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THE BENEFITS AND COSTS OF NONTRADITIONAL AGRICULTURAL EXPORT PROMOTION IN COSTA RICA

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EXECUTIVE SUMMARY

Costa Rica adopted a new strategy in the 1980s to promote nontraditional agricultural exports (NTAEs), and the U.S. Agency for International Development (USAID) provided funding to support the effort. This report examines the impact of the NTAE promotion strategy on Costa Rica in terms of the benefits and costs. It is based on a review of USAID documentation and general literature on the topic, as well as interviews with organizations and firms in Costa Rica.

In regard to the benefits, the nontraditional agricultural export promotion strategy has been successful at the macroeconomic level. The growth of Costa Rica’s NTAEs over the past decade is impressive: NTAEs increased from $35 million in 1980 to $291 million in 1994. Another benefit of NTAEs is employment generation. Many NTAE crops are more labor intensive than traditional crops and have created job opportunities, especially for women. In addition to direct jobs, NTAEs have generated indirect employment in areas such as transportation and services.

In 1989, approximately 15,000 direct and indirect jobs were created in Costa Rica in the main nontraditional agricultural export crops (Weller 1992:144). Small farmers have also participated in and benefitted from NTAEs. Their participation is greater in crops such as roots and tubers, chayote, and macadamia. Data from a study on Central America show that in 1989, approximately 35 percent of nontraditional agricultural exports were produced by small farmers (Kaimowitz 1992:14). Some of the general literature points out, however, that small farmers face obstacles in exporting, such as lack of access to land, capital, technology, and information.

The three main costs of NTAE promotion that are discussed in the literature include unequal distribution of the benefits, food security issues, and pesticide-related problems. Some authors argue that the benefits of nontraditional agricultural exports are concentrated in the hands of foreign and large national firms. The report concludes that this argument overlooks a number of major issues. Nontraditional agricultural exports have created jobs for Costa Ricans, and there is national participation in the production and export of NTAE crops. In addition, a positive impact of a foreign or large company is the transfer of technology, as well as the experience acquired by workers employed with these firms.

The report also finds that nontraditional agricultural export promotion has not threatened Costa Rica’s food security, as some authors have suggested. Data show that per capita food consumption in Costa Rica has increased since 1961, levelling off between 1985 and 1990. According to data from the International
Fund for Agricultural Development, Costa Rica ranked as a high food security country in Latin America in 1991 (IFAD 1993:68). In regard to pesticide use, four problems relating to pesticides are briefly examined: pest resistance; health risks; environmental damage; and financial losses from residues in exported products. Current data on the health risk to humans and environmental damage associated with pesticide use are lacking.

The promotion of nontraditional agricultural exports has allowed Costa Rica to diversify its export base, and it has generated needed foreign exchange for the country. The strategy has been successful and resulted in a number of benefits for Costa Rica.

I. INTRODUCTION

Costa Rica has served as a model of democracy not only in Central America, but in all of Latin America. The country differs from its Central American neighbors in many respects; it enjoys a stable political system and has not been affected by the internal civil wars common to neighboring countries. Recently, Costa Rica has also been praised for its successful promotion of nontraditional agricultural exports (NTAEs), and has been described by some as the "star" of Central America in terms of NTAE growth (Thrupp 1995:58). According to a World Bank report, "after Chile, Costa Rica has the most active and successful export promotion program in Latin America" (Raine 1989:2).

There is much debate about whether this strategy has been beneficial for Costa Rica or other developing countries. This report provides an overview of that debate and examines the effects of the nontraditional agricultural export strategy on Costa Rica in terms of the benefits and costs. It is based on a review of documentation from the U.S. Agency for International Development (USAID) and general literature on the topic. In addition to studies examining the effects of nontraditional agricultural export promotion on Costa Rica, the report draws on studies relating to NTAEs in other Latin American countries. Data from the studies reviewed is provided, where available. The report is also based on interviews with organizations and agencies in Costa Rica, as well as firms that produce and export NTAEs. A summary of each interview and the questionnaires used are provided in the appendix.

Section II of the report provides a brief overview of Costa Rica’s agricultural exports and NTAE policy as background for the paper. Section III examines USAID strategy in nontraditional agricultural export promotion, and is followed by a description of USAID projects in Costa Rica relating to NTAEs in Section IV. Section V looks at the impact of nontraditional agricultural export promotion in Costa Rica. In regard to the benefits, the increase in nontraditional agricultural exports has generated foreign exchange for the country, created employment opportunities, and benefitted small farmers. The three main costs of NTAE promotion that are discussed in the literature
include: unequal distribution of the benefits to favor foreign and large national firms; food security issues; and pesticide-related problems. The report concludes that foreign and large firms are not the only ones that benefit, and that NTAE promotion has not threatened the country’s food security. Nontraditional agricultural exports have allowed Costa Rica to diversify its export base so that it does not have to rely solely on traditional crops, and the benefits outweigh the costs.

II. OVERVIEW OF AGRO-EXPORTS AND POLICIES TO PROMOTE NTAES IN COSTA RICA

Agricultural exports have played an important role in Costa Rica’s economic development. The export of coffee, which began in the 1830s, made up 60 to 90 percent of Costa Rica’s foreign exchange earnings in the last century (Seligson 1980:15, 54). Those earnings dropped to around 25 percent in the 1970s due to the increasing importance of other agricultural exports, including bananas, cattle, and sugar (Seligson 1980:47). For example, Costa Rican beef exports increased from $4.3 million in 1960 to $81.7 million in 1979 (Honey 1994:161).

In the 1980s, Costa Rica adopted a new strategy to promote the export of nontraditional agricultural products. These are exports that: 1) were not traditionally produced in Costa Rica; 2) were traditionally produced for domestic consumption but were then exported; or 3) were traditional products now exported to a new market (Thrupp 1995:2). Costa Rica’s major nontraditional agricultural exports include ornamental plants, flowers, foliage, pineapple, melon, papaya, chayote (a vegetable), yucca, roots and tubers, and macadamia. The impressive growth of Costa Rica’s NTAEs -- which increased from $35.3 million U.S. dollars in 1980 to $291.2 million in 1994 -- can be seen in Graph 1. Table 1 shows U.S. imports of nontraditional agricultural products from Costa Rica, broken down by product. The growth rate of these exports to the United States was 29 percent per year during the 1983 to 1994 period.

The government policy of promoting exports actually began before the 1980s. In 1972, Costa Rica passed a law that established special tax credits (Certificados de Abono Tributario) for firms exporting nontraditional products, with the requirement that exports contain a 35 percent national value added (Barham et al. 1992:68). However, the 1980s marked a turning point in the focus on NTAE promotion. In 1984, Costa Rica created the Export Contract that gave tax exemptions and other benefits to exporting firms (CENPRO 1995:8; Paus 1988:31). Costa Rica also carried out policy changes at the macroeconomic level, such as devaluing the exchange rate. On the agricultural front, the Administration of Oscar Arias (1986-1990) enacted a "Changing Agriculture" policy to address two major problems in Costa Rican agriculture: the overdependence on a few traditional exports, and the inefficiency of the local food-producing sector (Barry 1990:34). A main thrust of this policy was to limit the role of the National
Production Council (CNP), which subsidized the production and sale of basic grains, including rice, corn, sorghum, and beans (for more detail on the CNP, see Section V of this report).

The U.S. Agency for International Development, together with other international financial organizations such as the World Bank, promoted the new nontraditional agricultural export strategy and encouraged Costa Rica to enact these policy reforms.

In 1982, USAID provided financial support to help establish the Costa Rican Coalition for Development Initiatives (CINDE) to promote NTAE investment and exports through the private sector. CINDE has been more active than the official government agency, CENPRO (Export and Investment Promotion Center), especially in terms of foreign investment promotion, technical assistance, and training. CENPRO has focused on providing information to exporters and investors interested in doing business in Costa Rica, organizing and coordinating local participation in international exhibitions and fairs, and providing assistance and training to producers and exporters (CENPRO 1995:22-23).

III. USAID STRATEGY IN NONTRADITIONAL AGRICULTURAL EXPORT PROMOTION IN COSTA RICA

USAID began funding nontraditional agricultural export promotion projects in Central America in the early 1980s. One of the principal reasons was the decline in world market prices for traditional commodities, including coffee, cotton, sugar, bananas, and beef. To generate foreign exchange, the countries in the region needed to diversify their export base. The region also "possessed a comparative advantage in the production of labor-intensive commodities" (Hardesty and Taylor 1994:1-1). Since nontraditional agricultural export crops are labor-intensive, it was argued that they could create employment opportunities for the rural poor. The region's tropical climate and the belief that these products would not likely compete with U.S. products were also important factors in the decision to promote NTAEs.

In addition to funding NTAE projects, the United States promoted nontraditional agricultural export promotion at the policy level through the Caribbean Basin Initiative (CBI), announced by President Reagan in February 1982. Formally known as the Caribbean Basin Economic Recovery Act, the CBI became effective on January 1, 1984. A major goal of the CBI is to expand foreign and domestic investment in nontraditional sectors, thereby diversifying the economies and expanding the exports of CBI countries (USDOC and USAID 1994). The CBI, which was amended in 1990 to extend beyond its original 12-year life, provides duty-free entry into the United States for a broad range of products from CBI beneficiary countries.

The focus on NTAE promotion also coincided with a substantial increase in U.S. assistance to Costa Rica and other Central
American countries. Due to the civil wars in Nicaragua and El Salvador, the United States channeled millions of dollars into the region during the 1980s. Since 1982, the main goal of U.S. economic assistance to Costa Rica has been to "assist in preserving the country as a model of democratic, broad-based development in the region" (USAID 1988:2). Another reason for the increased assistance to Costa Rica in the 1980s was the severe economic crisis during the 1980-1982 period. Some have argued that the economic crisis was due mainly to the economic model Costa Rica had followed. This model emphasized import-substitution industrialization: protection of domestic industries, limitations on imports, high tariffs, and restrictions on foreign investment. Another characteristic of the model was that the state played a dominant role in the country’s economic development, resulting in large public-sector deficits.

Central to USAID strategy in Costa Rica was the need to involve the private sector in the development process. The Mission strategy for nontraditional agricultural export expansion was "to assist in restructuring the Costa Rican agricultural economy from an emphasis on public sector investment and import substitution policies to one which looks more to the private sector and export to achieve long-term growth" (USAID 1987d). The strategy promoted diversification into crops with the potential for high economic return, and its goal was to generate new jobs and foreign exchange earnings (USAID 1987d).

IV. USAID PROJECTS RELATING TO NONTRADITIONAL AGRICULTURAL EXPORTS IN COSTA RICA

USAID funding of nontraditional agricultural export promotion falls into two broad categories: policy reform and project activities. In regard to policy reform, most of the U.S. assistance to Costa Rica during the 1980s was given in the form of Economic Support Funds (ESF) that carried conditions requiring the Costa Rican government to enact policy reforms. USAID also supported the promotion of NTAEs through projects that focused on credit, technical assistance, and training.

Policy Reform

USAID, in conjunction with other donors, supported a major stabilization effort in Costa Rica in the 1980s. Beginning in 1982, USAID implemented nine Economic Stabilization and Recovery (ESR) programs in Costa Rica. The ESR program provided a cash transfer of economic support funds to Costa Rica. The purpose of the program was to provide balance of payments support to help stabilize the economy, and to ensure the allocation of urgently needed foreign exchange and credit to the private sector in Costa Rica, particularly exporters. Later ESR programs placed more emphasis on the promotion of nontraditional agricultural exports.

In 1987, the USAID Mission in Costa Rica focused on sub-sectors,

The Cash Transfer program consisted of three basic elements:

1) dollar transfers;
2) a local currency program;
3) policy reform conditionality.

The cash transfers provided dollars that the Costa Rican Central Bank sold to local businesses to pay for imports, such as raw materials, spare parts, and capital equipment from the United States. The local currency (colones) generated from the sale of these dollars was placed into a Special Account that was used for development projects agreed upon by USAID and the Government of Costa Rica. Most of the local currency projects were private sector-oriented, and many supported export-oriented industry (Newton et al. 1988:xvii).

The Cash Transfer program was based on conditionality: Costa Rica agreed to enact certain policy changes, and funding was conditional on reforms. Many of the policy reform efforts were directed toward the financial sector. The agreements encouraged the allocation of credit to the private sector, and supported the liberalization of the financial system through the deregulation of interest rates and banking activities (Newton et al. 1988:xv).

Another policy objective was export promotion. In its policy reform efforts, USAID encouraged Costa Rica to eliminate the anti-export bias in its policy framework, and it promoted the policy of mini-devaluations and a unified exchange rate. Costa Rica had a fixed exchange rate system but changed it to a crawling peg system after the financial crisis of the early 1980s. The frequent, crawling peg system adopted by the Central Bank made it possible to maintain the competitiveness of Costa Rican exports, despite continued double-digit inflation (Gonzalez-Vega and Franco 1987:1).

Economic support funds created and helped to maintain the Costa Rican Coalition for Development Initiatives (CINDE), the private sector agency established in 1982 to promote investment and exports. CINDE began its operations in three main areas (Lanza 1995:11). First, CINDE supported the work of voluntary organizations in training small business owners, craftsmen, cooperative members, workers, labor organization members, and solidarity association members. The second main area was the program for Promotion, Investments and Exports (PIE), which promoted foreign investment in Costa Rica. Under the third component, the Program for Communication and Public Awareness, CINDE’s goal was to educate the public about the need for economic development, social justice, and the preservation of democracy (Lanza 1995:11). By 1985, CINDE had redefined its
activities and concentrated on the following: the foreign investment program (PIE), the training program (PROCAP), and the Private Agribusiness and Agro-Industrial Council (CAAP). The Voluntary Organizations program was divested from CINDE and passed to a separate institution, and the Communications program was reduced and changed to a unit of research and dialogue (Camacho, 1995:16).

The goal of the investment promotion program was to increase direct foreign investment in Costa Rica to generate employment and foreign exchange earnings. Its activities included export promotion, lobbying, and studies, and foreign offices were set up in the United States, Europe, and eventually the Far East. While much of the investment was in manufacturing, some was in the agricultural sector (USAID 1990c:1). CINDE’s agricultural program (CAAP) focused on policy dialogue, lobbying, studies, and technical support for selected NTAE crops. Through the training project, CINDE organized courses and seminars and trained people from small businesses, financial institutions, universities, and public institutions (for more information on the training component, see the next section on projects).

Projects

USAID also supported nontraditional agricultural export promotion through credit, technical assistance, and training projects. For some projects, nontraditional export promotion was not the focus, but only one component.

Credit

USAID designed four development banking projects in Costa Rica: the Costa Rican Corporation for Industrial Financing (Corporación Costarricense de Financiamiento Industrial - COFISA); the Agro-Industrial and Export Bank (Banco Agroindustrial y de Exportaciones - BANEX); the Private Investment Corporation (PIC); and Agricultural and Industrial Reactivation.

The primary objectives of the COFISA loan project were to provide assistance to the productive private sector in Costa Rica and to re-establish COFISA financially (USAID 1986:20). Loans were targeted to export producers, especially producers of nontraditional goods. Under the Private Sector Productivity project, USAID provided a loan to the Agro-Industrial and Export Bank (BANEX) to set up an integrated program to stimulate nontraditional exports. BANEX re-lent USAID funds, at market rates, to small, medium, and large export-oriented enterprises. BANEX also provided borrowers with a variety of banking services, such as currency management and verification of legal documentation. In addition, the project created a BANEX Trading Company to provide export management services, such as assistance to companies in production and marketing (USAID 1983).

The Private Investment Corporation (PIC) was established to
provide merchant banking services, medium- and long-term credit, and equity financing for export-oriented investments (USAID 1987a). The goal of this corporation was to finance viable projects of a higher risk than those currently being supported by existing financial institutions in Costa Rica, and to fund new projects. Through the Agricultural and Industrial Reactivation project, credit from private banks was made available to businesses seeking to expand or upgrade their facilities for the production of nontraditional exports to extra-regional markets (USAID 1990a).

Technical Assistance

USAID also provided technical assistance to exporters of nontraditional agricultural products. Under the Agricultural Services and Union Development project, USAID/Costa Rica gave a grant to the American Institute for Free Labor Development in June 1985. The purpose of the grant was to develop the institutional capacity and economic self-sufficiency of Costa Rica’s National Confederation of Workers (CNT) and its Agrarian Department, and to administer an agricultural services delivery system for its farm union constituency (USAID 1988). Services provided to small and medium farmers in the project were technical assistance, credit, marketing services, and education. Technical assistance was initially targeted to traditional crops, but was later directed to nontraditional crops for external markets and agro-processing.

In addition, USAID provided funding to the International Executive Service Corps (IESC) to help nontraditional exporters in Costa Rica find markets for their industrial and agro-industrial products (USAID 1993a). Through the Nontraditional Agricultural Export Technical Support project, a grant was given to the Costa Rican Coalition for Development Initiatives (CINDE) to help its Private Agribusiness and Agro-Industrial Council (CAAP) promote nontraditional exports. The project financed technical assistance to help CAAP conduct studies and assessments analyzing and resolving policy problems relating to NTAEs. Assistance was also provided in the production and marketing of selected NTAE crops. Finally, the project partially supported the costs of CAAP’s investment and trade promotion activities, such as setting up offices in the United States (USAID 1987c).

One of USAID’s largest NTAE projects was the Nontraditional Agricultural Export Support project (PROEXAG), a regional project covering Central America. PROEXAG, which began in 1986 and was completed in 1991, was followed by the Agricultural Component of the Export Industry Technology Support project, implemented from 1991 to 1994 (both projects will be referred to as PROEXAG in this report). PROEXAG promoted NTAE development by providing support directly to producers, and indirectly to country-based export federations (Hardesty and Taylor 1994:2-7). One important characteristic of PROEXAG, and a reason that the project was so
successful, is that technical assistance was provided at all phases of the NTAE export process, from production to marketing (Hardesty and Taylor 1994:2-5).

Another important characteristic of PROEXAG was that it focused on the "deal-making process." In other words, the project helped the exporter and the buyer come to an agreement, and direct assistance concentrated either on the whole deal (e.g., melons in the Guanacaste region of Costa Rica) or a deficiency (e.g., finding a buyer for snow peas in New York) (USAID 1993b:12). PROEXAG placed emphasis on improving access to timely market information for growers, grower/shippers, exporters, analysts, and export promotion personnel (USAID 1993b:9-10). A Commodity Price Database (CPD), which contained price information for about 20 commodities in key markets within the United States, was designed under the project.

Training

The Costa Rican Coalition for Development Initiatives (CINDE) implemented the Training for Private Sector Development project. The goal of the project was similar to that of other NTAE projects: to stimulate growth in the production and export of nontraditional goods and services, thereby increasing levels of employment and foreign exchange earnings for Costa Rica. The project provided both long- and short-term training in the United States and in Costa Rica. The objectives of the U.S. component were to provide short-term training in the United States for managers and key administrators working in the nontraditional export sector, staff of Costa Rican universities, and personnel from private financial institutions and the Central Bank of Costa Rica (Education Development Center 1991).

Other Projects

In addition to the credit, technical assistance, and training projects, USAID supported NTAEs through two rural development projects. The Northern Zone Infrastructure Development project, implemented from 1984 to 1988, was succeeded by the Northern Zone Consolidation project. The goal of the follow-on project was to "improve the socioeconomic growth of Costa Rica’s Northern Zone through the use of under-utilized agricultural lands, the more efficient and diversified use of the region’s agricultural resources, and improved access to markets and services" (USAID 1992a:4). The project focused on the NTAE sector and had five components: crop production and diversification; road maintenance and rehabilitation; community development, land settlement, and titling; administration and monitoring; and environmental concerns.

V. IMPACT OF NONTRADITIONAL AGRICULTURAL EXPORT PROMOTION

There are a number of benefits from nontraditional agricultural export promotion. These range from benefits at the macroeconomic
level, such as the generation of foreign exchange, to the micro-level, including increased income for workers. Some studies have also examined the social impact of NTAEs on factors such as health and education. This report examines three main benefits discussed in the USAID documentation and the general literature. First, NTAE promotion has had a positive impact at the macroeconomic level. The strategy has led to a substantial increase in nontraditional agricultural exports and has generated needed foreign exchange for the country. Second, it has created employment opportunities, and third, it has benefitted small farmers. The question of who benefits is an issue of debate in the literature. Some argue that one of the costs associated with NTAEs is that foreign and large national companies benefit the most. Two other costs of nontraditional agricultural export promotion discussed in the literature include food security and pesticide use.

Benefits

Macroeconomic Benefits

USAID documentation and several studies on NTAEs state that the nontraditional export promotion strategy has been a success in Costa Rica at the macroeconomic level. The literature points to the substantial increase in exports during the decade of the 1980s as proof. According to a World Bank report, the growth in Costa Rica’s gross domestic product (GDP) can be attributed to export diversification and tourism (World Bank 1994:viii).

USAID studies on the impact of the Agency’s policy reform efforts conclude that USAID played a key role in creating an environment conducive to exports. The documentation also states that the increase in exports helped the country to recover from the economic crisis of the 1980-82 period. A 1990 Project Paper for the Economic Stabilization and Recovery program points to the increase in NTAEs as proof that USAID policy reform efforts have been successful. The USAID-encouraged policy of mini-devaluations and the unified exchange rate maintained the profitability of exports, resulting in gains in nontraditional exports in both the agricultural and manufacturing sectors (USAID 1990b).

Nontraditional exports account for a growing percentage of Costa Rica’s foreign exchange from total exports; 42.4 percent in 1994 compared to 34 percent in 1984 (CENPRO 1995). Graph 2 shows the breakdown of Costa Rica’s exports in 1994. A study examining Costa Rica’s nontraditional exports from 1982 to 1988 concludes that the agricultural sector has been the most dynamic, compared to the agro-industrial and manufacturing sectors (Corrales y Monge 1990:38). Graph 3 shows that the average annual growth rate of nontraditional agricultural exports during the 1982 to 1988 period was 30.9 percent, compared to 21.9 percent for the agro-industrial sector and 21.3 percent for manufacturing (Corrales y Monge 1990:30-35).
According to a CDIE evaluation of the Costa Rican cash transfer program, the impact of policy changes promoting exports in general has been the rise in levels of nontraditional exports (Newton et al. 1988:47). The good performance was partly due to improvements in exchange-rate management that have been part of the policy reform efforts. The evaluation argues that exports would probably have been lower if the colon had been overvalued. And in a report on A.I.D. and Economic Policy Reform: Origins and Case Studies, Michael Pillsbury agrees that U.S. economic assistance to Costa Rica had positive results. He argues that USAID’s efforts in Costa Rica helped the country to recover from its crisis, and he points to the GDP growth rate (4.2 percent annual average from 1983 to 1992), and its average annual increase in nontraditional exports (Pillsbury 1993:93).

Employment Generation and Benefits to Small Farmers

One of the goals of NTAE projects, according to USAID strategy papers, has been to generate employment opportunities (USAID 1987d). Moreover, the strategy of the USAID Mission in Costa Rica has emphasized a "wider sharing of the benefits of growth through the integration of more Costa Ricans into an expanded economy" (USAID 1989a:9). Has this been the case? What does the USAID documentation tell us about the impact of NTAEs on small farmers? Most of the evaluations of USAID projects in Costa Rica do not provide answers to these questions. Since the evaluations were conducted at mid-term or when the project had just been completed, it is difficult to determine the impact of many of these projects. An overview of the evaluations is provided below, as well as several other studies that analyze the impact of NTAE projects. The consensus of the USAID documentation is that nontraditional agricultural exports have generated employment and benefitted small farmers. Other non-USAID studies point out that NTAEs have created both direct and indirect jobs. In regard to small farmers, some of the general literature concludes that small farmers face obstacles in exporting, thereby making it difficult to gain entry and compete in the NTAE market.

Evaluations of USAID NTAE Projects in Costa Rica

An evaluation of the Agricultural Services and Union Development project states that small- and medium-size farmers in rural areas benefitted. The project resulted in a steady growth of employment, (particularly female), generating 214 jobs in both the agricultural and agro-industrial stages (USAID 1988:40-41). According to a 1994 evaluation of the PROEXAG project in Central America, USAID nontraditional export promotion projects "have met with considerable success in expanding NTAEs from the region" (Hardesty and Taylor 1994:5-5). There is evidence of increased employment, gains in rural income, and improved rural living conditions as a result of NTAE promotion (Hardesty and Taylor 1994:iii). Small farmers benefitted from the project, albeit indirectly. PROEXAG did not target small farmers with limited resources, but concentrated on "individuals and enterprises that
possessed the economic and entrepreneurial requisites to be successful" (Hardesty and Taylor 1994:2-1, 5-6). However, the study points out that production technology and inputs have been transferred to small farmers through market forces. Although large farmers may have received a disproportionately greater share of the initial benefits, these benefits have been transferred to the smaller, traditional farmers (Hardesty and Taylor 1994:5-7).

In 1989, USAID conducted an evaluation of the Nontraditional Agricultural Export Strategy in Costa Rica. The evaluation does not look at one particular project, but at the strategy as a whole. The report concludes that the strategy achieved its goals for export sales and employment generation (USAID 1989b). In 1987 and 1988, incremental foreign exchange earnings from NTAE exports reached $5.3 million, and direct employment generation was estimated at 1,500 jobs over these two years (USAID 1989b). The report also points out that the strategy has been focused, "to a remarkable degree," on small- and medium-size farmers. The Private Agribusiness and Agro-Industrial Council of CINDE worked largely, though not exclusively, with small- and medium-size growers (USAID 1989b:21). In the case of papaya and mangoes, where assistance was given to a large, multinational company, "the end results of the assistance will benefit thousands of small growers" (USAID 1989b:21).

An evaluation of the Nontraditional Agricultural Export Technical Support project, carried out by CINDE, concludes that the project was successful in promoting the growth of exports, increasing employment levels, and generating foreign exchange (USAID 1995:31). New export crops that were not produced before the project, such as asparagus, blackberries, pepper, and onions, were developed. There was also an improvement in the yields and quality of already existing export products such as cocoa, macadamia, vegetables, and onions (USAID 1995:31). According to the evaluation, $96.8 million in foreign exchange was generated by NTAEs through September 1994 (USAID 1995:31).

Especially noteworthy are CINDE’s achievements in short-term technical assistance, particularly in production (USAID 1995:33).

An interview with the President of Caneplanta, the National Chamber of Ornamental Plant Producers and Exporters in Costa Rica, supports this finding. He stated that assistance from CINDE helped to develop the ornamental plant industry in Costa Rica. CINDE has also provided marketing support to firms. For example, CINDE helped Alvalle, a small firm that exports chayote, to establish contact with an importer in Los Angeles. And the General Manager of Exporpack, a firm that exports melons and chile jalapeno, stated that CINDE helped the company make contact with an importer of chile jalapeno—one of their most important clients in the United States.

In regard to the other USAID evaluations of Costa Rican projects
relating to nontraditional agricultural exports, there is no information about the direct impact on employment and small farmers. Also, the results of the projects are mixed. According to evaluations of the four credit projects, only the COFISA project was successful. An evaluation of the Agro-Industrial and Export Bank (BANEX) concludes that the Bank’s impact on the development of nontraditional exports was almost minimal (USAID 1983:2). An audit of the Private Investment Corporation project states that much less had been accomplished than planned during the first two years of the project because of PIC management deficiencies (USAID 1987a). And an audit of the Agricultural and Industrial Reactivation project points out that the project generally did not accomplish its stated goal of stimulating the nontraditional export sector of Costa Rica’s economy. The problem was that USAID loan funds mainly provided refinancing to projects already in progress, or in some cases, to projects already completed (USAID 1990a).

An evaluation of the International Executive Service Corps in Costa Rica concludes that the assistance provided to exporting companies was successful. In the exporting companies that were evaluated, 22 percent were exporting more than they were before; 80 percent had better technology and better quality of products; 67 percent had a renewed planning process, better organization and administration, and greater production; and 87 percent had lower production costs (USAID 1993a:13). The Costa Rica Training for Private Sector Development project reached and exceeded total targets for participants trained, and overall satisfaction with the program was high (Education Development Center 1991:18-19).

In regard to the Northern Zone Consolidation project, it suffered from implementation problems due to its highly centralized structure (USAID 1992a).

In 1990, Price Waterhouse conducted an evaluation of CINDE’s Foreign Investment program (PIE). Of the 116 companies that made investments in the country with involvement from CINDE, Price Waterhouse surveyed a sample of 26 companies (USAID 1990c). USAID was interested in obtaining an appraisal of the level of services provided by CINDE to these companies, and the existence of attribution from CINDE in the investment. Results showed that CINDE’s activities had positively influenced nearly 80 percent of their claimed foreign investment between 1986 and 1990 (USAID 1990c:1, 10).

Other USAID Reports

In addition to the evaluations reviewed above, several USAID reports examine the impact of nontraditional agricultural export promotion on income and employment, small farmers, and women. USAID’s Center for Development Information and Evaluation recently completed an evaluation of USAID’s agribusiness programs (Kumar 1995). Fieldwork for the study was conducted in Bangladesh, Cameroon, Ecuador, Guatemala, Sri Lanka, Thailand, and Uganda. The main conclusion of the study is that small
farmers have benefitted from agribusiness programs. According to the report, most of the programs aimed at increasing NTAEs produced promising results. They succeeded not only in increasing NTAEs and producing foreign exchange, but also in creating a business climate conducive to private-sector growth (Kumar 1995:vii). Nontraditional export revenues in Guatemala and Ecuador increased from near zero to $60 million and $70 million, respectively, in the period covered by USAID programs (Kumar 1995:26).

Moreover, the study found that agribusiness programs had positive effects on employment and incomes in most of the countries studied (Kumar 1995:vii). In Bangladesh, with the privatization of fertilizer distribution, 45,000 additional jobs were created in the agricultural input supply sector. In nontraditional agricultural exports alone, Ecuadorian and Guatemalan firms employed an estimated 16,448 and 8,400 people, respectively (Kumar 1995:28). However, the effects of agribusiness programs on employment and income were mainly felt not in agribusiness firms but on farms (Kumar 1995:29). The crops promoted by USAID programs were "generally more labor-intensive than traditional crops produced by small farmers, and diversification created additional demand for farm labor—not only generating employment for landless labor, but exerting an upward pressure on wages as well" (Kumar 1995:vii). Contract farming also played an important role in linking agribusinesses and small farmers. Under contract farming, farmers agree to plant specific crops and to sell a fixed share of their produce to contracting agribusiness (Kumar 1995:32). The report also concludes that growth in the agribusiness sector generated employment opportunities for women.

Another publication that confirms these findings is an agribusiness assessment of Guatemala. This study points out that the USAID goal of promoting rapid growth in nontraditional agricultural exports in Guatemala has been highly successful (Fox, Swanberg, and Mehen 1994:iv). Small farmers, including women, have benefitted substantially from NTAE promotion. From 1978 to 1993, NTAE expansion generated about $115 million in income for the bottom 25 percent of Guatemala’s income distribution. In addition, very small producers have grown many of the new crops more efficiently than large producers. An interesting finding of the assessment is that the number of exporters of nontraditional agricultural products increased from 28 in 1980 to 161 in 1992. Foreign-owned firms had a dominant position in only one sub-sector of NTAEs—melons—and played an important role in only a limited number of other products. For the rest, most of the firms were Guatemalan (Fox, Swanberg, and Mehen 1995:33). This finding contradicts the argument that foreign firms receive most of the benefits from NTAE promotion.

USAID also undertook an evaluation of the Latin American Agribusiness Development Corporation of Central America (LAAD-CA). This corporation was established in 1971 to provide
loan and investment capital to Central American businesses involved in producing, processing, and exporting nontraditional agricultural and aquacultural products. The evaluation examines the impact of six investments on employment and income (Magill et al. 1989). With only one exception, the LAAD-CA investments resulted in an increase in direct employment in the companies receiving the loans. The six firms studied had created 457 permanent jobs and more than 234 full-time job equivalents for regularly employed seasonal workers (Magill et al. 1989:29). However, secondary employment impacts from the purchase of raw materials from independent producers did not appear to generate significant levels of new employment (Magill et al. 1989:xiii). In terms of the impact on women, the projects financed by LAAD-CA tended to generate substantial employment opportunities. The evaluation provides a breakdown of women employed in the companies (Magill et al. 1989:45). Only in two companies in Costa Rica, Nispero Chiquito and Frutas y Sabores, did women appear to be under-represented in the workforce.

Another report that examines the impact of NTAEs on women is Impact of Participation in Non-Traditional Agricultural Export Production on the Employment, Income, and Quality of Life of Women in Guatemala, Honduras, and Costa Rica (Alberti 1991). The Alberti study analyzes the impacts observed in a sample of nontraditional agricultural export enterprises in these three countries. Alberti’s study concludes that the rapidly expanding workforce for nontraditional exports includes substantial proportions of women, and that NTAEs create employment opportunities for both women and men (Alberti 1991:42). Women occupy more than half of the jobs associated with the processing or post-harvest handling of the NTAE products selected in Guatemala, Honduras, and Costa Rica (Alberti 1991:iii). While nontraditional agricultural export production generates employment options for women and in most cases assures them of a minimum daily wage, it does not offer women the incentive of advancement (Alberti 1991:iv).

Non-USAID Literature

Several non-USAID studies of NTAEs also examine the effects of this strategy on employment generation and small farmers. The International Food Policy Research Institute, in conjunction with the Institute of Nutrition of Central America and Panama, published a report on Nontraditional Export Crops in Guatemala: Effects on Production, Income, and Nutrition (von Braun et al. 1989). The study examines the impact of NTAE crops on small farmers in the Western Highlands, using research based on two rural household surveys (of 400 families) that were undertaken in 1983 and 1985. The sample is divided into two groups: those who produced NTAE crops (snow peas, broccoli, cauliflower, and parsley) through a cooperative, and those who did not. Results showed that nontraditional export crops were more profitable to farmers than traditional crops. For example, net returns per unit of land of snow peas were on average 15 times those of maize.
Nontraditional export crops also created local employment directly on farms and "indirectly through forward and backward linkages and multiplier effects resulting from increased income spent locally" (von Braun et al. 1989:12). According to the study, NTAE crops led to an increase in agricultural employment of 21 percent, taking into account employment in input supply and output marketing (von Braun et al. 1989:52). In addition, the production of export crops led to increased income, and the gains were highest among the smallest farms (von Braun et al. 1989:12).

A study of the impact of NTAEs on employment and income in Costa Rica states that in 1989, approximately 15,000 direct and indirect jobs were created in Costa Rica in the main nontraditional export crops (Weller 1992:140, 144). The author points out that these jobs represented only 3.2 percent of rural employment, and the effect of employment generation on the rural workforce has been limited. However, the author concludes that NTAEs have created permanent, salaried jobs, as well as provided employment opportunities for women in Costa Rica (Weller 1992:160).

In her book examining the impact of nontraditional agricultural export promotion in Latin America, Lori Ann Thrupp points out that NTAE growth generates employment in all stages (Thrupp 1995:84). In Colombia, for example, the flower industry employs an estimated 80,000 workers and accounts for some 50,000 jobs in ancillary industries, such as packaging and transport (Thrupp 1995:85). Thrupp points out that the number of firms involved in producing, processing, marketing, and distributing NTAEs has grown throughout the region (Thrupp 1995:62). The increase of NTAEs has also spawned many ancillary businesses providing transport, supplies, packaging, and marketing services (Thrupp 1995:62). However, Thrupp argues there are some labor-related problems in NTAE production, including job insecurity due to the fact that work in some NTAE crops is temporary (Thrupp 1995:91-92).

In regard to small farmers, a study by Stuart Tucker of NTAEs in Central America points out that for poor farmers with scarce capital and little resources, nontraditional alternatives "hold the promise of a higher income than do the domestic food crops they have previously grown" (Tucker 1992:111). He states that nontraditional agricultural products assist in alleviating rural poverty since NTAE crops can be produced where the poor live and most can be grown on small plots (Tucker 1992:114). They also provide employment for the landless during harvest time, as pickers and packers. Picking is labor-intensive work, and women can play a role in this stage of production.

Some of the general literature on NTAEs argues that small farmers face obstacles in exporting. Thrupp states that smallholders tend to lack access to the credit, capital, technical services, and information needed to succeed in the export business (Thrupp
Gaining entry and competing in the NTAE market is therefore difficult. In an article on nontraditional crops and small producers in Central America, Jurgen Weller states that small producers lack access to capital and land (Weller 1992:233). Technology and marketing, two factors that have been gaining importance in Central American agriculture, also represent obstacles for small farmers. Weller points out that the distance between the producer and the export market makes it difficult to obtain information about markets.

A study published by the Latin American Faculty for Social Sciences (Facultad Latinoamericana de Ciencias Sociales-FLACSO) and the Institute of Nutrition for Central America and Panama (Instituto de Nutricion de Centroamerica y Panama-INCAP) examines the effects of nontraditional agricultural production on small producers in Costa Rica (FLACSO and INCAP 1993). The researchers interviewed 400 small farmers—203 who produced for the external market and 197 for the internal market. Crops cultivated by the farmers included corn, beans, rice, yucca, pineapple, bananas, and papaya, among others (FLACSO and INCAP 1993:27). The main finding of the study is that NTAE production did not represent a real alternative or improvement for small producers in the areas studied. Results showed that the economic situation of NTAE producers was not better than that of farmers who produced for the internal market (FLACSO and INCAP 1993:95-97). The document concludes that small farmers will not be better off by producing nontraditional agricultural exports unless obstacles such as the lack of technical assistance, information about markets and prices, and credit are resolved (FLACSO and INCAP 1993:96).

In regard to the methodology of the study, however, there are some gaps. First, there is not much difference between the two groups of farmers in terms of production; both groups diversified their production and cultivated the same types of crops (see page 27 of FLACSO and INCAP 1993). For example, 71 farmers in the first group cultivated beans, compared to 81 in the second, and 143 cultivated yucca, compared to 120. Second, it is likely that both groups sold their products to intermediaries: the first group to exporters, and the second group to intermediaries for the local market. One should not expect any income difference between producers for the local market and those for the export market (unless the producer is cultivating a higher-quality product). If there is no government interference with marketing a crop such as yucca, the two prices will not differ. Furthermore, both groups benefit from the fact of exports. In the case of yucca, for example, producers had a limited market before exporting began, but now there are more buyers—local supermarkets still want yucca, but now exporters want to buy the product. As a result, the price of yucca will rise due to increased demand, resulting in higher incomes for all yucca growers.

Another problem with the study is that it takes a snapshot of the farmers at one point in time and does not examine the situation
over a longer period. The question that needs to be addressed is whether small farmers that have diversified their crops and cultivate nontraditional agricultural export products are better off than they were before (i.e., when they were just cultivating traditional crops).

Costs of Nontraditional Agricultural Export Promotion

Unequal Distribution of the Benefits

Some of the general literature on nontraditional agricultural export promotion states that the benefits are concentrated in the hands of foreign and large national firms (Barham et al., 1992; Barry 1990; Gacitua and Bello 1991; Honey 1994; Rosene 1990; Stonich 1991; Thrupp 1995). In her book examining the impact of nontraditional agricultural export promotion in Latin America, Lori Ann Thrupp argues that while the strategy has been a market success, it has had negative social and environmental consequences. She claims that the main beneficiaries of NTAE growth are large companies, including both transnational corporations and large national and foreign investors (Thrupp 1995:67). These businesses profit the most from NTAEs because they can "afford to make the very high capital outlays necessary to compete in this market," and can "meet the costs of complying with strict market demands" (Thrupp 1995:67). Thrupp points out that Del Monte in Costa Rica and Dole in Honduras market almost all pineapple exports. Both firms directly produce most of their pineapple exports and contract the rest to medium and large national growers. In addition, she argues that foreign investors dominate the production of flowers, ornamental plants, citrus, and macadamia nuts in Costa Rica (Thrupp 1995:68).

Barham, Clark, Katz, and Schurman also examine the domination of foreign firms in Costa Rica’s export industry in their article on "Nontraditional Agricultural Exports in Latin America" (Barham et al. 1992:43). They look at the effects of NTAEs on Latin American development, focusing specifically on Chile, Costa Rica, and Guatemala. According to the article, foreign domination in Costa Rica’s NTAE sector appears to be based on better access to market information, transportation, technological expertise, and credit (Barham et al. 1992:69). Since multinationals such as Chiquita, Dole, and Del Monte have well-established fruit marketing networks, they can diversify into other fruits (i.e., from bananas to pineapple to melon) (Barham et al. 1992:60). Another finding is that small farmers and cooperatives in Costa Rica have played a limited role in the NTAE export boom, because they have only exported a "tiny portion of the new products" (Barham et al. 1992:70-72). The article concludes that the distribution of the benefits from NTAE strategies depends on characteristics internal to the country, such as class structure, state policies, and the type of product (Barham et al. 1992:59). The authors point out that small farmers have benefitted from NTAEs in Guatemala, a trend that contrasts with the cases of Costa Rica and Chile (Barham et al. 1992:72).
A study examining the technology required to promote NTAEs in Central America shows that there is significant foreign investment in several NTAE sectors in Costa Rica (Kaimowitz 1992). Of the 14 largest flower producers in Costa Rica, two are Costa Rican, and of the 32 exporters of foliage, all but three are foreign or joint-ventures. Also, foreigners control 40 percent of the land on which macadamia is cultivated (Kaimowitz 1992:15). The results of a study on shrimp farming in Honduras indicate that there is a concentration of holdings in the hands of large investors (Stonich 1991:738). After looking at the uneven growth of nontraditional agricultural export production in Southern Honduras, the author concludes that as the production of NTAEs expands, commodities become preferentially produced by large capitalist producers who are more efficient and control the available natural and technological resources (Stonich 1991:727).

Martha Honey, in her book entitled, Hostile Acts: U.S. Foreign Policy in Costa Rica in the 1980s, examines the overall impact of U.S. policies on Costa Rica during this decade and devotes a chapter to nontraditional agricultural exports (Honey 1994). One of her main conclusions is that the benefits of nontraditional agricultural export promotion have gone to foreign investors because of their control over several NTAE sectors (Honey 1994:176). An article by Chris Rosene on modernization and rural development in Costa Rica arrives at the same conclusion. According to the author, foreigners have benefitted from the increase in NTAEs, mainly because they have the sufficient capital to invest (Rosene 1990:370).

The argument that the benefits of nontraditional agricultural export promotion go to multinational firms and large companies overlooks some major issues. It is logical that a foreign firm or a large company benefits—the goal of the firm is to make a profit. However, these firms are not the only ones that participate in and benefit from NTAEs.

First, nontraditional agricultural export promotion has created jobs for Costa Ricans. PINDECO, the main exporter of pineapple in Costa Rica, employs 1,400 permanent and 200 temporary workers. Exporpack, the second largest melon exporter in the country, employs 750 direct employees on a temporary basis during the season that melon is cultivated (from November to May), and 60 permanent workers. The growth of NTAEs has also created indirect jobs in transportation, packing, supplies, and other sectors. In addition, several USAID and non-USAID studies show that NTAEs have generated employment (see the section on Benefits).

Second, the view that only foreign investors benefit overlooks the number of Costa Rican firms that produce and export NTAEs. The melon industry is dominated by large companies, but there are many Costa Rican firms. There is also national participation in cut flowers and ornamental plants. Acoflor, an association of cut flower producers and exporters, has 92 members, including
both national and foreign companies. Caneplanta, an association of the principal ornamental plant producers and exporters, has about 35 members. In the whole ornamental plant industry, there are approximately 60 to 70 firms (these include firms that produce and export ferns). It is also important to make a distinction between production and export. According to the President of the Chamber of Ornamental Plant Producers/Exporters, while most of the exporters of ornamental plants are foreigners, there are many Costa Rican producers.

Third, a positive impact of a foreign or large company is the transfer of technology. PINDECO cultivates its own pineapple, but also buys pineapple from three Costa Rican producers. PINDECO provides technical assistance and inputs, and has transferred technology to these national producers who can now cultivate a high-quality product. Another phenomenon that has occurred is the transfer of technology through the movement and experience of workers. In a study examining the technology required to promote nontraditional agricultural export promotion, David Kaimowitz points out that several ornamental plant and flower firms in Costa Rica were established by ex-workers from two firms, American Flowers and Matas of Costa Rica. Also, small producers acquired much of their knowledge about macadamia by working on medium- and large-scale farms (Kaimowitz 1992:17).

Fourth, small farmers have also participated in and benefitted from nontraditional agricultural export promotion. Small farmers can participate in a number of ways, such as selling to a company that exports or through a cooperative. Products with a high number of small farmers include roots and tubers, chayote, and macadamia (Fernandez 1992:217-222). One of the reasons they produce these crops is that the majority of these products have been traditionally cultivated for self-consumption or for the domestic market. In addition, their cultivation does not demand great technological change (FLACSO and INCAP 1993).

Examples of Costa Rican firms that buy from small producers include Alvalle and Yucatica. Alvalle, a small company that exports chayote, comprises eight small producers and two staff, for a total of ten members (these ten members are the owners of the company). Alvalle also buys chayote from 25 small producers, the largest of which has about 2.5 hectares of land. Yucatica, a company that exports frozen fruits and vegetables, buys half of what they export from approximately 500 small and medium producers, and the other half is cultivated by the company.

In short, foreign and large national firms have benefitted greatly from nontraditional agricultural exports. However, one could ask whether the spectacular growth of NTAEs would have occurred without their participation. One could argue that without the capital and risk-taking of foreign and large national firms, no growth would have occurred and there would be no winners. NTAE growth has created opportunities for both local and foreign firms, as well as for small and large producers.
Some have argued that nontraditional agricultural export promotion threatens a country’s food security. The World Bank has defined food security as "access by all people at all times to enough food for an active, healthy life" (World Bank 1985:1). It refers to the availability of food and the ability to acquire it. Studies and data on Costa Rica show, however, that the NTAE strategy has not threatened its food security.

Costa Rica’s policy of promoting nontraditional exports de-emphasized producing subsistence crops for domestic consumption. Martha Honey provides an analysis of this policy in her book examining the impact of U.S. policies in Costa Rica in the 1980s (Honey 1994). Among the reforms that USAID encouraged Costa Rica to take was cutting government support for the National Production Council (CNP), which subsidized the production and sale of basic grains. The CNP was created in 1949 to promote self-sufficiency in basic grains and ensure that Costa Rican growers would not be undercut by lower international prices for food crops (Honey 1994:184). According to the International Monetary Fund, the World Bank, and USAID, it became too costly, making it cheaper for Costa Rica to import basic grains rather than subsidize local producers (Honey 1994:158). By the early 1990s, the role of the CNP was limited since its funds were cut. Honey argues that the cutting back of the CNP has jeopardized small farmers.

An article on agricultural exports, food production, and food security in Latin America concludes that the growth of export agriculture in Latin America has not "been translated into increasing levels of food consumption and food security" (Gacitua and Bello 1991:392). The authors argue that governmental policies have shifted priorities from the support of internal food production to the promotion of export crops. These processes "have generated extreme inequality among producers and an increasing predominance of international agribusiness in shaping local markets and food accessibility" (Gacitua and Bello 1991:393). The results of the export promotion policy include a concentration and "transnationalization" of capital and the agro-industrial sector; a decrease in food production for domestic consumption, with transfer of land and other productive resources to agro-export businesses; and increasing poverty among small producers who have to engage in temporary wage labor (Gacitua and Bello 1991:394). In an article examining export diversification in Costa Rica, Andrew Zimbalist states that as Costa Rica has developed new nontraditional exports, "land use patterns have shifted away from staple production toward cash crops. Costa Rica, in turn, has become more dependent on imported foods" (Paus 1988:39).

In her analysis of the nontraditional agricultural export boom in Latin America, Thrupp claims that the trends in Latin America, such as the worsening nutritional status of children in the past
decade in many areas, the declining rate of per capita production of grains between 1981 and 1988, and the reduction in public investment in rural development show that "the needs of the rural poor are not yet being adequately met through the present patterns of outward-oriented development" (Thrupp 1995:84). Thrupp concludes that more research is needed to determine the specific effects of NTAE production on the availability and consumption of food among the poor.

There is evidence that refutes some of these arguments, however. Data from the United Nations on several countries in Latin America show improving trends in the prevalence of underweight children, an indicator of nutritional status (United Nations 1994:3). In Mexico, Central America, and the Caribbean, the prevalence of underweight preschool children declined from the mid-1970s to the mid-1980s, and remained static between 1985 and 1990 (from 15.2 percent in 1985 to 15.4 percent in 1990) (United Nations 1992:33). In Costa Rica, the estimated prevalence of underweight preschool children has declined steadily, from 16 percent in 1978 to 2.3 percent in 1992 (United Nations 1994:3).

In regard to per capita grain production in Latin America, data from the U.S. Department of Agriculture and the World Bank show that per capita grain production declined from .26 metric tons in 1980 to .21 in 1989, but then increased to .24 in 1993 (USDA 1995 and World Bank 1995). In Costa Rica, per capita grain production declined from .10 metric tons in 1980 to .04 in 1993. However, it is important to note that the trend of increasing dependence on food imports in Costa Rica is not a characteristic of the nontraditional export strategy of the 1980s. Food imports in Costa Rica grew from $14.6 million in 1960 to $146.1 million in 1980 (Paus 1988:39).

Data show that food consumption in most Latin American countries, as measured by per capita daily calorie supply, increased from 1970 to 1990 (IFAD 1993:66). For Costa Rica, food consumption per capita has been increasing since 1961 (see Graph 4). From 1985 to 1990, the rate leveled off, with a slight, but not significant decrease. And according to data from the International Fund for Agricultural Development, Costa Rica ranked as a high food security country in Latin America in 1991 (IFAD 1993:68).

Finally, some studies have shown that the protectionist policies of the National Production Council (CNP) led to increased costs for Costa Rican consumers. In addition to subsidizing the production of basic grains, the CNP also controlled imports and exports of agricultural products.

One of the reasons for these policies was to ensure the country’s food self-sufficiency. In a study examining agricultural protection, Eduardo Lizano shows that it hurt consumers (Lizano 1987). He points out that for the 1983-1985 period, the internal prices of the main food products (such as rice, beans, and sugar)
were higher than they would have been had the products been imported. For a consumer, this over-pricing represented 15 percent of the total amount spent on the basic food basket (Lizano 1987:124). For poor families, the difference in price represented a third of their income (Lizano 1987:125). In other words, if over-pricing were eliminated, the real income of the poorest families would increase by about a third. Lizano also points out that protectionism is an obstacle to technological improvement and productivity. Knowing that they will be subsidized by the government, producers have no incentive to decrease their costs of production and become more efficient (Lizano 1987:125).

The results of a study by Rigoberto Stewart examining the impact of price distortions on consumers and producers also show that the policies of the CNP were not effective (Stewart 1991:47-83). The purpose of the study was to identify the groups of producers and consumers who are affected by the price interventions and measure the transfer of income. Stewart compares local prices with international prices (adjusted to account for freight and insurance, and costs of transportation and handling). In the markets for rice and white corn, the pricing policy protected the national producer at the expense of the consumer, who ended up paying a higher price for the goods. Stewart concludes that consumers have been the "net losers" and have not benefitted from the interventions of the National Production Council. Another interesting finding is that producers of beans, who are mostly small and poor, suffered significant losses due to state intervention. Rice producers, mainly large farmers, were the ones who benefitted from the CNP (Stewart 1991:69).

Pesticide-Related Problems

Another negative effect of nontraditional agricultural export promotion strategies that is mentioned in most studies, including the USAID documentation, is pesticide use. The focus on nontraditional exports in the 1980s does not mark the beginning of pesticide use, since pesticides have been used on traditional crops such as cotton, bananas, and coffee. Studies have shown, however, that pesticides are used more intensively for most high-value NTAEs than for other crops (Thrupp 1995:49). Four problems related to pesticides include pest resistance, health risks, environmental damage, and financial losses from residues in exported products.

One of the reasons that producers use pesticides is to ensure that products meet the high quality standards of the U.S. and European markets. When pesticides are used continually and intensively over time, pests develop a tolerance to the chemicals. The result is that pesticide use intensifies, a trend that has been labeled the "pesticide treadmill" (Thrupp 1995:102). According to Thrupp, this problem has affected many agro-export crops in Latin America and has led to major losses, particularly in cotton and bananas (Thrupp 1995:106). For
example, in the Dominican Republic, pest outbreaks caused an almost 60 percent decline in fresh tomato exports in 1988 (Barham et al. 1992:57).

The health risk to humans is another problem associated with pesticide use. Farmers and agricultural workers who are exposed to the chemicals are most at risk. Current data on the long-term effects of pesticide exposure are lacking, but there is some evidence from surveys of farmworkers (Barham et al. 1992:57; Thrupp 1995:107-108; Trivelato and Wesseling 1992). According to an article on pesticide use in Costa Rica and other Central American countries, 75 percent of small producers surveyed in a study of the melon sector in Costa Rica suffered acute poisoning (Trivelato and Wesseling 1992:175). In addition, 72.4 percent of the complaints relating to pesticide poisoning reported to Costa Rica’s National Institute for Safety in 1986 came from workers of banana companies (Trivelato and Wesseling 1992:173). Seven percent came from workers who cultivated flowers and ornamental plants. The authors of the study argue that seven percent is high in light of the fact that flowers and ornamental plants are relatively new crops that occupy a much smaller extension of land compared to bananas (3,600 hectares compared to 30,000 for bananas).

In regard to environmental damage, pesticides can contaminate groundwater, rivers, ocean shorelines, and soils. The chemical residues from many nontraditional agricultural exports can lead to runoff of pollution into waterways. While there is much evidence on the environmental problems associated with pesticides in agricultural activities, little information is available on the impact of pesticide use in nontraditional crops (Trivelato and Wesseling 1992:173). In Central America, pesticide use in cotton production has contaminated land and water supplies (Barham et al., 1992:56; Stonich 1995:73).

Finally, another problem facing exports of nontraditional crops is the loss incurred due to pesticide residue on products. When pesticides are used excessively, residues may accumulate in foods at levels that violate the regulations of importing countries. The violations and resulting detentions have caused great financial losses to exporters and producers (Thrupp 1995:97). This problem has affected Latin American exports of nontraditional products to the United States. Data from the U.S. Food and Drug Administration (FDA) show that detentions due to pesticides have occurred about 14,000 times in the last decade for NTAE exporters from ten Latin American countries (Thrupp 1995:97). Although these financial losses have been described by some as a cost, the detentions can also be considered a benefit because they force countries to make changes. In the case of Guatemala, for example, snow peas were rejected by the FDA in 1993 because of illegal pesticide residues. As a result, "Guatemalan business and government communities took concerted action to police the industry in an attempt to prevent the problem from recurring" (USAID 1994:13).
It is important to note that organic production has also been developing in Latin America. Demand for organic products has been growing in the United States: the U.S. market for these products grew annually by 14 percent between 1988 and 1992, and projections from the U.S. Department of Agriculture show that it will grow to more than 10 percent per year in the future (Thrupp 1995:123). Latin American countries have increased organic production of coffee and cacao beans, as well as vegetables, flowers, and fruits.

VI. CONCLUSION

Nontraditional agricultural export promotion represents a viable option for Costa Rica and other developing countries. Since Costa Rica has a small market that has depended on a few traditional commodities—coffee, bananas, sugar, and beef—diversifying into other exports makes sense because it can generate more foreign exchange for the country. Costa Rica’s exports of nontraditional agricultural products increased dramatically in the 1980s and 1990s: from $35 million in 1980 to $291 million in 1994 (CENPRO 1995). At the macroeconomic level, the strategy has been a success.

Another benefit of nontraditional agricultural export promotion is employment generation. Many NTAE crops are more labor-intensive than traditional crops and have created job opportunities, especially for women. In addition to direct jobs, NTAEs have generated indirect employment in areas such as transportation and services. Small farmers have also participated in and benefitted from nontraditional agricultural export promotion. Their participation is greater in crops such as roots and tubers, chayote, and macadamia. Some of the general literature on NTAEs points out that small farmers face obstacles in exporting, including lack of access to land, capital, and information. According to an official at the Costa Rican Coalition for Development Initiatives (CINDE), one solution is to focus on organizing small and medium producers into trading companies or consortia. NTAE assistance in the past has targeted production and marketing, but not the organization of producers. Also, linkages between producers and exporters need to be strengthened.

Further research could be conducted on the contribution that small farmers make to the NTAE process (i.e., how much they produce) to determine whether their participation has been increasing or decreasing over time, especially in relation to medium- and large-scale firms. Data from a study by Kaimowitz show that in Central America, multinational firms account for 25 percent of nontraditional agricultural exports, and medium and large companies about 40 percent. The rest, 35 percent, is produced by small farmers (Kaimowitz 1992:14). More current data for Costa Rica showing the trends over time would be useful. Another issue relating to small farmers that has not been adequately addressed in the literature is whether small farmers
that have diversified their crops and cultivate nontraditional agricultural products for export are better off than they were before (i.e., when they were cultivating traditional crops for self-consumption or for the internal market).

One of the costs of nontraditional agricultural export promotion discussed in the literature is that foreign and large national firms benefit the most. However, this argument overlooks a number of important issues. One could argue that without the capital and risk-taking of foreign and large national firms, no growth would have occurred. NTAEs have created jobs for Costa Ricans, and there is national participation in the production and export of NTAE products. A positive effect of a foreign or large company is the transfer of technology, as well as the experience that workers employed with these firms acquire. Since data on foreign control is difficult to obtain and is lacking in the studies to date, further research on the extent of foreign control would be useful. While foreign investment has brought benefits to Costa Rica at this stage of development of its NTAE sector, especially in terms of the introduction and transfer of technology, in future years it may be of concern to the country.

Some of the general literature states that nontraditional agricultural export promotion threatens a country’s food security. However, data from the International Fund for Agricultural Development shows that this is not the case for Costa Rica, which ranked as a high food security country in Latin America in 1991 (IFAD 1993:68). Moreover, studies show that the protectionist policies of the National Production Council, which subsidized the production and sale of basic grains, resulted in higher food prices for consumers. The interventions of the National Production Council also benefitted large rice farmers at the expense of bean producers, who are mostly small and poor. In short, the earlier Costa Rican policy of maintaining food self-sufficiency was not effective.

A negative impact of nontraditional agricultural export promotion discussed in the literature is pesticide use. Four problems related to its use include pest resistance, health risks to humans, environmental damage, and financial losses resulting from detentions of exported products due to pesticide residues. However, these detentions also have a beneficial side: because of regulations in the United States relating to pesticide residues on products, countries are forced to make changes and restrict the use of pesticides.

Nontraditional agricultural export promotion cannot solve all the socioeconomic problems of any country. The success of NTAE promotion also depends on factors particular to each country, such as land distribution, rural poverty, agricultural policies, and macroeconomic policies. The NTAE strategy allows a country to diversify its exports and not depend solely on traditional crops to generate foreign exchange. In the case of Costa Rica, the strategy has been successful and has resulted in a number of
benefits.

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APPENDIX

METHODOLOGY

This issue brief is based on a review of USAID documents and general literature on nontraditional agricultural export promotion, and is supplemented by fieldwork in Costa Rica. It was completed in two stages: I reviewed the literature and wrote the first draft of the paper, and then spent two weeks in Costa Rica conducting interviews and collecting additional information.

I conducted 15 interviews with two groups of individuals and developed two separate questionnaires. The first group included firms that export nontraditional agricultural products, as well as associations and chambers representing nontraditional exporters. In choosing the firms, I interviewed those that export the main nontraditional crops, and I also tried to get a
sample of small, medium, and large producers. The goal of the questionnaire was to obtain information on the operations of the firm—to find out what they do and how they do it.

The second group of interviews included organizations and agencies representing both the public and private sectors. For example, I interviewed the Export and Investment Promotion Center (CENPRO), a government agency, as well as its private sector counterpart that promotes export and investment, the Costa Rican Coalition for Development Initiatives (CINDE). The questionnaire developed for this group of individuals was designed to get their opinion on issues addressed in the paper regarding the benefits and costs of nontraditional agricultural export promotion.

In addition to these formal interviews, I consulted with other people within and outside the USAID Mission in Costa Rica. I also obtained current Costa Rican literature, as well as government trade statistics on imports and exports.

LIST OF PEOPLE INTERVIEWED

Firms and Associations

1. Luciano Beeche O., President, Yucatica
2. Monica Duran Pacheco, Executive Director, the Costa Rican Association of Flower Producers/Exporters (Acoflor)
3. Rodrigo Jimenez R., General Manager, Pineapple Development Corporation of Costa Rica (PINDECO)
4. Eladio Madriz Garcia, President, Altos del Valle (Alvalle)
5. Alvaro Moya Ramirez, Executive Director, the National Chamber of Producers/Exporters of Ornamental Plants (Caneplanta)
6. Rodolfo Orlich A., President, Caneplanta, and owner of Plantas del Caribe
7. Jose F. Tristan Orlich, General Manager, Orcafe/Exporpack

Organizations and Agencies

8. Eduardo Alonso, Economic Consultant
9. Minor Briceño L., Export Promotion Manager, and Julian Mateo P., Operations Director, Costa Rican Coalition for Development Initiatives (CINDE)
10. Jose Rafael Corrales A., Technical Advisor, National Chamber of Agriculture and Agroindustry
12. Leda Jimenez C., Director, Export Promotion Department, Export and Investment Promotion Center (CENPRO)
13. Rodolfo Quiros Guardia, Director, Center for Integration and Agribusiness Development, Inter-American Institute for Cooperation on Agriculture (IICA)
14. David Ricardo Carmona, Technical Assistant, Marketing Division, National Production Council (CNP)
Other People Consulted

1. Edna Camacho Mejia, Academy of Central America
2. John Holder, USAID/Costa Rica
3. Hunter Martin, Senior Vice President, Latin American Agribusiness Development Corporation of Central America
4. Dr. Ricardo Monge Gonzalez, President and Executive Director, ECONOFIN
5. Dr. Carlos Pomareda B., President, International Services for Business Development (SIDE)
6. Arturo Villalobos F., Agricultural Economist, USAID/Costa Rica

QUESTIONNAIRES

I. Questionnaire for Firms

1. Please give me a description of your firm (the type of operations and a description of the products).

2. How long has your firm been operating?

3. Who are the owners?

4. How many employees work in the firm?
   Men/Women
   Permanent/Temporary

5. What is the average salary?

6. Does the firm cultivate the crops on its own land, or does it buy products from others (from small-, medium-, or large-scale producers)?

7. Does your firm provide inputs (such as seeds, pesticides, or packing material) and services to farmers?

8. Does your firm provide technical assistance to farmers? What type?

9. What does your firm import?

10. How much did you export in 1994 (volume and value)?

11. What external markets do you export to (UNITED STATES, Europe, Latin America)?

12. Is there much competition in this industry? How many firms are there? Are there many Costa Rican firms?
13. What are the main obstacles that your firm faces in exporting products?

14. How does your firm obtain information about markets and prices?

15. Has your firm received assistance from USAID or any other agency or organization? What type of assistance (e.g., training, technical assistance, or market information)?

16. Was the assistance valuable?

II. Questionnaire for Organizations and Agencies

1. Do you think that nontraditional agricultural export promotion has benefitted Costa Rica? If so, what are the benefits?

2. What are the disadvantages of nontraditional agricultural export promotion?

3. What is the impact of nontraditional agricultural export promotion on employment? Has it generated employment for women?

4. Some argue that foreign companies benefit the most because of their control over the production and export of some NTAE products. What is your opinion?

5. How do small farmers participate in nontraditional agricultural export promotion?

6. How has the socioeconomic situation of the small farmer who used to cultivate traditional crops but diversified into NTAE crops changed?

7. How do producers obtain information about markets and prices?

8. How has nontraditional agricultural export promotion affected the food security of Costa Rica? Some argue that the country depends more on imported food. What is your opinion?

9. Some argue that a negative impact of nontraditional agricultural export promotion is the use of pesticides. What is your opinion?

SUMMARIES OF THE INTERVIEWS

Firms and Associations

Interview with Luciano Beeche O., President, Yucatica, on 10/18/95

Yucatica, a firm that exports frozen fruits and vegetables,
started in 1973 in a garage with five employees. It began to export frozen vegetables, and since it could not compete, it diversified into other products. The firm exports frozen tropical fruits, including coconut, papaya, pineapple, and guanabana, as well as yucca, malanga, and yams. In addition, the firm exports bananas (through Banatica) to the United States, and frozen plantains, mainly to the Puerto Rican population of New York.

The firm buys from approximately 500 small and medium producers. Yucatica provides assistance to these producers by giving them seeds and scheduling crops. The company cultivates 50 percent itself and buys 50 percent from these producers. Approximately 800 workers are employed in the agricultural part, and the ratio of women to men is 50/50. Yucatica has three packing plants. In regard to imported goods, the firm imports agrochemicals for use on bananas. Pesticides are not used on yucca and yams, and small amounts are used on the fruits. Yucatica also buys carton boxes that are made in Costa Rica, but the primary material used to make the boxes is imported.

Yucatica exports 80 percent of its products to the United States, ten percent to Canada, and ten percent to Europe. The company has an office in Miami, and it is starting to venture more into Europe. I make all the marketing contacts myself.

It is good for foreign companies to invest in Costa Rica and work in conjunction with Costa Ricans. However, these companies have to return the profits to the country. In the case of bananas, the profits are going to the multinational firm instead of being distributed within the national economy.

The main obstacle facing the independent, national producer/exporter is that interest rates are too high. Also, there is no development bank in Costa Rica. To develop Yucatica, we have to reinvest and try not to go into debt. Yucatica has not received any type of assistance from any agency or organization. NTAE export promotion has benefitted Costa Rica, and the profits from these exports have returned to the country.

Interview with Monica Durn Pacheco, Executive Director, Acoflor, the Costa Rican Association of Flower Producers/Exporters, on 10/20/95

Acoflor is an association of 92 firms that produce and export cut flowers. There are some firms that produce foliage, but mainly it is an association for cut flowers. The majority of firms are small- and medium-size producers. One of the main functions of Acoflor is to help its members make contact with buyers in other countries. At this point, buyers contact Acoflor through the Export and Investment Promotion Center (CENPRO), the official government agency that promotes exports and investment. Acoflor is trying to be more aggressive in this area. Acoflor also lobbies on behalf of the interests of cut flower producers and
exporters in government. For example, if the Central Bank implements a new law that could hurt the farmers, then Acoflor would be working on that issue. Acoflor also has representation on other chambers in the country.

Cut flower producers and exporters face marketing obstacles. Airline flights are expensive and operation costs are high. Many times, producers are not paid, or they are paid at low costs. Interest rates are high in Costa Rica and credit is difficult to get.

Costa Rica exports cut flowers to the United States, the principal market, as well as Europe and Canada. In the case of flowers, it is not true that foreign firms benefit the most. There are always large exporters, but in the case of cut flowers, the market is more equal.

In regard to the benefits of nontraditional agricultural exports, it is very dangerous for a country to rely on just one product. One can look at the oil crisis in Mexico, for example. A country cannot rely on just one product, such as bananas or coffee. For NTAEs, you can also have some value added and produce and export not just pineapple, but the pulp of the pineapple. NTAEs can be a great advantage for the country, especially since Costa Rica is small.

Interview with Rodrigo Jimenez R., General Manager, Pineapple Development Corporation of Costa Rica (PINDECO), on 10/24/95

The Pineapple Development Corporation of Costa Rica (PINDECO) is a subsidiary of Del Monte Fresh Produce, a Mexican company. PINDECO is responsible for about 80 percent of Costa Rica’s pineapple exports. In 1995, PINDECO will have exported close to 6 million boxes of pineapple (40-pound boxes). Sixty percent is exported to the United States (primarily the East Coast), and 40 percent to Europe. Located in the southern region of Costa Rica, PINDECO employs 1,400 permanent workers, and 200 additional temporary workers during the dry season (from January to April to assist with irrigation). PINDECO also buys pineapple from three Costa Rican firms and provides them with technical assistance and seeds.

The zone where PINDECO cultivates pineapple was a poor, under-developed region with high unemployment. Since PINDECO started operations, the economy of the region has changed completely. Del Monte developed the infrastructure in the community and built roads, bridges, houses, and schools. PINDECO also generated employment. In addition to direct jobs, about 2000 indirect jobs have been created in sectors such as transportation, shipping, supplies, and services. The average salary of the workers is 250 colones per hour, 40 percent above the minimum wage. Through an association of workers, employees save five percent of their salary, and the company puts up five percent. The funds are then invested in areas such as housing,
education, and sports.

A major obstacle that PINDECO confronts in exporting pineapple is the infrastructure in Costa Rica. Roads are a problem, as well as congestion in the ports due to the increase in nontraditional agricultural exports. Customs procedures need to be improved to facilitate the imports of machines and raw materials. Operation costs for electricity and gas are high in Costa Rica. Financing in Costa Rica is also a problem, since interest rates are high. Another obstacle is that the government has "changed the rules of the game." For example, the government signed an agreement regarding CATs (tax credits), and then changed the rules of the game and reduced the CATs. Some of the conditions that were included in agreements with the government, such as tax exemptions and other benefits, have also been changed. All these obstacles do not have to do with production, climate, or workers, but are problems that the government needs to resolve.

The argument that foreign firms benefit at the expense of Costa Ricans is wrong. People are not measuring how many direct and indirect jobs have been created. PINDECO has generated 1,400 direct jobs, and approximately 2,000 indirect jobs. Also, since PINDECO has invested in Costa Rica and spent money on housing, roads, etc., it is logical that the company is working to get a return on its investment and make a profit.

PINDECO has transferred technology to three Costa Rican firms, and this transfer has benefitted the country. Now there are Costa Rican firms that know how to cultivate a high quality pineapple. If PINDECO were to leave the country, the Costa Ricans could continue to cultivate pineapple. Also, all firms in Costa Rica are treated equally by the government and have to pay taxes. Transnational firms do not receive any greater benefits than other Costa Rican firms.

Interview with Eladio Madriz Garcia, President, Altos del Valle (Alvalle), on 10/26/95

Alvalle (Altos del Valle) is a small firm that exports chayote, a type of squash, and it comprises eight small producers and two administrators (a president and an accountant). Alvalle buys chayote from 25 small farmers, so there are a total of 33 producers, the largest of which has 2.5 hectares. The farmers cultivate chayote for export (their major crop), as well as other crops for the local market, including tomato, sweet chili, green beans, and pumpkin. Alvalle exports 96 percent to the United States (Los Angeles), and four percent to Europe.

Before the company began operations three years ago, it was part of a cooperative, Coopechayote. I basically started Coopechayote, but left it to form Alvalle. The problem with cooperatives is that there is too much "democracy." Coopechayote had 185 producers and exported about $1 million dollars per year, but some farmers were not efficient, produced poor quality, and
did not return money that was loaned to them.

Costa Rica has been cultivating chayote for export for 35 years. One of the problems is that demand for chayote in the U.S. market has been increasing between five to seven percent annually in some years, while production has increased about 30 percent. The result has been excess supply and a decline in prices.

Alvalle is still trying to overcome problems relating to quality. We are implementing a total quality training program for farmers and other employees. We also have a training program for farmers on the use of pesticides (we do not use toxic pesticides).

Alvalle received support from the Costa Rican Coalition for Development Initiatives (CINDE) through April of 1995, including training and information on markets and prices in the United States. We participated in a trip to Los Angeles, California with CINDE, and CINDE co-financed a study on the control of insects. The support was important and valuable. First, the information on markets and prices from CINDE was helpful, since I could not obtain and process that information myself. Second, the advice from CINDE regarding exporting was beneficial. Third, CINDE assisted Alvalle in establishing contacts. For example, CINDE helped us make contact with an importer in California. It took 13 years to establish contact with a North American company.

Costa Rica has definitely benefitted from nontraditional agricultural exports. In just 13 years, from 1982 to 1995, the growth of nontraditional agricultural exports increased substantially. In 1995, approximately 50 percent of Costa Rica’s exports were nontraditional, and 50 percent traditional. But the situation could be better. One of the problems is that funding has been targeted toward the promotion of exports in external markets, while production and training have been being neglected.

The major problem in nontraditional agricultural export promotion is that there is not enough technological research or support for this type of research. The priorities of the universities are different from what the country really needs. Also, there is no transfer of technology. Another obstacle for Costa Rica in exporting is that there are too many lines and too much bureaucracy (i.e., filling out forms and administrative tasks). Twenty-five percent of executives’ time is spent dealing with bureaucracy and complying with regulations. Instead, time should be spent on improving the business, making it more efficient, improving quality, and serving clients. In the nontraditional export industry, there are a lot of firms that enter and die—the mortality rate is high. A major obstacle is finding a good distributor in the United States that will buy the product. Another problem is how to introduce chayote into the U.S. market and sell it to North Americans, and not just the Latino population of the United States.

Interview with Alvaro Moya Ramirez, Executive Director,
Caneplanta, the National Chamber of Producers/Exporters of Ornamental Plants, on 10/25/95

Caneplanta is an organization that brings together 35 of the principal producers/exporters of ornamental plants in Costa Rica. There are a total of approximately 60-70 firms (these include firms that produce and export ferns). The main function of Caneplanta is to lobby on behalf of its members. Costa Rica exports 30 types of ornamental plants (the principal ones), and some varieties have been invented in Costa Rica.

The organization of producers/exporters of ornamental plants has a very interesting history. About 15-20 years ago, several producers realized that there was a market opportunity in ornamental plants. They began to produce and export, and they were successful because of the newness and quality of the product. Other people noticed and joined in, creating a boom in the ornamental plant industry in Costa Rica. The boom was followed by a period of maturity, and some that entered the market failed because they did not have the "know how" or experience. The ornamental plant industry has developed on the basis of trial and error. No one can write a book or guide on how to produce and export ornamental plants. There is no recipe -- it is experience, good contacts, and a little bit of luck. The industry matured and Costa Rican firms were being sought out by firms outside the country that wanted to set up joint ventures. Through these joint ventures, the national producer is assured of a market for the product.

Producers and exporters turn to Caneplanta for political support. They focus on their business and the farm, and neglect the political front. Caneplanta was formed so that it could carry out lobbying, both on the national and international levels. Caneplanta also makes alliances with other larger chambers, such as the Chamber of Exporters and the Chamber of Agriculture. It is going to publish a directory of ornamental plant producers/exporters that will be used to promote the ornamental plant industry in the international market. The directory will also serve to encourage firms at the national level to join the organization. Some North Americans who are producers/exporters of ornamental plants in Costa Rica are on the board of directors of Caneplanta. They have helped to negotiate in the United States on behalf of Costa Ricans.

Phyto-sanitary restrictions are a major obstacle in the United States. The United States should not be so concerned about these restrictions, or the quantity of products that come from countries like Costa Rica. The threat of these exports to the U.S. economy is minimal. What is worse is the impact of these restrictions on Costa Rica. Exports generate employment, and people that are unemployed might emigrate to the United States to look for work (this is especially true for countries like
Guatemala or El Salvador). The United States should try to encourage job creation in these countries, since it stimulates the economy.

Costa Rica has always been a good trading partner of the United States, and the United States an important market. But now, Japan is becoming an important market because they pay well. In ornamental plant exports, the United States and Europe are the principal markets. Although a smaller quantity is exported to Japan, the margin of profit is greater since they pay more. Doing business with the United States is difficult. North American businesses always want to conduct business the "American way." Because the Japanese and other Asians are more open and business is transparent, the trading relationship is more equal.

For large producers, it is easier to negotiate because they are selling larger quantities. Small producers need to create a consortia, or link up with medium producers so that they are more capable of negotiating. There is no level of discrimination against small producers—it is a matter of free trade and pure capitalism in action.

Nontraditional agricultural exports have definitely benefitted Costa Rica. NTAEs are labor-intensive and an important source of employment. It has been an excellent alternative to generate foreign exchange and create jobs.

Interview with Rodolfo Orlich A., President of Caneplanta, the National Chamber of Producers/Exporters of Ornamental Plants, and owner of Plantas del Caribe, on 10/27/95

Thirty-five producers/exporters of ornamental plants belong to Caneplanta. These firms represent about 70 to 75 percent of total Costa Rican exports of ornamental plants. Caneplanta was formed two and a half years ago, and it originally included just small and medium producers. Then it was consolidated, and more producers and exporters joined. Before Caneplanta was established, a cooperative and another association were formed, but these never worked.

Costa Rica knows how to produce ornamental plants, thanks in part to funding from USAID. Costa Rica not only produces ornamental plants, but has developed new varieties. It is known in the world for its variety and quality of plants. Without the support of USAID, Costa Rica would be behind in the ornamental plant industry. Through the USAID-funded Costa Rican Coalition for Development Initiatives (CINDE), North American technicians came to Costa Rica, and Costa Ricans (from the public and private sectors) went to the United States for training. The University of Costa Rica started offering courses on ornamental plants, and CINDE also started to carry out research on private farms. Through CINDE, research was carried out on adapting technology to Costa Rica, including studying the micro-climates of the country.
Today, about 45 percent of ornamental plants are exported to the United States, and the rest to Europe and other countries, including Japan and some Middle Eastern countries. The industry is diverging more to the European market because of the restrictions in the U.S. market. Only plants without the root can be sent to the United States. If the plant is exported with a root, it has to be washed and separated from the environment in which it was cultivated. When the plants are washed, a large percentage is lost. Since the European does not have to go through this process, the plant does not die. Plants can be exported to Europe in their own "oasis," such as peat moss or water. The European can provide the product to the consumer much more quickly, whereas the North American has to go through a more lengthy and costly process. It takes about four to six months for the U.S. importer to develop the plant once it is received, compared to two months for the European. The U.S. importer pays less for the plant because it costs more to develop it, whereas the European pays a better price.

The principal foreign producers/exporters of ornamental plants in Costa Rica are Europeans, including Belgians, Dutch, and Germans.

Ninety percent of Costa Rican exports of ornamental plants are controlled by foreigners. There are few Costa Rican exporters. It is expensive to cultivate and export ornamental plants. In general, small producers cannot cultivate ornamental plants because of the high level of technology required and the capital needed. Medium and large producers are involved.

Plantas del Caribe (the company that Mr. Orlich owns) exports ornamental plants. There are about 50 employees on the farm, and four to five administrative personnel. Thirty-five to 40 percent of the employees are women. Employees are paid a minimum salary, and the firm also provides benefits and incentives. If employees finish their work before the day is over, they can continue to work and will get paid more. The firm uses pesticides on the ornamental plants, but they are also testing out natural products. Ecological farming is starting to develop in Costa Rica, including the ornamental plant industry.

Interview with Jose F. Tristan Orlich, General Manager, Orcafe/Exporpack, on 10/23/95

Orcafe/Exporpack is an agro-industrial firm that has been in existence for 60 years. Antonio Orlich, a Costa Rican, is the owner of the company. It initially started as a producer of coffee, and then began to diversify into real estate, banking, and finance. It also started exporting nontraditional agricultural products, including melon and chile jalapeño. There are 2,500 to 3,000 temporary (seasonal) employees in the whole company.

The firm, which has been in the melon export business for ten years, cultivates 800 hectares of cantaloupe melon (in
Guanacaste). It employs 750 workers on a temporary basis in the melon industry (melon is cultivated during the dry season from November to May), and 60 permanent workers. Seventy percent of the employees are men, and 30 percent are women. The firm also hires many Nicaraguans who have emigrated to Costa Rica. The company has easy access to credit, since it has a controlling interest in a bank in Costa Rica.

Exporpack cultivates melon, packs it, transports it to the United States, and does all the marketing. It goes through brokers in the United States and sells directly to supermarkets in Europe. In 1994, it exported 92 percent to the United States and eight percent to Europe (the firm is trying to export more to Europe). Exporpack has been increasing melon exports in two ways: by improving the efficiency of yields through technology, and by increasing the amount of land each year.

In regard to competition in the melon industry, there is more supply than demand in the United States market (Mexico and Central America supply melon). Sales of melons are more profitable in Europe, but the major obstacle is transportation from Costa Rica to Europe. In the United States, the melon industry is in the hands of a few distributors/brokers.

In regard to chile jalapeño, Exporpack exports semi-processed products to the United States and final products (like sauce) to Central America. The Costa Rican Coalition for Development Initiatives (CINDE) helped them establish contact with an importer of chile jalapeño -- one of their most important clients in the United States. Exporpack also participated in a fair in Germany in the same booth as CINDE.

Del Monte, with four packing plants, is the largest exporter of melons in Costa Rica, and Exporpack is the second largest. The other companies are smaller, independent ones—all Costa Rican companies. There are some small producers that are represented by middle-men.

NTAE export promotion has definitely benefitted Costa Rica. Exports of several products have increased, and NTAEs have allowed the country to diversify. Coffee is not as important in the national economy.

Organizations and Agencies

Interview with Eduardo Alonso, Economic Consultant, on 10/19/9520

Costa Rica’s Export and Investment Promotion Center (CENPRO) has existed since 1968. Not until the 1982 to 1984 period, however, did the promotion of NTAEs gain more political and economic significance. With the modification of the exchange rate, conditions were created to increase nontraditional agricultural exports. At the beginning of 1984, legislation was approved that created the Export Contract, which provided benefits to
nontraditional exporters.

USAID felt that the private sector needed to support the promotion and development of nontraditional exports. It funded the program of export promotion within the Presidency of the Republic, and also created the Costa Rican Coalition for Development Initiatives (CINDE) to promote NTAEs. CINDE had a lot of funding at the beginning. USAID did not finance CENPRO, the official government agency. The idea of creating a private sector agency was a good one, but only for the short-term. The state did not have the institutional, legal, and administrative capacity to carry out this task, which required a highly qualified staff. This funding is possible in the short-term, but not in the long-term, because it is a responsibility of Costa Rican society and the Costa Rican government. If you rely only on foreign funds to finance your activity, no one else is going to do it once you do not have those funds.

CENPRO has facilitated the export process and helped to reduce the time it takes to export. It manages a one-stop window for exports, as well as a one-stop window for imports. CENPRO is active in organizing and participating in international fairs and commercial trade missions. Recently, CENPRO and the Corporation of Free Zones, the institution that handles free trade zones, were joined. The result was a 37 percent reduction in personnel, representing an important step in the reform of the state. Another objective of joining the two institutions was to establish a mechanism for financing their activities (which is about 80–90 percent of the activities). The Corporation of Free Zones charges a fee to firms, and CENPRO also charges at the one-stop window.

Nontraditional agricultural exports have definitely benefitted Costa Rica. NTAEs have increased substantially in recent years, and the growth is impressive in the Latin American context. But the answer to Costa Rica’s development is not in nontraditional agricultural exports. NTAEs are part of the solution, but Costa Rica needs to focus on differentiating the products, diversifying exports, achieving a greater level of processing of the products, and determining the demand in international markets.

A country cannot develop on the basis of its comparative advantage, but must develop on the basis of its competitive advantage. There has not been enough emphasis on adding national value in processing these products. Costa Rica has to promote linkages between the agricultural and agro-industrial sectors to achieve a greater processing of products. The promotion of agricultural exports must be complemented with an industrialization of agriculture. Costa Rica must also take advantage of the investments that have been made in education and telecommunications. It should export products with a greater value added. For example, Gerber in Costa Rica exports banana puree, but there should be other national firms that do this.
Many national and foreign firms have entered into the melon, ornamental plant, and flower industries. But these exports do not differ from products that other countries can export, and are subject to the ups and downs of prices in the international market. In all of Central America, USAID financed studies to promote NTAEs and recommended that countries export the same products. The result was an excess supply in the market that affected prices. Differentiating the product is necessary.

If we take a position of providing incentives to nontraditional agricultural exports, then we cannot exclude foreign firms that want to set up operations here. What concerns me is that the exports of Costa Rica are based on incentives and not the productivity of the firms. What concerns me is that the structure of incentives becomes permanent, because these are subsidies that Costa Ricans are paying for. The problem is that over the past ten years, we have been promoting exports based on incentives, but we have not made public investments in ports, airports, highways, and telecommunications. We need to reform the state and make improvements in infrastructure to enhance the competitiveness of firms and promote exports.

Small producers can participate in nontraditional agricultural exports, but there are problems, such as lack of organization and technical assistance. CENPRO has traditionally been concerned with small producers, while CINDE has been concerned with large producers because the small ones are not profitable. In the flower industry, many farmers started to produce flowers but went into debt, did not know the business, or did not receive technical assistance. The result was a collapse of small producers in the export of flowers. While there were many small producers, today there are four or five large firms. The lesson learned is that it is not easy to promote NTAEs and diversify agricultural production.

Interview with Minor Briceno L., Export Promotion Manager, and Julian Mateo P., Operations Director, Costa Rican Coalition for Development Initiatives (CINDE), on 10/24/95

Julian Mateo: The argument that large producers benefit the most from nontraditional agricultural exports is correct. The process of NTAEs has not finished and is at the halfway mark. At the beginning, many entered into the production of NTAEs and failed, and only the large ones survived. Small- and medium-size producers, due to their lack of organizational capacity or knowledge about the market, or because they could not speak English, could not join the movement of NTAEs.

What we are trying to do in CINDE is deal with the issue of how small- and medium-size producers can benefit from nontraditional agricultural exports, and we are focusing on the organization of producers. When Costa Rica enters the second phase of NTAE promotion, at which point producers are organized into exporting consortia or trading companies, small- and medium-size producers
can possibly access international markets. (In a trading company, small- and medium-size producers are members of the company and participate in it so that the process of trade is transparent.) We have not arrived at this stage yet in Costa Rica. The mistake in nontraditional agricultural export promotion is that it has focused on the diversification of agricultural production, and funding was not targeted toward organizing producers.

If adequate conditions are created, then small- and medium-size producers can benefit. Costa Rica is a country of small independent producers. When you have a trade opening, there are no possibilities for these producers, but only opportunities for trading companies, consortia of exporters, or large producers.

Minor Briceno: There are stages in the promotion of NTAEs. Small- and medium-size producers have always produced basic grains, so it is difficult for them to make a change and diversify. It is also expensive to cultivate NTAE crops. CINDE is working on this "second stage" to help the small- and medium-size farmer. CINDE and the National Production Council (CNP) are implementing a joint program, consisting of six projects, to promote certain NTAE products and help organize producers so that there is vertical integration.

Julian Mateo: CINDE has another program—it is an "incubator" for an exporting consortia. CINDE provides the building, a secretary, fax, and telephone, and provides training to producers in international marketing.

The argument that NTAEs threaten the food security of the country is not totally correct. Small- and medium-size producers cannot enter into NTAEs because they lack the marketing component, so they are producing basic grains.

It is cheaper to import basic grains than to produce them in the country. The reason is that in Asia, Europe, Mexico, and the United States, producers are subsidized by the government. The rich countries of the world are closed economies. Why does Costa Rica have to open its borders so rapidly and threaten small- and medium-size producers when it is not ready? It does not have the structures in place, nor adequate organizations. The economic opening and free trade is happening at a quick pace. The government of Costa Rica and donor funding has been targeted to promoting this trade liberalization, and neglecting the area of organizing small- and medium-size producers.

Minor Briceno: We cannot continue subsidizing the small- and medium-size producer when it is cheaper to import basic grains. The problem is not a problem of food security or of economic opening, but the problem is what does the small- or medium-size producer who cultivated basic grains before do now?

Julian Mateo: Before the economic opening, no one talked about
pesticides. The use and regulation of pesticides have changed dramatically in Costa Rica, and this is positive. The Costa Rican has learned that the use of pesticides on agricultural products can have negative health effects.

Minor Briceto: Producers are more aware of the problems with pesticides, and they are now using less pesticides. The cultivation of organic crops has also been developing over the past two to three years.

Interview with Jose Rafael Corrales A., Technical Advisor, National Chamber of Agriculture and Agroindustry, on 10/25/95

Nontraditional agricultural exports have benefitted Costa Rica. Costa Rica’s economy is based on the agricultural and agro-industrial sectors, and diversification in agricultural production is important in economic and social terms, and for the development of the country in general. The greatest benefit is that a new "exporting culture" has been developed: a culture of new businessmen, diversification, new technologies, and of looking not just at the national market but at the world market. In general, many nontraditional agricultural export crops have also generated employment. Some crops are more labor-intensive than others, such as ornamental plants and flowers. These crops have generated jobs for women as well.

In regard to the disadvantages, some argue that the promotion of nontraditional agricultural exports has been very expensive for the country. Some argue that the incentives for exports, the tax credits, only went to one group, and not to the whole population of producers. These incentives should have been provided just to help companies start up, but not to firms that were already established and consolidated. But everything has a cost. The problem is that the new technology and new external markets require a greater level of business development and technicians. Firms and producers that enter into NTAEs have to be prepared.

In regard to the benefits that transnational and large firms receive, it all depends on how one looks at development. Some companies helped to pave the way for other producers. In the case of pineapple, a large company transferred technology to small- and medium-size producers, provided them with technical assistance, and marketed and exported the product for them, thus guaranteeing them a price. This vertical integration is beneficial.

Small and medium producers who have entered into NTAEs have been organized. In terms of technology, the country has been successful because Costa Rica has high educational levels, and the producer is knowledgeable and literate. The problem has not been a technological one, but a marketing one. However, we should not talk about small, medium, and large producers, or the small poor producer. Instead, we need to look at the producer in terms of being efficient and profitable, and focus on the fact
that the producer has a business.

In general, the socioeconomic level of the farmer who has diversified and produces nontraditional crops has improved, but it depends on the activity. In strawberries, for example, some farmers did not make it. Assistance was given to farmers, but when that assistance was terminated, many failed. And in flowers, many were left behind in the process.

The country has been making an effort to establish a system to provide information on agricultural prices and markets to producers. There are many public and private institutions involved, including the Costa Rican Coalition for Development Initiatives (CINDE) and the Export and Investment Promotion Center (CENPRO). It is important that the information reach producers, and this dissemination is being accomplished through the National Production Council, the offices of the Ministry of Agriculture and Cattle, and through radio programs in rural areas. There is still a lot to do, however.

The model of development that Costa Rica has been pursuing is one of liberalization and open markets. The country has neglected the food security issue and the production of basic grains, and this is wrong. If we cannot have subsidies, then we should consider another way of protecting our food security. The threat to food security, however, is not a consequence of nontraditional agricultural exports.

The problem of pesticides is a problem of development and of policies, and not necessarily due to nontraditional agricultural exports specifically. There has been a new effort in Costa Rica to try to avoid contamination. Organic production is also developing in Costa Rica.

Interview with Eduardo de la Espriella L., President, Geest Limited - Costa Rica, on 10/17/9521

There is no doubt that the development of nontraditional agricultural exports helps any country, especially developing countries. When a new agricultural or industrial product is introduced, a new source of production is provided in the economy. Identifying a product and bringing it to a phase of production where it is competitive internationally is difficult. One cost of NTAEs is the level of risk it takes to develop nontraditional crops. It involves developing the necessary technology, and one can lose money. Diversifying is high risk, and it is an activity for the rich, not the poor.

Small producers can participate in the second half of the process when the technological base is already developed (i.e., when the varieties and fertilizers have been selected, and diseases and pests have been controlled). Before the technological package is developed, the risk of entering is too high for small producers. From the cases I have seen, small producers who tried to develop
during the first phase were not successful. Examples can be found in the flower and strawberry industries.

In ornamental plants, there is a lot of participation of small and medium producers who have been successful. But for the other principal NTAE products, there has not been significant participation of small producers. In the case of pineapple and melon, control is in the hands of large producers. In melon production, there is more national participation than foreign.

In the case of pineapple, transnational companies developed the technology, but technicians that worked for them went on to develop the "second stage." For example, there are national producers in the region of San Carlos. In the first stages, the market does not provide much opportunity for national producers.

The impact of NTAEs on employment depends on the competitive capacity of the country in that product. Nontraditional agricultural exports have certain characteristics: they are labor-intensive and pay higher salaries. A disadvantage is that the demand for labor varies and depends on the season. In the case of flowers and pineapple, the demand for labor remains constant throughout the year. The advantages and disadvantages of each crop must be taken into account. NTAEs are a new alternative, provide higher salaries, and better utilize resources. They are also more capital-intensive.

In regard to food security, the quantity of locally-produced fruits available to Costa Ricans is much greater today than it was ten years ago. There has been an interest in diversifying for the local market as well. Strawberries, for example, are not exported.

I am not aware of serious problems with pesticides in NTAEs, and there was more abuse of pesticides before than there is now. Producers have to limit the use of pesticides in order to export to the United States or European markets; otherwise, they will lose their production. This type of control has actually helped Costa Rica.

Interview with Leda Jimenez C., Director, Export Promotion Department, Export and Investment Promotion Center (CENPRO), on 10/23/95

The Export and Investment Promotion Center (CENPRO) is the official government agency responsible for the promotion of exports and investment. The Export Promotion Division gathers, analyzes, and distributes commercial information. It distributes a newsletter to producers and exporters relating to issues such as prices of products in the international market, or new regulations in Europe and the United States. CENPRO has a Documentation Center with information on foreign trade, as well as a National Statistics Center, which is a computerized information system on foreign trade.
CENPRO promotes exports and foreign investment through Costa Rican embassies and commercial offices abroad. It organizes and coordinates local participation in international exhibitions and trade fairs. CENPRO also provides technical assistance and training to exporters. For example, it holds seminars for producers and exporters. In addition, CENPRO manages a one-stop window for exports and imports that simplifies and centralizes the process.

Nontraditional agricultural exports generate employment and provide income for families. Small producers have also benefitted from NTAEs.

Interview with Rodolfo Quiros Guardia, Director, Center for Integration and Agribusiness Development, Inter-American Institute for Cooperation on Agriculture, on 10/19/95

The greatest benefit of NTAEs is the generation of foreign exchange through the increase in exports. Another benefit is the increase in investment, both internal and private foreign direct investment, which leads to technological improvement and the transfer of technology. A third benefit is an increase in the availability of products in the internal market. A percentage of products that are produced for export is not actually exported but consumed domestically, resulting in an improvement of products that benefit the Costa Rican consumer. In the last 15 years, there has been dramatic improvement in the quality of fruits and vegetables for the internal market.

One of the criticisms of NTAE promotion is that many enter into the process and then leave, and in the end, only the best ones remain. Many of these activities are concentrated in the hands of a small number of producers and exporters. But in a world that is open to international trade and competition, there will always be people that are left behind. The other benefits compensate for these concentrating forces.

In terms of employment, there are studies that estimate that for each direct job generated from nontraditional exports, five indirect jobs are created, and in some cases more. In regard to employment for women, it depends on the product. Agro-industrial jobs have created opportunities for women (in packing, for example).

People do not understand why a person gets one dollar for a product in Costa Rica, while the final consumer in the UNITED STATES pays ten dollars. People argue that the exporting companies or the buyers receive the best part. What you have to take into account is the value-added for that product from the farm to the final consumer in terms of services, such as packing, transportation, finance, etc. There is value-added through this chain.

We cannot talk about small, medium, and large producers, but we
should talk about the efficient producer and the inefficient producer. For example, there is a federation in Guatemala of small producers that has been successful. In Costa Rica, there are three models of organization. One is the coffee model, characterized by independent producers that establish partnerships to sell the product. The second model is the banana model, which is much more controlled and directed. The company provides the seeds, inputs, and technical assistance to the producer, and sells the product. The third model, which was more common in the past, is the tobacco model. It involves closed contracts and is similar to the banana model, but much more closed. These are models that try to set up a system of production and exporting. The export markets, particularly for NTAEs and perishable products, are extremely volatile, and there is a lot of competition. A good organization is needed, as well as financial support. One has to be well-organized.

Many people have stopped cultivating basic grains because it is not profitable. Costa Rica has been importing beans for 50 years. Costa Rica has never produced yellow corn and has always imported it, and in some years Costa Rica exports rice, while in others it imports rice. There is no relationship between nontraditional agricultural exports and the food security situation of the country. Even if there were, what would it matter? A producer should not cultivate a product that is not profitable.

I have seen more abuse of pesticides for crops that are cultivated for national consumption than crops for export. The problem is that if you use too many pesticides, the crop is rejected in external markets. The product for export is much more controlled. There is a greater awareness of the need to reduce pesticides, and natural pesticides are now being used on many crops.

Interview with David Ricardo Carmona, Technical Assistant, Marketing Division, National Production Council (CNP), on 10/25/95

The Division of Marketing of the National Production Council (CNP) provides support to small- and medium-size producers in business development. In the area of market intelligence, the CNP maintains a system of information on the opportunities and threats in production and exports for Costa Rica. The CNP conducts studies, searches for new niches in the market, and analyzes prices. It provides information about markets and prices to producers, and is involved in post-harvest handling and the development of markets.

The country is divided into six regions. There is an operative technical unit in each region tied to the CNP that carries out the activities through specific projects. The CNP helps the producer to market the product.
One of the problems in marketing is transportation. The principal ships from Costa Rica are in the hands of Dole and Chiquita. The ships also give preference to producers that are exporting large quantities. The solution is to form consortia of associations so that producers can export a larger amount and compete. Another obstacle in marketing is infrastructure.

In the production phase, we have varieties that are not competitive in the international market. The control of pests and diseases is also a problem. Since the wage rate is higher in Costa Rica (the minimum wage), it is not as competitive as other countries because labor is more expensive. Language is another problem, as well as access to credit.

Nontraditional agricultural exports have benefitted Costa Rica. There are thousands of producers that are involved in this, and it generates employment. Small producers can participate in NTAEs and export NTAEs. Nontraditional agricultural exports do not threaten the food security of the country. There are producers that cultivate just for the domestic market. In addition, Costa Rica does not export many vegetables.

Interview with Manuel Rojas Bolanos, Academic Coordinator, and Isabel Roman Vega, Sociologist, Latin American Faculty for Social Science (FLACSO), on 10/17/95

Isabel Roman Vega: Cultivating nontraditional agricultural exports has helped small farmers to survive, but not develop. The problem is that there is no support from the state. There are no permanent programs and no political support for this sector. Some producers have been successful because they have organized, obtained external financing, or received some support from the state.

Today, farmers continue to diversify their crops, but the number of producers that cultivate basic grains has decreased. In the last five years, farmers have become more impoverished in the countryside. Nontraditional agricultural export production is not a better alternative for farmers without support from the state.

Manuel Rojas Bolanos: In terms of the results of nontraditional agricultural export promotion, there are some benefits, but there are also costs. For many farmers, producing NTAE crops has been favorable in some cases. For the country in general, the value of exports increased. Many farmers have tried to adapt, and there was a change from 1986 to 1990. In 1986 and 1987, farmers were protesting and asking for support for the production of corn, beans, and basic grains. This energy has been channeled into adapting to the new conditions of the market. There has been a change of attitude among these sectors.

The negative impact of nontraditional agricultural export promotion is that what has been achieved is not sufficient to
maintain a sustainable process of development. One of the problems has been the lack of support from the state or other type of organization for farmers. Farmer organizations have tried to provide it. If farmers do not have any type of support, through a cooperative or through the state, then they are weak. There is no support for small producers.

Isabel Roman Vega: The results of nontraditional agricultural export promotion are contradictory. It has been a dynamic process of diversification, but also a vulnerable process because of the instability of prices and markets. The benefits of the process have been concentrated in certain sectors -- not small producers, but large national firms and some transnational firms. They have benefitted from state subsidies (like the tax credits).

Small producers are trying to participate in nontraditional agricultural export production. For example, there are associations of producers that produce pineapple, papaya, and other fruit to export. Much of this participation depends on the support they receive from the state in terms of organization, technical assistance, and credit.

The fact that Costa Rica is not promoting the production of basic grains does not necessarily threaten the food security of the country, because Costa Rica has not always been self-sufficient in food. However, it makes the country more vulnerable and more dependent on the external market. In regard to pesticides, the tendency to abuse pesticides has begun to change because there is a policy relating to sustainable development. The market is demanding products that meet a certain quality and are not contaminated.

1 The Bumpers and Lautenberg Amendments to the Foreign Assistance Act limit the use of foreign assistance to promote exports that compete with U.S. products. For more information on these two pieces of legislation, see Trade Associations and Foreign Aid: U.S. Commodity and Industry Interests and A.I.D. Trade Development Activities (PN-ABH-230), by Mark D. Newman and Christine M. Erbacher.

2 For an overview of the impact of the CBI, see the USAID report entitled, Is the Caribbean Basin Initiative Working? (Fox 1989). According to the report, items entering duty-free under the CBI account for only 18 percent of the growth in NTAEs. Other trade mechanisms, such as the Generalized System of Preferences, "account for the bulk of the growth" (Fox 1989:3).

3 The findings of the PROEXAG evaluation relating to the economic and social effects of NTAE promotion in Central America are based on a literature review. According to the evaluation, budgetary constraints "precluded substantive fieldwork or collection of unpublished data from government agencies in Central America" (Hardesty and Taylor 1994:4-1). Some of the studies reviewed in the evaluation, however, do provide data.

4 Interview with Rodolfo Orlich A., President, Caneplanta.
Over this period, the estimated income for the bottom 25 percent of Guatemala’s income distribution increased yearly, from $1.6 million in 1978 to $17.2 million in 1993. It was estimated that the level of income would remain constant at $17.2 million each year through 2020 (see Fox, Swanberg, and Mehen 1994:57).

Interview with Rodrigo Jimenez, the General Manager of PINDECO.

Interview with Jose F. Tristan Orlich, the General Manager of Exporpack.

Data on the percentage of exports accounted for by foreign and national firms is difficult to obtain. The Costa Rican Export and Investment Promotion Center does not make this data available to the public.

This information is from an interview with Monica Duran Pacheco, the Executive Director of Acoflor, the Costa Rican Association of Cut Flower Producers/Exporters.

These estimates were provided by Alvaro Moya Ramirez, the Executive Director of Caneplanta, a Costa Rican association of ornamental plant producers/exporters.

Interview with Rodolfo Orlich A., President, Caneplanta.

Interview with Eladio Madriz Garcia, President, Alvalle.

Interview with Luciano Beeche O., President, Yucatica.

Interview with Julian Mateo, Operations Director, Costa Rican Coalition for Development Initiatives (CINDE).

For the interviews with the associations (Acoflor and Caneplanta), I did not use this whole questionnaire. I asked them for a description of the association, as well as their opinion about the benefits of nontraditional agricultural export promotion. Depending on the time left, I then selected other questions from this questionnaire.

These are not word-for-word transcriptions of each interview, but summaries of the main points.

Alvaro Moya Ramirez is also a member of the Board of Directors of the Costa Rican Chamber of Exporters.

Eduardo Alonso was the Executive Director of the Export and Investment Promotion Center (CENPRO) from May 1986 to November 1987, and then served as Vice Minister of Foreign Trade from November 1987 to September 1988. Mr. Alonso currently works as an independent economic consultant, and as an advisor to the Minister of Foreign Trade and the First Vice President of the Republic.

Eduardo de la Espriella was General Manager of the Private Agribusiness and Agro-Industrial Council (CAAP) of the Costa Rican Coalition for Development Initiatives (CINDE) from 1985 to 1989. He is currently the President of Geest Limited in Costa Rica, an English company that exports banana and pineapple.