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AGRIBUSINESS INVESTMENT OPPORTUNITIES
IN GRENADA
VOLUME I: RECONNAISSANCE SURVEY REPORT

PREPARED BY
THE
AMERICAN SOCIETY OF AGRICULTURAL CONSULTANTS INTERNATIONAL
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I. INTRODUCTION

Acting under a grant agreement with the U.S. Trade and Development Program (TDP), the American Society of Agricultural Consultants International (ASACI) organized a Reconnaissance Survey Team to begin the first phase of work to identify potential agribusiness projects in Grenada for prospective U.S. investors. Members of the team were J.W. Hackamack, St. Louis, Missouri; E. Clinton "Smokey" Stokes, Alexandria, Virginia; and Michael W. Hurley, McLean, Virginia.

To prepare the current report, the three man team first studied pertinent data available from U.S. sources, and then traveled to Grenada for two weeks in June of 1986 to conduct interviews, make on-site inspections, and gather first hand information. Taking the stance of a potential U.S. investor, team members analyzed the agricultural sector, assessed the investment climate, and made a preliminary evaluation and selection of prospective project opportunities.

In the second phase of grant activities, a follow-up team of ASACI consultants will review the Reconnaissance Survey Report, and then work for three weeks in Grenada to further evaluate and then select those prospective ventures of highest potential interest to U.S. investors. Project Investment Profiles on these preferred ventures will be drafted by the team to form the report Agribusiness Investment Opportunities in Grenada, Volume II: Project Profile Report. The investment profiles, upon approval by TDP, will then be made available through the marketing network of ASAC members to selected U.S. potential investors. Other prospective investors and interested parties may obtain the current reconnaissance report at cost, and subsequently the profile report, by contacting ASAC headquarters at the following address:

ASAC International
8301 Greensboro Drive
Suite 260
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II. SUMMARY AND CONCLUSIONS

During its two week visit, the Reconnaissance Team interviewed trade group officials, foreign government agency personnel, politicians, businessmen, farmers, Ministry of Agriculture officials, Chamber of Commerce officials, bankers and others - all of whom are listed in Appendix B. These interviews provided the team with a good cross sectional representation of Grenada's agriculture and economy.

On the small island of Grenada (21 miles long by 12 miles wide), ways of doing things seem to have changed very little during the past 100 years. Goats are still tethered along public roadsides and other public lands for free pasture, and the colonial days of British influence remain manifest in the language, the estate farms and the Grenadian custom of driving on the left side of the road.

In looking at agricultural development, one must keep in mind that the topography is rolling to mountainous, with two-thirds of the land having a slope of over 20%, and that agriculture is based on small farms. Eighty-five percent of all farms in Grenada are under five acres.

Grenada has a typically tropical climate, a large supply of labor, adequate water, and fertile volcanic soils. However, many things need improvement - its roads, air and ground transportation systems, public and commercial infrastructure, pool of managers and work attitudes of agricultural laborers.

The new administration is generally in favor of converting to a free market economy and progress has been made. However, since the old way is known while changes are new and unknown, it may be a slow process to modernize. The attitude of "don't rock the boat" continues to provide job security for an excess of lower level government employees who tend to delay the process. The Reconnaissance Team saw indications that some Grenadians believe the United States will take care of them anyway, and this may hinder the development of private enterprise.

Some entrepreneurial businessmen, including foreign investors, have already started new ventures or plan to expand existing businesses. This is more true in commercial and tourist enterprises than in agriculture. A number of non-agricultural projects have been approved by the Grenadian Industrial Development Corporation. These include new hotels, condominiums, apartments, light industries, restaurants and others. But for the total economy to prosper, agriculture and agribusiness must grow and modernize. Since present costs of production of many products are non-competitive, improvements in efficiency and methods are mandatory. To develop a profitable venture, the Team believes it is important to select a high value product for which an export market niche has been identified. Where feasible, it would be advisable to start on a small scale and increase gradually rather than start a large scale project in the beginning.

It was encouraging to see a few enthusiastic and capable managers who are initiating changes in their agricultural enterprises. They need capital and technology in production, processing methods, commercial marketing and coordination of all functions in a modern day food system. They expressed a desire to work with U.S. investors who can provide this assistance through joint ventures or other feasible organizational structures. The export target is the U.S. market for almost everyone. For this to happen, Grenada needs to become a reliable, consistent supplier of high quality competitively priced products. They do not have the resources to provide these needs now. Over the short term, cut flowers and ornamental plants can benefit from immediate infusions of capital and management talent. Also fresh tropical fruits and vegetables have good potential.

Other potential enterprises described in this report are: fresh produce marketing, upgrading the traditional mixed farm, marketing of spices and essences, processing of agricultural products for export, aquaculture, and nutmeg and cocoa processing. In September, a Project Profile Team of ASAC International consultants will carefully analyze and study these enterprises in preparing select project investment profiles.

III. GENERAL BACKGROUND

A. Geography and Climate

The nation of Grenada, with its nearby dependencies of Carriacou and Petit Martinique, is located in the Windward Island Chain about 90 miles north of Venezuela. The land area covers 133 square miles. It is considered by many as the most beautiful of the Eastern Caribbean islands - beautiful beaches, attractive landscape and friendly people. The island's climate is humid and tropical with an annual average rainfall ranging from 50 inches along the coastal lowlands to 165 inches in the mountainous interior (highest peak 2,757 feet). The soil conditions and rainfall make the nation well suited for the production of a number of tropical crops. The population is approximately 92,000.

B. History and Government

Grenada achieved full independence from the British government in 1974. On March 13, 1979 the New Joint Endeavor for Welfare, Education and Liberation - New JEWEL Movement ousted Prime Minister Sir Eric Gairy in a bloodless coup d'etat, and the People's Revolutionary Government (PRG) was established, headed by Prime Minister Maurice Bishop. The new government was strongly Marxist-Leninist in orientation and moved to establish close ties to Cuba, the Soviet Union and other communist countries. Deterioration of the economy and civil unrest led to military intervention by the United States and several Caribbean countries in October of 1983.

An interim Advisory Council of Grenadian citizens was appointed by the Governor General to provide temporary leadership until general elections on December 3, 1984. The elections re-established a parliamentary democracy with an overwhelming 14-1 majority for the New National Party led by Herbert Blaize for a five-year term. Grenada is a member of several regional organizations, including: the Caribbean Common Market (CARICOM), the Caribbean Development Bank (CDB), the Organization of Eastern Caribbean States (OECS), and the Eastern Caribbean Central Bank (ECCB).

C. The Economy

Grenada has an open economy, highly dependent on international trade and finance for its growth and development. Agriculture contributes to one-fourth of the gross domestic product (GDP), followed by tourism (10%) and by manufacturing (less than 3%).

The official currency in Grenada is the Eastern Caribbean dollar (EC\$), tied to the US dollar at EC\$2.70 to US\$1.

Despite its potential, Grenada has faced serious economic problems in recent years. Following take-over by the People's Revolutionary Government (PRG), economic growth declined due to a number of factors - lower commodity prices, reduced production, a drop in tourist arrivals, inefficient state enterprises and state-set prices which discouraged production in industry and farms. Unemployment rose as high as one-third of the labor force.

Grenada's economy is now moving toward a greater reliance on private sector investments. The government has taken steps to divest itself of selected state enterprises - state farms, industry (excluding public utilities such as water, electricity, telephones, and transportation) and to undertake reformation of tax and investment laws to give new incentives to potential foreign and domestic investors. It has liberalized foreign exchange controls and import licensing requirements, lifted price controls on many domestically-produced items and increased the usury ceiling. To foster investment, the government established an Industrial Development Corporation (IDC) which submits all foreign investment applications for cabinet approval. Its purpose is to consolidate and simplify the process of improving investment proposals and incentives. It is encouraging a tripartite balance between agriculture, tourism and light industry. Since 1983, the U.S. Agency for International Development (AID) has provided more than \$57 million in development projects, including \$20 million to complete the Point Saline International Airport. Grenada has also received assistance from a number of other foreign countries and the international development banks. Increasing interest among foreign investors is expected to help restore the still sluggish economy.

Johnson and Johnson recently established a branch plant in St. George's. A number of hotel corporations are considering building new hotels which should attract more tourists and reduce the level of unemployment. Projects are being studied and implemented to increase the productive efficiency and marketing opportunities for Grenadian agriculture, thereby increasing joint investment opportunities for U.S. agribusiness. Grenadian officials are reporting an increasing number of inquiries by foreign investors regarding business opportunities in Grenada.

D. Human Resources and Employment

Grenada's labor force was estimated at 43,300 in 1984. It includes a large supply of unskilled and semiskilled workers. According to latest estimates, the overall unemployment rate is approximately 30%, or 13,000 persons without work. The distribution of labor by sectors is as follows: agriculture 41%, construction 8%, manufacturing 3%, tourism 3%, and government and other services 45%.

The reported average wage rates in EC dollars for selected occupations in 1985 ranged as follows:

- Manufacturing (breweries and garment industry, varying according to level of skill and management - from \$110.00 to \$370.00 per month.
- Construction labor - \$15.00 to \$30.00 per day.
- Office employees - \$375.00 to \$1275.00 per month.
- Hotels and restaurants - \$90.00 to \$180.00 per month.
- Agriculture laborer (male) \$11.50 per day.
- Agriculture laborer (female) \$10.50 per day.

Approximately one-third of the employed labor force is unionized. The normal work day is 8 hours, with overtime pay required at 1.5 times the normal wage. Double time is paid for work on Sundays and recognized holidays. Three weeks (21 days) vacation with full pay after one year's employment, and up to two weeks (14 days) sick leave are generally granted. Maternity leave after 18 months employment is three months, two weeks of which are with full pay and one month unpaid. Both employers and employees contribute equally to Grenada's social security scheme, each at the rate of 4% of base wages. Work permits are required for the employment of expatriates, and then only if needed skills are unavailable locally.

However, it is generally recognized that foreign investors will require experienced expatriate staff.

E. Infrastructure

1. Transportation

Grenada has some 650 miles of roads, most of which range from usable to suitable for motor traffic. The road system is presently being upgraded.

The country's major seaport is located at St. George's, the capital, where the sheltered natural harbor provides berth space for two vessels at a minimum depth of 30 feet. Additional space was recently completed for a 250 foot schooner berth with 18 foot depth along with substantial space for the holding of bulk shipping containers.

There are now two airports: a 1,300 ft. airstrip on the adjacent island of Carriacou and the newly completed 10,000 ft. international airport at Point Salines, about 5 miles from St. George's. The latter now handles all scheduled international service. British West Indies Air (BWIA) provides daily flights to Miami and a weekly non-stop to New York. Scheduled flights to other Caribbean islands are largely provided by Leeward Island Air Transport (LIAT). Grenada Airways is scheduling passenger service Wednesdays and Saturdays to Miami and New York. Caricargo which offers freight service to the U.S.A. once a week could expand its service if cargo traffic demanded it.

2. Communication

The Grenada Telephone Company Limited operates several automatic exchanges connected by trunk lines. This system is being upgraded but there is plenty of room for improvement and expansion. Cable and Wireless (West Indies) Limited provides international telephone, telex and cable services. Further improvements in telecommunications are under way.

3. Electricity

The Grenada Electricity Services Limited (GRENLEC) provides power from diesel units. The current is 220 volts, three phase, 50 cycles. Present supply now meets demand but inadequate transmission and distribution systems continue to cause high line losses. Repairs and expansion of capacity are reportedly underway with U.S. AID support.

4. Water

The Central Water Commission draws water from rivers, catchment areas and deep wells. The United Nations Development Program (UNDP) has funded a study to develop a 10-year plan for upgrading the system in accordance with projected domestic and commercial demand.

IV. AGRICULTURAL SECTOR SURVEY

Agriculture is the principal sector of the Grenadian economy. It contributes 24% of the gross domestic product (GDP), employs 41% of the labor force, and accounts for 90% of export earnings.

A. Land Area and Utilization

Grenada's total area encompasses 34,200 hectares (84,500 acres). The topography is rugged. Only 29% of the land has a slope of 20% degrees or less. Rainfall ranges from 50 inches to more than 165 inches per year. Nevertheless, there is little evidence of serious erosion on agricultural lands. The traditional system of tree crops closely planted in mixed stands and the drainage system constructed on many farms contribute to the minimal erosion. The island has fertile soils, but much of the land is best suited for growing tree crops due to the steep slopes covering much of the terrain. Thus, the production of cocoa, bananas, nutmeg and mace represent 75% of the value of output from the agricultural sector. The remaining 25% comes from other fruits and spices, vegetables, sugarcane, root crops and livestock.

In 1982, 55% of the total land area was considered agricultural land, that is, 9,920 hectares (about 24,800 acres). Of this, 53% was in permanent tree crops, 23% in temporary crops and the remaining 24% in grassland and forests.

B. Farm Size

Agriculture in Grenada is based predominately on small farms: 46% of the country's 8,000 privately-owned farms are under one acre in size; 39% are between 1 and 5 acres; and 15% are larger than 5 acres. There are only 24 farm units larger than 100 acres each. Most farmers have title of ownership to their land. In addition to the private sector farms, the previous government created a new kind of publicly-owned farms - the state farms which, in 1981 covered some 1,350 hectares (3,375 acres). Some of these farms have been returned to their original owners. The remaining farms constitute a financial burden on the government.

Most of the small farms are located on hillsides and produce a variety of crops, particularly the traditional tree-crops, although it is normal to find some vegetables and other fruits on these farms. A large majority of farms are without irrigation and without methods of erosion control. However, the dense growth of trees and root crops on the relatively rich alluvial soil mitigate serious erosion.

C. Agricultural Production

Major crops

The traditional export crops are cocoa, bananas, nutmeg (including mace, which is the outside covering of the nutmeg nut) and are usually grown together in a mixed stand. They occupy about half of the total agricultural land. During the past several years, production of these crops has declined. The principal reasons are: depressed world prices, deterioration of agricultural support services, lower yields, recession of the processing industry (nutmeg), poor harvesting practices (mace), a shortage of workers willing to do agricultural labor, and the strong appreciation of the U.S. dollar to which the Eastern Caribbean dollar (EC\$) is tied. Also, the overage of cocoa-bearing trees has resulted in lower yields.

Other crops

Other crops produced in Grenada include sugarcane, coconuts, avocados, mangoes and vegetables. A complete listing of agricultural production in Grenada is given in Table 1.

TABLE 1: GRENADA - ESTIMATED AGRICULTURAL PRODUCTION, 1978-1983
(1,000 pounds)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>Traditional Crops</u>						
Bananas	18,758	18,966	16,308	14,677	13,971	13,817
Cocoa	2,808	2,770	2,129	2,023	2,492	2,599
Nutmeg	2,024	2,817	2,485	3,479	3,035	2,418
Mace	258	283	293	241	228	150
Sugarcane	15,726	14,650	9,520	9,300	8,611	7,460
Copra	393	N/A	N/A	360	411	359
Dry Coconuts	N/A	215	349	240	178	318
Ginger	N/A	9	6	6	5	8
<u>Fruits</u>						
Plantain and Bluggo	594	938	379	371	460	423
Breadfruit	1,556	1,633	1,760	1,676	1,495	935
Sapodillas	173	190	237	247	185	198
Sugar Apples	191	137	114	116	105	105
Sour Sop	303	267	438	473	521	555
Mangoes	1,443	1,515	1,803	1,839	1,931	1,727
Avocados	1,243	1,234	1,354	1,422	1,493	1,571
Citrus	3,465	2,696	3,521	3,598	3,699	3,435
Paw-Paw	76	55	48	46	37	35
<u>Root Crops</u>						
Sweet Potatoes	391	371	276	270	296	276
Dasheen and Eddoes	166	164	282	291	378	391
Tammias	280	271	145	148	155	140
Yams	495	505	458	481	506	455
<u>Field Crops and Vegetables</u>						
Peas and Beans	856	771	901	829	746	645
Maize	662	549	447	470	423	393
Tomatoes	56	42	48	45	54	49
Eggplants	-	-	-	-	43	231
Sweet Peppers	-	-	18	18	19	17
Cabbage	57	40	32	30	33	32
Carrots	42	35	29	26	27	26
Pumpkins	333	29	194	205	246	218
Hot Peppers	N/A	3	1	1	1	1

Source: Ministry of Agriculture and Natural Resources

Livestock

Livestock production on Grenada is very limited. There is very little grain produced and not much pasture land. Many small farms produce chickens, sheep, rabbits and goats primarily for home consumption. A small proportion of farmers raise hogs for the same reason. Virtually all of the milk consumed is imported in the form of condensed milk. Cheese and a limited amount of other dairy products are available in retail stores and restaurants. There are virtually no horses and only a small number of donkeys.

Fertilizer

About 70% of Grenadian farmers report using fertilizer, most of which is imported chemical fertilizer. The percentage is higher among the producers of export crops primarily because the producer marketing associations, especially the banana association, import the fertilizer for sale to their members.

Production on Carriacou Island

The island of Carriacou, a part of the nation of Grenada, covers 8,400 acres, of which only about 1,250 acres is subject to cultivation. The land is less productive here than on the island of Grenada. Most of the crops are produced for home consumption. Hogs and chickens are raised primarily for domestic use while ruminants are raised for export to Grenada and Trinidad.

Agricultural Trade

In 1982, the value of exports from fresh, semi-processed and processed agricultural products was US\$13.6 million or 73% of the country's total exports. Cocoa accounted for 34% of total agricultural exports; bananas 24%; nutmeg 22%; mace 7%; fruits and vegetables 12%; and agroindustrial products 1% (See Table 2 for the value and volume of Grenada's major exports). On the other hand, Grenada is heavily dependent on food imports. The value of food imports in 1982 was US\$15.5 million, about 13% more than the value of all agricultural exports (See Table 3).

TABLE 2: GRENADA - Value and Volume of Major Exports
 (Value in millions of US dollars, volume in millions of pounds)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
<u>Total Exports</u>	<u>19.02</u>	<u>18.57</u>	<u>18.92</u>	<u>17.12</u>
Re-Exports	0.40	0.75	0.49	0.60
<u>Domestic Exports</u>	<u>18.62</u>	<u>17.82</u>	<u>18.43</u>	<u>16.52</u>
Banana				
Value	3.71	3.39	3.24	3.04
Volume	22.41	21.17	19.53	19.72
Cocoa				
Value	7.06	4.62	4.06	4.50
Volume	5.90	4.62	4.92	4.77
Nutmeg				
Value	3.02	3.02	3.25	2.12
Volume	3.79	4.50	5.34	4.08
Mace				
Value	0.63	0.93	0.76	0.45
Volume	0.46	0.72	0.75	0.21
Fresh Fruits				
Value	0.49	1.67	4.14	5.08
Volume	1.73	5.69	15.17	18.29
Clothing				
Value	2.17	2.43	1.77	0.53
Other				
Value	1.54	1.76	1.21	0.80

Source: Commodity Board

TABLE 3: GRENADA - Merchandise Imports
(in millions of U.S. dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
<u>Total Imports</u> ¹	<u>60.7</u>	<u>65.1</u>	<u>64.6</u>	<u>57.1</u>
<u>Recorded Imports</u>	<u>54.3</u>	<u>56.5</u>	<u>56.1</u>	<u>57.1</u>
Food	15.3	15.5	13.6	
Beverage Tobacco	1.5	1.5	1.2	
Crude Materials	2.2	3.0	2.8	
Fuel	7.7	7.5	6.2	
Animal and Vegetable				
Oils and Fats	0.3	0.1	0.1	
Chemicals	5.6	5.7	4.7	
Manufactured Goods	7.7	9.5	8.5	
Machinery and Transport				
Equipment	9.2	8.4	12.6	
Miscellaneous Manufactured				
Articles	4.7	5.5	6.3	

Source: IMF Staff Estimates

¹ Total imports from 1981-84 were derived by adding estimated unrecorded imports for the airport project to recorded imports from customs data.

During the past eight years, production of the traditional export crops (cocoa, bananas, nutmeg and mace) generally has followed a downward trend (See Table 1). The principal reasons include depressed world prices during most of this period, deterioration of agricultural support services, low yields because of the maturation of plants particularly cocoa and bananas, marketing difficulties (nutmeg), poor harvesting practices (mace) and a declining agricultural labor force.

Grenada has not filled its production quota of 20,000 tons of bananas provided by GEEST Co. which markets them to the United Kingdom. Since Grenada's major market for cocoa continues to be the United Kingdom, revenues have also been affected by the depreciation of the sterling against the U.S. dollar. The international demand for nutmeg has been weak in recent years because of the impact of the recession on the food processing industry, the major user.

The United States has not been a major importer of agricultural products from Grenada. The total amount of U.S. imports for the last couple of years has been about US\$320,000 - mostly products which are noncompetitive with U.S. products. Spices and cocoa account for most of the imports (See Table 4).

TABLE 4: U.S. Agricultural Imports: Value and Volume
January - December 1984 and 1985

	<u>Quantity</u> (metric tons)		<u>Value (1,000 US\$)</u>	
Total Ag Imports	--	---	318	320
Noncompetitive Ag Imports	--	--	317	257
Cocoa & products	67	30	154	69
Spices	95	131	162	187
Competitive Ag Imports	--	--	2	64
Animals & products	--	--	0	41
Meats & prods, ex poultry	0	18	0	41
Pork	0	18	0	41
Pork - prep or press	0	18	0	41
Vegetable Products	--	--	2	23
Vegetables & preps	1	4	2	7
Vegetables - fr or froz	0	4	0	7
Other Vegetables	0	4	0	7
Vegetables -prep/pres	1	0	2	0
Other Veg - prep/pres	1	0	2	0
Sugar & related products	0	9	0	16
Confectionary products	0	9	0	16
Selected Non-Ag Imports	--	--	16	4
Fertilizers	16	0	16	0
Nitrogen	16	0	16	0
Farm Machinery	--	--	0	4
Other ag mach & parts	--	--	0	4

Source: U.S. Department of Commerce

D. Farm Labor

The current daily wage for hired farm workers ranges from EC\$11.50 per day to EC\$16.00 (US\$5.90). This rate is much below the salaries for off-farm labor. Accordingly, rural workers seek employment in commerce and industry. As a result, farmers complain that farm labor is scarce and cannot be depended on for a full 8-hour work day. It is a common practice for hired farm laborers to supplement their wages from a half-day's work with a unrestricted access to farm food products for home consumption. As a result of the low comparative wages, the average number of full-time employees on small and medium size farms is less than .5 persons per farm. Part-time hired help averages about one person per day. (See Table 5).

These conditions contribute to the predominance of small farms (46% with less than one acre) which can be operated by the farm family. Likewise, the size of farms and the very hilly terrain account for the scarcity of farm machinery and other labor-saving equipment. The most common farm tools are machetes, pitch forks, shovels and hoes. The Grenada agricultural census reports that it has no information on the number of tractors, disk plows and other such equipment on farms. It does report a very small number of labor-saving tools as being "accessible", ostensibly for rent.

It should be noted that the average age of farmers in Grenada is in the mid to upper fifties. Farmers have very little education beyond elementary school. Furthermore, the extent and quality of government research and development, along with agricultural extension and management services, is inadequate and has failed to upgrade the skills and proficiency of the farmers.

TABLE 5: Size of Farms, Hired Help, and Age of Farmers

	<u>All Farms</u>	<u>SIZE OF FARMS</u>		
		<u>Small</u>	<u>Medium</u>	<u>Large</u>
Total Farm Acreage	30,676	6,520	11,928	12,228
Average Farm Acreage	3.74	1.16	5.34	31.27
Average Age of Farmers	52	53	52	55
Proportion of Full-Time Farmers	0.54	0.47	0.68	0.76
Average Years of Schooling	8.63	8.37	8.95	10.50
Total Number of F-T Hired Help	3,444	725	1,181	1,575
Average Number of F-T Hired Help	0.42	0.13	0.53	4.03
Total Number of P-T Hired Help	9,678	5,022	3,590	1,032
Average Number of P-T Hired Help	1.18	0.90	1.61	2.64

E. Agricultural Purchasing and Marketing Organizations

1. Producer Associations

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 other services in addition to marketing - collection, grading, bagging, storage, curing, processing, pest and disease control, and fertilizer procurement and distribution. Most farmers belong to more than one association since they produce more than one product. All of the associations are under varying degrees of financial stress, due largely to a decline in acreage productivity and higher production costs.

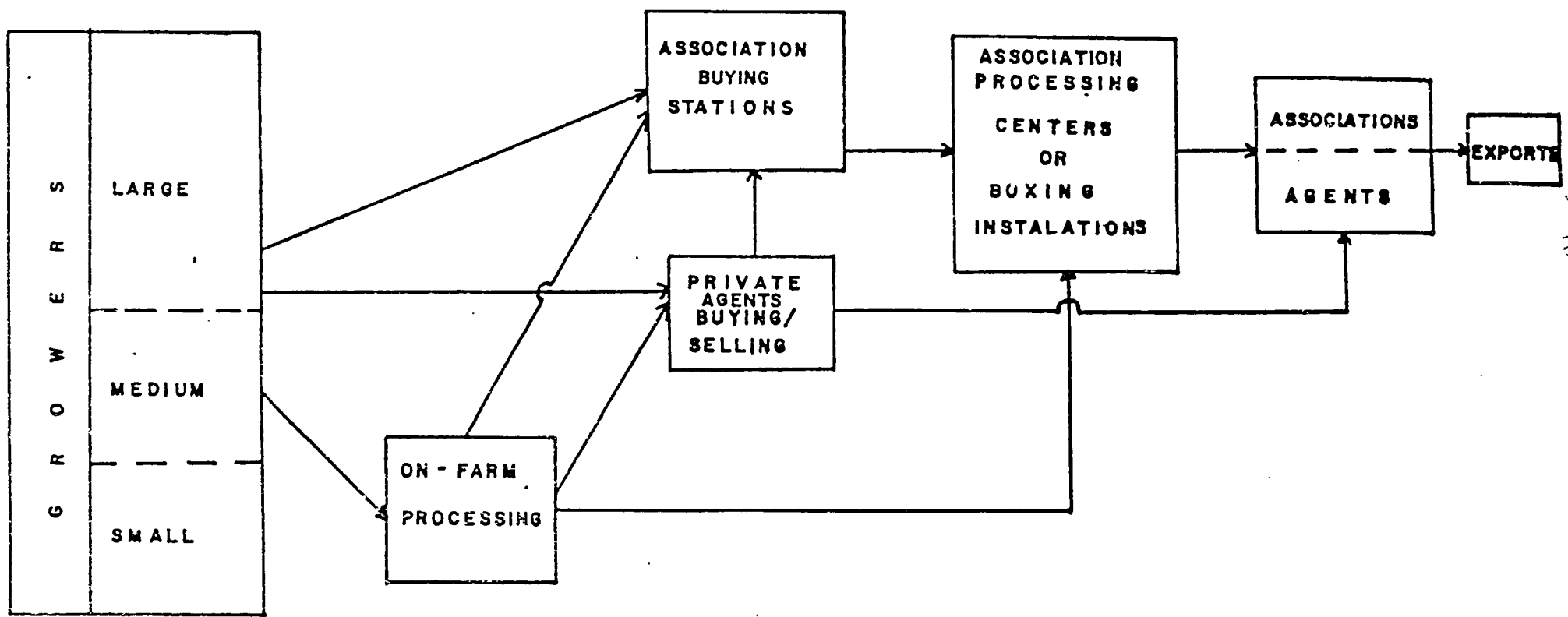
In spite of these problems, the cooperative societies have relatively effective systems for production support and marketing without which most producers would be worse off. There appears to be little complaint regarding the monopoly status of these associations.

A flow chart (Figure 1) showing marketing channels for the traditional export crops of bananas, cocoa, nutmeg and mace follows.

FIGURE 1

MARKETING CHANNELS FOR TRADITIONAL EXPORTS

BANANAS, COCOA, NUTMEG, MACE.



2. The Marketing of Fruits and Vegetables

While the marketing systems for the traditional crops are organized and have adequate physical facilities, the marketing of vegetables and other fruits is carried out by hucksters and the government's Marketing and National Import Board. Figure 2 shows the marketing channels for fresh produce. The marketing of produce suffers from a lack of physical facilities, i.e., collection centers, packing and storage facilities; accepted standards for sorting, grading and packing; market information; adequate transportation and experienced personnel.

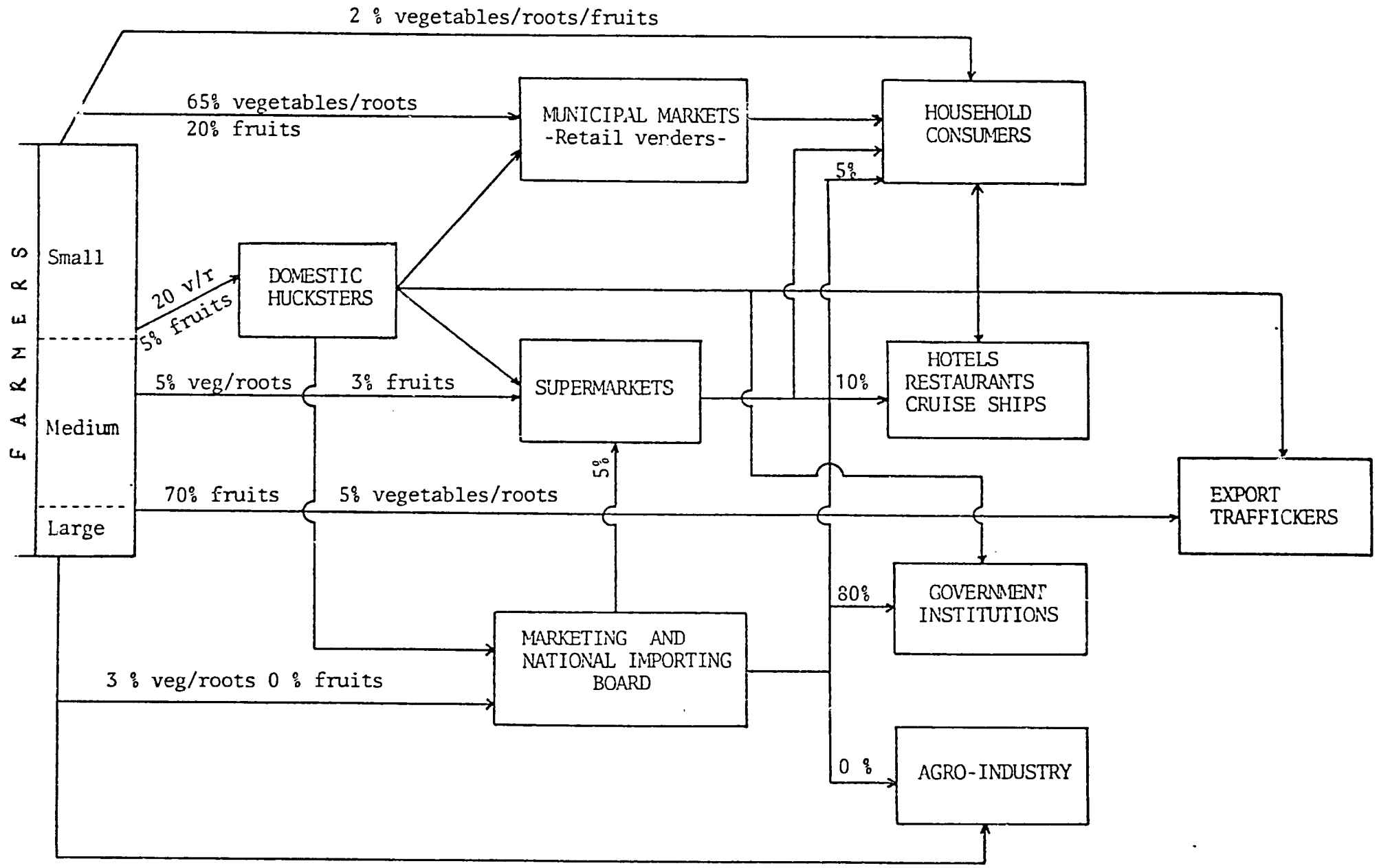
3. The Marketing and National Import Board

The Marketing and National Import Board (MNIB) is a government-owned statutory body that has the primary responsibility for (1) the handling and marketing of agricultural products of Grenada that are not marketed by another statutory organization; and (2) importing basic foodstuffs such as sugar, bulk rice, and powdered milk. The MNIB accounts only for a small share (10-15%) of the marketing of the fruit, vegetables and root crops produced on the island. MNIB's gross annual sales have averaged EC\$15 million (US\$6.25 million), about two-thirds of which comprises products for which it has exclusive import rights. Of total government purchases during the past year, 37% has been of vegetables, 30% fruit, 22% ground provisions and 11% condiments.

In effect, the government has had a monopoly on the importation of certain basic foods and non-food items. More recently, the government has decided that, in the absence of other wholesale marketers of farm produce, the MNIB will remain the principal agency in this area, but without monopoly power. As such, the government hopes to encourage private sector participation. The government also has begun to reorganize the MNIB so as to strengthen its management and improve its financial position. In the new structure, it is recommended that the MNIB focus on providing marketing information and facilities for wholesale operations, and that it should reduce retail operations.

There is increasing concern that the MNIB should direct more effort toward providing a transition toward increased private sector marketing and importing products under a more fully free market oriented system.

FIGURE 2 : MARKETING CHANNELS FOR FRESH PRODUCE ^{1/}.



^{1/} The percentages of produce flowing through the diverse channels are estimates made by the authors.

F. The Agricultural Infrastructure

1. Transportation

Farm and feeder roads. Of the approximately 660 miles of roads in Grenada, about half are paved. There are about 180 miles of primary roads, 130 miles of secondary roads, 230 miles of tertiary roads and about 110 miles of access roads to agricultural areas and farms. Most of the farm and feeder roads in the secondary and tertiary systems are gravel surface, many requiring 4-wheel drive vehicles. Some of the paved roads are currently being resurfaced.

St. George's is the principal seaport. The deep water dock is adequate to service two ships simultaneously.

All scheduled international flights operate out of the new international airport at Point Salines, which has a 10,000 ft. runway. The British West Indies Air (BWIA) provides daily flights to Miami. Grenada Airways runs two flights weekly to Miami and New York. The Liat airline daily services a number of islands, principally Barbados and Martinique providing a good inter-island link.

2. Public Utilities

Both electric and telephone services have a serious capacity limitation. While many of the rural areas have access to electricity and telephones, there is need for improvement as well as extension of the lines to more remote areas. Water pipes are laid throughout most of the rural areas, but there are still many residents that carry water from the lines to their homes.

G. The Role of Government in Grenadian Agriculture

1. Government Agricultural Policy

While the People's Revolutionary Government (PRG) advocated tight

control and a centrally planned economy, the present government policy is to support a free market economy. The liberalizing of the economy, initiated by the interim administration and continued under the present government, extends to the agricultural sector. Prices of most agricultural commodities are now determined by market forces. Export taxes on various agricultural exports have now been removed. The government is also considering, in cooperation with the International Development Association (IDA) of the World Bank, the possible need of adequate production incentives. One of the main weaknesses of the agricultural sector lies in the institutions that provide supporting services: credit, qualified extension specialists, plant protection, training, marketing, farm and feeder roads, maintenance and the inadequate supply of farm input requirements and services.

The government's Marketing and National Import Board (previously discussed) continues to be a major exception to the administration's policy of encouraging the private sector to operate in a free market economy.

2. The Grenada Model Farm Project

By late 1983, government expropriation of agricultural land resulted in government control of 35 farms with 7200 acres. Following the intervention, 10 farms consisting of about 3600 acres have been returned to their owners.

The previous administration (the PRG) established the Grenada Farms Corporation (GFC) for the purpose of operating state agricultural lands (10 farms on 3600 acres) as commercial enterprises. The GFC's goals were to (1) increase and diversify agricultural production, (2) improve the quality of agricultural support services and infrastructure, (3) improve farmgate prices by removing export taxes on cocoa and nutmeg, (4) improve marketing, and (5) carry out a land settlement program. Thus far it has failed to expand production on farms under its control. Rather than maintain the present size of the GFC estates, the present government has chosen to break the estates up into small family farm units.

As of late June, 1986, the government was expected very shortly to enact legislation which would authorize the formation of the Grenada Model Farms Corporation (GMFC). Its objectives are land divestment, creation of economically viable family farms and the development of an efficient small-farm sector. Other objectives of the GMFC are to reduce government losses on GFC estates and to increase rural employment opportunities. The GMFC will transfer land to smallholders through direct or mortgage purchase, or under a lease-purchase arrangement whereby equity can be accumulated until complete ownership is achieved within a 15-year period.

H. Agricultural Credit

Farmers have access to several sources of credit: the Grenada Development Bank (GDB), commercial banks, credit unions, commodity associations, the National Agency of Cooperative Development (NACDA), and informal sources, such as traders and suppliers. Commercial banks provide the credit, which is primarily short-term, to a small group of large-scale farmers to grow the traditional export crops. Only GDB and the rural credit unions provide significant amounts of medium and long-term credit for on-farm investments. At present, GDB charges 9½% interest, while commercial banks charge about 12½%. Grenada Development Bank makes loans on land while commercial banks lend only on short-term (18 months) and intermediate term (3-5 years). Also, GDB closely supervises loans and distributes funds as required by farm operations rather than all at one time.

Actually, only a limited proportion of small farmers make use of loans to finance their operating needs. Agricultural loans appear to average between EC\$3000 and EC\$5000. Loans to farmers do not represent a significant portion of commercial bank loans. Factors that inhibit credit to small farmers are:

1. Preference of bankers for "large" farmers with over ten acres, whose operations are more profitable.
2. Requirements for borrowing are difficult for small farmers. A legal title is required and there is an aversion on the part of small farmers to offer land as security due to fear of defaulting.

3. Cropping throughout the year distributes expenses and income. Most farmers use commodity associations which provide working capital at low risk to the borrower and lender.
4. Farming is a part-time activity for about one-half of Grenadian farmers. Non-farm employment and other sources of income replace the need for borrowing.
5. Little interest exists among small farmers to improve their farming operations.

The amount of agricultural loans remains limited. Due to political unrest in early 1979, lending to agriculture fell to less than one-third its previous levels, and has never recovered. After the political changeovers, banks still consider lending rather risky in Grenada. With many new businesses making application for start-up financing, the banks are being somewhat wary of the new local entrepreneurs and have adopted conservative lending practices.

It appears that banks do not compete aggressively with each other for business customers partly because the banking system is concentrated in four commercial banks which have 88% of the market share of business.

I. Basic Constraints to Agricultural Development

Although Grenada has many favorable elements for agriculture, there are constraints that U.S. investors should investigate and evaluate. The major constraints are:

1. Technology

Grenadian agriculture is behind other nations in production, processing and marketing technology including the transporting, packing, and handling of most products from the producer to the consumer. Some improved technology has been provided through the primary marketing associations but considerable improvement is needed in the knowledge of farm extension workers and their effective collaboration with producers.

2. Infrastructure

In a land area as rugged and hilly as Grenada, infrastructure is very important. Even though it is a small island, it can take many hours to get from some of the more isolated areas to the main cities and/or ports. This is due to the poor condition especially of the feeder roads and the necessarily slow travel over steep hills and sharp curves along the narrow roads. Progress is being made in some rural areas, but the lack of a good highway system, a good freight transport system, public utilities in some areas, lack of dependable supply of products from producers and a good marketing system - all hamper a rapid development of the agricultural sector. Products inspected in local markets tend to be of low quality because of inadequate handling and costly delays. These problems cause financial losses and a loss of buyer confidence in the seller's ability to be a dependable supplier. For development of the export market, the lack of good non-stop air transportation to North American markets for fruits, vegetables, cut flowers, ornamentals and other products becomes notably restrictive.

3. Image of Agriculture

During the previous two Grenadian administrations, agriculture acquired a poor image. The Team heard comments such as: no money can be made in farming, the cost of labor makes farm costs too high for the prices farmers receive, and farm workers will only work three hours a day for the minimum wages of about EC\$10.50 per day. As a result, very little labor is hired and farms are not being maintained - they are deteriorating. Laborers can work for the government on road construction, other government jobs, or work for cooperatives, associations, etc., for much higher wages.

Poaching is a problem that has been traditional in Grenada. Workers take fruit or vegetables home from farms to be consumed by family and relatives. There is no reason to go hungry with fresh food products available year round. This tradition deters motivation to work. Some workers will stay on a job only long enough to earn sufficient dollars for an immediate need and then quit, only to return to work when some money is needed again.

4. Government Policies

Previous government administrations presented obstacles to agricultural development through their restrictions on private enterprise and through policies favoring more public ownership and control. These reform practices set back agriculture significantly as farmers lost confidence since they did not know what would happen or how to plan ahead. The current government is making some progress by offering incentives and other assistance to promote free enterprise agriculture.

5. Capital

Lack of capital is a constraint to properly employing technology, developing infrastructure and improving agriculture. It has not been a question of available loan funds, but rather the inability of agricultural projects to meet the credit criteria established by lending institutions. Also, there is a generally poor repayment record of agricultural loans, partly because the borrower has not been able to generate enough revenue and partly because farmers perceive no obligation to repay a government loan.

Team conversations with bankers confirmed that three main factors constrain lending to agriculture:

1. The perception that agricultural activities carry excessive risk.
2. Lack of high quality studies presented by borrowers to indicate the feasibility of the operation.
3. A lack of bank staff capable of analyzing agricultural loans and willing to supervise such activities. Among the commercial banks, only Barclays Bank has a full-time agricultural credit specialist on its staff.

Though basic constraints still exist in the agricultural sector, progress is being made to lessen or eliminate them. The populace has an optimistic attitude towards the future, and there are signs that the situation is improving. A few expatriates are returning to Grenada, buying

homes, starting small businesses and/or looking for employment. Financial institutions report that a few young farmers are beginning to come in to get loans for starting a farming operation, even though young people have not been interested in farming for several years. A more positive trend for agriculture and the general economy seems to be under way.

J. Conclusions and Recommendations

Grenada is blessed with many resources for agricultural production. Its rich volcanic soil and abundant rainfall make it well suited for tropical agriculture. It has a fine harbor at St. George's and a new 10,000 ft. jetport. This stabilized, democratic island nation welcomes foreign and local investors. Real government incentives support this philosophy. Island infrastructure is continually being improved. It is a time to get in on the ground floor of a growing economy.

These opportunities, however, must be approached with a careful analysis of the risks. Where there are opportunities, risks are close at hand, including those constituted by a different cultural, social, historical and economic environment.

Among the major factors for a foreign investor in agriculture to consider are the following:

1. Small Scale

Start small is a phrase often heard. Investors from large countries tend to go into Grenada with grandiose ideas, and several have failed after only a short time with that mentality. In a hilly nation about twice the size of Washington, D.C., an investor has to get his perspective in line to fit the island. The proper marketing perspective, for example, would focus on small "windows" or niche markets for high value products.

2. Investment Structure

Although a foreign individual or firm may purchase land legally, it

may take time to get through the necessary formalities. Furthermore, the local people may not look favorably upon foreign ownership of land. Consideration may be given to a joint venture with a local entrepreneur with the foreign investor furnishing marketing expertise and some capital. The Grenadian business person might furnish some capital and the product, with assistance from the foreign investor in processing, packaging standardizing, handling, and transporting. Financing is available for joint ventures. The government is very cooperative with this concept where products are grown for export or domestic consumption. Outright product purchase or service contracts with local business people instead of a joint venture are other possibilities, especially at the beginning.

3. Approach to Management and Labor

Except for bananas, cocoa and nutmeg, training of local managers and workers will be needed for projects exporting products to North America. Commodity associations handle the marketing of the above three products. However, marketing expertise is needed in all other products. There is a Government Marketing Board for non-traditional crops but it is not very active.

To improve current low levels of productivity of farm labor and management, the Reconnaissance Team sees the following options: (1) to raise farm wages to compete with salaries paid workers in other sectors of the economy; (2) to increase the number of average size family farms with labor being done by family members; (3) to promote a few highly specialized farms with knowledgeable owner-managers who will supervise production of specialized high value crops for the export market. This full-time commercial farmer will pay competitive wages and may selectively buy some of his products from small farmers for processing, packaging, transporting, and marketing a standardized product for export consumption. This is the type of commercial farmer that should interest a potential U.S. investor.

4. Airline Transport Services

There is some airline service to the U.S. and the United Kingdom. However, additional air service is needed and the service that is available

needs to be improved for rapid transport of products. At present, Grenada Air has service from Grenada to the U.S. on Wednesday and Saturday. BWIA has flights every day to Miami. More airline service is anticipated as demand increases.

V. INVESTMENT CLIMATE

A. Government Policies Toward Foreign Private Investment

Since the new administration took over in 1984, the investment climate in Grenada appears positive. The government looks to greater private sector involvement, both foreign and domestic, for future growth. It keeps examining options for tax and budget reform to encourage foreign investment.

The Grenadian government welcomes investment in the economy, especially where it would bring the positive effects of increasing domestic income, employment, foreign exchange earnings or savings, and transferring appropriate technology and know-how to the local economy. Investors may have 100% owned investments or joint ventures with local interests. Although it is legally possible for a foreigner to purchase land, it may be a rather long and involved process to obtain clear title. Long term leases present a more viable alternative.

B. Investment and Trade Incentives

To encourage foreign investment, Grenada offers a wide range of incentives. Current legislation establishes fiscal incentives featuring 100% exemption from company income tax for up to 15 years, depending upon the amount of local value added. Duty free importation of plant machinery and equipment, spare parts and raw materials is granted to approved enterprises. Under the Caribbean Basin Initiative (CBI) and the Lome Convention trade agreements, most products imported from Grenada into the U.S. and EEC markets pay little or no tariff. Additionally, U.S. Customs grants a reduction of duty for goods produced from pieces made or cut in the U.S., shipped to the Caribbean region for assembly and then imported back into the U.S.

Grenada's normal company tax has been recently reduced to a moderate percentage for those enterprises not granted a tax holiday. There is no capital gains tax. The same personal tax schedule applies to both citizens

and foreign nationals working in Grenada. For additional information on tax or fiscal incentives, see Appendix A.

Project dividends from a foreign investment registered and approved by the Ministry of Finance will be approved by the Ministry for remittance abroad, subject to:

1. Submission of audited accounts
2. Certification of payment of withholding tax unless waived under an investment incentive agreement.

To promote investment, the government has established an Industrial Development Corporation (IDC), whose purpose is to consolidate and simplify the process of approving investment proposals and incentives.

In addition to the above incentives, Section 936 of the U.S. Internal Revenue Code provides a special credit for certain income of qualifying corporations operating in Puerto Rico and possessions of the U.S. other than the Virgin Islands. The Government of Puerto Rico has complemented section 936 by granting tax exemptions of up to 90% for income of certain approved enterprises for specific periods of time, generally 10 to 25 years. The combination of the section 936 credit and the incentives makes corporations essentially exempt from tax on their Puerto Rican source income. Puerto Rico has amassed a pool of funds and has proposed to the U.S. that Section 936 funds be made available to finance twin plant development or production sharing ventures between Puerto Rico and CBI beneficiary countries. These incentives have already encouraged two large American corporations to set up light industry operations in Grenada.

Caribbean Basin Initiative (CBI) is a program to assist trade by eliminating duties on products (with certain exclusions) entering the U.S. from any beneficiary country in the Caribbean Basin for a 12 year period.

Other programs which encourage Grenadian trade are the Caribbean Common Market (CARICOM) which gives duty free access to other CARICOM

countries and the Caribbean Project Development Facility (CPDF) which helps structure and fund new medium sized investment projects.

C. Investment Risk Insurance

The Overseas Private Investment Corporation (OPIC) provides investment insurance in Grenada for currency inconvertibility, expropriation and losses due to war, revolution, and civil strife. OPIC has programs to promote investment by providing funds for feasibility studies and reconnaissance surveys for first time visits of small business people to assess the investment climate. U.S. businesses that wish to pursue projects in Grenada and meet OPIC financing criteria can apply for direct loans of \$100,000 to \$4 million. Major corporations that are not eligible for these direct loans may avail themselves of OPIC's financing for overseas ventures that are wholly U.S. owned, and joint ventures where U.S. investors share a meaningful share of the risk. In most cases this means majority U.S. ownership.

OPIC is currently insuring three operations in Grenada and has a pending application for another one.

D. International Financial and Developmental Support

There are many ongoing activities that will help the overall economy of Grenada that should be of interest to foreign investors. The United States has a vested interest in Grenada to see that a stable economy is maintained as is very apparent in all sectors of Grenada. In fact, about one-third of the Gross National Product of Grenada came from U.S. assistance last year.

The World Bank is working on a rehabilitation and crop diversification project to provide medium and long-term credit to farmers and agroindustries through the Grenada Development Bank (GDB) with funding to be provided by the Caribbean Development Bank (CDB). The project also includes upgrading agricultural extension services and establishing a feeder road maintenance system. The project cost is EC\$19,767,000 and

would directly assist 800 to 1,000 farmers, and indirectly benefit almost all farmers in Grenada.

The U.S. Agency for International Development (USAID) is considering a \$40 million project to improve the investment environment, relieve development constraints, demonstrate attractive returns on capital at acceptable risk for private enterprise agribusiness projects in the Eastern Caribbean. It is called the High Impact Agricultural Marketing and Production Project (HIAMP).

Other projects under the Ministry of Agriculture's direction are: Agriculture Co-op and Marketing Depots, EC\$396,000; Forestry Development II, EC\$825,000; Construction of the EDI Mako Eradication project, EC\$486,000; Conversion of 19 state farms into model farms of 5 to 15 acres, EC\$15,000,000, financed by U.S. AID; and National Surveying and Mapping, EC\$1,730,000, financed by AID.

Other AID projects are in progress to assist Grenada and other Caribbean islands. One example is the Investment Promotion and Export Development Project (PDAP) which AID has contracted with Coopers & Lybrand, a U.S. accounting firm, to promote investments and trade in the Caribbean.

European countries, Canada and other countries provide assistance through bilateral agreements with Grenada.

VI. POTENTIAL PROJECT INVESTMENT OPPORTUNITIES

A. Introduction

Over the course of two weeks, the Reconnaissance Team met with nearly 50 people involved in shaping Grenadian agribusiness, and almost inevitably ended the work sessions by asking them in what agri-venture they would invest their own money. Usually positive, the responses varied somewhat according to each individual's perspective and interest, but often reinforced the type and size of venture spoken for by other parties.

The Team analyzed and filtered this first hand information and pertinent written data through the screen of its own agribusiness experience and criteria, and came out with the 10 potentially profitable projects which appear below. A follow-up team of ASACI consultants will shortly investigate further these investment opportunities.

B. Basic Criteria for Project Selection

The basic criteria that served to make potential project selection are the following:

1. Good Production Base

As the British originally discovered, Grenada has very fertile, weathered volcanic soils, abundant rainfall, and good tropical growing conditions, as evidenced by the dense verdant growth over the entire island. Though verdant, Grenada is very hilly and limited in size, which rules out large-scale, mechanized production schemes.

2. High Value Crops

The limited productive acreage requires consideration of crops of high productivity and value that flourish under Grenadian growing conditions. Maximizing productivity per acre and minimizing production costs and losses from poor quality product, the project entrepreneur can obtain attractive

profit margins in working with tropical crops that bring a premium price on select U.S. and European markets.

3. Market Potential

Traditionally, the majority of Grenada's agricultural production has gone to Great Britain and from there to the European Economic Community. These markets still demand all the traditional products that Grenada can produce and in addition are actively receptive to an increased supply of non-traditional tropical products. Until now, Grenada has been unable to provide a reliable supply of any one of these products in demand. Export demand for special products also comes from the United States where the Eastern Caribbean ethnic population is a growing consumer group, and where general consumer demand for exotic flowers, fruits, and vegetables is on the rise. Within the regional and even local market, there is room for well packaged quality produce which would receive a premium price especially in the seasons of short supply. Barbados, Trinidad, and the Grenadian tourist industry are regional and local growth markets for domestic produce.

4. Appropriate Technology and Infrastructure

The needed technology especially in horticulture is available from U.S. sources with experience in commercially producing a disease/blemish free, cost-efficient crop. Some recent local and regional research is also useful and available. The packaging and marketing of a specialty product has to be professionally tested and evaluated before any serious investment can be phased in to project development. Preferably, a U.S. partner would bring to a joint venture in Grenada the specific market knowledge and access required. Shortcomings in the road system, cold storage facilities, and sea/air transport are being remedied, but need to be carefully evaluated and planned around in project development.

5. Local Managerial/Technical Capability and Farm Labor

Though few in number, competent managers educated in agriculture and experienced in agribusiness do exist. Qualified production people are also

scarce, but were contacted and evaluated by the Team. Notwithstanding relative local competence, the U.S. partner will need to assume the initial and prime responsibility for setting up efficient managerial and productive systems and practices. In effect, he will need to properly structure the joint venture and its standard operating procedures. Manual labor must be selectively recruited and paid under an incentive system to obtain the needed productivity from high value cropping systems.

6. Local Interested Partners

An entrepreneurial group does exist in Grenada - both companies/individuals long involved with traditional agriculture who are looking for new opportunities, and younger agronomists and horticulturists who have adequate training and experience but who lack capital and market knowledge. The Team can affirm that select individuals it met would make a valuable and much needed contribution to a joint venture project.

7. Short Term to Production Start-Up

Knowing that investors want to see a positive cash flow and return of/on capital as soon as possible, the Team focused its attention on those crops which could be brought quickly into production. Aside from prompt financial returns, an investor is more comfortable with potential political risk if his exposure is short-lived. Revenues from the agricultural products chosen by the Team would be received within the first year of project implementation.

C. Brief Description of Project Opportunities

1. Cut Flowers

Production of hearty tropical species for the specialty floral market in the EEC and the U.S. can be brought on line within nine months. Many of these species grow wild in Grenada. Presently, trial plantings of ginger lilies, heliconiums, red torches, wild ginger, and birds of paradise are being conducted under a World Bank crop diversification program. Two well

respected businessmen in Grenada have preliminary project plans for floral production and would welcome an American partner.

2. Ornamental Plants

Among the lush vegetation of the island are found many species that would find good consumer acceptance in the export markets. One local potential partner has established a formal garden visited by the tourist trade, which displays dozens of striking ornamental plant types. Ornamental plant health, quality, and local landscape artistry can also be observed by an interested U.S. investor at the Ramada Renaissance Hotel, where a resident of Grenada both handled the production and layout of the ornamentals displayed on the grounds. These two entrepreneurs would be fitting partners for a well planned, market-targeted joint venture.

3. Fresh Tropical Fruits

Papaya, bread fruit, sapodilla, soursop, tamarind, sugar apples, mangoes and other exotic fruits are produced on Grenada. A joint venture to establish the right product presentation and marketing channel in the export markets would be required. Locally an organization, needed to purchase, grade, and package a product mix, would have to be set up, and possibly expanded with time to integrate production of some fruits into the total project. One large local company is planning commercial scale production of one species. Two or three local entrepreneurs export fruit to the regional market, and the Government Marketing Board is currently making trial air shipments of bread fruit to Miami. American capital and production/marketing expertise would be a welcome partner to incipient project development.

4. Fresh Tropical Vegetables

Reliable, year-round production of specialty vegetables suited for the tastes of the ethnic Eastern Caribbean population in the United Kingdom, United States, and Trinidad forms the basis of this project. Opening and then securing marketing channels by offering a steady supply and good

variety of island vegetables will depend on a good production base. Having a nucleus farm yielding quality, around-the-year vegetables would be an integral part of project success. Vegetables such as calaloo, dasheen, christophene, sorrel, yams, sweet potatoes, and peppers, all grown locally, are in demand by the expatriate Caribbean population. The Team met with two or three local growers who produce vegetables on a small commercial scale for the local hotels and food stores. They would be interested in exploring joint venture possibilities with U.S. investors.

5. Fresh Produce Marketing

There is a need for a quality-conscious private marketing company to purchase, grade, package and distribute product to export, regional, and even local markets. Presently, the Government Marketing Board and the local hucksters handle produce with little regard for quality control. Besides sending quality seasonal produce into the target markets, the marketing company would need to evaluate thoroughly the off-season markets and work with local farmers to produce commodities seasonally in short supply. Two or three local entrepreneurs who grow and market produce on a small scale in the local and regional markets have plans to expand and upgrade their operations, and would welcome the input of U.S. capital and food marketing expertise into a joint venture.

6. Upgrading the Traditional Mixed Farm

The traditional Grenadian mixed farm produces a premium quality cocoa, along with nutmegs and bananas. Though market demand and agreements for these products have remained solid, productivity on the estate farms has fallen to 30% of full potential. New investment, for upgrading fertilizer and other needed culture practices and for new planting materials, would triple current production levels. With political stability again established through U.S. commitment and involvement, local estate owners are wanting to upgrade their productivity again and would be receptive to capital and technological contributions coming from joint venture arrangements.

7. The Marketing of Spices and Essences

Grenada, The Spice Island, produces a varied mix of spices including nutmeg, mace, cinnamon, thyme, cloves, allspice, vanilla, black pepper, and bay leaves. Though marketing has been traditionally handled through the Nutmeg and Minor Spices Associations, there is need for a more flexible and creative marketing effort to handle spices often backlogged through established market channels. Local entrepreneurs, such as Spice Island Perfumes Ltd., are packaging new product lines of potpourri, body oils, natural extracts and fragrances which could offer a unique opportunity to a marketing partner from the United States.

8. Processing of Agricultural Products for Export

Cottage industries in Grenada now process local products for the domestic and regional market. With the appropriate input of food processing and marketing expertise from an American partner, these cottage industries which draw from an inexpensive raw product base to produce a high value consumer item could develop into commercially attractive enterprises. Such items as chutneys, nutmeg jellies, hot pepper sauces, the sea moss drink and tropical fruit jams and concentrates, currently processed for regional markets, could be distributed to the ethnic population in the larger export markets.

9. Aquaculture

The good growing conditions and water resources around the islands of Grenada and Carriacou have encouraged current trials to produce a large variety of crustacean species including lobster, Caribbean King Crab, oysters, and shrimp. The World Bank and the Smithsonian Institute have lent their support to respective research efforts. These pilot projects to produce very high value sea foods, though not large in scale, could be developed into highly profitable ventures.

10. Nutmeg and Cocoa Processing

Grenadian producers and the respective commodity associations are looking for ventures to add value by semi-processing nutmeg into nutmeg oil and cocoa beans into cocoa butter. Reportedly, a preliminary study has been done on nutmeg oil by the EEC and Nutmeg Association. The economics of such a venture merit further study, as does the small scale processing of Grenada's aromatic and premium grade cocoa bean.

A P P E N D I C E S

APPENDIX A: FISCAL INCENTIVES AVAILABLE IN GRENADA

Business enterprises which qualify for a tax holiday are classified in one of the four categories outlined below. The length of the tax holiday for the first three categories depends on the amount of value added in Grenada; the fourth, known as an enclave industry, produces for export outside of CARICOM.

Enterprise	Value Added	Maximum Tax Holiday
Category I	50% or More	15 years
Category II	15-50%	12 years
Category III	10-25%	10 years
Enclave	-	15 years

In general, investors can apply for exemption from the following for the period of the tax holiday:

- Company income tax liability;
- Personal income tax payments on dividends or other distributions out of profits;
- Customs duties and related charges on imported capital goods, including machinery, equipment and vehicles.
- Customs duties and related charges on imported raw materials;
- Export tax, excise tax and stamp duty liabilities;
- Withholding taxes and income taxes for servicing external borrowing;
- Withholding taxes on repatriated profits, dividends, royalties, management fees, and other payments to non-CARICOM residents.

Two general incentives are also available for all investments receiving fiscal benefits:

- New losses incurred during the period of the tax holiday may be carried forward for a period of five years after the expiration of the tax holiday;
- Tax credit for reinvested profits - each approved investment is entitled to a complete exemption from corporate income tax payments on the profits invested in fixed asset for a period of five years after the original incentives have lapsed.

APPENDIX B: LIST OF PRIMARY PARTIES CONTACTED

U.S. Government Officials and Programs

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tel: 3939 & 3575
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Gilbert J. McSween
Regional Agricultural Engineer
tel: 3445 CARDATS (GA)

Crop Diversification Program - World Bank

Uri Sharon Bsc.
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(International) Ltd.
Ministry of Agriculture Grenada
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Grenada Artisanal Fisheries Development Project

G. Raymond Steele
Project Manager
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St. George's, Grenada
tel: 1499

National Development Foundation of Grenada, Ltd.

Chasley Bishop
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St. George's, Grenada
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Food and Agriculture Organization (FAO)

Terry Beddeau
FAO Representative
St. George's, Grenada
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Caribbean Agricultural Research and Development Institute, CARDI

Gerald Proverbs
Head of Barbados Unit
University of West Indies
Cave Hill Campus
Bridgetown, Barbados
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Grenadian Government Officials

Dennis Noel
Chief Technical Officer
Ministry of Agriculture
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tel: 2722, 2334

Grenada Industrial Development Corp

Roy Clarke
Adviser
Scots Street
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tel: (809) 440-2369/3416

Grenada Marketing & National Importing Board

Raphael Brathwaite
Agricultural Marketing Officer
Young Street
St. George's, Grenada
tel: (809) 444-2394
telex: 3435 GRENMA

Grenada Farm Corporation

Mr. Lawrence Wilson, Sr.
Chief Financial Officer
Good Hope Estate
St. George's, Grenada
tel: 2329

Commercial and Development Banks

Caribbean Development Bank

A.M. Cruickshank
Senior Manager (Agriculture/Industry)
P.O. Box 408
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Barbados, W.I.
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telex: WB 2287

Caribbean Financial Services Corporation

David DaCosta
Managing Director
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tel: (809) 436-1960
telex: 2544 CARIFIN WB

Grenada Development Bank

Ronald Charles
Agriculture Loan Officer
St. George's, Grenada
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National Commercial Bank of Grenada

Michael B. Archibald
General Manager
Administration Dept.
P.O. Box 57
Corner Halifax & Hillsborough Streets
St. George's, Grenada, W.I.
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Barclays Bank PLC

Ronald A. Baynes
Agricultural Adviser
Caribbean Head Office
P.O. Box 180
Bridgetown, Barbados
tel: (809) 429-5006
telex: 2211 WB

Grenadian Associations

Grenadian Chamber of Commerce and Industry

Jenni Killam
Executive Director
P.O. Box 129
St. George's, Grenada
tel: 2937
telex: 3469 DECO

Grenada Corps of Entrepreneurs

George DeBourg
Chairman
Grenville Street
St. George's, Grenada, W.I.
tel: 3077

Grenada Co-operative Nutmeg Association

Senator Norris James
Chairman
P.O. Box 160
St. George's, Grenada, W.I.
tel: 2714
telex: 3454 GSPICE GA

Veda Gittens
Executive Secretary
P.O. Box 160
St. George's, Grenada, W.I.
tel: 2117/2714
telex: 3454 GSPICE

Private Companies/Entrepreneurs

Alphonse Antoine
Maryville Industries
Tempe, St. George's, Grenada
tel: 4235

'Possum Trot Nurseries
Robert Barnum
Manager
14955 S.W. 214th Street
Miami, FL 33187
tel: (305) 251-5040
235-1768

GD'A. Spice Co. Ltd.
Lloyd G. Benjamin
Director
P.O. Box 304
St. George's, Grenada, W.I.
tel: 4447
telex: 3431 CWBUR GA

The Bay Gardens Limited
Keith St. Bernard
P.O. Box 306
St. George's, Grenada

J.R. Brooks & Son, Inc.
Bill Schaefer
Director of Marketing
P.O. Drawer 9
18400 S.W. 256 Street
Homestead, FL 33090
tel: (305) 247-3544

Exotic Plants
John Criswick
Huggins Farm and Garden Centre
Market Square
P.O. Box 21
St. George's, Grenada, W.I.
tel: 2140

Hawaiian Cut Flowers
Zaran Dunloy
127 West 28th Street
New York, NY 10001
tel: (212) 947-3015
telex: 703931 HAWN. CUT

Griffith Vegetable Products
Cecil J.M. Griffith
Managing Director
28 River Road
St. George's, Grenada
tel: 2600

Grenada Condiments & Agroindustries, Ltd.
Dunstan Holder
Proprietor Manager
Close Rock, Westerhall, St. David's
Grenada, W.I.
tel: (809) 440-2412

Geo. F. Huggins & Co. (Grenada) Ltd.
G.A. Menezes
Managing Director
P.O. Box 46
St. George's, Grenada
tel: 2031-35
telex: GA3420

Renwick, Thompson, and Co., Ltd.
Geordfrey Thompson
General Traders Building - Carenage

P.O. Box 188
St. George's, Grenada, W.I.
tel: 2198
telex: 3432 GA

Spice Island Perfumes, Ltd.
The Carenage
St. George's, Grenada, W.I.
tel: (809) 440-2006
telex: 3431 CWBUR GA

APPENDIX C: MEMBERS OF THE RECONNAISSANCE SURVEY TEAM

J.W. HACKAMACK

A retired President of Doane Agricultural Service, Inc., St. Louis, Missouri, Mr. Hackamack now serves as a consultant to Doane on a part-time basis. He has 35 years of service with Doane working primarily in the farm management and appraisal areas, supervising the management of 1,300 farms in the United States.

Mr. Hackamack has a B.S. in Agricultural Economics from the University of Missouri. A long standing Certified Member of the American Society of Agricultural Consultants, he is also a member of Missouri and Illinois Societies of Farm Managers and past President of the Missouri Society.

He served on the Food and Agriculture Committee of the U.S. Chamber of Commerce and the President's Council for the Caribbean Basin Initiative. He has been chosen by ASAC International to act as Team Chairman for the Reconnaissance Survey and Project Profile Teams to Grenada.

E. CLINTON "SMOKEY" STOKES

After receiving his B.S. degree in Agricultural Economics at Michigan State University, Mr. Stokes served 29 years as Associate Director and Director of Food and Agriculture, the United States Chamber of Commerce. In this capacity he worked on agricultural production, marketing and international trade problems and policy issues with developed and developing countries.

Mr. Stokes organized and conducted a number of national conferences on agricultural policies and trade opportunities, such as "Building a Better Climate for Agricultural Exports" and "Opportunities for U.S. Agribusiness in Developing Countries". He also prepared ten annual conferences for delegates representing the U.S. and the European Economic Community on agricultural trade issues, including assistance to developing countries.

As a private consultant, Mr. Stokes has led agricultural delegations to the People's Republic of China, Australia and New Zealand, and has traveled with delegations to the USSR and Hungary. He participated in the President's Private Sector Survey on Cost Control (the Grace Commission) and conducted a preliminary report for ASAC International on agribusiness investment opportunities in Costa Rica.

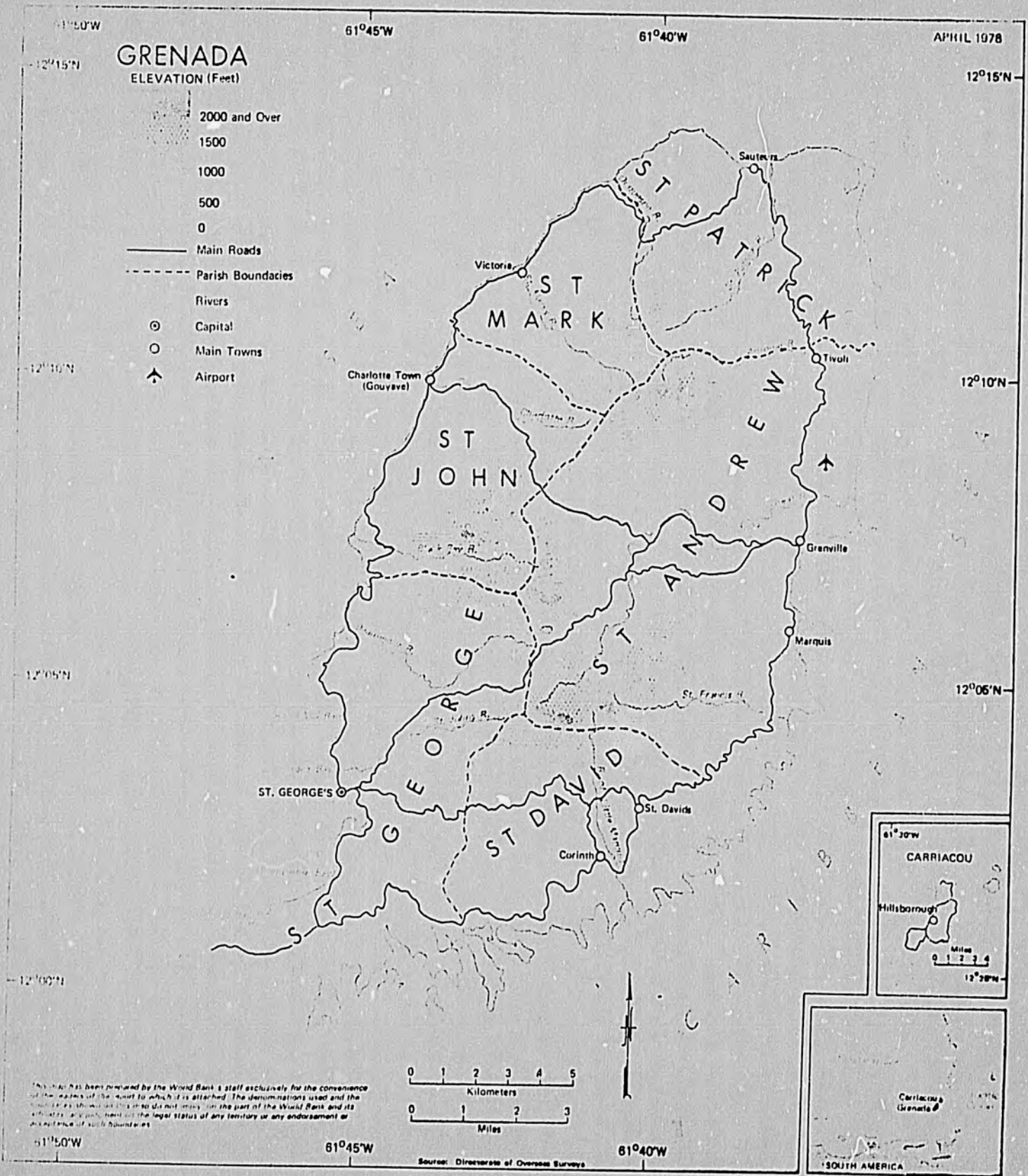
MICHAEL W. HURLEY

Mr. Hurley is the ASACI Director of International Agribusiness Teams, working under the 1985 and 1986 grant agreements with the U.S. Trade and Development Program. To date, he has directed teams to the Ivory Coast, the Dominican Republic, Ecuador, Malaysia, and Grenada.

Mr. Hurley's previous experience includes nine years of work in Latin America as sales and marketing manager for an agricultural development company, and as project director for the design and installation of grain storage, handling, and processing facilities. His agricultural marketing and development work extends to nearly all countries of Latin America.

Mr. Hurley has a Master's Degree in Spanish with a concentration in Latin American studies. He is completely fluent in Spanish and has a working knowledge of Portuguese and French.

APPENDIX D: MAP OF GRENADA



This map has been prepared by the World Bank staff exclusively for the convenience of the users of the report to which it is attached. The denominations used and the boundaries shown on this map do not imply, on the part of the World Bank and its affiliates, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.