (page 5)		3.30	636,029	4.83	1,064,621
Fertilizers and other imputs	2	0.14	26,703	0.21	46,779
Other income	6	0.04	8,601	0.05	9,689
Total Income		3.48	671,333	5.09	1,121,089
Expenses					
Truck operating expenses (net)	4	1.05	201,803	0.88	194,025
Administration	5	2.25	435,898	1.94	428,328
WINBAN		1.25	203,363	0.62	135,676
Other Expenses	7	0.02	4,271	0.01	1,321
		4.57	845,335	3.45	759,350
(Deficit)/Surplus before extra-ordinary items		1.09	(174,002)	1.64	361,739
Extraordinary items					
Share of loss of revenue of banana shipment			(24,075)		-
Share of sale of banana ship			-		158,156
Dividends from WINERA donated by the Government of Grenada			41,667		41,667
(Deficit)/Surplus for the year			(156,410)		561,562
Accumulated Deficit					
Balance at 31st December, 1982					
As previously reported			(835,330)		(1,387,123)
Prior year adjustment (note 10)			-		(9,769)
As restated			(835,330)		(1,396,892)
Balance at 31st December, 1983			$(991,740)		$(835,330)

The notes on pages 7 to 10 form part of these financial statements.

Source: GBCS Financial Statement - 1983.

TABLE 28 - GRENADA BANANA CO-OPERATIVE SOCIETY

STATEMENT OF FRUIT OPERATIONS
FOR THE YEAR ENDED 31ST DECEMBER, 1983

	Schedule	1983		1982	
Total pounds sold			19,262,742		22,031,456
		¢ per lb.		¢ per lb.	
Sales		42.52	8,189,471	40.48	8,920,220
Cost of Sales		18.62	3,585,841	16.50	3,635,619
Gross Surplus		23.90	4,603,630	23.98	5,284,601
Deduct: Operating Expenses					
Disease/pest control		4.25	817,994	4.07	897,110
Association baxing plants	3	3.81	732,965	3.57	786,987
Private boxing plants		0.34	64,754	0.37	80,288
Cartons and wrapping materials		9.27	1,785,969	8.83	1,944,237
Boxing premium		1.27	245,252	1.07	236,486
Sleeving bonus		0.20	37,595	0.10	21,703
Field boxes allowance		0.18	34,253	0.21	46,784
Export tax		0.15	28,616	0.15	33,706
Insurance cess		0.25	48,147	0.25	55,079
Banana weight shortages, pier rejects and left back fruit		0.88	170,277	0.51	112 335
Other		0.01	1,779	0.02	5,265
Total Operating Expenses		20.61	3,967,601	19.15	4,219,980
Surplus transferred to statement of Income and Expenditure		3.29	$ 636,029	4.83	$1,064,621

The notes on pages 7 to 10 form part of these financial statements.

Source: GBCS Financial Statement - 1983.

TABLE 29 - GRENADA BANANA CO-OPERATIVE SOCIETY

MANAGEMENT INFORMATION SCHEDULES
FOR THE YEAR ENDED 31ST DECEMBER, 1983

	1983	1982
ADMINISTRATION EXPENSES		
Salaries and wages	216,094	219,317
Board Members allowance	11,980	13,000
Travelling and subsistance	22,529	17,208
Repairs and maintenance	7,048	7,146
Rates and taxes	3,735	495
Electricity	3,228	4,209
Insurance - General	1,556	1,556
Stationery, printing and office supplies	20,810	17,067
Telephone and cables	8,842	7,022
Consultancy fees	13,966	17,354
Audit and accountancy fees and expenses	17,956	16,236
Interest and bank charges	66,137	56,018
Entertainment	2,216	1,290
Subscriptions and donations	2,263	508
Training	50	6,358
Legal fees	1,875	500
Security service	6,560	6,085
Depreciation	12,221	11,737
National Insurance contributions	5,760	-
Pension and gratuity	6,855	17,225
Emulation awards	60	2,580
Other Expenses	4,157	5,417
	$435,898	$428,328

Source: GBCS Financial Statement - 1983.

Table 30: Mats Destroyed By Moko Eradication Teams in 1983

Type	No. Diseased Mats Destroyed	Buffer Zone Mats Destroyed
Bananas	10,605	3,370
Bluggoes	3,073	1,590
Plantains, others	300	5

Source: 1983 GBCS Annual Report

resist the eradication of healthy banana plants in buffer zones around infected areas. Compensation, previously given to growers (EC$ 3.00 per mat destroyed), has been suspended.

GBCS Financial Difficulties. The GBCS has incurred deficits in four of the past five years. These deficits are partially the result of price subsidy payments to growers in low price years as an incentive to continue harvesting bananas. Another reason for deficits is the increase in the percentage of fixed costs per unit of production which has occurred as exports decreased over the past five years. These deficits have hampered GBCS operations, for example, by reducing the amount of fertilizer and pesticides kept in stock for cash sales.

Accounting System. The GBCS is the only banana growers' association in the Windward Islands that does not have a computerized accounting system. Difficulties are encountered keeping track of 1,400 growers' accounts. Weekly statements of sales, prices per pound, cess deductions for credit, etc. are included in sub-accounts kept for each grower. In the present system, it is difficult to maintain current account balances. The GBCS needs both money and technical assistance to purchase a computer and train operating staff.

The GBCs General Manager believes the accounting systems of the three major commodity associations could be combined with one automated system. The feasibility of this idea has not been studied, although meetings have been held by the commodity associations' General Managers to discuss the concept of merging accounting systems and other selected activities.

Legal Challenge to the U.K. on Banana Quota System. A legal challenge from the European Economic Community (EEC) has been filed against the U.K., asserting that the quota system is tantamount to a trade barrier and in violation of the open market provisions of the EEC. The U.K. maintains that its traditional

suppliers require protection. In the event the courts rule against the U.K., it is highly doubtful that Grenada could compete on the open market.

WINBAN. As described earlier, WINBAN provides assistance in marketing, fertilizer purchases, disease control, research and development, extension and quality control. WINBAN is the mechanism through which some external donor assistance is provided. Most of the activities of WINBAN, however, are paid for by the growers from each country through the prepaid cess. The WINBAN program will continue on a long-term basis.

Input Revolving Fund (IRF). The Caribbean Development Bank has approved financing for an Input Revolving Fund for the four Windward Islands to increase the volume and quality of bananas produced for export. Grenada will be eligible for US$ 300,000 under the IRF. WINBAN will manage the fund and procure the agricultural inputs.

Some WINBAN members have reservations about joining the IRF arrangement because of the CDB requirement that each disbursement must be fully repaid prior to receiving the next allotment of funds.

British Development Division (BDD). Funding for the banana extension program by the BDD officially ended in 1982. However, previously undisbursed funds have kept the program active through 1983. The BDD and the Government of Grenada have signed a loan agreement for EC$ 600,000 for the Grenada banana industry to rehabilitate some 500 acres of bananas over a two-year period (300 acres in the first phase). Some assistance is provided to the GBCS budget to enable a subsidy to be paid to growers for bananas sold.

Other Performance Factors

Higher Quality and Fewer Rejects. Boxing plant rejects due to poor quality have decreased substantially in recent years. Rejects in 1981 were down to 379 tons (3.3 percent of total handled), 178 tons (1.8 percent) in 1982 and 106 tons (1.2 percent) in 1983. These decreases can be attributed to more emphasis by GBCS management on handling operations and increases of field packs by growers which reduce the incidence of bruised fruit.

Alternative Crops for Export by the GBCS. GBCS management is considering the possibility of exporting other fruit. Completion of the new airport will offer an improved means of air transport from Grenada, and could open new markets for fresh fruit in North America and Europe.

The GBCS already has collection and packaging facilities for bananas set up in various parts of Grenada. It also has personnel and experience in grading, packing and preparation of a fruit for export. Other fruit such as papaya, mango, and over-ripe bananas (harvested too late to withstand the boat trip to the U.K.) might be developed into another income source for the GBCS and growers.

Evaluation of the Viability of the GBCS

Goals and Objectives

The long-term goals of th e GBCS are 1) improved operating efficiency, 2) the adoption of improved techniques for banana production, 3) effective market information system.

Although GBCS management cannot be faulted for current low prices, there are opportunities for administrative and accounting system improvement which could lower marketing costs and increase

the incomes of growers. There are 14 specific objectives listed by the GBCS for the short and medium term. Of the five that have not been implemented, two have to do with improvements in the accounting system (development of an accounting manual and utilization of the NCR accounting register machine). The other three are concerned with disease control and a proposed study of a banana ripening facility.

Non-implementation of accounting reform is detrimental to GBCS operations because inability to determine current costs hinders management in identifying how and where cost cuts can to be made.

Financial Performance. The dismal financial performance of the GBCS can be partially explained by the decline of exports the past five years. However, there are other reasons for the poor financial performance, including the overall management system of the GBCS.

The General Manager spends an estimated 40 percent of his time with WINBAN activities, leaving 60 percent for GBCS management. The administrative staff is not strong, and delegation of authority to mid-management personnel is minimal.

The Accounts Department was criticized in the 1983 FAO/World Bank Report, stating that,

> "Neither the managers nor individuals in the Department have formal training in accounting. It is acknowledged in the GBCS, by the GOG and by other interested parties, that there is a great need to upgrade the level of skills in the Accounts Department."

Conformity with Marketing Requirements. Marketing requirements are established for Grenada's bananas in WINBAN's agreement with Geest Industries. The GBCS has conformed with most of the

marketing requirements, however, it has been lax in not providing a consistent volume of bananas for the market. Grenada's share of exported bananas has decreased substantially the past five years.

Grenada Cocoa Association (GCA)

The Grenada Cocoa Association (GCA) is a statutory body established by the Cocoa Industry Ordinance of 1964. The GCA is vested with authority by the Ordinance to market all cocoa produced in Grenada for export. The GCA is the sole exporter of cocoa and may engage agents to carry out various activities, including the collection, storage, processing, packing, and transportation of cocoa.

The governing body of the GCA is the Grenada Cocoa Industry Board (GCIB).

Objectives of the GCA

The objectives of the GCA as stated in the Grenada Cocoa Ordinance (No. 30 of 1964) are as follows:

- "Encourage improvements in the quality of cocoa prepared in, and exported from Grenada"
- Ensure that the most favorable arrangements are maintained for the purchase, sale, handling, grading, exportation and marketing of cocoa for the benefit of the cocoa industry"
- "Encourage improvements and replacements of existing fermentation and drying installations and further encourage the provision of additional installations when and where, in the opinion of the Board, these are required"
- "Encourage co-operative enterprises in the receiving and preparation of cocoa"

Major Functions of the GCA

Major functions of the GCA are as follows:

- Grant and renew licenses to wet and cured cocoa buying agents;
- Fix prices paid to producers for wet or dry cocoa;
- Regulate minimum prices which cocoa should be offered for sale in the export market;
- Account for all money passing through the GCA;
- Grant licenses to all registered cooperatives to operate fermentaries which are suitable;
- Arrange for purchase and marketing of cocoa; and
- Advise the government on all matters affecting the industry.

Organizational Structure and Management

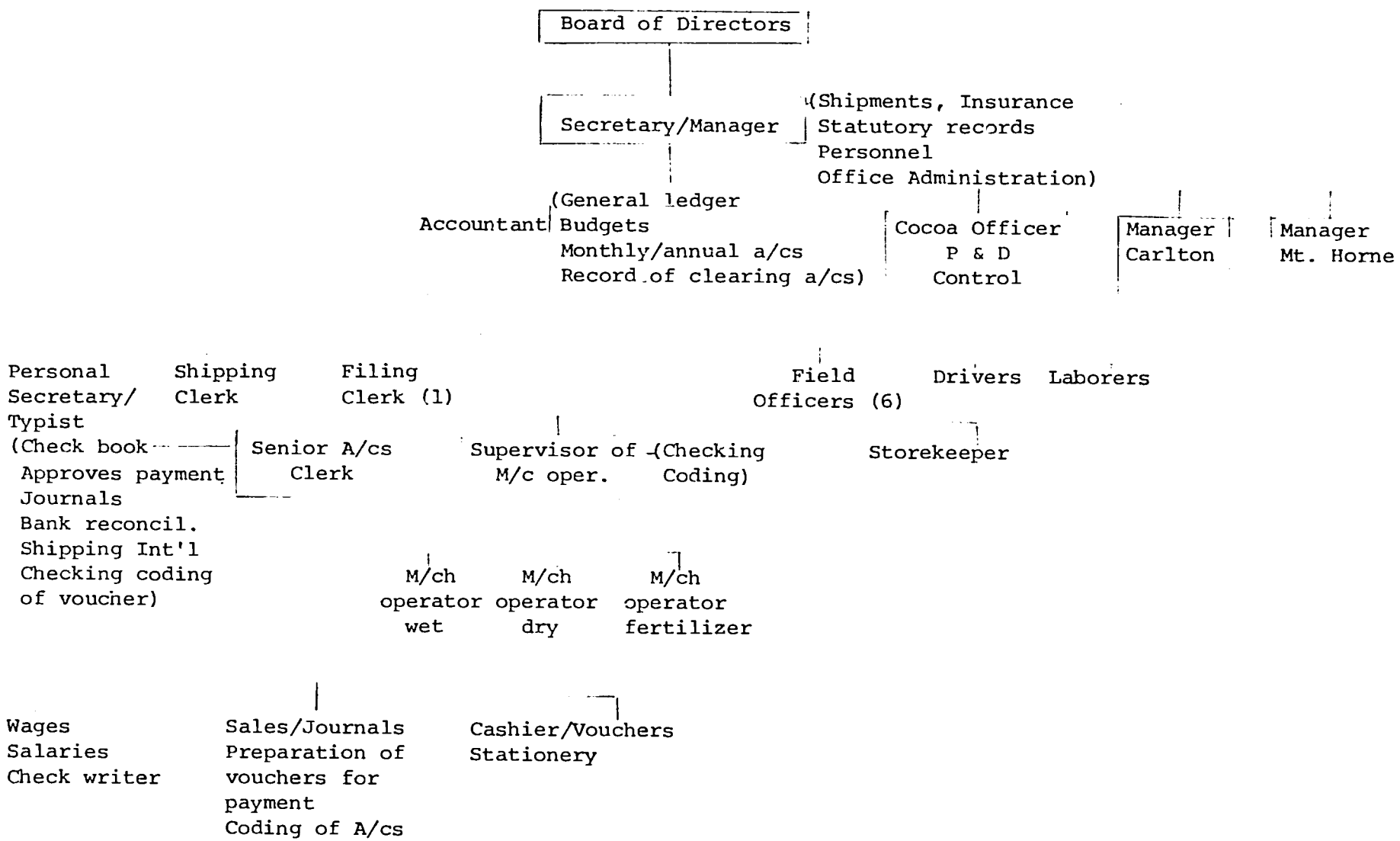
The GCIB or governing Board is composed of nine individuals. On June 28, 1984 six Board members were elected by the member growers after having a government appointed Board since 1969. Three Board members are still appointed by the government.

The GCA is headed by an Executive Secretary (General Manager) who reports to the Board. There are 196 full-time employees of whom 106 are engaged in pest and disease control. See Figure 3 for organizational structure of the GCA.

Importance of Cocoa in Grenada Agriculture

There are approximately 10,000 acres under cocoa cultivation by about 7,000 active producers. (Although some sources say there may be only about 4,500 producers, GCA management says the GCA sends cocoa purchasing checks out to some 7,000 producers.) Grenada averaged 5.2 million pounds of dry beans annually during

Figure 3 - Organizational Structure of the GCA



Source: GCA

the 1976-1983 period (see Table 31). The cocoa industry has earned an average of U.S.$ 6.75 million in foreign exchange for each of the past five years.

The cocoa industry employs nearly 400 persons-196 by the GCA and 190 by the Cocoa Rehabilitation Project. An undetermined number of workers is also employed by growers for field maintenance, planting, pod shelling, etc.

The number of persons affected by the cocoa industry is estimated to be about 35,000 (average of five persons per grower family). Some of these same farm families are also engaged in the production of other major commodities.

GCA Services to Growers

Listed below are services that the GCA provides to its growers.

Credit. Loans-in-kind are advanced to cocoa growers in the form of fertilizer. Repayment is made either directly or by way of a deduction from payments to growers.

Pest and Disease Program. The GCA operates a pest and disease control program for its growers. Pest control is currently conducted primarily for thrips, black pods and beetles. Field control measures for termites is under consideration.

The pest and disease control program consists of five teams of spraymen that operate in the six parishes. In 1982 the 106 spraymen covered an estimated 28,000 acres of cocoa land by spraying each stand of cocoa two to three times. In 1983, about EC$ 1 million was spent for pest and disease control by the GCA.

Processing. Cocoa is brought to collection points in either "dry" or "wet" form. Growers deliver cocoa directly to the 23 collection points or through agents appointed by the GCA.

Table 31: Cocoa Production and Sales Figures (1976-83)

Crop Year	Production lbs.	Export lbs.	Gross Revenue to the Association	Avg. Per Pound (f.o.b.)	Payment to Growers	Percent Paid to Producers
1976	5,985,503	5,858,000	$8,480,453	1.45	1.05	73
1977	4,703,430	4,693,678	8,837,940	1.88	1.25	66
1978	5,370,207	5,203,200	18,039,941	3.47	1.70	49
1979	5,788,633	5,382,667	27,318,780	5.07	2.40	45
1980	4,689,180	3,990,938	18,193,960	4.56	2.40	53
1981	5,546,416	5,891,872	19,114,677	3.24	2.30	70
1982	5,204,832	4,995,649	13,454,061	2.69	2.06	77
1983	5,218,752	5,045,287	11,351,277	2.25	2.00	89

Source: Grenada Cocoa Association

Currently, processing of cocoa takes place at the Mt. Horne and Carlton fermentaries. (Mt. Horne processes 50 percent of all the cocoa delivered by growers.) The former St. David's Cooperative Cocoa Fermentary was recently purchased by the GCA and is being renovated. Another planned fermentary in St. Patrick's has been shelved for lack of funds. In place of the cancelled project, the GCA is planning to purchase the processing facilities of the Diamond Estate and with renovations make it into a functional fourth fermentary. The Diamond and St. David's fermentaries combined will cost only one-fourth of the proposed fermentary at St. Patrick's.

The processing operation includes the following steps before cocoa beans are ready for export:

- Collection of wet cocoa;
- Fermentation or "sweating" of cocoa beans;
- Drying;
- Polishing and grading;
- Bagging and storage; and
- Quality assurance.

Fermentation and sun-drying takes approximately 10-12 days, reducable by artificial drying.

Marketing. A marketing committee of the GCIB handles bids for Grenada's fine-flavored, dry cocoa. The F.O.B. price for exported cocoa is determined by adding a quality premium to the London Terminal Price payable for African cocoa. This premium amounted to 110 British pounds per ton in 1983.

Past Government Intrusions into GCA Activities

Two former governments have interfered both directly and indirectly into GCA activities. The more important governmental intrusions are briefly described below:

Appointment of Board Members. As with the Banana and Nutmeg Boards, all Board members were appointed by the government from 1969 until very recently. It has been alleged that the main reasons for the government intrusion was political and financial control. Interviews with cocoa industry people reveal that the Government-appointed Board acted prudently and in the best interests of the cocoa industry in most matters.

Agro-Industries Loan. A loan of EC$ 300,000 at 3 percent interest was made by the GCA at the request of the Ministry of Finance on behalf of Agro-Industries, Ltd. There is currently EC$ 140,000 still owed to the GCA on the principal which is being reduced regularly by Ministry of Finance payments.

Mirabeau Soils Laboratory. The GCIB was requested to "advance" EC$ 65,000 to the Ministry of Agriculture toward development of the Mirabeau Soils Laboratory facilities pending other sources of funding. Since the soils laboratory was never put into operation, the GCIB is attempting to recover the money.

Financial Position of the GCA

There has been a substantial drop in profits by the GCA and growers' earnings in recent years. The decrease in prices and earnings are attributed to the following factors:

- A cocoa glut on the world market in the late 1970's and 1980's depressing prices;
- Decrease in price of cocoa on world markets due to the economic recession in Western economies;

- Decrease in exchange rate of the pound sterling (approximately 25 percent) to the U.S. dollar to which the EC dollar is pegged;
- High government export duty (18 percent of F.O.B. value); and
- Large surpluses (adjusted price payments) paid to growers.

Although average yields have decreased in Grenada, exports of cocoa increased to 5,045,287 pounds in 1983 from 4,995,649 pounds in 1982. However, total F.O.B. prices received declined from EC$ 13,451,061 in 1982 to EC$ 11,351,277 in 1983. This amounts to a 15.6 percent decrease in revenue to the GCA in 1983.

Fine-flavored Grenada cocoa demands a premium on the London market. The supply is usually smaller than the demand for this type of cocoa which is mixed with lower quality cocoa and used for expensive candies.

The average F.O.B. export price per pound of cocoa received by the GCA declined from EC$ 2.69 in 1982 to EC$ 2.25 in 1983 a 16 percent decline. The F.O.B. price received for Grenada cocoa fell over 50 percent from 1979 (EC$ 5.07/lb.) to 1983 (EC$ 2.25/lb.) (See Table 31.)

During the years 1982 and 1983 large deficits were incurred and retained earnings decreased substantially from EC$ 6.9 million to $3.2 million (Table 32). Deficits occurred when surplus or price adjustments were made to growers of EC$ 4,006,000 in 1982 and EC$ 4,164,620 in 1983.

Increases of the largest cost items in the GCA budget are shown as a percent of net revenues for 1982 and 1983. The two largest increases occurred in administrative costs--from 39.6 percent of net revenues in 1982 to 52.1 percent in 1983--and price adjustment payments to growers which increased from 61.4 percent to 81 percent in the two-year period.

Table 32 - Cash Position of GCA -1982-84 - EC$

Year	Deficit	Gross Surplus Payments	Retained Earnings Reduced to:
1982	(2,467,560)	4,006,000	6,941,274
1983	(3,755,251)	4,146,620	3,185,963

Sources: 1983 GCA Budget and General Manager, GCA.

Another large expenditure, government export duties, remained stable at about 37 percent of net revenues during the two-year period 1982-1983.

The retained earnings or cash reserve position of the GCA remains relatively high (EC$ 3.2 million on September 30, 1983) but this fund will be depleted in 1984 if price adjustment payments are paid to growers comparable to 1982 or 1983. This price adjustment of EC$ 0.80/lb. for cocoa sold to the GCA by growers for the two-year period is justified by the GCA as an incentive to encourage growers to properly maintain their fields and continue to harvest cocoa. This payment is an end-of-year price adjustment rather than a bonus or surplus payment. The initial or "advance" payment is made on the basis of revenue projections. The final average price received for cocoa is not calculated until the end of the fiscal year, when the price adjustment is made. In the event the GCA decides to pay a similarly large price adjustment to growers in 1984, it will put itself in a very weak financial position.

Any meaningful decrease in costs will have to come from reductions in the five major expenditures listed in Table 33. The expenditures most readily reduceable appear to be the price adjustment payment and administrative costs, up considerably in 1983 over 1982.

Prices are on the upswing in 1984, at least for the short term. There has been a 14 percent increase to EC$ 2.62/lb. in July from the average 1983 F.O.B. price. Forecasts are that the price may increase further in 1984 but a continuous climb is not envisioned.

Tables 34 to 38 give the 1983 GCA Financial Statement along with a review of the 1982 financial performance.

Table 33: Cost Breakdown Ratios of Largest Expenditures of the GCA - 1982-1983

(Percent of net revenues)

	1982		1983		Overall change 1982-1983
	Expenditures	% of net revenues	Expenditures	% of net revenues	
Pest and disease control	EC$ 1,192,004	18.2%	EC$ 941,270	18.3%	-21%
Administrative costs	2,582,155	39.6%	2,681,165	52.1%	+ 4%
Selling expenses	728,044	11.1%	639,795	12.4%	-12%
Export duty (18%)	2,387,565	36.6%	1,953,662	38.0%	-18%
Surplus to growers	4,006,000	61.4%	4,146,620	81.0%	+ 3%

*Net revenue: Total revenue less payments to growers of basic growers' prices - (1982 - EC$ 6,515,873; 1983 - EC$ 5,139,943).

Source: 1983 GCA Financial Statement.

TABLE 34 - THE GRENADA COCOA ASSOCIATION

BALANCE SHEET

AS AT 30TH SEPTEMBER 1983

	Notes	1983	1982
CURRENT ASSETS:			
Cash - Current accounts		$ 688,699	$ 1,427,832
- Fixed deposits and savings accounts		5,238,944	8,673,814
Accounts receivable - Fertilizer schemes		892,027	1,123,970
- Trade debtors		587,082	150,637
- Other		172,866	234,304
Inventories	1	640,172	471,577
		8,219,790	12,082,134
Deduct: CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		215,866	88,275
Surplus due growers - Current year		4,146,620	4,006,000
- Prior years		177,155	149,004
Long-term liabilities - due within one year		203,278	203,278
		4,742,919	4,446,557
WORKING CAPITAL		3,476,871	7,635,577
FIXED ASSETS, at cost:	1		
Land and buildings	2	1,069,166	933,169
Motor vehicles, plant and equipment		1,068,026	1,060,755
Less: accumulated depreciation		(908,395)	(773,650)
		1,228,797	1,220,274
OTHER ASSETS:			
Deferred expenses	3	206,983	220,492
3% Agro-industries loan	7	275,000	275,000
		481,983	495,492
		5,187,651	9,351,343
Less: LONG-TERM LIABILITIES:			
Fertilizer loan	4	1,541,381	1,897,710
Other loans - Caribbean Development Bank	5	318,011	374,474
		1,859,392	2,272,184
Less: due within one year		203,278	203,278
		1,656,114	2,068,906
NET ASSETS		$3,531,537	$ 7,282,437
REPRESENTED BY:-			
FUNDS OF THE ASSOCIATION:			
Original capital		$ 30,400	$ 30,400
Reserves	6	315,174	310,823
Retained earnings		3,185,963	6,941,214
		$3,531,537	$ 7,282,437

The accompanying notes form an integral part of the financial statements.

NORBERT A. ARNOLD
Secretary

SIR WILLIAM A. BRANCH
Chairman

Source: GCA Financial Statement - 1983

Table 35 - THE GRENADA COCOA ASSOCIATION

STATEMENT OF TRADING AND PROFIT AND LOSS

FOR THE YEAR ENDED 30TH SEPTEMBER 1983

	1983		1982	
	Pounds	Value	Pounds	Value
SALES	5,045,287	$11,351,277	4,995,649	$13,454,061
Less: Export duty		1,953,662		2,387,565
		9,397,615		11,066,496
COST OF SALES:				
Inventory, beginning of year	118,163	125,482	298,240	503,009
Deliveries by producers	5,218,752	6,153,685	5,024,432	6,560,661
	5,336,915	6,279,167	5,322,672	7,063,670
Deduct: Shrinkage & shortages	180,326		208,860	
	5,156,589		5,113,812	
Inventory, end of year	111,302	67,833	118,163	125,482
	5,045,287	6,211,334	4,995,649	6,938,188
GROSS PROFIT		3,186,281		4,128,308
SELLING EXPENSES		639,795		728,044
GENERAL AND ADMINISTRATIVE EXPENSES		2,681,165		2,582,155
		3,320,960		3,310,199
NET OPERATING INCOME/(LOSS)		$ (134,679)		$ 818,109

Source: GCA Financial Statement - 1983.

TABLE 36 - THE GRENADA COCOA ASSOCIATION

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED 30TH SEPTEMBER 1983

	1983	1982
GROSS SALES	$11,351,277	$13,454,061
COST OF SALES	6,211,334	6,938,188
GROSS PROFIT	5,139,943	6,515,873
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,274,622	5,697,764
NET OPERATING INCOME/(LOSS)	(134,679)	818,109
OTHER INCOME/(EXPENSES):		
Interest receivable	481,832	780,094
Miscellaneous	40,458	1,072
Profit/(loss) on sales of fertilizer	17,809	(49,938)
Produce used for experimentation	(4,910)	(18,064)
Contributions to experimentation projects	(7,719)	-
Unclaimed surplus - written back as statute barred	7,404	6,022
NET INCOME FOR YEAR	400,195	1,537,295
OVER/(UNDER)-PROVISION OF SURPLUS - previous year	(8,826)	1,145
PROVISION FOR SURPLUS TO GROWERS	(4,146,620)	(4,006,000)
NET DEFICIT, after surplus to Growers	(3,755,251)	(2,467,560)
RETAINED EARNINGS, beginning of year	6,941,214	9,408,774
RETAINED EARNINGS, end of year	$ 3,185,963	$ 6,941,214

The following expenses are included in the foregoing:-

Depreciation	$134,744	$175,734
Interest expense	205,741	38,853
Deferred expense written off - (Note 3)	17,249	16,960

The accompanying notes form an integral part of the financial statements.

Source: GCA Financial Statement - 1983.

TABLE 37 - THE GRENADA COCOA ASSOCIATION

DETAILS OF SPRAYING AND PEST CONTROL OPERATIONS

FOR THE YEAR ENDED 30TH SEPTEMBER 1983

	1983	1982
Chemicals	$222,291	$ 452,968
Wages	503,113	497,535
Equipment and vehicles - Depreciation	19,725	33,162
- Maintenance and insurance	96,592	92,901
Uniforms	25,642	21,877
Miscellaneous	135	210
Travelling	5,110	2,324
Stationery, stamps and supplies	610	697
Rent	3,730	4,360
Insurance	-	23,688
Gas and oil	59,851	58,206
Emulation expenses	-	200
Telephone and cables	2,848	2,323
Medical expenses	1,623	1,553
	$941,270	$1,192,004

Source: GCA Financial Statement - 1983.

TABLE 38 - THE GRENADA COCOA ASSOCIATION

STATEMENT OF EXPENSES

FOR THE YEAR ENDED 30TH SEPTEMBER 1983

	1983	1982
SELLING EXPENSES:		
Commission - Agents and brokers	$ 330,087	$ 472,135
Exporters' expenses	86,380	73,590
Cess	100,906	99,913
Claims	10,745	23,183
Bags	111,677	59,223
	639,795	728,044
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries and wages	763,158	686,567
N.I.S. - contributions	19,104	-
Travelling expenses	12,702	15,547
Telephones and cables	24,643	24,380
Stamps and stationery	28,257	30,768
Rent	4,780	4,089
Insurance	20,073	73,394
Electricity and fuel	164,919	150,752
Advertising and printing	23,894	9,819
Legal and professional fees	2,500	6,000
Audit fee	12,000	12,000
Freight	41,640	17,452
Exchange fluctuation	124,358	(29,531)
Spraying pest control operations	941,270	1,192,004
Maintenance - equipment and buildings	94,318	96,192
Interest and bank charges	205,741	38,853
Miscellaneous	32,097	37,428
Fertilizer expenses	305	11,915
Cash shortage	44	3
Deferred expenses written off	17,249	16,960
Depreciation - Machinery and equipment	1,548	1,548
- Fermentary equipment	29,606	29,607
- Accounting machine	6,681	6,681
- Furniture and equipment	33,888	2,941
- Motor vehicles	43,296	81,796
Trade advisors' remuneration	23,322	34,258
Quality control expenses	420	3,532
Emulation expenses	-	200
Staff training	150	-
Subscriptions and donations	9,202	7,000
	2,681,165	2,582,155
	$3,320,960	$3,310,199

Source: GCA Financial Statement - 1983.

Major Problem Areas

A number of problems have surfaced through reports and interviews with those familiar with the cocoa industry. These are listed and briefly described below:

Problems Mentioned in 1981 Census. Of the five major problems identified by farmers in the 1981 census (praedial larceny, unavailability of labor, pest and disease, lack of planting materials and bad roads) praedial larceny is considered to the most serious to cocoa farmers. Lack of planting materials has been a problem with cocoa farmers, in the past but the Cocoa Rehabilitation Project has alleviated it. The GCA has requested that the government allow certain individuals to carry firearms for protection of cocoa fields. The Ministry of Agriculture is considering recommendations to allow firearm permits on a selective basis and increased punitive measures for farm crop thievery.

Lack of Proper Cultural Practices. Low yields are a major contributing factor to reduced earnings and higher fixed costs per unit of output at the GCA. Average yields are estimated at 380-580 lbs. per acre depending upon the amount of total acreage used in the calculation. (Since cocoa is intercropped with other crops, exact acreages are difficult to estimate.) Some growers have demonstrated much higher yields through proper cultural practices (as high as 1600 lbs./acre on one farm). Most growers are hesitant to increase high priced inputs--as fertilizer and hired labor because farm gate cocoa prices are considered too low to justify the added cost.

Table 39: Cash Position of GCA -1982-84 - EC$

Year	Deficit	Gross Surplus Payments	Retained Earnings Reduced to:
1982	(2,467,560)	4,006,000	6,941,274
1983	(3,755,251)	4,146,620	3,185,963

Sources: 1983 GCA Budget and General Manager, GCA.

High Export Duty. The GCA is obligated to pay the government an 18 percent tax on the F.O.B. value of all cocoa exported. As a percent of growers' receipts the tax was 34.4 percent in 1982 and 31.4 percent in 1983. This, of course, is passed to the growers as a marketing expense. In 1982, EC$ 2,387,565 was paid as an export duty to the government and in 1983, EC$ 1,953,662. Without this high duty, there would be little or no deficits in the GCA the past few years even with the price adjustment payments to growers.

The investment needed to establish new cocoa plantings is EC$ 1645/acre for the first three-year period (see Table 40). The maintenance cost of cocoa, is is higher than any other major crop in Grenada (see Table 41). In addition, Grenada's yields of cocoa are said to be only one-third to one-half of what they are in other producing countries. Higher cocoa yields occurred in Grenada 65-70 years ago.

Pest and Disease Control. It has been shown (Grenada Cocoa Survey, Campbell, 1983) that 41 percent of all cocoa trees have some disease or pests. Heavy infestation of termites and thrips, two important pests, can cause up to a 20 percent drop in yields.[2] Beetles and witches broom can also cause substantial losses.

---

2 Assessment of the Cocoa Rehabilitation Program. Canada International Development Association, 1984.

TABLE 40 - Cost Of Establishing and Maintaining One Acre of Cocoa Over First 3 Years

A. LABOUR

Item	Year 1	Year 2	Year 3
Land clearing - underbushing, felling and removing trees, etc.	EC $130.00	-	-
Land development - drains, hedges, conservation, etc.	250.00	-	-
Digging holes, planting clones, staking, shading	75.00	-	-
Maintenance - weeding, pruning, cleaning drains	225.00	$225.00	$225.00
Fertilizing and spraying	10.00	10.00	15.00
Supplying dead plants	-	5.00	5.00
Sub total	$690.00	$240.00	$245.00

B. SUPPLIES

Clonal plants	75.00	4.00	4.00
Fertilizers	57.00	57.00	228.00
Pesticides	15.00	15.00	15.00
Sub total	$147.00	$ 76.00	$247.00

C. SUMMARY

Year 1	$ 837.00
Year 2	316.00
Year 3	492.00
Grand total	EC $1,645.00

Source: This table was developed by the CIDA Evaluators from data obtained from the MOA, cocoa farmers, the DSM's records of the CRP and GCA.

Table 41 - Minimum Cost of Production of Various Crops

(Under Three Options)

Crop	Actual Farm Price EC$ (per lb)	PRODUCTION TARGET Costs EC$/lb Low	Medium	High
Nutmeg	.71	1.21	1.30	1.39
Cocoa	2.00	2.42	2.60	2.77
Clove	7.00	1.29	1.39	1.49
Cinnamon	5.00	.33	.35	.40
Mango	.32	.09	.09	.10
Avocado	.45	.07	.08	.09
Coconut	.20	.24	.26	.33
Orange	.30	.19	.21	.22

Source: Operational Assessment of the Grenada Cocoa Rehabilitation Project, Phase I. CIDA, 1984.

Personnel in the pest and disease control unit think that the 106 people assigned to the GCA disease control program are reasonably effective in controlling most of the prevalent pests. Termite control, however, is still in the trial and error stage.

Although there is a major effort put into annual disease control by the GCA (near EC$ 1 million in 1983), the General Manager is not completely satisfied that the program is efficient or cost effective. He welcomes the opinions of an outside expert and recommendations to improve the existing program or reduce its cost.

Accounting System. The GCA is confronted with the same problems as other commodity associations in trying to keep 7,000 members' accounts manually.

Donor Assistance Programs

Cocoa Rehabilitation Program (CRP). The Canadian International Development Agency (CIDA) provides technical and financial assistance to rehabilitate cocoa stands. The EC$ 20 million, eight-year project includes EC$ 16.5 million donated by CIDA and EC$ 3.5 million by Grenada but the GOG has had difficulty contributing its share of the local costs.

Project components for new stands of cocoa include:

- Management and administration;
- Repair, upgrade, and operate existing propagaton units;
- Development and implementation of control methods for thrips and beetles;
- Provide fertilizer to the GCA for sale to growers to raise counterpart funds for support of the CRP; and
- Establishment of an organizational structure for long-term operations.

The objective of the program is to replant 10,000 acres of older cocoa stands producing less than 500 lbs. per acre. The CRP offers assistance totaling EC$ 270/acre (up to four acres), including cocoa plants at a subsidized EC 25 cents each, fertilizer free of cost during the first three years of rehabilitation and other benefits.

In 1982, 235,000 young cocoa plants were produced by three propagation stations. Another 200,000 were produced in 1983. In the two-year period, 116,000 and 236,000 cocoa plants were distributed, leaving a carry-over planting stock of 260,000 (January 1984). There has been approximately 1,000 acres of land rehabilitated by the CRP to date. It should be noted that the resources and subsidies of the CRP are for new plantings of cocoa only. None of the funds are being used for established stands.

The CRP employing 190 people is not managed by or under the control of the GCA. The Ministry of Agriculture believes the CRP should be more closely integrated within the GCA.

Evaluation of the Viability of the GCA

Goals and Objectives. The original objectives of the GCA, published in 1964, are: 1) to improve the quality and fermentation process, 4) insure favorable arrangements in marketing and 5) encourage cooperative enterprises. The GCA appears to have fulfilled its objectives as stated some 20 years ago.

Financial Performance. The financial performance of the GCA deteriorated in the 1982-1983 period because of reduced prices of cocoa. The GCA's cash reserve fund declined substantially from EC$ 10 million in 1982 to about EC$ 3 million in 1984. This decline reflects the adjusted price payments to growers. Declining prices the past five years has caused the reserve fund to be used to pay price adjustments to growers. The GCA may be faulted for paying growers too high an adjusted price payment but

the GCA management contends that the reserve fund was set up by its members to provide additional income when prices are low from funds accumulated when prices are high. Growers would not, according to GCA management, have the incentive to properly maintain their fields and harvest on time without price adjustment payments during low-price years.

It certainly could be argued that the price adjustment payment in 1984 might be reduced or postponed because of the low balance in the fund. With the current rise in prices on the world market there may be less justification for a price adjustment payment to growers in 1984.

Major Strengths and Weaknesses. The GCA has established a working system to collect, process and market cocoa to international users, a major strength of the GCA. The GCA management appears to have a good knowledge of all activities that comprise the cocoa business. In areas where questions arise such as pest and disease control effectiveness, management is open for outside advice and assistance.

Financial management of the GCA has been adequate considering the five years of declining prices on the international market.

Quality control measures at the GCA, another strength, has resulted in a high quality product as judged by international standards.

The pest and disease control program at the GCA costs about 20 percent of annual gross profits. A weakness in the GCA is the lack of a systematic method to evaluate this high-expenditure item periodically for cost effectiveness and efficiency of operations.

Grenada Cooperative Nutmeg Association

The Grenada Cooperative Nutmeg Association is a statutory body established in 1947. The GCNA has monopoly power to market nutmeg and mace for export. All growers are required to market through the GCNA.

Objectives

The following objectives were stated in the Nutmeg Industry Ordinance of 1947, "to create a body corporate to safeguard and promote the interests of the nutmeg industry and in particular to market nutmeg and to regulate and control the export thereof."

Major Functions of the GCNA According to the Ordinance

The functions of the GCNA are as follows:

- Regulate and control the export of nutmeg;
- Promote, protect and develop the nutmeg industry;
- Provide for processing of nutmeg and mace;
- Arrange for purchase and marketing of nutmeg and mace from growers;
- Advise the government on all matters affecting the industry; and
- Expend and account for all finances which are collected by a cess on the industry for the purposes of research, marketing or other services to growers.

The GCNA buys, stores, bags, grades, arranges for shipping and generally acts on behalf of members in the handling of nutmeg and mace.

Organizational Structure and Management

The affairs of the GCNA are managed and controlled by a Board of Directors called the Nutmeg Board. The nine-member Board has been appointed by the government since 1975. Growers will elect six of the nine members in 1984.

The GCNA is headed by a General Manager who reports to the Board. There are currently 55 full-time employees and 660 part-time, daily-paid workers.

Figure 4 shows the organizational chart of the GCNA.

Importance of Nutmeg and Mace in Grenada Agriculture

There are approximately 5,000 acres of nutmeg cultivated by about 6,000 mostly small growers in Grenada. Overall, nutmeg exports have averaged 4.4 million lbs. during the five-year period 1979-83. Mace (the outer cover of nutmeg) exports averaged 664,000 lbs. during the same five-year period.

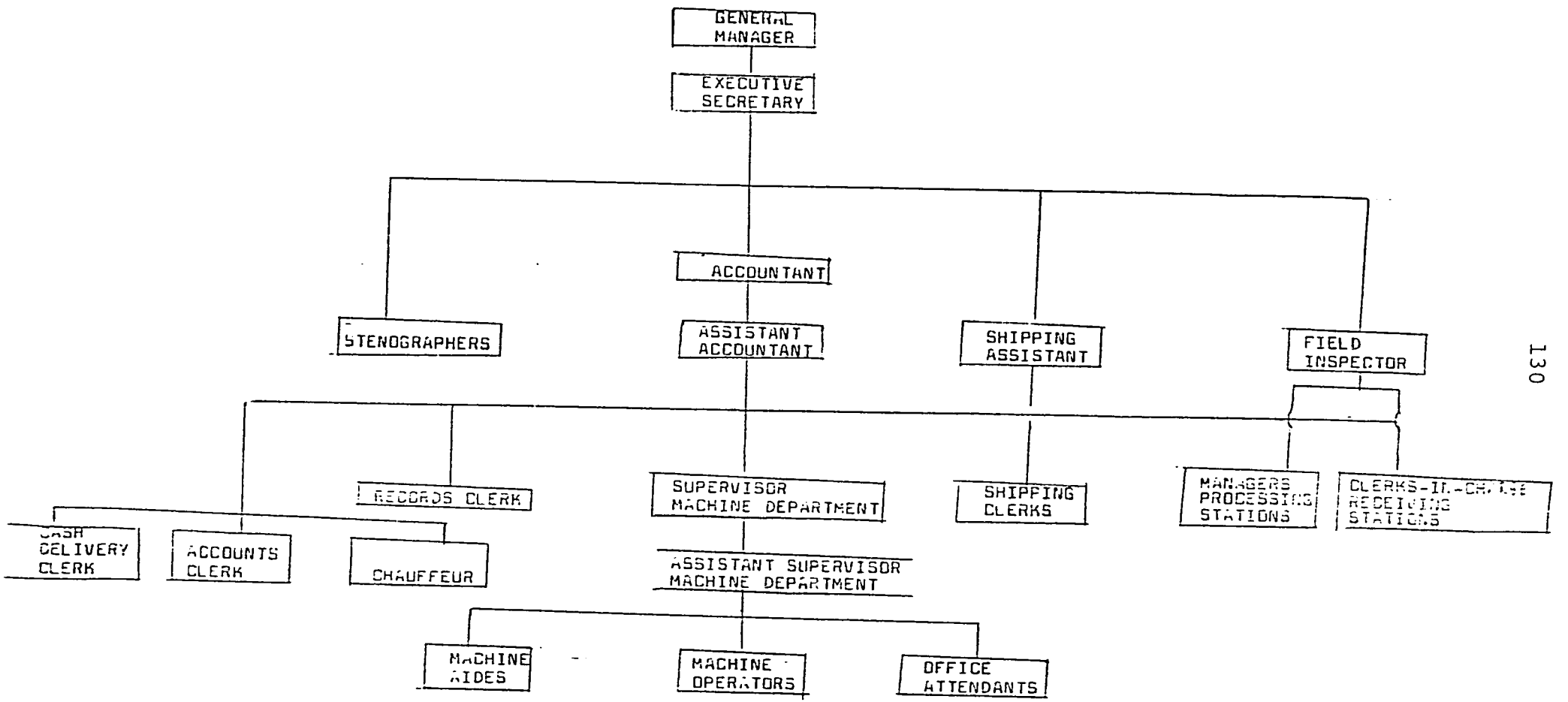
Nutmeg and mace have traditionally provided from between 35-40 percent of all foreign currency earnings for Grenada (U.S.$ 4.2 million in 1983).

It is estimated that about 30,000 people in Grenada are financially affected by the nutmeg industry. In addition to the farmers, approximately 750 workers are involved farm labor, processing, transporting and administration in the nutmeg.

GCNA Services to Growers

The following services are provided to members of the GCNA:

FIGURE 4 - GRENADA CO-OPERATIVE NUTMEG ASSOCIATION - ORGANISATIONAL CHART - PERSONNEL



NOTES:

1. This Chart shows Lines of authority but not Lines of Contact. In practice there will necessarily be contact by each section with all other sections.

2. Differences in Levels - distance from top - as shown on Chart do not reflect relative importance.

Source: GCNA

Collection Stations. There are 19 collection stations operated by the GCNA to receive green nutmeg and semi-dried mace from growers throughout Grenada. These collection stations are responsible for drying nutmeg (6-8 weeks) and transporting the two spices to one of the processing stations of the GCNA.

Processing Stations. Nutmegs are further processed by removal of shells, graded, sacked (200 lb. bags) and stored at the processing stations ready for export. Three of the collection stations are also processing centers.

Mace is dried at processing stations for about four months, then packed for export in plywood boxes of 160-200 lbs. net weight each.

Marketing. There is virtually no domestic market for nutmeg or mace. The GCNA exports by paying a commission of 3 percent to agents or brokers on the F.O.B. value of sales. Marketing agents are used in Europe, Canada and the U.S. to sell Grenada nutmeg.

An important factor in marketing nutmeg is the competition from Indonesia, which exports two-thirds of the world's supply; Grenada supplies most of the balance. Grenada has a competitve disadvantage for the following reasons:

- Indonesia controls the largest share of the world market for nutmeg;
- More direct and punctual shipping facilities are readily available for Indonesia's nutmeg through Jakarta and Singapore;
- Indonesian producers can market nutmeg at lower prices than Grenada growers because of cheaper labor costs;
- Indonesia's nutmeg is known to have less fat content than Grenada's product which American processors apparently favor; (See Major Problem Areas Section for nutmeg fat requirements of other areas); and

- The Grenada Government has an 1.8 percent export duty on F.O.B. value of exported nutmeg.

There is a shortage of mace on the international market thus, sales are not a problem.

There have been several new marketing initiatives attempted by the GCNA to increase exports of Grenada nutmeg. These are described in the section on "Assistance or Other Events Influencing Problems."

Past Government Intrusions into GCNA Activities

The GCNA was subjected to a certain amount of governmental interference by the former two administrations. These incidents are briefly described below:

Government-appointed Board. Since 1975, the Board of Directors has been appointed by the government. The reason given by the government for the dissolution of the elected board was mishandling of association affairs. Although the government appointees were considered responsive in most cases to the interests of the nutmeg industry, a certain amount of pressure was exerted to influence some actions of the GCNA.

Loan to Agro-Industries, Ltd. An EC$ 250,000 loan at 3 percent interest was made to the Ministry of Finance destined for Agro-Industries. This loan was purported to be for the purpose of developing products that would include and benefit the sale of nutmeg. Although a nutmeg product was produced (nutmeg jam) it was not successfully marketed. There is currently EC$ 60,000 owed on the principal to the GCNA on this loan.

Marketing Trip to Latin America. The GCNA was "requested" to pay for an ill-advised marketing trip for four people to South America in 1983. The trip was badly planned with little or no

contact preparations made prior to leaving. The trip was untimely and was a complete waste of money according to the General Manager.

Financial Position of the GCNA

The export market for nutmeg was depressed in 1983 and continues on into 1984 because of over-supplies, tight money and the affects of the recent world-wide recession. The increased Indonesian and Grenadian exports (30 percent) in 1983, compared to the previous four years, increased world supplies by an overall 10 percent. With an inelastic demand for nutmeg the lower price has not increased consumption.

The amount of nutmeg exported in 1983 from Grenada increased to 5,915,916 pounds from only 4,210,664 pounds in 1982 amounting to a 29 percent increase. There was also a 17 percent increase in exports of nutmeg from 1982 to 1983. Yet, total F.O.B. sales revenues received by the GCNA increased only 9 percent in 1983 over 1982 (see Table 42). There is currently (July 1984) some 4 million pounds of unsold or uncommitted nutmeg in stock. No. 1 mace exports decreased from 341,945 pounds in 1982 to 229,145 pounds in 1983. The 33 percent decrease reflects the lack of interest in timely harvesting and handling of nutmeg by growers and this lack of attention brings with it a lowering of the quality of mace.

Table 43 shows that net returns received by growers for sale of nutmeg and mace decreased in 1983 from 1982. The decrease in nutmeg prices to growers corresponds with a drop in F.O.B. prices of nutmeg by 18 percent.

The average F.O.B. export price of nutmeg has fallen from EC$ 2.38 per pound in 1979 to only EC$ 1.30 per pound for No. 1 nutmeg in 1984, a 45 percent decline. (When the price of all grades are averaged, this figure will decrease considerably).

Table 42 - Average F.O.B. Export Prices for Nutmeg and Mace -1979-83

Year ended 30th. June	NUTMEG Sales NUTMEG (lbs.)	NUTMEG Avg. Mkt. Price (per lb.)	MACE Sales MACE (lb.)	MACE Avg. Mkt. Price (per lb.)	Total F.O.B. Sales Revenues
1979	4,533,499	EC$ 2.38.03	576,350	EC$ 2.88.32	EC$ 12,453,067
1980	3,970,239	2.48.13	665,915	2.98.63	11,839,998
1981	3,572,700	2.26.98	491,640	3.41.18	9,786,726
1982	4,210,664	1.95.26	695,345	3.47.84	10,640,716
1983	5,915,916	1.60.08	903,225	2.50.85	11,736,305

Source: GCNA Financial Statement - 1983.

Table 43 - Grower's Average Net Returns from Nutmegs and Mace (EC$)*

	1979	1980	1981	1982	1983
Nutmegs (per lb.) EC$	1.58	1.45	1.28	.86	.80
No. 1 mace " "	1.90	2.34	3.29	2.60	2.68
No. 2 mace and pickings " "	1.24	1.04	1.04	1.05	1.32

*Includes basic growers' prices and surplus payments

Source: GCNA Financial Statement - 1983.

From 1982 to 1983 there has been a 37 percent drop in F.O.B. prices of nutmeg and a decrease of 19 percent from 1983 to the present (July 1984) of No. 1 nutmeg.

The trading deficit of EC$ 152,952 in 1983 compares with a surplus of EC$ 45,256 in 1982. A transfer from the reserve fund of EC$ 1,352,952 in 1983 enabled the GCNA to cover the trading deficit and also pay a surplus or price adjustment of EC$ 1,200,000 to growers.

The 1984 financial year ending June 30 appears to be even worse than 1983 according to preliminary figures from the GCNA. Gross revenues are estimated to have declined to EC$ 8.5 million from EC$ 11.7 million in 1983 with a projected trading deficit of EC$ 1 million.

Although the largest expenditures of the GCNA, as a percent of net revenues in 1982 and 1983, remained relatively stable, overall there were increases in 1983 wages at processing and receiving stations (+13.5 percent) and surplus payments to growers (+16.6 percent). Export duties, as with the Cocoa Association, were responsible for a substantial percent of expenditures.

Due to the accounting systems of the GCNA (reserves include both cash and other physical assets) the cash position is quite difficult to calculate. There is no breakdown to show cash reserves only. What is known is that there was a bank overdraft of EC$ 630,000 (June 1984), drawing 11 percent interest. The maximum allowable overdraft is EC$ 1.6 million.

Any substantial decreases in expenditures will have to be derived from the major cost items in Table 44. In view of the deteriorating financial position of the GCNA it would not seem prudent fiscal management to consider price adjustment payments to growers in 1984. The government should also evaluate its options or the 18 percent export duty, a contributing factor in

Table 44 - Cost Breakdown Ratios of Largest Expenditures of the GCNA - 1982-1983

(Percent of net revenues)*

	1982		1983		Overall % Change 1982-1983
	Expenditures	% of net revenues	Expenditures	% of net revenues	
Direct Expenses	EC$ 3,785,720	59.9%	EC$ 4,171,860	63.4%	+ 9.2%
- Wages--Processing and Receiving Stations	1,485,806	23.5%	1,718,866	26.1%	+13.5%
- Export Duty	1,829,861	28.9%	1,955,600	29.7%	+ 6.4%
General & Administrative Costs	1,529,242	24.2%	1,472,694	22.4%	- 3.6%
Surplus to Growers	1,000,000	15.8%	1,200,000	18.2%	+16.6%

*Net revenue: Total revenue less payments to growers of basic growers' prices - (1982 - EC$ 6,315,909; 1983 - EC$ 6,572,738)

Source: 1983 GCNA Financial Statement.

the financial problems of the GCNA. A careful examination of total direct expenses might also surface areas where costs could be reduced. The labor union recently negotiated a contract for higher wages, negotiating the opportunity for costs savings labor.

Major Problem Areas

Inventory in Stock. There are currently (June 1984) over four million lbs. of unsold or uncommitted nutmeg in GCNA warehouses, valued at US$ 2 million in current market prices. Reduction of this inventory is essential in order to reverse the precarious financial position of the GCNA and provide an incentive for growers. Some growers are reportedly leaving nutmeg and mace on the ground unharvested because of low prices.

Labor Difficulties. There was a general "sit-down" strike of all employees of the GCNA in July 1984. The monthly staff and daily paid workers' unions asked for a 15 percent increase in wages. The labor problems came at a particularly bad financial time for the Association. The strike was settled in two weeks as some employees returned to work in defiance of their union.

1981 Farmer Census. The same problems of praedial larceny, unavailability of labor, pest and disease, lack of planting materials and bad roads are encountered by nutmeg growers as with other farmers. (Discussed in previous sections.)

Export Duties. The 18 pecent export duty on the F.O.B. value of exported products as with cocoa, is a major expenditure of the GCNA. As a percent of grower revenues, it is 31 percent. As the exports of nutmeg and mace products encounter more competition in world markets, Grenada's growers may find their products priced out of the market due at least partially to this high tax.

Fat Content of Grenada Nutmeg. Indonesian nutmeg reportedly has less fat content than Grenada's product which give fewer problems of clogging machinery during the grinding process. The GCNA believes that the large U.S. spice firms have resisted purchasing Grenada grown nutmeg in part because of this high fat content; the other reason is a lower-priced product from Indonesia. U.S. nutmeg processors, according to FDA regulations, are required to use top-grade nutmeg for food purposes (which have the highest fat content) and not the lower fat, defective nutmeg. (The reason is the possibility of aflatoxin molds sometimes found in lower-grade nutmeg.) Canadian processors have installed a process to freeze nutmeg prior to grinding which has largely eliminated the high fat content problem. However, Canada's processors handle a much lower volume than U.S. processors, reducing to a certain extent the machinery-clogging problem. For European processors, the problem of fat content is apparently negligible. West European processors purchase mostly "defective nutmeg," the lower-grade, low fat product.

Eastern European processors purchase the top grades of nutmeg, with the highest fat content, but no problems in the grinding process have surfaced.

Agent Representation in the U.S. The two agents representing the GCNA in the U.S. may not be performing satisfactorily according to personnel at the GCNA very little nutmeg has been sold in the U.S. The agents deal both with Grenada and Indonesian nutmeg and the question that arises is which country is more convenient for the agents to deal with, considering that they receive the same commissions.

Shipping Facilities to South America. In the past, it has only been possible to ship Grenada's nutmeg to South America via New York or Miami, increasing the costs considerably. Grenada is currently exporting 175 tons or about half of Argentina's nutmeg

imports. The General Manager thinks that GCNA could secure the other half of the market if more direct and less expensive shipping arrangements could be obtained.

Assistance or Other Events Influencing Problems

Repeal of 18 Percent Duty. The DAI Marketing Specialist and other team members met with the Chairman of the Interim Government Council (June 1984) and discussed problems and ramifications of the 18 percent export duty on nutmeg and cocoa. Although mentioning that the Grenada Government needs revenues to continue to operate, the Chairman assured flexibility by the Government in handling this problem.

The DAI team also provided economic data and briefings to a consultant task force to AID that recommended the repeal of the 18 percent duty in a recent report: Economic Policy Memorandum, AID/Caribbean/Task Force. June 1984.

Nutmeg Oil Distillation. Discussions have been held by GCNA management with the Caribbean Development Bank and the European Economic Community (EEC) on the possibility of processing oil from defective, lower-grade nutmeg. The EEC assisted the GCNA in locating a nutmeg oil distiller in Europe (Sotecna Ltd.) who is to test marketing oil processed from 10 tons of lower grade, defective nutmeg. In addition, the EEC is assisting with a feasibility study of possible oil distillation facilities in Grenada.

Marketing. The GCNA has entered into a joint venture with a U.S. firm, Choices, Ltd. in test marketing "nutmeg kits." This kit includes shelled, whole nutmeg in small bottles along with a small recipe booklet and a nutmeg grater to be used by the housewife. Another U.S. firm, Unisell Commodities, is the distributor. Test marketing for the kits began in July 1984 with an initial 3 1/2 containers of bottled nutmeg. Packaging of more kits was delayed temporarily for lack of bottles.

A request for marketing assistance was sent by the GCNA (and the Minor Spices Society) to the Postharvest Institute for Perishables (PIP) at the University of Idaho. PIP, financially supported by a Cooperative Agreement between AID and the University of Idaho, is a program to assist developing countries in postharvest problems including marketing. The request was for a short-term spice marketing specialist to investigate the U.S. market for sales of the unsold inventory of nutmeg, cloves and cinnamon. The Spice Marketing Specialist is completed two visits to Grenada (August 1984) and between visits is surveyed the U.S. market for potential buyers.

Evaluation of the Viability of the GCNA

Goals and Objectives. The objectives of the GCNA were stated in 1947 and stated are simply to safeguard and promote the interests of the nutmeg industry; to market nutmeg and regulate and control exports of nutmeg.

The GCNA has, by and large, fulfilled its objectives. With the exception of the past several years, the marketing of nutmeg from Grenada has been accomplished in an orderly and profitable manner for the GCNA and growers. The downturn in international prices due to oversupply is unfortunately as normal occurance in would commodity markets.

Financial Performance. The financial performance of the GCNA has been dismal in 1983 and preliminary figures indicate the same, if not worse, for 1984. See Tables 45 to 49.

There are probably areas for the GCNA to reduce expenditures, thereby lowering the cost per unit of product exported. However, the glut on the international market appears to be the main reason for the decline in prices and market demand.

Table 45 - Balance Sheet - 1983 - GCNA

	Notes	1983	1982
CURRENT ASSETS:			
Cash - Current accounts	2	$1,978,366	$ 128,670
Accounts receivable - Produce		2,014,143	2,965,441
- Other		6,471	145,124
Inventories	1	3,889,724	5,713,578
		7,888,704	8,952,813
Less: CURRENT LIABILITIES:			
Bank indebtedness	2	-	1,223,859
Accounts payable and accrued liabilities		424,532	878,120
Due to growers - Uncollected surplus of prior years.		185,115	200,414
- Surplus this year		1,200,000	1,000,000
		1,809,647	3,302,393
WORKING CAPITAL		6,079,057	5,650,420
FIXED ASSETS, at cost:			
Land and buildings	1	1,937,325	1,931,325
Motor vehicles, furniture and equipment	3	782,113	777,851
Less: accumulated depreciation		(634,374)	(524,585)
		2,085,064	2,184,591
DEFERRED EXPENSES	4	4,300	14,300
OTHER ASSETS:			
3% Agro-industries loan	5	100,000	250,000
NET ASSETS		$8,268,421	$8,099,311
Represented By:-			
FUNDS OF THE ASSOCIATION:			
Cess No. 1			
Balance as at 30th June 1949		$ 650,000	$ 650,000
Reserve Fund -			
Balance as at 30th June 1982		644,754	644,474
Underdistribution surplus - previous year		1,300	280
Balance as at 30th June 1983		646,054	644,754
Cess No. 2			
Balance as at 30th June 1982		6,679,559	6,605,821
Reserve for the year		1,135,012	1,028,482
Grant from E.D.F. - Stabex Fund	6	385,250	-
Less: transfer to statement of trading		(1,352,452)	(954,744)
Balance as at 30th June 1983		6,847,369	6,679,559
Capital Reserve	7	124,998	124,998
		$8,268,421	$8,099,311

Source: GCNA Financial Statement - 1983.

Table 46 - Detailed Statement of Trading and Surplus Distribution - 1983

GCNA

	Total	Nutmegs	MACE No. 1	MACE No. 2
SALES:				
Selected	EC$ 779,074	$ 779,074	$ -	$ -
Unassorted	5,913,195	5,913,195	-	-
Defectives	2,778,219	2,778,219	-	-
Mace No. 1	1,129,710	-	1,129,710	-
Mace No. 2	1,136,107	-	-	1,136,107
	11,736,305	9,470,488	1,129,710	1,136,107
COST OF PRODUCE FROM GROWERS:				
Inventory at beginning of year	5,561,739	5,014,914	184,067	362,758
Advances paid for produce delivered by growers	3,336,748	2,868,871	351,491	116,386
	8,898,487	7,883,785	535,558	479,144
Net adjustment for mace purchased as one grade but processed as the other	-	-	(186,580)	186,580
	8,898,487	7,883,785	348,978	665,724
Inventory at end of year (EC$)	3,734,920	3,576,749	109,894	48,277
	5,163,567	4,307,036	239,084	617,447
EXCESS OF SALES OVER COST OF PRODUCE	6,572,738	5,163,452	890,626	518,660
OTHER INCOME/(LOSS):				
Commission - Minor Spices Co-operative	2,563	2,051	256	256
Interest	42,021	33,617	4,202	4,202
Miscellaneous	11,946	9,558	1,194	1,194
Loss on exchange	(2,154)	(1,724)	(215)	(215)
Total Income	6,627,114	5,206,954	896,063	524,097
EXPENDITURE:				
Direct expenses	4,171,860	3,482,290	328,842	360,728
General & administrative expenses	1,472,694	1,178,156	147,269	147,269
Cess	1,135,012	921,238	111,700	102,074
Total Expenditure	6,779,566	5,581,684	587,811	610,071
TRADING SURPLUS/(LOSS) FOR YEAR	$ (152,452)	$(374,730)	$ 308,252	$ (85,974)

Source: GCNA Financial Statement - 1983.

Table 47 - Statement of Trading and Surplus Distribution
For the Year ended June 30 - 1983 - GCNA

	1983	1982
GROSS INCOME	$11,736,305	$10,640,716
Cost of produce from growers	5,163,567	4,324,807
GROSS PROFIT FOR YEAR	6,572,738	6,315,909
Direct expenses	4,171,860	3,785,720
General and administrative expenses	1,472,694	1,529,242
Cess - reserve for the year	1,135,012	1,028,482
	6,779,566	6,343,444
OPERATING LOSS	(206,828)	(27,535)
OTHER INCOME/(EXPENSES):		
Interest	42,021	51,021
Gain on sale of fixed assets	-	8,402
Gain/(loss) on exchange	(2,154)	4,741
Miscellaneous	11,946	7,358
Commission - Minor Spices Co-operative	2,563	1,269
TRADING SURPLUS/(DEFICIT) FOR YEAR	(152,452)	45,256
Add: TRANSFER FROM RESERVE	1,352,452	954,744
SURPLUS DUE TO GROWERS	$ 1,200,000	$ 1,000,000

The following expenses are included in the foregoing:-

Depreciation	$ 109,789	$ 115,173
Interest	73,916	152,125

Source: GCNA Financial Statement, 1983.

Table 48- Statement of Trading - 1983- GCNA

(Showing Quantities in Equivalent Pounds Processed)

	NUTMEGS		MACE			
			No. 1		No. 2	
SALES:	1983	1982	1983	198	1983	1982
Selected	318,702	279,720				
Unassorted	3,043,194	2,031,284				
Defectives	2,554,020	1,899,660				
Mace No. 1	-	-	229,145	341,945		
Mace No. 2	-	-	-	-	674,080	353,400
	5,915,916	4,210,664	229,145	341,945	674,080	353,400
COST OF SALES:						
Inventory at beginning of year	7,786,145	5,949,599	110,276	180,941	700,754	753,780
Produce delivered by growers this year	4,795,991	6,157,754	165,189	224,055	165,745	278,850
	12,582,136	12,107,353	275,465	404,996	866,499	1,032,630
Net adjustment for mace purchased as one grade but processed as the other	-	-	(37,845)	(27,851)	37,845	27,851
	12,582,136	12,107,353	237,620	377,145	904,344	1,060,481
Overages/(shortages) ascertained by deduction	79,194	(110,544)	52,289	75,076	(149,380)	(6,327)
	12,502,942	11,996,809	289,909	452,221	754,964	1,054,154
Inventory - end of year	6,587,026	7,786,145	60,764	110,276	80,884	700,754
TOTAL SALES	5,915,916	4,210,664	229,145	341,945	674,080	353,400

Source: GCNA Financial Statement - 1983.

TABLE 49 -THE GRENADA CO-OPERATIVE NUTMEG ASSOCIATION
STATEMENT OF DIRECT EXPENSES
FOR THE YEAR ENDED 30TH JUNE 1983

	TOTAL		NUTMEGS		MACE			
					No 1		No. 2	
	1983	1982	1983	1982	1983	1982	1983	1982
Agents' fees	$ 16,021	$ 22,631	$ 15,020	$ 21,052	$ 594	$ 741	$ 407	$ 838
Bags and cases	282,312	303,415	218,201	231,131	42,740	48,190	21,371	24,094
Claims	1.546	958	362	-	1,075	958	109	-
Export duty	1,955,600	1,829,861	1,603,013	1,430,892	194,251	250,467	158,336	148,502
Shipping expenses	164,061	106,995	140,691	89,368	7,368	10,614	16,002	7,013
Wages - Processing & Receiving Stations	1,718,866	1,485,806	1,477,163	1,243,779	80,568	80,676	161,135	161,351
Pest control	33,454	36,054	27,840	26,955	2,246	3,640	3,368	5,459
	$4,171,860	$3,785,720	$3,482,290	$3,043,177	$328,842	$395,286	$360,728	$347,257

Source: GCNA Financial Statement - 1983.

Major Strengths and Weaknesses. The strengths of the GCNA are in the organizational system for collecting, processing and exporting that has operated successfully for many years. There seems to be no outstanding problems in this system of moving nutmeg to international users.

The principal weakness of the GCNA is the marketing program and the lack of information on the nutmeg industry in Indonesia its only major competitor. This information is needed to formulate future marketing strategies.

Within the GCNA organization, there does not appear to be a method to properly evaluate agents representing the GCNA in the sale of nutmeg. It has been difficult, for example, for management at the GCNA to properly assess the activities of its two agents in the U.S.

Conformity with Marketing Requirements. The GCNA has successfully marketed Grenada's nutmeg and mace internationally except for the past few years. These markets have not included the U.S. which is the largest buyer of spices in the world. The GCNA has not been able to conform to U.S. marketing requirements and therefore has not been able to penetrate this important market. Conformity to marketing requirements of Europe and other countries has by and large been accomplished.

Conformity with Government Priorities. The GCNA is the only association that has not elected two-thirds of the Board of Directors from its own members according to recent government policy. It has been making preparations to elect the Board in the near future.

There is no conflict between the GCNA and other government priorities of upgrading agriculture and related industries in Grenada.

Minor Spices Cooperative Marketing Society

The Minor Spices Cooperative Marketing Society was initially registered in 1971 under the Cooperative Societies Ordinance No. 15 of 1955 making it a true cooperative. In 1980, the Minor Spice (Control) Law, Act 48, was published giving the Minor Spices Society sole purchasing and exporting privileges of all spices except nutmeg and mace.

Objectives

The objectives of the Society according to "Rules of the Minor Spices Cooperative Society" (1971) are "to improve the economic welfare of its members by utilizing their united funds and (expend) efforts for the better production, processing and marketing of cloves and/or any approved product, on cooperative lines, and for performance of services in the interest of its members in the most economical way."

Major Functions of the Minor Spices Society

According to Rules of the Society, major functions are as follows:

- Initiate, develop and encourage better and more economical methods of production, processing and marketing;
- Make arrangements for curing, grading, transporting and pooling of cloves and any approved product by members with a view to insuring quality;
- Make arrangements for the most profitable disposal of cloves and/or any approved product belonging to its members; and
- Act as an agent for its members in procurring seeds, implements, machinery, fertilizers, and other necessary supplies for the proper production of cloves and/or any approved product.

Organizational Structure and Management

The business of the Society is conducted by a Committee of Management (Board of Directors) which are elected at the annual general meeting. The Board consists of five members elected by the Society and two appointed by the government. The Manager reports to the Board.

There are five staff persons employed by the Society, including the Manager and two day laborers for warehouse work.

Importance of Minor Spices in Grenada Agriculture

Minor spices in the context of this report consist of the following products: cinnamon, cloves, clove stems and pimento (allspice). In 1983, another spice, tumeric, was marketed locally although the amounts were small compared to the other spices (tumeric is called "saffron" in Grenada).

Table 50 shows the quantities and prices of minor spice sales for the period from 1976-1983. Average total sales for the 1981-83 period were EC$ 745,000 per year.

In 1983, 1,481 growers supplied spices to the Society although there are an estimated 2,500 growers of minor spices in Grenada. The difference in numbers of growers and supplies in a given year can be accounted for by alternate years of production in some spices.

Minor Spices Society Services to Growers

The Minor Spices Society provides a collection, grading, bagging and marketing services for its members. The Nutmeg Association is contracted to collect spices for the Society at its collection points throughout Grenada.

Table 50 - Prices and Quantities Sold of Minor Spices - 1976-1983

YEAR ENDED SEPT. 30	CINNAMON		CLOVES		CLOVE STEMS		PIMENTO		TOTAL	TOTAL F.O.B. PRICE RECEIVED
	LB	AV. PRICE PER POUND F.O.B. EC$	LB	AV. PRICE PER POUND F.O.B. EC$	LB	AV. PRICE PER POUND F.O.B. EC$	LB	AV. PRICE PER POUND F.O.B. EC$	LB	
1976	5,073	3.10	2,112	7.23	580	1.74	500*	3.54*	8,265	-
1977	7,805	3.28	3,138	8.85	915	1.00	205*	5.68*	12,063	-
1978	5,460	3.96	2,000	11.69	3,340	2.08	410*	5.37*	11,210	-
1979	6,222	4.17	30,914	9.35	5,836	1.78	517*	6.51*	43,489	-
1980	3,325	5.48	8,896	10.06	1,602	2.08	101*	7.62*	13,924	-
1981	17,484	6.42	46,630	11.27	5,451	1.76	1,444*	8.09*	71,009	EC$ 659,041
1982	14,804	6.97	48,621	12.88	3,979	1.83	443*	9.56*	67,847	EC$ 740,937
1983	32,977	6.99	43,170	12.74	31,042	1.22	2,793**	6.58**	109,982	EC$ 836,742

*Pimento only

**Pimento 1,351 lbs, other spices 1,442; Pimento average EC$ 8.38/lb.; other spices EC$ 4.90/lb.

Source: Minor Spices Society.

Most minor spices are exported in whole form. However, some export orders have specified grinding. The Society in these instances has contracted the grinding to the government-owned spice factory.

Minor spices does not provide a credit-in-kind program for fertilizers or a pest and disease component.

Past Government Intrusions into Marketing Activities

Two members of the Society's Board were appointed by the government after it had attained the authority of sole exporter of minor spices in Grenada. There were no other intrusions by the government according to the management.

Financial Position of the Minor Spices Society

CARICOM countries have been the main market in previous years for the Society's cinnamon, reported to be of high quality by visiting buyers. Formerly, all of the cinnamon was absorbed in the Caribbean area at higher prices than Europe and the U.S. Recently, however, import restrictions in Guyana and other marketing difficulties in Trinidad have resulted in reduced purchases by these two countries. Because of the small volume of exports and basically one person handling all business of the Society, new marketing efforts have been minimal.

Cloves is the largest selling spice in volume and F.O.B. value. In 1983, Canada was the largest single buyer (17,875 lbs.), then Cuba (8,818 lbs.) and Barbados (7,606 lbs). The market for Grenada's hand-picked cloves, reported to be of high quality, is usually good although recently prices have been depressed. Brazil is reported to be increasing production of cloves and, because of its weak currency and financial situation, is selling at low prices.

Clove stems, a by-product of cloves, is difficult to market. Its shelf life is short and has to be sold to the highest bidders from a limited number of buyers.

Pimento or allspice and tumeric are small in volume and negligible as far as total sales are concerned.

Recent export price quotes (C&F New York) for the three main products of the Minor Spices Society show the extent of price declines by July 1984.

Cinnamon . .	EC$ 1.61/lb.
Cloves (Brazilian)	6.76/lb.
Clove stems	1.56/lb.

As can be seen from Table 50, the above prices are well below average 1983 prices--a 72 percent decline in cinnamon and 47 percent reduction for cloves. Clove stems are somewhat higher than 1983 F.O.B. average prices but the added freight costs will reduce the net.

In 1983, 109,982 pounds of total spices were sold by Minor Spices compared to 67,847 pounds in 1982. This is a 38 percent increase. Total F.O.B. revenues increased by only 11 percent in the same period. The reason for this disparity is due to the decline in average prices in 1983 (EC$ 6.58/lb.) from 1982 (EC$ 9.56/lb.) a 31 percent decrease.

In 1983, there was a gross profit (after deducting basic growers prices paid for various spices) of EC$ 375,354 compared to EC$ 229,667 in 1982. General administrative expenses declined from EC$ 81,138 in 1982 to EC$ 66,083 in 1983. This is a reduction overall of 19 percent in general administrative expenses and a favorable decline of expenditures to gross profits of 17.5 percent in 1983 as compared to 35.5 percent in 1982.

Table 51 - Buying Prices By Year - 1976-1983

YEAR ENDED SEPT. 30	CINNAMON - AVERAGE RATE LB. ADV. EC$	SURPLUS EC$	TOTAL EC$	CLOVES - AVERAGE RATE PER LB. ADV. EC$	SURPLUS EC$	TOTAL EC$	CLOVE STEMS - AVERAGE RATE PER LB. ADV. EC$	SURPLUS EC$	TOTAL EC$	PIMENTO ONLY* - AVERAGE RATE PER LB. ADV. EC$	SURPLUS EC$	TOTAL EC$
1976	1.25	0.95	2.20	4.20	1.53	5.73	0.50	0.20	0.70	1.89	----	1.89
1977	2.08	0.72	2.80	6.91	1.29	8.20	0.50	0.25	0.75	1.84	1.16	3.00
1978	2.25	0.75	3.00	6.11	1.89	8.00	0.79	0.41	1.20	2.97	1.03	4.00
1979	3.00	1.00	4.00	6.50	1.50	8.00	0.75	0.25	1.00	4.00	1.50	5.50
1980	3.75	0.90	4.65	7.00	1.55	8.50	0.60	0.60	1.20	4.50	1.00	5.50
1981	3.80	1.45	5.25	7.00	1.50	8.50	0.60	----	0.60	4.50	1.50	6.00
1982	4.00	1.25	5.25	7.00	2.00	9.00	0.60	----	0.60	4.50	1.50	6.00
1983	4.00			7.00			0.50			4.50		

*Rates for other spices excluded - these were bought outright at EC$ 2.65 per lb.

Source: Minor Spices Society.

There was a surplus paid to growers in 1983 of EC$ 142,125 or 40 percent of gross profits compared to EC$ 53,000 in 1982 or 23 percent.

Table 51 shows the breakdown of advance and surplus payments to growers from 1976 to 1982.

In July 1984 there was in storage approximately EC$ 1 million (F.O.B. value) worth of unsold or uncommitted spices which were purchased from growers for approximately EC$ 600,000. Minor Spices currently was operating on a bank overdraft of EC$ 325,000 at 11 percent interest.

It is imperative that the Minor Spices Society sell some of its large inventory, even at what normally would be unacceptable prices, in order to improve its cash flow position. (This was recently done in completing a sale of five tons of clove stems.) Inventory accumulation has occurred because of softening demand and also because of reluctance to sell at low prices. This attitude is understandable when other options are open. However, the Minor Spices management and Board of Directors should avoid a further deterioration of the cash flow situation if at all possible.

Tables 52 to 55 give the 1983 Minor Spices Society Financial Statement along with a review of the 1982 performance.

Major Problem Areas

Large Inventory of Unsold Spices. The large inventory of unsold spices is creating severe financial difficulties at the Society. Warehouse space is filled and because of lack of operating capital, no more spices can be purchased by the Society without adding to the already large bank overdraft.

TABLE 52 - MINOR SPICES CO-OPERATIVE SOCIETY LTD

BALANCE SHEET

AS AT 30TH SEPTEMBER 1983

CURRENT ASSETS:	Notes	1983	1982
Cash in bank and on hand		$159,629	$ 47,878
Accounts receivable and prepaid expenses		130,033	24,959
Due by G.C.N.A.		15,554	8,672
Inventory	1	348,143	290,668
		653,359	372,177
Less: CURRENT LIABILITIES:			
Accounts payable and accrued expenses		13,421	3,680
Unclaimed surplus - prior years		22,195	10,905
Proposed dividends		238	314
Provision for surplus - current year		142,125	53,000
		177,979	67,899
WORKING CAPITAL		475,380	304,278
DEFERRED EXPENSES	4	4,800	5,400
FIXED ASSETS, at cost:	1		
Furniture, fittings and equipment		10,503	10,503
Less: Accumulated depreciation		2,994	1,944
		7,509	8,559
NET ASSETS		$487,689	$318,237
REPRESENTED BY:-			
SHARE CAPITAL -			
Authorised - unlimited nominal value of $5 each			
Issued		$ 3,966	$ 3,870
SPECIAL RESERVE FUND	2	233,726	156,343
STABILISATION FUND		65,254	34,327
BUILDING RESERVE	3	7,350	5,550
RETAINED EARNINGS		177,393	118,147
		$487,689	$318,237

The accompanying notes form an integral part of the financial statements.

APPROVED ON BEHALF OF THE BOARD:-

(Signed) John E.R. Cadore..... President)
)
)Director
)
(Signed) R. L. Ferguson..... Manager)

Source: Minor Spices Society Financial Statement - 1983.

TABLE 53 - MINOR SPICES CO-OPERATIVE SOCIETY LTD.
STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED 30TH SEPTEMBER 1983

	1983	1982
SALES	$838,794	$737,187
COST OF SALES	463,440	507,520
GROSS PROFIT	375,354	229,667
GENERAL AND ADMINISTRATIVE EXPENSES	66,083	81,138
NET PROFIT FOR YEAR	309,271	148,529
OVER-PROVISION OF SURPLUS - previous year	583	3,047
RETAINED EARNINGS, beginning of year	118,147	56,896
	428,001	208,472
SPECIAL RESERVE FUND - (note2)	77,318	37,132
STABILIZATION FUND	30,927	-
PROVISION FOR DIVIDENDS	238	193
PROVISION FOR CURRENT YEAR SURPLUS	142,125	53,000
	250,608	90,325
RETAINED EARNINGS - end of year	$ 177,393	$118,147

The accompanying notes form an integral part of the financial statements.

Source: Minor Spices Society Financial Statement - 1983.

TABLE 54 - MINOR SPICES CO-OPERATIVE SOCIETY LTD.

STATEMENT OF TRADING

	1983	1982
GROSS PROFIT ON PRODUCE SALES	$375,354	$229,667
Less: GENERAL AND ADMINISTRATIVE EXPENSES:-		
Salaries and wages	32,833	30,497
National Insurance Scheme - contribution	336	-
Commissions	3,103	1,364
Directors' fees and expenses	1,230	2,854
Bank charges and interest	10,526	25,455
Printing, stationery and stamps	3,046	2,813
Rent - Building - (Note 4)	1,800	1,800
Insurance	1,664	2,935
Audit and accountancy fees	2,800	2,500
Telephone and electricity	1,509	1,929
Packaging materials	2,900	4,357
Shipping expenses	1,432	684
Depreciation	1,050	1,050
Deferred expenses written off	600	600
Repairs and maintenance	25	156
Subscriptions and donations	-	125
Advertising	132	20
Miscellaneous expenses	37	438
Grinding expenses	1,060	1,561
	66,083	81,138
NET PROFIT FOR YEAR	$309,271	$148,529

Source: Minor Spices Society Financial Statement - 1983.

TABLE 55 - MINCE SPICES CO-OPERATIVE SOCIETY LTD

STATEMENT OF TRADING

FOR THE YEAR ENDED 30TH SEPTEMBER 1983

	TOTAL		Cinnamon		Cloves		Clove Stems		Other	
	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
SALES	$838,794	$737,187	$233,435	$103,772	$548,659	$613,681	$42,394	$7,269	$14,318	$12,465
COST OF SALES:										
Inventory - beginning of year	283,024	613,326	161,832	43,960	93,071	555,374	18,891	10,325	9,170	3,667
Purchases	515,279	177,218	160,522	139,812	335,927	25,350	6,737	1,446	12,093	10,610
	798,303	790,544	322,414	183,772	428,998	580,724	25,628	11,771	21,263	14,277
Less: Inventory-end of year	334,863	283,024	188,332	161,892	133,529	93,071	725	18,891	12,227	9,170
	463,440	507,520	134,032	21,880	295,469	487,653	24,903	(7,120)	9,036	5,107
GROSS PROFIT	$ 375,354	$ 229,667	$ 99,391	$ 81,892	$ 253,190	$ 126,028	$ 17,491	$14,389	$ 5,282	$ 7,358
% GROSS PROFIT TO SALES			42.6%	78.9%	46.1%	20.5%	41.3%	197.9%	36.9%	59.0%
RATE OF INVENTORY TURNOVER			0.8	0.2	2.6	1.5	2.5	-	0.8	0.8

Lack of Warehouse Space. Limited warehouse space at the Society has been a problem in the past. The current slow turnover of cinnamon and clove stems has aggravated the problem. Since production of cinnamon and cloves appear to be on the increase, lack of warehouse space in the future is expected to worsen.

Lack of Grinding Facilities. Although the lack of spice grinding facilities is not a problem of the same magnitude as the large inventory of unsold spices, it may become more pronounced depending upon what happens to the government-owned spice grinding factory. The Society might expand its marketing--in some products with grinding facilities readily available to expediently grind spices, not always the case in the past according to the Manager.

Merging with the Grenada Cooperative Nutmeg Association. There have been discussions in the past on the possibility of the Minor Spices Society merging with the GCNA. Since both organizations are currently experiencing financial setbacks, the matter has been put aside for the present. However, in the future, it would seem that a merging of the two associations could be of substantial benefit, especially to the Minor Spices Society. Already the GCNA purchases a substantial amount of minor spices for the Society at its nutmeg collection points and overseas buyers of nutmeg also purchase cinnamon and cloves. The managers of the two associations are amenable to further exploration of a merger possibility when the current financial problems have improved.

Marketing System and Intelligence. Because of its small-scale operation the Minor Spices Society has not developed marketing intelligence outside nearby Caribbean countries. Lack of knowledge of the international spice markets is proving to be a detriment to the Society when it desperately needs information on other potential markets.

Resignation of Manager. The Manager of the Minor Spices Society submitted his resignation effective October 1, 1984. Since he is the most knowledgeable person in the operations of the Society, his loss in September would be greatly felt in the event that assistance were forthcoming for merger talks, computerization, etc. He will remain in his position on a month-by-month basis, if requested by the Board, after the resignation date.

Goals and Objectives. The objectives of the Minor Spices Society, published in 1971 are to improve the economic welfare of members through cooperative efforts in various services required to process and market spices (other than nutmegs or mace).

Minor Spices has basically fulfilled its objectives. Members have generally enjoyed good prices except for 1983 and 1984 and these accomplishments came about through cooperative efforts of the members.

Financial Performance. Financial performance of the Minor Spices Society was relatively stable until 1983 when a decline in prices reduced profits to the Society and its members.

Major Strength and Weaknesses. A major strength of the Society is the 2,000-2,500 members who regularly deliver high-grade spices to this cooperative in an organized manner. Another strength has been the close attention paid to the handling and marketing of spices and the high prices received prior to the recent decline.

A weakness of the Society is the lack of depth in personnel to handle the cooperative's business. The Manager is a "one man show" with only clerical help to assist him.

There are no telex facilities at the Society although more use is currently being made of the telex at the Nutmeg Association.

The small operating budget along with a personnel shortage, does not allow necessary expansion of marketing activities. Merging with the Nutmeg Association appears to be potentially beneficial since nutmeg, cloves and cinnamon are normally handled by the same buyers.

Conformity with Government Priorities. Previous government administrations did not dissolve the elected Board of Directors of the Minor Spices Society. Two-thirds of its members have continued to be elected by the members. There is no conflict between the Society and known government priorities.

RECOMMENDATIONS

1. RECOMMENDATION: Determine Feasibility of Merging Appropriate Activities of Commodity Associations

   Associations Affected: (a) Banana, Cocoa, Nutmeg
   (b) Nutmeg, Minor Spices

   Determine which activities are feasible to merge to improve efficiency of operations, reduce overhead and increase market capabilities between:

   - Three associations (Banana, Cocoa, Nutmeg)
   - Two associations (Nutmeg, Minor Spices)

   Assistance Required: Short-term Organizational Development Specialist to assess and recommend appropriate and mutually beneficial activities which should be merged.

2. RECOMMENDATION: Improve Efficiency of Accounting Procedures Through Computerization

   Associations Affected: All associations

Develop appropriate system to computerize accounts of commodity associations (either individually or merged) in order to streamline management and provide more up-to-date account systems.

A computerized system could also better provide members with more relevant financial data necessary for farm application loan.

Assistance Required: (a) Information Systems Specialist to recommend appropriate computer system(s), training program for operators, and a maintenence program for the hardware.

(b) A Peace Corps volunteer with a computer background should be requested to assist the associations to conduct training courses for operators of computers.

3. RECOMMENDATION: National Campaign to Combat Praedial Larceny of Farm Crops

Associations Affected: All associations

A combined campaign is urgently needed by law enforcement authorities, commodity associations, the education system, churches and agricultural officials to reduce losses by theft of agricultural produce. Strict penalties should be enacted to curtail growers use of their association identification cards to dispose of known stolen goods. Special Praedial Larceny Courts might be considered to deal quickly with cases that otherwise would clog the judicial system.

Assistance Required: (a) All appropriate organizations and institutions as mentioned above.

(b) A sociologist/anthropologist to assist in developing appropriate and effective measures.

(c) A regional legal expert to recommend appropriate law enforcement measures.

4. RECOMMENDATION: Repeal of 18 percent Government Export Tax

Associations Affected: Cocoa, Nutmeg

Repeal of this high government tax will ease the financial burden on these two associations and their members.

Assistance Required: Ministries of Agriculture and Finance.

5. RECOMMENDATION: Development of A More Diversified Marketing Plan

Associations Affected: Banana, Nutmeg, Minor Spices, Cocoa

- Investigations to determine feasibility/ profitability of utilizing rejects (over-ripes, small hands, different varieties, etc.) for intra-regional markets or for swine feed. Information is available to GBCS on swine feeding of bananas and intra-regional marketing of this fruit.[5]

- Determine feasibility/profitability of utilizing existing facilities of the GBCS for collecting/exporting other available Grenada produced fruits to nearby markets by air and/or sea transport.

---

[5] A Feasibility and Outline Implementation Plan on the Intra-Regional Marketing of Windward Islands Bananas. Systems Group of Companies for the CDB, 1982.

Nutmeg, Minor Spices - Continue work already begun in exploring the U.S. market for increased sales of nutmeg, cloves and cinnamon.

- Continuous and current market intelligence needed on international situation of cinnamon and cloves and projections on production/exports of nutmeg from Indonesia.

- Investigate North American markets for high-quality Grenadian Cocoa to determine if higher prices can be obtained in light of devaluation of European currencies.

- A more effective transportation strategy is needed to increase exports of nutmeg and minor spices to South American markets. Utilization of smaller, localized vessels would require plans for a back-haul of cargo to Grenada.

Assistance Required: Agricultural Marketing Specialist (Ref.: AID Project Paper) and Spice Marketing Specialist (short term).

6. RECOMMENDATION: Improve Efficiency of Operations, Management Effectiveness and Profitability

Associations Affected: Banana, Nutmeg

Banana - The Board of Directors in close cooperation with management needs to systematically examine the efficiency and effectiveness of the GBCS operations. Relevant changes necessary for improvements of the organization should be initiated. Some of the more important areas to examine are listed below:

- Assessment of time spent by the General Manager with WINBAN activities to determine if other GBCS operations are suffering because of lack of attention due to insufficient time.

- Close and continuing evaluation and monitoring of the four major expenditures of the GBCS; cartons and wrapping materials, disease and pest control, boxing plant operations and administration costs. Appropriate changes should be made to improve efficiency and reduce costs.

- Management training program for upper and mid-management positions through periodic visits to other islands in WINBAN. Management and financial controller assistance is needed to work closely with upper level management and the Accounts Department for an extended period of time.

- Reshuffle and/or reduce positions where necessary to improve efficiency and delegate more authority to mid-management personnel. Improvements in position strength and more delegation of authority would give more time for the General Manager to administer both GBCS and WINBAN activities.

- Special seminar organized by the Board for upper and mid-management to study and discuss the evaluation report of the FAO/World Bank Team (Grenada Agricultural Production and Diversification Project Vol. I and II, 1983). Although some of the information in this comprehensive report may be outdated or irrelevant at this point in time, it details deficiencies and recommendations for improvements in the GBCS. The new Board and management should utilize the observations, suggestions and recommendations by the FAO/World Bank team.

Nutmeg - Assess processing facilities for possible initiation of more labor efficient operations and study possibility of providing increased incentives for workers. Processing operation tasks should be categorized and closely examined for piece work potential. Experiments should be initiated at one processing facility at a time to determine feasibility of various tasks when switching from hourly to piece-work pay. Workers (mostly women) might be able to reduce time on the job, yet increase production and receive the same or better pay.

Assistance Required: Banana management and Financial Controller assistance.

7. RECOMMENDATION: Pest and Disease Program Evaluation

Associations Affected: All associations.

Program evaluation needed on field work (Cocoa, Banana) and storage problems (Nutmeg, Minor Spices) related to pests and diseases. Experts should examine possible improvements in controls, more efficient use of funds and training programs required for growers and warehouse employees to effectively improve pest and disease control programs.

Assistance Required: Entomologist (short-term) experienced in working with pest control teams in cocoa and bananas and storage of spices.

8. RECOMMENDATION: Development of an Effective Distribution Program to Utilize AID Grant Fertilizer Inputs for Maximum Leverage to Increase Yields

Associations Affected: Banana, Cocoa

A distribution program should be devised in advance arrival of AID financed fertilizer to achieve optimum results in promoting proper cultural practices for maximum increases in

yields. Distribution should be based on the completion of certain designated cultural practices and not distributed across-the-board to all growers of the associations.

9. RECOMMENDATION: Establish Committee to Help the Extension Service to Better Coordinate its Activities in Reaching and Assisting Farmers

Associations Affected: All associations

A Coordination Committee composed of representatives of the four commodity associations and the Extension Service should be organized. The Committee would make recommendations on appropriate placement of MOA extension personnel to complement specialists (Banana) already in operation and into other traditional crops with no on-going programs. MOA extension personnel should mainly concentrate on more generalized technical areas with bananas and to more specifics in other traditional crops.

Assistance Required: Agricultural Extension Specialist

10. RECOMMENDATION: Government Owned Spice Grinding Facilities Placed Under Control of the Minor Spices Society

Associations Affected: Minor Spices

The Minor Spice Society receives some purchase orders for ground cinnamon and cloves. Since Minor Spices is the only recognized exporter of Grenada produced cinnamon or cloves, the government-owned factory should become a part of this association.

Assistance Required: Ministry of Agriculture.

CHAPTER FOUR
THE MARKETING AND NATIONAL IMPORTING BOARD (MNIB)

Introduction

The MNIB is a statutory body established by the Government of Grenada, Act Number 40 of 1973, as amended by People's Law Number 69 of 1979. The Act and its amendment endows the MNIB with extensive powers in two major areas: the marketing of Grenadian agricultural and fisheries produce (other than produce which is not already marketed through existing commodity associations--bananas, cocoa, nutmeg, minor spices); and the monopoly importation of certain basic food and non-food items.

In this section of the report: the objectives of the MNIB are reviewed; the functions, authority, organization, facilities, and activities of the board are specified; and aspects of the MNIB's operational and financial performance are investigated. A brief description is provided of the structure and operation of the private sector in Grenada which undertakes marketing of fresh produce, both in domestic and export markets, and importation of basic commodities. Some major issues are discussed regarding the relationship between the MNIB and the private sector in Grenada, and their respective roles in facilitating the marketing of fresh produce and importation of basic commodities. Finally, recommendations are presented--for the consideration of the Interim Government of Grenada and MNIB senior management--on the future role and preferred range of activities for the MNIB.

Objectives of the MNIB

The short-, medium- and long-term objectives of the MNIB were delineated by its Board of Directors in 1982:[1]

---

[1] See Alex Vahcic, "Case Study II, Marketing and National Import (sic) Board," National Workshop for Public Enterprises in Grenada, Optimum Performance Through Internal Management Action, 31st January-11th February 1983, pp. 8 and 9.

Previous Page Blank

- Long-term objectives:

  -- Promote planned development of the agricultural sector in order to avoid gluts from arbitrary production and to reach the most lucrative markets;

  -- Promote import substitution by reducing imports of food and developing linkages with agro industries;

  -- Increase export earnings from the sale of Grenadian produce;

  -- Develop an efficient and a sophisticated marketing system;

  -- Generate foreign exchange savings through capturing lower unit costs on bulk importation of specified basic commodities; and

  -- Ensure the equitable distribution and equitable pricing of specified bulk commodities in Grenada and to ensure the consistent availability of these same commodities at stable prices.

- Short-term objectives:

  -- Establish properly equipped outlets to receive and sell locally farmers' produce;

  -- Provide facilities for exporting of surplus produce; and

  -- Acquire the services of an export marketing agent and of a local sales agent to seek the best markets for produce.

- Medium-term objectives:

  -- Increase the surplus food trade; and

  -- Increase non-traditional agricultural exports;

These objectives were developed with a view to benefiting three specific target groups.[2]

- Grenadian farmers - through developing a guaranteed market for their produce at stable prices and, thereby, ensuring stable income for farmers, and reducing risk and increasing confidence in the agricultural sector;

---

[2]Ibid p. 9

- The consuming public - through securing more regular supplies and more stable prices for fresh produce and basic imported commodities; and

- The economy at large - through increasing output, income, and living standards of the farming sector, increasing national income through exports, and saving foreign exchange through food import substitution.

Functions and Authority of the MNIB

The Marketing of Grenadian Produce

Under the 1973 Act, the range of produce that can be bought and sold by the MNIB is defined and, with the exception of produce that is marketed via established commodity associations (the "traditional" export crops of Grenada), is comprehensive. The term "produce" can include:

> "any fruit, vegetable, other praedial production, any cultivated root or plant used or capable of being used, whether in its natural state or otherwise, for the food of man or beast, for medicines, distilling, dyeing, or for the manufacture of clothing; and any livestock, poultry, fish and any other marketable commodity whether similar to any of the above or otherwise."[3]

The intent of the 1973 Act was to establish a public sector marketing board as a major participant in the fresh produce marketing sector--buying fruits, vegetables and roots from farmers and selling these items on domestic, intra-regional, and extra-regional markets.[4] The promulgation of this legislation in Grenada (and, indeed, in every one of the twelve English-speaking

---

[3]Government of Grenada, Act No. 40 of 1973, p. 296, Subsection 2.

[4]'Intra-regional' markets refer to those markets which are located within the Caribbean region, and 'extra-regional' markets are those outside this region and, largely, refer to markets in Europe and North America.

Caribbean States) was intended to establish order into what was perceived as being a chaotic agricultural marketing sector, and to provide farmers with an alternative purchaser to the huckster (who was perceived by some to be exploiting both the farmer and the consumer). The legislation was alos intended to eliminate the problem fo seasonal shortages and gluts of certain crops and the resultant erratic price fluctuations. It was thought the board should provide a steadier market and flatter out the peaks and valleys.

The Board was empowered under the 1973 Act to do the following:

- Buy and sell produce;
- Establish and operate depots for the purchase, delivery, grading and sale of produce;
- Enter into contracts for the purchase, sale, and transport of produce;
- Establish and operate storage facilities; and
- Trade in farm inputs.

In addition, the Government of Grenada may appoint the Board to be the sole purchaser, handler, processor, seller and exporter of 'specified' produce items. However, in practice, and at present, the MNIB does not have (and never has had) monopolistic/monopsonistic powers on any of the 'specified' fresh produce items.

The Monopoly Importation of Basic Food and Non-Food Items

The amendment to Act 40, 1973, which was introduced in 1979, was to give the Minister responsible for Finance, Trade and Planning the power to "declare any foodstuff, building material, agricultural equipment or any other commodity whatsoever to be a specified import"[5] and under the sole importation control of the

[5] People's Law No. 69, p. 2, Subsection 5.

MNIB. In practice, the Board has exercised its monopoly powers on bulk purchases of brown and white sugar, rice, powdered whole milk, and cement. The intent of the amendment was probably three-fold: to gain lower unit purchasing prices for imported commodities through the bulk purchase of basic commodities; to establish a degree of price stability and even distribution of such basic commodities for the benefit of the consumer; and to generate 'lower prices' on basic commodities for consumers through precluding private sector companies taking margins that were perceived by government to be excessive.

Organization of the MNIB

The MNIB falls under the governmental jurisdiction of the Minister responsible for Finance, Trade, and Planning (MFTP). The Minister is responsible for appointing nine Board Members to oversee and direct policies and activities of the MNIB. Currently, there are seven Board members; the Acting Chairman (Permanent Secretary in the MFTP), and his six colleagues, covering a range of experience including a small-scale farmer, a local trader, president of a labor union, Permanent Secretary of Agriculture, and a member of the Public Service Commission.

The General Manager of the MNIB (the incumbent operates as "Acting General Manager") reports to his Chairman and Board of Directors. Currently, there are approximately 90 employees within the Board, placed within six major divisions.

The administration division is headed by a manager who employs 12 persons. The secretaries, typists, messengers, drivers and janitorial services are in this division. The responsibility for the motor vehicles of the Board lies with administration.

The import division is headed by a manager and 15 employees. The management of the warehouses lies with the import division. There is a market research assistant on the staff, a warehouse manager, warehouse supervisor and attendants, and a salesman.

The finance division is responsible for the financial accounting of the MNIB. It employs 7 persons and currently operates without a financial controller.

The shipping division, headed by a manager, looks after shipping matters with its 15-member staff and 9 crew of the MNIB-owned boat.

The marketing division is responsible for the marketing of export produce and processed products. The marketing of processed products by Agro Industries, Ltd., is also a function of this division. The processed fruit products were produced by the government-owned parastatal (now defunct). This division employs a manager, an assistant manager, three marketing officers, a salesman, and a merchandizer.

The purchasing division operates the purchase and retail outlets for fresh and processed products. Among the 23 employees are a manager, a purchasing coordinator, a retail depot manager, a field officer, and a purchasing officer.

In addition, the MNIB has a division each in Carriacou and Petite Martinique.

MNIB Facilities and Supplies

Physical facilities under the jurisdiction of the MNIB are listed as follows:

- The Head Office building in St. George's, under which is located the MNIB fresh produce retail outlet and fresh produce dry/chill storage, packing and delivery facilities

- Two MNIB-owned warehouses in and around St. George's (with an approximate floor area of 26,000 sq. feet) used for storing specified imported items, products of the now inopertive Agro Industries Ltd. and gift items presented by various foreign governments. The MNIB rents additional warehouse space for specified imports and other items from private sector firms in St. George's and Grand Anse
- Depots at Carriacou and Petite Martinique
- One minibus, two station wagons, two small jeep-type vehicles, two serviceable trucks and two saloon cars
- One 300 GRT dry cargo ship (the MV Albatros)

In addition to the regularly-purchased supplies of sugar, rice, powdered milk and cement that are stored in MNIB warehouses, there are substantial inventories of other items that have been presented as gifts or reflect previous marketing responsbilities of the Board. These items include:

- Wine (about 20,000 cases);
- Toilets and sanitary ware;
- Shirts and underwear;
- School supplies;
- Apricot and orange preserves;
- Miscellaneous sporting goods; and
- Products from the now-defunct Government processing plant (Grenada Agro Industries), with an estimated wholesale value of EC$ 600-700,000.

An inventory count of all items in storage, and a comprehensive listing, has been authorized by MNIB management but, as of August 1984, is not available.

Aspects of MNIB Operational Performance

The Marketing of Grenadian Produce

The fresh produce marketing function is undertaken by personnel from the Purchasing Division--the Division with the largest number of employees in the MNIB (about 23). The Division is comprised of a Senior Manager, a Purchasing Supervisor plus assistant, field purchasing officers, graders and packers, a retail supervisor plus assistant, cashiers, other retail staff, a statistical officer and various clerks.

The major means of purchasing fresh produce from farmers is through a "bookings" procedure, that is, farmers make contact with the MNIB and mutual agreement is established on the volume and unit prices that MNIB will purchase/pay. In the past, farmers have contracted with MNIB to provide definite quantities at definite prices of selected commodities. The MNIB was attempting to eliminate the erratic fluctuations in the produce marketing by introducing planning in system through forward marketing contracts. However, this method has not proved to be a sustained success--farmers are enthusiastic to deliver when contract prices are above market prices, but reluctant when the reverse is the case.

MNIB collects approximately 25-30 percent of total fresh produce purchases from the farm gate or from central collection points but, in the main, farmers deliver to the Board. Over half of all purchases are resold via the MNIB retail outlet in St. George's, the remainder being sold to government institutions (e.g., hospital, government-owned hotels) and a small quantity to the depots in Carriacou and Petite Martinique.

The present broad pricing policy of the Procurement Division is to add, on average, a 25 percent gross margin to the buying price from the farmer; this mark-up--from price purchased from farmer to retail price--is low relative to industry norms in

other parts of the Caribbean, and in North America and Europe. The MNIB perceives that it has an important role to play in providing market access for farmers on the one hand, and a source of countervailing power moderating the size of margins that street vendors can take on sales on the other.

Whilst Act Number 40 of 1973 empowered the MNIB to market "produce" in the widest sense of the term (including the fresh and processed products of crops, livestock, and fish), in practice the Board has focused exclusively upon the buying and selling of fruits, vegetables and root crops (and, to a limited extent, their processed products). Over the period 1973 to 1979, the Board had little or no success in developing sustained trade in fresh produce items and, in the latter year, total annual sales volume was only about 50 tons and total sales value only about EC$ 60,000.

Under the PRG, there were efforts to rejuvenate the fresh produce buying and selling activities of the MNIB; in each of 1982 and 1983, total MNIB purchases of fresh produce were around 600 tons (see Table 56).

Table 56 MNIB Purchases of Fresh Produce from Farmers, by Volume And Value, 1981 to 1983

	Volume (Tons)	Value (EC$ '000)
1981	370	420
1982	614	751
1983*	575	700

*Estimate only

Source: MNIB, Produce Division

The great majority of fresh produce purchased by the MNIB has been sold on the domestic market; in the most recently reported year, very small quantities (50 tons or less) of

selected commodities (largely, mangoes and eggplant shipped to the U.K., and green bananas, plantain and dasheen shipped to Trinidad and Tobago) have been exported. The MNIB has had little success penetrating extra-regional markets, and shipments made have invariably incurred financial losses.

Estimates in Grenada of the total sales size (both export and domestic) of 'non-traditional' crops are notoriously inexact --as they are throughout CARICOM. However, it is likely that the MNIB share of the market was substantially less than 1 percent of total in 1979, and probably no more than 5 percent in 1983.

While MNIB fresh produce purchasing policies have no impact on intra- and extra-regional market prices the 300 tons or so sold through the MNIB St.George's retail outlet no doubt influence local prices. Private sector traders interviewed assert that the MNIB has a price leadership role in the local market area, i.e. traders have to take MNIB fresh produce prices into account when selling in St. George's.

In general, the marketing facilities of the MNIB are inadequate to support a commercially viable and vibrant fresh produce marketing business. The retail store and packing/storage area are in an unsuitable location--delivery/shipping access is poor and there are no parking facilities; the physical plant is not designed for fresh produce storage and handling; and facilities are sadly dilapidated; there are inadequate and unsuitable transport facilities both for picking up produce from farmers and delivering to customers. Further, Procurement Division staff are inadequately trained in the operations of fresh produce marketing tasks (grading, packing, etc.)

The Monopoly Importation of Basic Food and Non-Food Items

The activities associated with the importation of bulk sugar, rice, powdered milk and cement (and fertilizer in 1982) are undertaken by the Import Division. Historical data on the

volume and value of commodities imported by the MNIB are sketchy--annual importation figures for 1983 are, as of August 1984, unavailable. In 1982, the following were imported:

Table: 57 Importation of Products by MNIB

Commodity	Quantity (tons)	Value (EC$ cif)
Raw sugar	2,500	2,067,250
Refined sugar	500	443,600
Rice	1,317	1,484,259
Powdered Milk	500	2,345,400
Cement	14,000	3,043,600
Fertilizer (12-12-18)	270	158,004
Fertilizer (15-8-24)	1,000	1,170,000
		10,712,113

At year-end the inventory was as follows:

Commodity	Quantity (tons)	Value (EC$ cif)
Raw sugar	97.7	80,953
Refined sugar	162.9	144,835
Rice	215.6	243,544
Powdered Milk	353.4	1,661,246
Cement	5,921.6	1,292,425
Fertilizer (12-12-18)	204.0	119,614
Fertilizer (15-8-24)	36.4	23,696
		3,566,313

Source: Project brief on the Grenada Agricultural Production and Diversification Project, Volume II, Annex 5, p. 30, FAO/World Bank Cooperative Program Investment Center.

In January 1982, the MNIB established the Shipping Division to undertake duties associated with the following: shipping agency; customs brokerage; freight forwarding; ship chandling; cargo handling; chartering agency; and ship management. The purchase of a cargo vessel, the MV Albatros, was a central tenet in the expansion of the MNIB's commodity importation function.

Imported commodities accounted for the vast majority of total MNIB sales in 1982 - EC$ 10.7 million from a total of EC$ 12.2 million. The MNIB vessel handled EC$ 11 million of MNIB imports in 1982 (i.e., virtually all the importation of the specified basic commodities), plus EC$ 300,000 of exports. In 1984, the MNIB has not utilized the MV Albatros for the importation of basic commodities, although some imports or other cargoes have been shipped in the vessel this year.

The procedures for tendering for the basic import commodities have been recently modified, although clear procedures are not yet documented. The General Manager of the MNIB determines the nation's requirements for the specified commodities and prepares a preferred delivery schedule. The determination is based largely on historical usage patterns, and best trade estimates of future requirements. Tenders are called for to supply the required quantities of commodities; Grenadian firms may be requested to tender, as are brokers/agents/suppliers from outside the country. Tenders are assessed on four major criteria: competitiveness of price; terms and conditions of sale (e.g., credit terms, etc.), availability of transportation and past track record; and ability/plans procedures to meet the preferred delivery schedules. The General Manager selects the winning tender for consideration and the endorsement of the Tender Committee. The Committee is comprised of the Chairman, two Board Members, and the General Manager of the MNIB. Given endorsement by the Committee, the supplier with the winning tender is contacted to fulfill the order. The Board may pre sell

some of the order to trading companies in Grenada (for pick-up at the wharf on arrival of the shipment), and place the remainder in MNIB or rented warehouses for future sale.

The margins that the MNIB can add on to the c.i.f. prices for the bulk commodity items to cover costs such as removal of commodities to warehouse, import levies and taxes, storage, in-store losses, etc. are regulated by Government. MNIB officials argue that the full costs of importation, storage, and sale are not recovered by the legislated margin allowed the Board. Wholesalers in Grenada purchase commodities from the MNIB at legislated prices; the price paid per unit reflecting the volume purchased (i.e. the larger the quantity purchased, the lower the price per unit), and the point of purchase (i.e. a discount is offered if wholesalers take delivery at the wharf). The wholesale and retail mark-ups that trade members can take on the basic commodities are controlled by Government.

Financial Performance of the MNIB

Financial statements for 1983 or 1984 were not available (August 1984) from the MNIB, although a review of the 1983 accounts by the board's auditors is close to completion. Because of this lack of financial data, and until it is available, it is not feasible to present a current picture of the financial situation at the MNIB, or to comment with any degree of accuracy on its recent performance.

An FAO/World Bank team undertook a financial analysis of the MNIB in 1983 (up to and including the 1982 financial year). Because it is the most complete analysis available, it is presented below in its entirety:[6]

[6] "Project Brief on the Grenada Agricultural Production and Diversification Project," Volume II, Annex 5, pp. 25-27, FAO/World Bank Cooperative Programme Investment Centre, October, 1983.

Sales and profitability - The rapid growth of the organization over the period (1979-82) is reflected in a five-fold increase in sales to EC$ 12.2 million in 1982. The profitability figures can be misleading insofar as end-of-year inventories are regarded as income in the operating statements even though they have not been sold. This distortion, resulting from the presentation of the figures, is serious only in 1982 when inventories had risen to the very high figure off EC$ 4.3 million at year-end due largely to free gifts from overseas governments. In 1981 and 1979 the MNIB operated near break-even but incurred losses of some 32 percent of sales in 1980.

Capital utilization and structure - The capital employed by the MNIB increased eight-fold, to EC$ 3 million, over the period 1977-82. The turnover of capital remained relatively stable from 1980 to 1982 at between 3 and 4.3 after falling from its 1979 level of 7.4. This fall was due to the large commodity grants received from overseas governments in 1980, in particular a gift of cement from the Cuban Government valued at EC$ 2 million. The capitalization of the MNIB at the end of 1982 was dependent almost entirely on gifts of cement and sugar from the Cuban Government amounting to EC$ 560,000. These gifts offset the accumulated deficit of EC$ 1.17 million. The paid-up capital contribution of the GOG amounted to only 4 percent of the total capital employed, although it could be argued that the commodity grants constitute paid-up capital and should be stated as such in the accounts. The MNIB had no long-term debt up to the end of 1982.

Solvency - The current ratio was satisfactory over the 1979-1982 period, never falling below 1.3. However, the large build-up of inventories in 1982 and large bank loans payable at the end of 1979 and 1980 resulted in a liquidity ratio of less than one in those years indicating that the MNIB was insolvent over most of the period.

Collection of debts - The debt collection period increased from 17 days in 1979 to 58 days in 1982, indicating a deterioration in follow-up on accounts receivable over the period.

Stock turnover - With a stock turnover of only 2.8 at the end of 1982, the MNIB clearly had a serious problem of accumulation of inventories of unsold goods although this was largely due to gifts of basic commodities from overseas. In 1980 and 1981 the stock turnover was at the more efficient level of around 10.

Cost structure - In all years except 1981 the value of purchases exceeded total sales revenue. General and administrative expenses remained the single largest cost category in each year, increasing their share ove the period, reflecting the fact that the growth of the organization in terms of personnel was not matched by a proportional increase in revenue. The next largest item in 1982 was insurance and rent followed by transportation and then by handling charges. In previous years, handling charges and transportation were in excess of insurance and rent. In 1981, net expenses on the MV Albatros were the third largest expense category.

Another review of the financial performance of MNIB was conducted by Ales Vahcic and presented to the National Workshop for Public Enterprises in Grenada in 1983.[7] In summarising the report, the following observations were made:

- Although there exist annual reports for the MNIB, these accounts are not audited because of improper bookkeeping and recording over the period 1979-1982;

- The overall impression is that the MNIB was breaking even during the period 1979-1982; however, "breaking even" is no measure of commercial success, particularly given MNIB's monopoly powers on the importation of certain items. It seems a distinct possibility that windfall profits were generated when shipments of basic items were obtained at substantially lower prices than before while the controlled price did not change; and

- As a result, serious inefficiencies in the management and operation of the MNIB were hidden by the generation of these windfall profits. Specifically, cost to sales ratios far exceeded international norms for trading businesses, sales to inventory ratios indicated that inventory management was not performing adequately, and the practice of not imputing interest charges for government loans/grants, and not assigning interest charges on inventory serves to obfuscate the true financial picture."

---

[7]See Ales Vahcic, "Case Study II, Marketing and National Import (sic) Board," National Workshop for Public Enterprises in Grenada, Jan./Feb., 1983, pp. 12-19.

A recent report, completed in mid-1984, took a less dyspeptic view of the financial performance of the MNIB in recent years.[8] The section of the report entitled, "Financial Review," emphasizing the paucity of financial data, concluded:

> "...it is very difficult to assess with any degree of confidence the performance of the enterprise from the point of view of attainment of its financial objectives.
>
> Suffice it to say, however, that the rationale for setting up the Institution still holds and there are not sound reasons why it should not continue to operate. What is clear however, is that it cannot continue to operate in the way it has done over the past three years."

In essence, available information on financial performance of the MNIB between 1979 and 1982 indicate that the Board would have not remained in business if it had been a private sector company, and it is evident that the MNIB was consistently financially mismanaged during the period under review. In defence of the existing MNIB senior management, it was acknowledged by Government in early 1983 that the accounting function was beset by serious problems. The head of the Accounts Department was dismissed for incompetence and a new Financial Controller was appointed to undertake a drastic overhaul of general accounting systems. However, the new Financial Controller has recently left the employ of the MNIB.

---

[8]See Samuel Singh, Section C.20, "Report on the MNIB to the Committee for the Divestiture of Parastatal Bodies," Interim Government of Grenada, June, 1984, pp. 2-4.

Private Sector Marketing of Local Fresh Produce and Imported Commodities in Grenada

Private Sector Marketing of Grenadian Produce

Once past the "farm gate", the major participants in the merchandising of fresh produce both within Grenada and to intra-regional markets are a group of small-scale entrepreneurs named, *inter alia*, hucksters/vendors (often concentrating on domestic trade), traders/traffickers (often concentrating on export trade). A profile of these market participants and an assessment of their importance in the fresh produce market has been provided[9] in two reports, completed in 1980 but which are still germane to the present situation.

Typically, the huckster/trader is female, over 35 years of age, may grow produce for sale herself, but purchases from between one and eight farmers. She may harvest the produce herself or purchase it already harvested (at the farm, central market, or wharf). It may be a cash transaction, or the farmer may be paid the following week after sale of the produce. The trader frequently stores the produce at her home, and utilizes only the most basic storage and packaging materials. Only the larger-scale traders transport the produce to point of market in their own vehicle, most use buses or other hire transport. Secondly, traders work in concert with other family members or (particularly, for export traders) hired help. Export traders may travel to Trinidad to sell their produce or have an agent

---

[9]See "A Survey of Small-Scale Fresh Produce Marketing Enterprises in the Eastern Caribbean," SYSTEMS Group of Companies, undertaken for FAO/Caricom Secretariat, 1980; and "An Analysis of Markets and Marketing Systems for Fruits and Vegetables in Grenada," Inter-American Institute for Cooperation on Agriculture, October, 1980.

(often a relative) at point of import to take title to the produce. Product spoilage for most traders is high, reflecting poor post-harvest practices and inadequacies in the domestic and export marketing infra-structure. Those plying their trade in the domestic market identify the seasonal nature of agricultural production and inadequacies in public market facilities as major constraining factors on the growth of their business. Export hucksters express concern about the inadequacy of facilities at the wharf for packaging, storing, loading, etc. and the vaguaries of the inter-island transportation system.

In contrast to the production and marketing environment for major export crops such as bananas, cocoa, nutmeg and the minor spices, there are strong indications that there has been marked growth in production and marketing of non-traditional fresh produce items. Fruit and, to a lesser extent, vegetable exports increased from around 400 tons in 1980 to almost 3,000 tons in 1982. The Ministry of Agriculture estimates for 1983 indicate that shipments of produce by traders from St. George's and Grenville may have been in the order of 4,500 tons. The great proportion of these exports have been to Trinidad and Tobago via the traditional huckster trade on small schooners (see Table 58). A declining agricultural sector in Trinidad and strengthening demand for fresh produce from Trinidad consumers have provided Grenadian farmers and traders with the market opportunity to counteract the declining farm income accruing from the more traditional, extra-regionally oriented export crops.

Table 58: Exports of Fresh Produce
(Other Than Traditional Export Crops)
From Grenada, 1980 to 1983

	1980	1981	1982	1983
	tons			
To extra-regional markets	60	80	70	30
To intra-regional markets	348	748	2625	4400
Total	408	828	2695	4430

Source: Grenada Statistical Services - Overseas Trade Exports, and Ministry of Agriculture estimates (1983)

Concurrent with the growth in intra-regional trade, and in the absence of reliable quantitative data, there are signs that the domestic market for fresh produce has also expanded over the past five years. For example, the MNIB increased domestic sales of fresh produce from virtually zero in 1979 to near 600 tons in 1983. There has been increase in sales of fresh produce by supermarkets in very recent years. A neophytic, and still very small, private sector wholesale business is emerging (individuals/groups such as Vegetable Kitchen, Grenada Home Industries, Butler Cooperative) to supply the quantity and quality requirements of supermarkets, hotels, and restaurants. Such businesses are more sophisticated than the traditional huckster sector, and their operators are aware that expansion of their businesses will require capital investment in marketing facilities. One retailer/wholesaler is investigating possible export of fruit to Barbados by air and a joint venture with a U.S. firm in marketing several packaged, agricultural products in the U.S. The private firm currently contracts with farmers to produce various vegetable crops for domestic sale.

The completion of the new airport at Point Salines should provide a stimulus to air freight export trade in fresh produce items. Similarly, the construction of a packing/storage shed (25' x 60') on the Port Authority Wharf for the use of the export hucksters goes some way to providing the basic facilities that this group of traders must have access to if the recent expansion in trade volume is to be sustained. However, in general, the marketing infrastructure to support a growing domestic and export trade in fresh produce is woefully inadequate. There are few, if any, specialized facilities for the collection, grading, packaging, and storage of perishable fresh produce although, potentially, the extensive and underutilized network of banana boxing plants could be used as a collection centrers for fresh produce items other than bananas.

Private Sector Importing of Basic Commodities

The structure of the private sector importing and wholesale trade for basic food commodities in Grenada is similar to that in all the other Eastern Caribbean, CARICOM States. The importing sector has relatively few firms, with the six largest (Independence Agencies, Brisbane's, Distributors, Hubbard et al, Huggins, Ross Foods) probably accounting for over 70 percent of the total import trade. The importing companies also undertake wholesaling and frequently retailing functions, distribution of products to retailers.

In addition to the larger-scale importer/wholesalers described above Grenada's wholesale food sector includes smaller-scale entrepreneurs who may have a small retail outlet and also supply a wholesale service to other small shops.

The MNIB and the Private Sector in Grenada - Some Issues and Recommendations

The Marketing of Grenadian Produce

Throughout the English-speaking Caribbean region, problems associated with agricultural marketing have compounded endemic agricultural production problems and served to constrain the development of the agricultural sector.

Specifically, marketing problems have resulted from, *inter alia*: the small scale of individual national markets, inadequacies or even absence of formal institutions or companies to market produce, and poor marketing infrastructure; limited managerial experience with the skills required to efficiently market fresh produce; inadequate transport for export produce, and/or high cost of transportation when available; and lack of adequate production and marketing intelligence to guide buyers and sellers of produce in their decision-making. Superimposed on these underlying problems and serving to exacerbate the situation has been a highly seasonal agricultural production pattern, reflecting the seasonal pattern of rainfall in the Caribbean. The establishment of an agricultural marketing board in Grenada in 1973 was governmental iniative to alleviate these marketing problems. The buying of fresh produce from farmers and the sale of fresh produce to other market participants and consumers were perceived to be the central activities of such a marketing agency.

Since its inception, the Board share of, the volume of produce purchased from farmers and subsequently sold on domestic and export markets has ranged between about 1 and 5 percent of market total. The Board has consistently failed to attain its laudable, but over-ambitious, agricultural marketing objectives (See "Objectives of the MNIB"). Few would dispute that the MNIB has had little, if any, impact on agricultural development. In

failure, the Board is not alone; the performance of the eleven other agricultural marketing boards within the CARICOM region has been similarly poor.

In Jamaica and Barbados, the failure of the national marketing boards have been acknowledged explicitly by the respective Governments and the activities of the boards have been refocused to emphasise the provision of marketing services to farmers and other private sector participants, rather than buying and selling of fresh produce in competition with the private sector. In most other CARICOM countries, the boards annually, incur large financial losses with turnovers of fresh produce that place them, at best, in the larger-scale huckster category. St. Vincent the AMP trade to Trinidad in certain root crops and small-scale extra-regional shipments is sustainable only through cross-subsidization from profits made on monopoly imports of basic commodities such as sugar, and on profits accruing from the operation of a Board-owned supermarket. In Trinidad and Tobago, the Board operates, at a large financial loss, as a fresh produce wholesaler in competition with private sector businesses.

In Grenada, fresh produce trading by the MNIB has consistently operated at a financial loss. It has served to underline and confirm the fact that government agencies are not adept at trading in highly perishable fresh produce items. The absence of financial accountability, the inflexibility of public sector labour regulations (for example, public sector personnel work from 8:00 a.m. to 4:30 p.m., Monday to Friday, including the MNIB, irrespective of the fact that the major retail sales day for fresh produce is on a Saturday), the frequent political interference in pricing policy matters, the reluctance of government to provide the Board subventions to support their non-commercial purchase and sales policies, generally, ensures that the marketing board will consistently fail to attain its objectives.

Of concern to a Government intent on supporting agricultural sector development is the realization that the present activities of the MNIB have a negative affect on private sector marketing firms on the fresh produce business. While there may be short-term social benefits accruing to a small number of farmers and consumers from merchandising fresh produce at below market-clearing price levels, it will inevitably be against the long-term interests of farmers, traders, consumers, and the nation overall if such activities impede the fragile, but emerging, private sector from entering the fresh produce trading business in Grenada.

In summary, the MNIB has failed to establish itself as a major vehicle for positive change in fresh produce marketing. The Board's fresh produce buying and selling activities have no affect on export trade and only minor negative affect on the domestic fresh produce marketing system.

The following recommendations are proposed for the consideration of the Interim Government of Grenada:

- As an interim measure, the MNIB should put its fresh produce business on a profit-making basis. That is, these trading activities should be financially self-supporting. In short-term MNIB should participate in fresh produce trading on the same basis as its private sector competitors and gradually phase out in favor of private bodies. If successful on these commercial terms, it can be as example for private sector companies to follow. If the MNIB cannot operate profitable it should get out of the produce business --to the immediate benefit of the taxpayer, and the longer-term benefit of <u>all</u> system participants.

- Secondly, it is strongly recommended that the MNIB redirect its resources and activities to facilitate agricultural sector development and to provide a market-driven focus to the current agricultural diversification efforts in Grenada. This would entail withdrawing from actual trading in fresh produce and concentrating on providing agricultural development services to the public and private sector--services that are routinely provided by the public sector in most developed countries and many developing countries. The specific range of services offered by the MNIB would include:

- Provide leadership in the development of an agricultural marketing policy for Grenada and, in concert with appropriate public and private sector personnel, design, and implement a market-driven strategy for accelerating the development of the fresh produce sector in Grenada;

- The MNIB team would be responsible for defining the fresh produce system, showing how it operates, the relative importance of the various participants (public and private sector), the preferred role of each group in fostering sectoral development, the constraints to development within the system, and the initiatives and program that must be implemented to remove constraints with the system;

- Establish a production and marketing intelligence office within the MNIB, along the lines of the successful Barbados Agricultural Statistical Information Srvices (BASIS). This office provides farmers and traders with commentary on current and expected farm gate prices, market conditions, export/import opportunities, etc.;

- Such offices have also recently been established in Dominica, St. Vincent and the Grenadines, Jamaica, Trinidad and Tobago, and Montserrat. A CIDA-funded project proposal is under consideration to provide the necessary capital inputs and technical assistance to establish a Regional Production and Marketing Intelligence Center. The output of this center could provide Grenadian entrepreneurs with intelligence on regional and extra-regional market opportunities.

- Establish a marketing opportunity identification unit within the MNIB--to undertake basic market research on intra- and extra-regional markets--that would be accessible to interested private sector entrepreneurs. Such a unit would provide the stimulus for market expansion. Further, it would provide technical assistance to the private sector on undertaking marketing project feasibility studies and appraisals, and assisting, for example, traders (including farmer groups) in preparing loan requests to the GDB or private sector banks.

- Provide assistance (both technical and 'seed' capital) to groups of tradrs and/or farmers wishing to exploit the advantages of group/cooperative marketing activities.

- Provide the services of a trade facilitation 'trouble shooter' for the benefit of the private sector. The trouble shooter would specialize in assisting to solve the variety of problems that face would-be exporters as a result of the bureaucratic maze of roles and regulations in regional fresh produce importing countries (eg. Trinidad and Barbados).

- Conduct an inventory of existing and needed marketing facilities (packing sheds, storage, packaging materials, shipping, etc.0 for the expansion of fresh produce domestic and export trade, and prepare project briefs for government and funding agencies to accelerate national investment in the needed facilities.

- Provide a technical assistance 'pool' of expertise for the benefit of fresh produce marketing system participants. For example, provide experts in postharvest technology to assist traders/farmers overcome problems associated with grading, packaging, and storage of fresh produce.

- Investigate planting materials that are most acceptable to specific extra- and intra-regional markets, and advise/assist the farm input trade to procure such materials/seeds so that farmers can purchase them.

- Act as a transportation tariff negotiating agency, on behalf of farmers and traders, to negotiate with airlines and shipping agencies for the least cost freight rates to extra- and intra-regional markets.

- Undertake needed research and development on packaging materials and methods, postharvest treatments, etc. and dissemination of the findings to the private sector.

- Act as an agency for developing export grades and standards for fresh produce, and provide quality control programs at point of export.

- Undertake needed research and development on packaging facilities and manage the operation and maintenance of the same.

- Represent the Government of Grenada, the fresh produce production and marketing systems participants at Regional Agricultural Marketing Protocol (AMP) meetings, and ensure that Grenadian interests are considered in the development of regional production and marketing projects (eg. the ITC and CIDA region marketing intelligence projects, etc.).

The proposals outlined above recommend a substantial shift in direction for the MNIB--specifically, a movement <u>out</u> of direct participation in the fresh produce commercial marketing system and <u>into</u> the provision of marketing services that will facilitate the private sector-led development of the fresh produce sector in Grenada. It will require a substantial change in the

organization and staffing of the MNIB; a lean revamped MNIB is envisaged--small staff numbers and high quality personnel. It is recommended that such an agency should report, via its Director, to the Minister of Agriculture rather than Trade.

Sustained funding of such an agency is imperative, and ad hoc subventions from the Government would not be either desirable or adequate if the agency is to have a sustained positive affect. Agency salary costs could be covered through the regular public sector salary budget; the agency could 'house' market development technical assistance personnel, as and when appropriate. Market development program costs could be covered from some combination of exchequer funds, grant/loan aid funds and, more contentiously, from a market development levy taken on imported food commodities.

The Monopoly Importation of Basic Food and Non-Food Items

Proponents of state trading organizations (such as the MNIB) argue that these organizations have an important role to play in ensuring that basic imported items should be distributed "fairly" and priced "fairly" to all consumers. Similarly, they can assist the Government in implementing long-term import/export strategies that are only rarely undertaken by the private sector. In particular and within the Grenadian context, persuasive arguments can be made to show that these agencies could make bulk purchases of basic imported commodities at unit prices significantly below that which could be gained by private sector firms, bidding amongst themselves, in a small market such as Grenada. Also, public sector trading agencies can protect the nation's consumers from possible collusive action by private sector firms intent on gaining oligopsonistic profits.

Opponents of state trading organizations can justifiably argue that the nation's consumers are no better served by a public sector monopolist than by a private sector monopoly/oligopoly. Further, the point can be made that a

mismanaged public sector agency can cause considerable harm to consumers and the nation overall. Indeed, there is ample evidence within the Caribbean Region that statutory government agencies, in both the importation of basic commodities and the marketing of agricultural products, have consistently failed to attain either their developmental (social-oriented) or commercial objectives, not through any venality, but through a seemingly pervasive inability of public sector agencies to operate in a cost-efficient and cost-controlled manner when undertaking commercial activities.

In discussions with private sector importers in Grenada, company principals made it quite clear that they perceived that a monopoly importing agency such as the MNIB should be able to purchase national requirements for basic commodities at unit costs below that which individual private sector companies could for orders of lesser magnitude. That is, they perceived that the MNIB's monopoly importation role for the basic commodities was, in principle, in the nation's best interests. However, <u>in practice</u>, they believe that the MNIB exercises its powers: (a) to the disadvantage of Grenadian private sector firms, in that they have only limited opportunity to tender on national requirements; and (b) to the disadvantage of Grenadian consumers, in that c.i.f. prices for some of the purchased commodities are above that which Grenadian importing companies could quote for shipments of corresponding specifications.

In general, wholesale companies in Grenada are satisfied with MNIB's monopoly importation function for the for basic commodities. Current MNIB importation, storage, and pricing practices ensure that the private sector firms can buy at a discount from MNIB at the wharf, or if companies are experiencing cash flow or storage space problems they can purchase from "in-store" MNIB warehouses, as their needs require. The MNIB, then,

carries the risks of storage losses and product deterioration and, as a result of the rigidity of Government pricing regulations, cannot pass these costs on in full to the wholesale buyer.

"Would-be" importers of the basic commodities perceive no financial barrier to entry for the importation of basic commodities, given the present procedures. That is, the Grenadian firm successful on a tender does not take title to the commodities at any point in the exchange process, acting simply as an agent in linking buyer and seller, and being remunerated through a commission from the seller.

Very recently, the MNIB has made a practice of contacting, by post, Grenadian firms to invite them to tender on MNIB contracts. However, it is evident that overt, clear-cut, well-publicized tendering procedures for MNIB imports are not in place. The present ad hoc tender procedures have led to a serious two-way breakdown in trust and communications between MNIB management and Grenadian importing companies. It is recommended that the MNIB immediately institute, tendering procedures which are open, comprehensive, and comprehensible to would-be bidders--procedures which are consonant with tried and tested procedures used by other agencies with similar purchasing powers in comparable countries.

Such procedures and subsequent calls for tenders should be: published in a Grenadian newspaper of record and, probably, a regional newspaper of record as a matter of course; criteria for selection should be delineated; unsuccessful tenderers should be informed of the name of the winning bidder, and winning terms; and an appeals process should be specified. In the absence of sufficient time being available to advertise requirements in the newspaper(s) of record, registered Grenadian importing firm should be contacted directly by post/messenger.

The implementation of acceptable tendering procedures may go some way towards protecting the interests of the public and private sector against the misuse of the monopoly importation powers of the MNIB; however, the MNIB must still be accountable for minimizing costs associated with the operation and management of receiving/storing/merchandising the basic commodities and, indeed, the costs to consumers of non-availability of goods because of ineffective demand forecasting, ordering, and inventory management. It is recommended that a 'Committee of National Interests' be established, comprising members representing the interests of consumers, taxpayers, importers/wholesalers/retailers, meeting when required but at least quarterly, and with full legal powers of enquiry into the MNIB's importing activities and associated accounts. Such a Board would act as a watchdog over the importing activities and performance of the MNIB. If the MNIB should prove incapable of undertaking its importation function at costs that are comparable to industry norms, then the 'Board of National Interests' should recommend to the Government of Grenada alternative means for doing so, including removal of the MNIB's monopoly importation powers. As alternative to creation of the (Committee of National Interests the Board of Directors of the MNIB could be reformulated to included the membership, responsibilities, and accountability specified for the committee's.

During 1982 and 1983, the MNIB utilised its own vessel to import basic commodities. A feasibility study was not undertaken to discern the relative costs and benefits of using owned vis-a-vis contracted transportation; it is recommended that the MNIB initiate a study immediately to quantify these costs and benefits. In the absence of hard financial information justifying the MNIB investment in the vessel, the MV Albatros should be sold forthwith.

The MNIB has a substantial inventory of goods that have been in-store for as long as two years (See "MNIB Facilities and Supplies"). The unsold stock of the Grenada Agro-Processors and the 20,000 or more cases of Algerian wine are deteriorating and will continue to do so. It is recommended as an immediate priority that the MNIB sell these items. If firm buyers cannot be found in the immediate term, the MNIB should contract with an agency to sell the products on behalf of the MNIB on a commission basis.

If the MNIB is to undertake its importation and agricultural marketing services responsibilies in the best interests of the nation, then, it will require a well-trained, highly-motivated staff to operate within a purpose-designed organizational structure--a combination that has been lacking and, characteristically, is still lacking in most marketing boards in the region. It is recommended that technical assistance be sought such that the present General Manager of the MNIB and a relevant T.A. Specialist can undertake an organizational and management audit of the MNIB. The results of such an audit would indicate the required organizational structure, staffing mix--(skills and experience), and a preferred manpower development plan, for the MNIB to undertake the recommended range of activities.

Once the organizational structure and required staffing mix has been established, it is recommended that aid agency assistance be sought to launch the operations of the restructured Board, and to provide in-service training for the MNIB personnel. Aid agency assistance should include both technical assistance and capital --the latter might take the form of loan funds for credit for marketing infrastructure investment by the private sector, or grant funds for the Government to utilise in upgrading national marketing facilities (eg. public markets, abattoir etc.)

CHAPTER FIVE

ASSESSMENT AND RECOMMENDATIONS ON THE ORGANIZATIONAL STRUCTURE OF THE MINISTRY OF AGRICULTURE AND NATURAL RESOURCES

INTRODUCTION

Task D of the Scope of Work is summarized as follows:

- Determine functions and responsibilities of the Ministry of Agriculture and Natural Resources.
- Assess the relevance of the functions and responsibilities and the need to add or delete in light of current priorities.
- Recommend how the Ministry can reorganize to better serve the needs of the agriculture sector.

The assessment and recommendations which follow are presented within the context of the previous sections in this report. The introduction lists the major issues facing farmers and decision-makers in Government and the private sector. The sections on Land and Agro-industries include the analysis and recommendations on divestiture of the Government-owned farms and agro-industries. The sections on the Commodity Associations, the Grenada Marketing and National Import Board and private sector marketing contain a status review and discussion of the issues concerning each of these all-important organizations and activities and include recommendations for the future direction of the agriculture service functions.

This section on the Ministry of Agriculture rounds out the coverage of the agricultural sector with a discussion of the Government's role in policy, economic incentives, and technology to serve farmers and agribusiness. The evaluation of the Ministry's responsibilities and functions was done by identifying those activities which were judged to be primarily private sector

and recommending them for divestiture, and then assessing the remaining activities (and those being transferred to the Ministry) in terms of relevance to the agricultural sector and importance among the major responsibilities and objectives of the Ministry.

RESPONSIBILITIES

As in all countries the Ministry of Agriculture is responsible for formulating and proposing sector policies to the Government and for implementing policy once promulgated. This responsibility entails the management of certain programs designed to achieve the Government's objectives in agriculture. In practice this means promoting the production, protection and marketing of crops and livestock for domestic consumption and commercial export. All of these responsibilities exist in the Ministry of Agriculture and Natural Resources in Grenada and are relevant to current national priorities.

While the commodity associations have statutory authority for the traditional export crops (nutmeg, cocoa, bananas and other spices), the Ministry retains overall policy responsibility for all crops and for assisting farmers with production technology, economic incentives, and other services. The Ministry is further charged with the responsibility for promoting an increase in employment opportunities in the agricultural sector.

In addition to agriculture the Ministry has responsibility for Government lands and surveys and for optimal land use and conservation of natural resources (land, water and forests). In practice this means cartography and cadastral surveys and management of the national forest reserves, island-wide watersheds, on-farm soil conservation, and irrigation.

STRUCTURE AND FUNCTIONS

Since the intervention in October, 1983 the Ministry of Agriculture has been going through a process of internal evaluation and reorganization, with some assistance from external consultants including the DAI team. The process is continuous and some of what is said in this report may be out of date by the time it is read, the status may have changed and recommendations may have already been carried out.

Having decided to divest itself of those enterprises which are believed to be better suited to private sector management (discussed in previous sections), the Ministry has focused attention on the more traditional functions which remain. A new organizational structure was proposed in July, 1984 representing a substantial change from what existed under the previous Government. However, a number of issues are still being studied and implementation is being worked out so that further changes can be expected in this structure over the next few months. For instance, some of the units which have been identified for divestiture, in fact, are still shown on the new organizational chart, and presumably will remain until the divestiture process is completed in each case.

In brief the new structure has three operational units under the Minister and Permanent Secretary: 1) Administration, 2) Agriculture, and 3) Lands/Surveys. The latter two are headed by Chief Technical Officers who are the senior operational managers of the programs of the Ministry. A planning unit is attached to Administration. This report focuses primarily on the Agricultural unit and in particular those functions of central importance to increasing farm production and productivity.

GOVERNMENT POLICY ON MINISTRY STRUCTURE AND FUNCTIONS

In addition to the policy of divesting Government-owned farms and parastal agribusiness enterprises there is a policy to evaluate functional units within the Ministry of Agriculture and Natural Resources which are "commercial" or have commercial activities. Discussion of the more important of these units is contained in the section on Agro-industries. They are: the Carriacou Sheep Project, the Mt. Hartman Livestock Center, the Mirabeau Tractor Service, the coffee plant and the spice grinding plant. Each of these operations is losing money and the recommendations are to scale them back to those functions which are legitimate demonstration or service activities or to divest them. In addition the Mardigras project should be considered for divestiture or reorganization because of its high cost and questionable relevance to the Ministry's priority objectives. A discussion of Mirabeau is contained in the review of the Extension Service.

Two other activities which previously were located in now-defunct parastatals are judged to be legitimate Government functions, and are being reorganized and absorbed into the Ministry. They are: the Food Laboratory that was previously attached to Grenada Agro-industries, Ltd., and the forest management activities formerly vested in the Forestry Development Corporation. These two organizations are discussed in the section on Agro-industries.

STRATEGY FOR AGRICULTURAL DEVELOPMENT

Various units and functions of the Ministry are discussed below under subsequent headings in terms of relevance, efficiency and effectiveness. This strategy discussion establishes a recommended revised approach for the Ministry to adopt in

carrying out its responsibilities for agricultural development. The issues discussion in the introduction provides a background for strategy discussion which follows.

The Farming Systems Research, Extension and Training (FSR) approach is recommended as the basis for a revised Ministry program to become more effective and efficient in providing assistance to farmers in improving their productivity. FSR involves working with farmers in the analysis and planning of the total farm enterprise. It looks at the farm and the farm family as units of resources and attempts to arrive at the most productive farm plan based on a combination of knowledge gained from traditional station research and on-farm research. In Grenada this approach is particularly applicable because of the mixed cropping systems typically used on most farms and the fact that over half of all farmers are part-time.

The system a farmer uses should fit his resource base (land and available labor) and her/his requirements. The depressed prices of the traditional export crops suggest that diversification to other cash crops which can be integrated into the existing system would be healthy for the farm sector. Determining what those crops are requires a knowledge of what will grow on the farm, what the farmer has available labor to produce, and what can be marketed profitably. Past research efforts have helped in determining what can be grown successfully on stations but there seems to be very little in the way of on-farm research to determine suitability to actual constraints faced by the farmer.

The FSR approach starts with a diagnostic survey of farms in a particular growing area or "recommendation domain" to identify, through farm visits and farmer interviews, the actual constraints and problems. Based on existing knowledge from all sources, various possible improvements are designed for on-farm testing. The changes may be new crops or livestock, or they may be improved ways of managing existing crops. In a labor intensive

agriculture such as Grenada's, a high priority would be to find labor-saving techniques or production systems with low labor requirements.

Marketing is an important factor in determining changes in the system of a farmer or a group of farmers. The FSR approach recommended would have a market analysis component either as a unit within the Ministry or through a close linkage with another organization. Private traders, hucksters or other entrepreneurs often provide the stimulus for new crop introductions by identifying market demand somewhere and then getting some farmers to grow the crop, with the trader providing the marketing channel. The FSR program whould contain a process for interaction with those engaged in crop marketing so that realistic assessment of market demand is part of program planning at all stages. The process tends to be mutually supporting because traders will tend to be more aggressive in seeking market opportunities if the Ministry's program is supportive, and farmers will be more inclined to try new crops if the trader is actively seeking a supply.

The FSR approach includes farm management analysis on income and expenditures, labor requirements, cash flow and credit needs. The end objective always being to help the farmer become more productive, whatever that takes. It may take a combination of measures from agronomy to labor planning to assistance with market outlets; for to ignore any one factor may mean the whole system fails.

The research and extension functions of the Ministry would be the central organizational elements in organizing an FSR program but crop propagation and protection, livestock and other units are also important in the total program. The farm management capability is the one most lacking from the existing structure but research strength is also limited. Only minor structural reorganization of the Ministry would be required to

achieve an operational status to do FSR. And, given the small size of the Ministry and the limited number of professional employees, this would not be a major task. A more important requirement is the reorientation of approach and the strengthening of the professional staff. Many positions are vacant and a lack of attention to professional training has left the Ministry with a much reduced capability.

The new IBRD project will provide some strengthening of the extension service but in the absence of some improvement in the other units and a reorientation to an FSR approach the prospects for major progress at the farm level are diminished. There is considerable need for external assistance in the Ministry at all levels and a USAID technical assistance project for both long and short-term training. There is also need for a farming systems advisory team to assist in getting a progam started. AID has a centrally-funded project in Farming Systems which has the capability to assist the Ministry in creating a program and in designing an AID project. The Farming Systems Project is managed by the University of Florida and has about 15 member organizations including other universities and private firms with broad experience in farming systems throughout the world. It is recommended that this project be used to assist in starting a program in Grenada.

The Ministry is small and the functional units are all in relatively close proximity allowing for the adoption of the FSR approach with the minimum of disruptive reorganization. The basic structure of the Ministry, after the divestiture of commercial operations, is essentially sound. Only a greater integration of research and extension and the addition of a farm management and economic analysis capability would be required under FSR.

AGRICULTURAL EXTENSION SERVICE

Extension is the most important function of the Ministry, it is the program designed to work directly with farmers. Nearly everything else the Ministry does is in some way a support function for extension. Paradoxically, most extension services in developing countries do not receive the level of support they deserve. When small farmers with limited resources make up the bulk of the population and contribute a high share of the GDP, as in Grenada, then their productivity ought to be one of the highest priorities of Government. The extension system should be staffed with well-trained, highly motivated people who are dedicated to increasing the incomes of farmers through training and support services.

The Grenada Agricultural Extension Division of the Ministry of Agriculture was recently reorganized to include the following activities:

- District Extension Services
- Information and Statistics(new)
- 4-H Clubs
- Mirabeau Agricultural School(new)
- Mirabeau Tractor and Equipment Centre(new)

The Mirabeau site includes not only the Agricultural School and the Tractor Service and Equipment Centre, but also the Agricultural Experiment Station and the Seedling Centre which are operated under different divisions of the MOA. Nevertheless, this close physical proximity faciltates closer coordination between research and extension as recommended under the FSR approach.

The Mirabeau Agriculture School is the only agricultural institution in Grenada and with support from OXFAM graduates about 50 students a year from 9-month and 21-month courses. It operates with 4 permanent and 9 visiting faculty and has a 14

acre school farm for practical training. It has a well-rounded general curriculum which focuses on training government employees rather than farm managers, a point of some criticism. The Ministry would like to be able to provide professional training for the staff and upgrade the quality of education.

Mirabeau Agricultural School is obviously a relevant unit in the Ministry and could become more effective with a program to improve facilities and staff training.

District Extension Services

Extension services to farmers are provided by 27 extension officers in five regions of Grenada: North, South, East, West, and Carriacou (Table 1), each headed by a senior extension officer supervising 4 or 5 agents.

Objectives

The National Extension Improvement Planning Committee composed of 19 government and private sector participants prepared the National Agricultural Extension Improvement Plan in January 1982, stating the following general objectives of the extension service:

> The purpose of the Extension Service is to facilitate the achievement of the National Agricultural Policy by assisting the farming community in analyzing and solving their problems, developing desirable attitudes among farmers, broadening their knowledge and increasing their skills.

Functions

The functions of the Extension Service are:

- Information
- Motivation

- Planning
- Coordination
- Training

Specifically:

- To serve as a link between the farmers and services which are required to motivate them to undertake those activities required to bring about increases in production.
- To provide assistance and information to individual farmers and groups involved in the production of food and allied products, which would stimulate increased production through the adoption of new and improved practices in agriculture.
- To assist in the development and coordination of an integrated approach to rural development by providing aid to farm families in their efforts to improve their quality of life.
- To help plan in the preparation, monitoring and evaluation of farm plans and programs.

Relevance

Although the general objective of the Extension Service is similar to that found in all Ministries of Agriculture and cannot be quarreled with, the four elaborations of Extension Functions are noteworthy for failure to explicitly mention farm income; the closest the statements come to income is "quality of life." In lieu of income the focus is on increasing production, and in fact the report sets increased production per se as three of the four goals of the Extension Service; the fourth goal concerns improvement of cooperative farms. The most serious problem of Grenada's farmers is profitablility, return on investment of capital and labor. The fact this is not mentioned in the objectives or functions of the Extension Service, the most important Government organization dealing with the most important social and economic sector of the country, reinforces the recommendations to reorient the approach of the Ministry to a

strategy that seeks to increase the incomes of small farmers. The extension service works to improve the welfare of the farmer, an objective consistent with increased production but not necessarily consistent with increased income. If a farmer cannot make a profit on a ton of bananas, he can increase production to two tons and still not be any better off. Greater emphasis on the income objective should be built into the Extension Service program and the training programs for agents. They should also be trained in basic enterprise and farm budgeting techniques to ensure their ability to assist farmers in planning and management of profitable farm businesses.

Effectiveness and Efficiency

"Effectiveness" pertains to how well the extension service meets its stated objectives without consideration of cost. "Efficiency" pertains to the ratio of output to inputs, or the resources used per unit of service provided.

The effectiveness of the extension service is severely limited by the lack of focus on the most important objective, farm income, as stated above. In addition there is a shortage of trained personnel at all levels. The shortage of transportation limits the agents' ability to get out to see farmers. These factors together diminish both effectiveness and efficiency. Lack of vehicles, for example, constrains the number of farm visits an extension officer can make, thus increasing the average personnel cost per visit.

The extension service has not generated crop and livestock enterprise budgets for use in farm management advising. There are no reliable estimates of crop and livestock production costs for use in basic partial budgeting, the fundamental tool of investment analysis.

The extension service of the banana association and the Ministry of Agriculture are redundant and "partial" in scope. Recommendations by the banana extension officer could differ from those of the cocoa pest and disease officer, and again from the Ministry of Agriculture's extension officer. The export crops are treated as separate enterprises by the commodity boards and not as parts of a total farm enterprise. This creates confusion for the farmer to say nothing of the added cost of maintaining redundant extension services. The cost of the extension service of the banana association is paid by the farmers.

The Director of Extension is responsible for both administration and field supervision of extension officers, which leaves insufficient time to do a proper job of either.

There is no marketing specialist in the Extension Service to provide backup assistance to production specialists such as market analysis for vegetable and fruit crops. Integration of production and marketing systems is consequently inadequate. See Recommendations in the Commodity Association Report on Extension Committees to oversee extension work.

Recommendations

- The Director of Extension should have a deputy for administrative functions so he can concentrate on the effective operations of the field service.

- Close coordination of the extension services of the commodity associations and the Ministry should be created. An eventual merger of extension services should be considered to reduce costs and make service to the farmer the basis for organization, and not single crops. It should be possible to have one contact person from the Extension Service who would serve a designated number of farms with a cadre of specialists available (perhaps at the district level) in horticulture, agronomy, pest control, soil conservation, farm management, marketing, and other disciplines would be on call to handle special problems, conduct regular training for farmers, and conduct on-farm research under the FSR program approach.

- A revolving fund for extension agents to purchase vehicles with the cost to be repaid from mileage payments for official travel over a period of years. The employee would be responsible for maintenance. This system, used successfully in many countries would alleviate the transportation problem, lessen the cost to the Ministry of ownership and maintenance, and provide a tangible incentive to extension agents.

- Additional training in farm management concepts stressing budgets and whole-farm analysis is recommended, in addition to technical topics deemed necessary by the Director of Extension. Long-term overseas training is needed to raise the professional capacity at all levels. Short-term training in technical subjects, and extension and training methodologies is required to increase operational effectiveness.

- Marketing expertise should be provided through the Extension Service by appointing marketing specialists and by providing marketing education and training to other extension officers.

- The Extension Service should be more closely linked to research, in fact, extension agents should be directly involved in research at the farm level and in helping to plan research on stations. Technology generation and dissemination should be a continuous process of determining farmers problems and needs, researching those problems on the station, testing results on the farm, and when improvements are found, teaching them to all the growers. The extension agent plays the critical role of communicator and facilitator in the cycle from farmer to scientist.

Tractor Service and Equipment Centre

A description of the problems and recommendations for changes are detailed in the Agro-industries section of this report.

Information and Statistics

The Information and Statistics Unit is housed in the Botanical Gardens offices of the Ministry of Agriculture. These two functions have been recently combined under the Extension Service. They are both relevant to the activities of an effective extension program. Data collection and analysis is

necessary for effective planning and management of the Ministry's programs and for formulating policy. It is an important tool in monitoring trends in the agricultural sector and for informing decisions-makers.

The information function in extension is to communicate relevant technical and economic information to farmers. All forms of media can be used to conduct special education campaigns or transmitting regular market reports.

Efficiency and Effectiveness

Both of these functions are being carried out at a very low level of effectiveness. There is a serious shortage of trained staff and other resources in both cases. The statistical unit gathers certain critical data but there is little if any analysis or interpretation to help either private or public sector managers make economic decisions. The statistical unit appears to be the best source of information on domestic produce markets but is not synthesized and put into market intelligence reports for broadcast to producers and traders.

Recommendations

The information and statistical units should be strengthened with trained staff but most important is the requirement for policy guidance and management direction. The units both need a work plan which focuses on the critical needs of agriculture. Both of these functions would be valuable components of an FSR program in the Ministry.

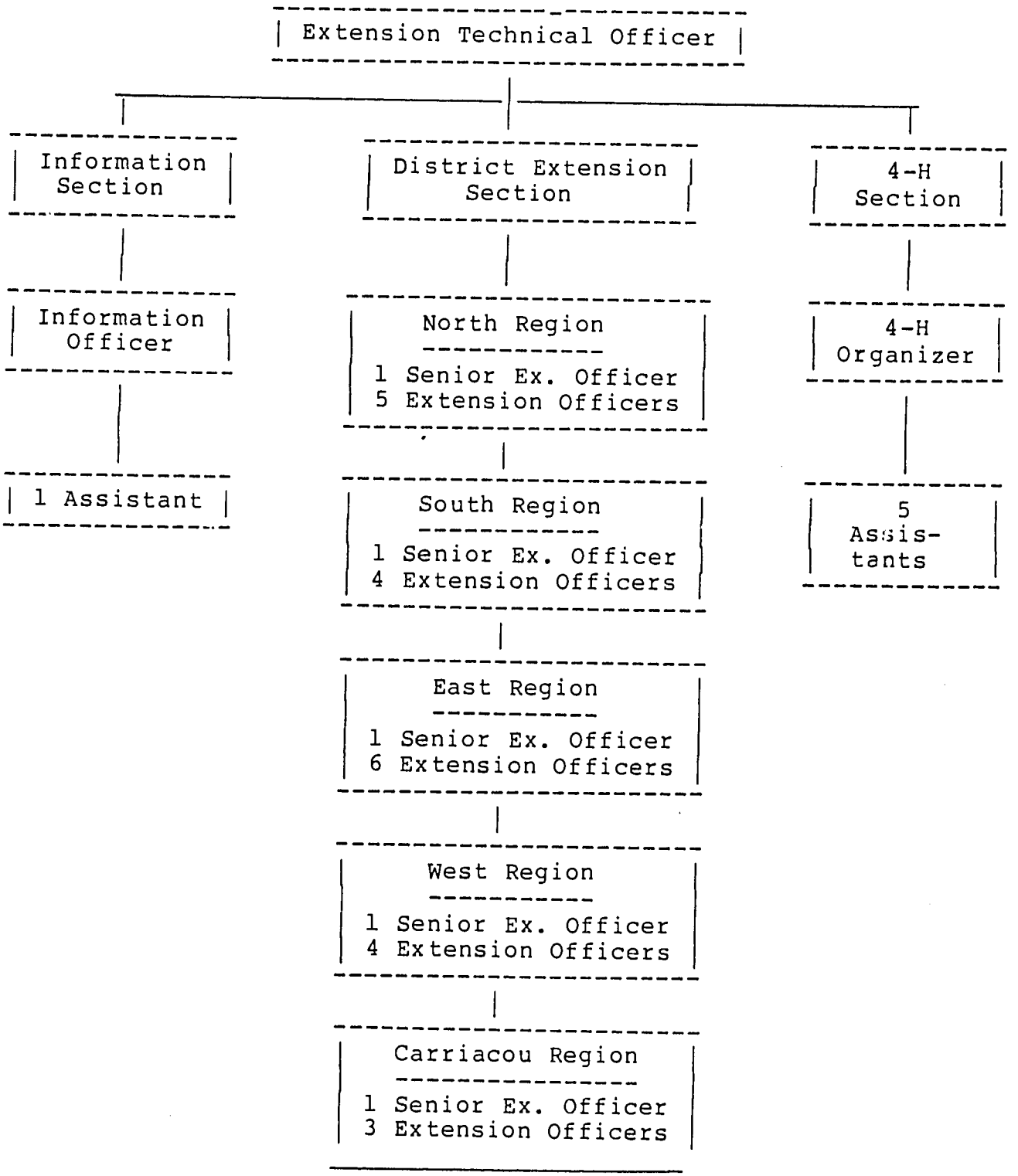
THE MARDIGRAS DEVELOPMENT PROJECT

Mardigras is an 80 acre, FAO-supported demonstration farm for intense cultivation on steep slopes utilizing bench and individual basin terraces for soil and water conservation. It

FIGURE 5

OLD EXTENSION DIVISION ORGANIZATIONAL CHART

(Prior to July, 1984)



costs about U.S. $2500. per month to operate, 40% of which is Ministry of Agriculture budget and 60% Is FAO. This does not include the cost of the FAO project manager. Vegetables and fruit crops are produced and marketed through the MNIB. Cattle are fed from forage off the terrace risers and tilapia are produced in the reservoir.

The purpose of Mardigras is research and training on non-traditional crops and production systems for the diversification of Grenada's agriculture.

The project has proven that with the application of the proper technologies for land and water management, agronomy and horticulture, intensive agriculture can be practiced on steep slopes. This of course is known from work in other countries but this is the first time it has been done in Grenada.

The capital costs for developing the terraces, reservoirs and irrigation system are high, from $EC2,000 to $EC3,000 per acre for bench terraces. Irrigation, particularly a drip system, is also very expensive. The ammortization of that level of investment would be very long-term with considerable interest costs. Mardigras, now in its seventh year, has not yet achieved a positive annual cash flow but according to the project manager, it will in the near future.

A limited number of trainees, mainly Ministry of Agriculture employees, have passed through the project but there is no outreach program to farmers in the area, nor is there a plan to use the knowledge and experience gained at Mardigras in a broader context in Grenada. Nevertheless, an encouraging sign is that farmers in the surrounding area have on their own picked up on some of the Mardigras technology and are installing, small bench terraces and growing vegetables.

Mardigras does considerable varietal testing of vegetables and when improved varieties are identified, the information is given to seed dealers who then import those varieties for sale to farmers. This is an important research function which is badly needed in the country and should be considered when determining the future of the project.

The capital intensity of the technological approach used at Mardigras makes it doubtful that it would be replicated by private farmers on this scale. However, small farmers on their own might find it feasible to install a small area of bench terracing for intensive vegetable production and individual basin or "eyebrow" terraces for fruit trees. This approach has potential as part of an FSR program to diversify production and increase farm income throughout the island.

FAO is planning to phase out of the project and the high operating costs make it questionable whether the Ministry can afford to continue it at the current level of operation. If income projections indicate that a positive cash flow can be achieved in the near future, it would be worth considering expanding the extension and training functions at Mardigras and integrating it as part of an FSR program.

ANNEX A
SCOPE OF WORK

STATEMENT OF WORK

Task A: Assessment and Recommendations Regarding the Disposition of Agricultural Land Owned, Controlled and Managed by the GOG

The contractor shall work with key Government representatives to identify and describe utilization alternatives of agricultural land owned, controlled and/or managed by the GOG. The contractor shall include in this description an inventory of land parcels, an inventory of the capital improvements and equipment related to the properties, description of original ownership and any incumbents resulting therefrom, and an assessment of any other relevant resources and factors, including staff manpower and skills, tax status, profitability, major problems and potentials related to state owned or controlled agricultural land.

The contractor shall undertake to analyze the alternative uses of each land parcel for the purpose of determining the utility to the state in the context of broad public welfare responsibilities. As a result of this analysis, the contractor shall provide a set of recommendations with regard to agricultural lands that should be divested by the state and those lands that should be retained. While it is not envisioned that the GOG will elect to continue to engage in commercial farming activities, it is envisioned that certain land parcels will be retained by the state for research and demonstration, for watershed protection, or for other priority public purposes.

Finally, the contractor shall develop a recommended plan of work to accomplish the divestiture of lands not recommended for retention by the GOG. This plan of work shall address, among other things, issues of legal procedures, compensation, availability and type of financing arrangements, and administrative responsibility. It is not expected that the contractor will resolve all of these issues, but rather the contractor shall provide a recommended plan of work for the GOG to begin and to achieve eventual resolution of issues relating to public ownership and operations of agricultural land.

Task B: Assessment and Recommendation Regarding the Disposition of State Owned, Controlled and Managed Enterprises Related to Agricultural, Forestry and Fisheries

The contractor shall inventory, with the help of Government officials as designated by the GOG Council Member responsible for agriculture, the agricultural related industries and enterprises under control of the state. An assessment of the performance and potential for these enterprises will be made after examination of financial statements and discussions with managers, creditors, former owners, and other knowledgeable public and private sector people. The contractor will examine the circumstances surrounding Government acquisition of the enterprise, original goals and financial performance. Based on this information and an estimate of known business opportunities, the contractor will recommend which state owned or controlled enterprises should be divested by the Government immediately, which ones the Government

should attempt to dispose of in the future, and which ones should be closed down.

The contractor shall recommend how the Government should dispose of the enterprises. The recommendation shall address issues of legal procedures, compensation, availability and types of potential investors, financing arrangements, actions and responsibilities required. The contractor shall develop these recommendations in collaboration with the Special Committee for parastatal bodies and the private sector development specialist from the Project Development Assistance Project (PDAP).

Finally, the contractor shall make specific recommendations on action the Government can take to effectively operate or maintain the state enterprises until divestment can be effected. These recommendations should consider lease purchase arrangements, private sector participation in management, and appropriate "moth-balling" when required.

Task C: Assessment and Recommendations Regarding the Private and Public Organizations Engaged in Marketing Agriucltural Products and Providing Agricultural Inputs

The contractor shall make an inventory of the public and private organizations engaged in marketing agricultural inputs and products, including commodity associations, the Marketing and National Importing Board of the Ministry of Trade, private traders, and exporters. Using this inventory, the contractor shall provide an opinion regarding the viability of each of these organizations considering their goals and objectives, financial performance, major strengths and weaknesses, and conformity with marketing activity requirements and with the present Government priorities.

The contractor shall recommend how the Marketing and National Importing Board can be restructured to support the development of profitable private sector enterprises involved in buying and selling agricultural products and input supplies. The contractor shall recommend ways to improve the operation and performance of commodity associations after considering their role in agricultural development, the responsibilities and composition of

the Board of Directors, major management constraints, and marketing strategies.

The role of marketing institutions outside the Marketing and National Importing Board and the commodity associations will also be examined. The contractor shall recommend policy changes and financial needs that will foster the growth of private firms engaged in buying, selling, and processing agricultural products.

The contactor shall assess the availability and make recommendation relating to marketing support services such as market information, grading, packing, storage facilities, and transportation and recommend which of these services should be provided by private enterprises and which should be provided by the Government.

Task D: Assessment and Recommendtions Regarding the Organizational Structure of the Ministry of Agriculture

The contractor shall, with the assistance of key Government officials as may be designated by the GOG Council Member responsible for agriculture, determine the functions and responsibilities presently assigned to the Ministry of Agriculture. He or she shall assess the relevance of these functions and responsibilities and the need to add or delete functions in light of current priorities and development tasks, e.g., increase value of traditional export crops and expanded diversification on non-traditional crops. The contractor will recommend how the Ministry of Agriculture can reorganize to better serve agriculture, forestry, fisheries and agro-industries development needs of the country, with particular emphasis on policies, technical and support services needed by private agricultural producers in the effective use, management, and conservation of the country's natural resources.

ANNEX B
BIBLIOGRAPHY

REFERENCES

Caribbean Development Bank.
Guarantee Agreement Between Grenada (Grenada Farms Corp.) And Caribbean Development Bank. Loan No. 1/SFR-OR-GR, April 11, 1983.

Loan Agreement (Agricultural Development) Between CDB and Grenada Farms Corporation. Loan # 1/SFR-OR-GR, April 11, 1983.

Project Paper for the CDB Loan to the Grenada Farms Corp. (Undated).

Grenada Farms Corporation. Report And Accounts For Year Ended 31st December, 1983.

Grenada, Laws of
Land Acquisition Ordinance, Chapter 153, October 6, 1945.

Grenada, People's Laws.
Grenada Farms Corporation Law 1980. People's Law No. 61 of 1980.

Land Development And Utilization Law, 1981. People's Law No. 21 of 1981.

Land Development And Utilization (Amendment) Law 1982. People's Law No. 48 of 1982.

Ministry of Agriculture (Grenada). Letter from the Permanent Secretary to the Ministry of Finance establishing a Task Force to investigate and make recommendations on settlement of claims arising from acquisition of agricultural land, January 19, 1984.

Ministry of Agriculture (Grenada). Letter from the Permanent Secretary to owners of ten expropriated farms adivising them to retake possession of their farms. March 22, 1984.

Special Committee on Divestiture of Parastatal Enterprises.
Report To The Government Of Grenada On Parastatal Enterprises. Section 10, Grenada Farms Corporation. July, 1984.

BIBLIOGRAPHY

Ales Vahcic. Case Study II, Marketing and National Import Board, National Workshop for Public Enterprises in Grenada, Opinion Performance Through Internal Management Action, 31 January - 11 February, 1983 pp. 8 and 9.

Ashby, John L. The Role of the Private Sector in Agricultural Development of the Caribbean Basin, Undated

Bali, J. S. Soil and Water Conservation in Grenada, July, 1976

Campbell, Joseph C. Alternate Strategy for Grenada's Agriculture: An Empirical Investigation, January, 1984

Canada International Development Assoc. Assessment of the Cocoa Rehabilitation Program, 1984

Caribbean Agricultural Research and Development Institute. A Profile of Small Farming in Antigua, Montsurat and Grenada, October, 1980

Caribbean Agricultural Rural Development Advisory and Training Service and Food and Agricultural Organization of the United Nations (FAO). Final Report of the FAO Food and Fruit Marketing Expert V. B. Mannarelli, July, 1981

Caribbean Development Bank. Appraisal Report on Farm Improvement Credit (Second Loan). Agricultural Production Credit and Agricultural and Industrial Credit, April, 1978

Caribbean Development Bank. Appraisal Report on Regional Input Supply Scheme (Input Revolving Fund) Windward Islands Banana Industry - Loans to the Governments of Dominica, St. Lucia, St. Vincent and the Grenadines and Grenada, July, 1982

Caribbean Development Bank and the International Trade Center. Report on the CDB/ITC Seminar Workshop on Spices - Grenada, April 27-May 1, 1981, May, 1981

Caribbean Food and Nutrition Institute. Cajanus, Vol. 17, No. 1, 1984

Clark, Wendall P. A Report to the Government of Grenada on Opportunities for Development in Forestry and Forest Industries, November 18, 1976

Cozier, Anita. Report Mt. Hartman Livestock Farm, January 4, 1984

Cruickshank, A. M. Investment Policy of the Caribbean Development Bank (CDB) in Relation to Fruit Tree Development - A Subsector Review of Past, Current and Proposed Activities in Member Countries, November 4, 1980

Development Alternatives, Inc. Grenada Ag Sector Project Development, On-going

Anon. Eastern Caribbean Natural Area Management Program Survey of Conservation Priorities in the Lesser Antilles - Resource Data Maps - Grenada, Undated

Anon. Economic Memorandum on Grenada, Vol. 1, January, 1984

Anon. Economic Policy Memorandum, Undated

Food and Agriculture Organization of the United Nations. Information Requested by Minister of Agricult{re - Grenada, in Attempt to Investigate Possibilities of Acquiring a Vessel to Service Trinidad & Tobago Market, November, 1981

Food and Agriculture Organization/World Bank Cooperative Programme. Project Brief on Grenada Agriculture Production and Diversification Project, Vol. II, 1983.

Francis, Charles H. Land Use in Grenada as a Basis for Agricultural Development Planning, September, 1974.

Anon. The Fruit and Vegetables Subsector. A Summary of Projects for a Proposed Subsector Development Programme, Undated

Grenada Banana Cooperative Society. Annual Report, 1983.

Grenada Banana Cooperative Society. Financial Statements - 1977-1983

Grenada Banana Cooperative Society. Industry Ordinance

Grenada Banana Cooperative Society. Objectives, Role and Mission, Undated.

Anon. Grenada, Basic Data, May 1971

Grenada Cocoa Association. Annual Report, 1982.

Grenada Cocoa Association, Annual Report and Financial Statements, 1982-1983.

Grenada Cocoa Association. Financial Statements - 1983

Grenada Cocoa Association. Industry Ordinance

Grenada Cocoa Association. Policies for the Control and Maintenance of the High Quality of Grenada Cocoa, Undated.

Grenada Cooperative Nutmeg Association. CDB/ITC Seminar/Workshop on Spices in Grenada, 1981.

Grenada Cooperative Nutmeg Association. Financial Statements - 1983

Grenada Cooperative Nutmeg Association. Industry Ordinance undated.

Grenada Cooperative Nutmeg Association. The Nutmeg Industry in Grenada--Marketing Strategy, 1977.

Grenada Development Bank. Balance Sheet as at November 30, 1983

Government of Grenada, Act No. 40, Marketiang Boarad Act, 1973.

Anon. Grenada Preliminary Data Atlas, Survey of Conservation Priorities in the Lesser Antilles, Undated

Hitz. Gregory. Part-time Farming in the Eastern Caribbean, Research Review and Results of Grenada Farm Household Survey, July, 1979

Hitz, Gregory. Part-time Farming in Grenada, June, 1981

Inter-American Institute for Cooperation in Agriculture, Analysis of Agricultural Input Marketing System, Undated

Inter-American Institute for Cooperation in Agriculture, An Analysis of Markets and Marketing Systems for Fish and Vegetables in Grenada, October 1980.

Inter-American Institute for Cooperation in Agriculture. Crate Manufacturing Project, July, 1982

Klein, H. F. The Marketing and National Import Board and its Relation to the Agriculture Sector, March 9, 1984

Klein, H. F. Planning Capabilities, Function and Organization for the Agriculture Sector, March 19, 1984

Klein, H. F. Recent Performance of the Commodity Boards, Undated

Lopez. Carlos J. Welcome to the Ministers of Agriculture, Undated

Marketing and National Importing Board: Financial Statements 1979-1982; Produce and Purchasing and Sales Division Annual Reports 1980-1982, Estimates for 1983.

Mayo, Dave. The Role of the Private Sector in Agricultural Development of the Caribbean Basin, Undated

Ministry of Agriculture Rural Development and Cooperatives, St. George's, Grenada. Background Data on the Agricultural Sector and Related Agencies, May, 1983

Ministry of Agriculture, Tourism, Forestry and Fisheries. Agricultural Planning Statistics - Grenada, December, 1979

Ministry of Planning. Grenada Agricultural Census - 1981, August 31, 1982

Minor Spices Society. Financial Statements, 1982-1983

Minor Spices Society. Industry Ordinance undated.

Murphrey, Jim. Agriculture - Agro-Industrial Sector Restructuring and Technology Application Project, Grenada, January 22, 1984

Murphrey, Jim. Agriculture - Agro-Industrial Sector Restructuring and Technology Application Project, Grenada, January 4, 1984

Murphrey, Jim. Major Issues, Constraints, and Comments Related to the Agriculture, Agro-Industrial Sector in Grenada, December, 1983

Murphrey, Jim. Project Paper Grenada Agricultural Sector Revitalization, March 15, 1984

Murphrey Jim. Regional Marketing - Trade Information System, Eastern Caribbean, Grenada, December, 1983

National Agricultural Extension Improvement Plan, Grenada, January 15, 1982

The National Democratic Party. The National Democratic Party. Its Aims, Principles and Programmes, Undated

Organization of American States. Direct Services Provided to Grenada, January 1982-December, 1983

Organization of American States. Economic Study of Grenada, September 15, 1977

Organization of American States Planning Unit. The Importance of Agriculture in the National Economy Undated

Peace Corps. Brief Resume of Possible Needs of Service from the Peace Corps, Undated

People's Law No. 69 of 1979. A Law to Amend the Marketing Board Act of 1973.

People's Revoluntionary Government of Grenada. Report on the National Economy for 1981 and the Prospects for 1982, January 29, 1982

Persaud, B. Grenada's Agricultural Problems and Proposals for Development, 1969-1973, December, 1968

Quiros, Carlos S. Words for the Aperture of the Conference of Puerto Rico on the Agricultural Priorities of the Caribbean Basin, Undated

Regis, Veronica. An Economic Assessment of an Alternative Marketing Strategy for Grenada Nutmeg, January, 1975

The Special Committee for Parastatal Bodies (Samuel Singh - Chairman). Report on the Special Committee for Parastatal Bodies, July, 1984

Stevens, Mervin E. Grenada, Project Identification Document, (PID), January 18, 1983

Anon. A Study of the Huckster Trade in Grenada, Undated

SYSTEMS Group of Companies, A Survey of Small-Scale Fresh Produce Marketing Enterprises in the Eastern Caribbean, for FAO/ CAARICOM Secretariat, 1980.

Tattersall, S. L. Report on a Visit to Grenada to Advise on the Marketing of Fruit and Vegetables 20 January-4 March, 1981, 1981

Anon. Technical and Financial Assistance Focus, Agriculture - Agro-Industry Sector, Grenada, Undated

Anon. Technical Questions to be Resolved and General Plan of Work to Establish the System, Undated

U. S. Agency for International Development. Caribbean Regional Project Paper, Grenada Ag Sector Revitalization (Draft), March 28, 1984

U. S. Agency for International Development. Caribbean Regional Project Paper, St. Lucia Agricultural Structural Adjustment, 1983

U. S. Agency for International Development. Country Development Strategy Statement, Grenada 1985-1990, May, 1984

U. S. Agency for International Development. Project Identification Facesheet, Project Identification Document (PID), Undated

United Nations Physical Planning Unit. Proposed Physical Area Development Strategy, 1977-1990, June 1977

Zukevas, Clarence, Jr. A Profile of Small Farmers in the Caribbean Region, September, 1978

ANNEX C
DIRECTORY

DIRECTORY OF PERSONNEL AND INSTITUTIONS INVOLVED IN GRENADA AGRICULTURE

(August 1984)

Personnel

Adams, Dr. Michael J. Forester, Grenada Forestry Corp. Queen's Park, St. George's.

Ambrose, Norberto. Director, Organization of American States/Grenada, St. George's. Tel.: 2439/2847

Antoine, Algernon. Ag. Permanent Secretary, Ministry of Trade, St. George's. Tel.: 3122/3080

Antoine, Alphonsus. Manager, Marydale Industries, St. Goerge's. Tel.: 2713/4235

Archer, Ivan. General Manager, Copra Processing Plant, Tempe.

Arnold, Norbert. General Manager, Grenada Cocoa Association, St. George's. Tel.: 2234/2933

Bain, Winston. Advisor to the Minister of Agriculture. Archibald Avenue office of the Ministry of Agriculture, Tel.: 2334.

Barker-Hahlo, George. Clerk, Grenada Farms Corp., Member of the Nutmeg Association Board, and private farmer. Tel.: 2329 at Grenada Farms Corp., St. George's.

Baumgartner, Ernst. General Manager, Caribbean Agroindustries Limited (Flour Mill), Tempe.

Beddoe, Terry. Agronomist for the Food and Agricultural Organization of the United Nations (FAO). Works with the Mardigras Soil and Water Conservation Project and the Plant Propagation Centre (Ministry of Agriculture) at Mirabeau. FAO Office in St. George's. Tel.:

Benjamin, Lloyd. Manager, Geest Industries (W. I.) Ltd., St. George's. Tel.: 2473

Bernard, Michael. Ministry of Ag. - Statistics Department.

Best, George. Butler Farmers' Cooperative.

Boatswain, Anthony. Permanent Secretary of the Ministry of Agriculture's Industrial Development Corp. Botanical Gardens offices, St. George's. Tel: 2857.

Branch, Arthur. Operations Manager, Grenada Farms Corp., St. George's. Tel.: 2329

Branch, Willie. Farmer, Chairman of the Grenada Banana Growers Cooperative Board of Directors.

Burris, Neville. Manager, Ministry of Agriculture's Nursery, Mirabeau.

Campbell, Clarence. Quality Control Officer, Grenada Cocoa Association, St. George's. Tel.: 2234/2933

Campbell, Orgias. Director of Agricultural Extension, Ministry of Agriculture, Botanical Gardens, St. George's. Tel: 3915.

Clauden, Anslem. Legal Advisor to the Interim Government of Grenada. Courthouse, St. George's. Tel: 2050

Clement, Martin. Agricultural Administrator, Ministry of Agriculture, Carriacou.

Clozier, Anita. Manager, Ministry of Agriculture's Mt. Hartman-Livestock Production and Genetic Centre. Near Pt. Salines.

Cromwell, Hezekiah. Manager, Grenada Sugar Factory, Ltd.

Crotie, Antoine. Private sector trader in fresh produce.

Cruickshank, Arnold. Minister of Agriculture. MOA office on Archibald Ave., St. George's. Tel.: 3078.

Cruickshank, Leslie. Manager, Ministry of Agriculture's Equipment Centre and Garage, Mirabeau.

Dathorne, Colin. Coopers & Lybrand.

David, Martin. Manager, Grenada Development Bank, St. George's. Tel.: 3943/2382

Davis, Ben. Importer of foodstuffs and agricultural production Inputs, St. George's, Grenada.

Delisle, Rudolf. Agronomist, Ministry of Agriculture, Carriacou.

Ferguson, Aldwyn. Acting General Manager, Marketing and National Importing Board, St. Goerge's. Tel.: 3191/3111

Ferguson, Robert L. Manager, Minor Spices Cooperative Society. Tel.: 809-444-3458

Francis, Justin, Assistant Manager, Geest Industries (W.I.) Ltd., St. George's. Tel.: 2473

Gittens, Veda. Executive Sectretary, Grenada Cocoa Association, St. George's. Tel.: 2117/2714

Guilemette, Normand. Project Supervisor, CIDA/Cocoa Rehabilitation Project, Mt. Horne, Grenada. Tel.: 7757/7216

Holder, Dustan. Food Technologist, Ministry of Agriculture, St. George's.

Houston, Tony. Finance Controller, MNIB.

Isaac, Anthony. General Manager, Grenada Banana Cooperative Society, St. George's. Tel.:

Dr. Kirton, Allen. Minister of Finance, St. George's. Tel.: 2928

Lambert, Gillian. Ministry of Ag.

MacFarlane, Douglas A. Vice President for Agribusiness, Caribbean Basin Corp., Washington, D.C. Tel.: 301-758-2804

MacLeish, David. Ministry of Agriculture, Archibald Ave. office, St. George's. Tel: 3078.

McIntyre, Charles. Proprietor, McIntyre Bros. Ltd., St. George's. Tel.: 2044

Millet, _____. Executive secretary, Grenada Cocoa Association, St. George's. Tel,: 2234/2933

Muir, Russell. Private Sector Development Specialist for Coopers and Lybrand, Inc., on contract to USAID. Carenage, St. George's. Tel:

Nedd, Keith. Procurement Division Manager, MNIB.

Nichol, Lee. Peace Corps Volunteer working with the Ministry of Agriculture's Dept. of Information and Statistics. Botanical Gardens offices, St. George's.

Nixon, _____. Import Division Manager, MNIB.

Sayos, Leslie. Ministry of Ag, Statistics Department.

Noble, Steve. Economics Officer, U.S. Embassy, St. George's. Tel: 2225, 2226.

Noel, Kenneth. Assistant to Anthony Boatswain, Ministry of Agriculture's Industrial Development Corp., Botanical Gardens offices, St. George's. Tel: 2857.

Parkash, CFTC Trade Consultant, Ministry of Trade, Tel.: 3122/3080

Peters, Emerson. Principal of the Agricultural School, Mirabeau.

Radix, Dr. Peter. Food Lab Chemist, Ministry of Agriculture, St. George's

Raeburn, Hansen. Head of the Coffee Plant, Spice Grinding Plant, and Food Laboratory of the Ministry of Agriculture, St. George's. Tel: 9220

Rahim, Ruth. Permanent Secretary, Ministry of Agriculture. Archibald Ave. office, St. George's, 3078.

Renwick, Gordon. Chairman of the Board, Grenada Sugar Factory, St. George's, Tel: 2479.

Renwick, Robert S. General Manager, Grenada Cooperative Nutmeg Association, St. George's. Tel.: 2117/2714

Roston, Paul J. Caribam Resources, Inc. U.S. Virgin Islands. Tel.: 089-773-5910

Rush, Kenneth. Livestock Officer, Ministry of Agriculture, Mt. Mt. Hartman Livestock Production and Genetic Centre.

Sieban, Henry E., Jr. Vice President Operations, Iroquis Grocery Products, Inc. Stamford, Conn. Tel.: 203-348-7877

Singh, Sammy. Chairman for the Special Committee on Parastatal Bodies, based in the Ministry of Finance, Planning Division. Contact McMillan in Planning for the report. St. George's.

Sylvester, _____. Independence Agencies, Ltd.

Toaspern, John. Peace Corps Volunteer (Agricultural Economist) working with the Ministry of Agriculture's Industrial Development Corp. Botanical Gardens offices, Tel: 2857.

Vernazza, Ben J. Investment Entreprenuer, Caribbean Area, U.S. Virgin Islands. Tel.: (U.S.) 408-688-3181 (Virgin Islands) 809-773-1219

Williams, George. Member of the Board of Directors, Grenada Sugar Factory, St. George's.

Wilson, Lauriston (Senior). Acting Director, Grenada Farms Corp., St. George's. Tel.: 2329