

**THE CARICOM REGIONAL TRANSFORMATION  
PROGRAMME FOR AGRICULTURE**

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*A Review of Agricultural Policies:  
CASE STUDY OF BARBADOS*

**Report prepared for the CARICOM Secretariat**

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**December 2005**

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# GLOSSARY OF TERMS

ACP	African, Caribbean and Pacific
BADMC	Barbados Agricultural Development and Marketing Corporation
CARDI	Caribbean Agricultural Research and Development Institute
CARICOM	Caribbean Community
CET	Common External Tariff
CFRAMP	CARICOM Fisheries Resource Assessment and Management Programme
CSME	CARICOM Single Market and Economy
EU	European Union
FAO	Food and Agriculture Organization
FTAA	Free Trade Area of the Americas
GDP	Gross Domestic Product
GOB	Government of Barbados
HACCP	Hazard Analysis and Critical Control Point
ICCAT	International Commission on the Conservation of Atlantic Tunas
MFN	Most Favoured Nation
NTB	Non-Tariff Barriers
OIE	Organization Internationale de Epizootics
QA	Quality Assurance
R&D	Research and Development
RDC	Rural Development Commission
CRFM	Caribbean Regional Fisheries Mechanism
RTP	Regional Transformation Programme
S&T	Science and Technology
SPS	Sanitary and Phytosanitary
USA	United States of America
UWI	The University of the West Indies
VAT	Value Added Tax
WTO	World Trade Organization

# EXECUTIVE SUMMARY

## **Purpose and Scope of the Review**

This Report provides an analytical review of the major policy provisions for the agricultural sector in Barbados. The focus of the study was on the appropriateness of policy measures in facilitating transformation of the sector into one characterized by higher levels of efficiency and competitiveness. The review was conducted within the context of the challenges confronting agriculture as a consequence of liberalization and globalization.

While the primary interest was on the commodities selected for the competitiveness study (hot pepper, papaya and small ruminant), the review was necessarily broader in scope to include sector-wide policies since these could include incentives for enhanced efficiency and competitiveness of agriculture in general. The review also examined specific policies for other important commodities, since it was felt that there could be important lessons with respect to policy relevance and effectiveness that could be learnt from such cases.

## **Sector Profile**

Sugar, rum, cotton and a selected range of vegetables, roots and tubers as well as fruits, poultry, swine, mutton and milk are the major outputs of the agricultural sector in Barbados. Sugarcane, a major employer of the labour force has been undergoing significant restructuring not only to meet the requirements of international competitiveness, but also to play an additional role in augmenting the energy supply to the national grid through cogeneration as well as strengthening linkages with the Tourism/Services sectors. Cotton, once a vibrant export commodity is being rejuvenated to play an expanded role. The Barbados Black Belly Sheep has been used to provide meat for the domestic market as well as genetic material for expansion of the small ruminant industry, within the region. The pork and poultry industries have not only expanded production in recent years but have also seen growth in productivity.

The restructuring of the sugar industry has resulted in the diversion of some of the sugar lands into the services/recreation/sports sector, such as for the development of the golf courses. Rural development has been receiving greater focus over the years in an attempt to rationalize the utilization of the land and to address the multifunctional role of agriculture, not only in terms of food production and supply but also to guarantee a good quality of life for the population.

The thrust in agro-industry and food service has placed Barbados at the forefront to increase the Region's effort to add value and improve competitiveness of the sector.

Agriculture contributed an average of 6.4% of GDP over the period 1995–2000, but has declined to approximately 5% in 2003. The contribution of fishing has also declined but continues to play a strategic role in the country's economy. Of the remaining enterprises, only pork and poultry have shown increases in production and productivity.

The restructuring that took place in agriculture has also led to a reduction in the levels of employment in the sector. The planned developments in the Scotland District are expected to enhance agro-processing and employment creation.

### **Economy/Sector Wide Policies**

The overall policy goals for the sector include the transformation and repositioning of agriculture to increase its contribution to GDP as well as to enhance domestic food security. A reduction in the food import bill is also targeted in this regard.

The broad measures or instruments identified as part of the policy framework include initiatives at land use rationalization, focused incentive schemes to exploit market opportunities, improvement in quality assurance, modernization of agriculture and institutional reform. From our review, these elements are expected to remove sector constraints and improve competitiveness.

## **Commodity Specific Policies**

In addition to the sector-wide instruments, policies were also developed with respect to specific commodities. In the case of small ruminants (sheep), baselines surveys, development of production systems and preparation of business plans for the industry were identified as areas to be emphasized. With respect to the other commodities of interest no specific policy instruments were articulated. Provisions for them may have been subsumed under the sector-wide policy measures.

## **Other Specific Policies**

In the case of rural development, the policies addressed the development and conservation of water resources, modernization of infrastructure and training. With respect to agro-processing, the policy strategy included the expansion in value-added activities through product development and research. Modernization of legislation has also been identified to keep the sector abreast of global developments.

## **Trade policies**

Barbados has adopted various trade policy measures, including the use of a licensing system with the intent to reserve a share of its market for domestic producers. The country also has created space through the application of arguments for derogation such as ‘special and differential treatment’ and ‘small developing economies’. Border protection mechanisms also include a strong SPS regime designed to protect farmers and consumers.

## **Conclusion**

Generally, from our review of the policy documents, we observed that Barbados seems to be taking a proactive approach to preparing agriculture for increased competition. This is prudent since the WTO requires that the level of border protection be gradually dismantled, thus opening the domestic market to competition. Given, the relatively large size of the domestic market, which includes the tourism sector, the potential benefit from retaining a significant share for domestic production is significant. Towards this end, an

important strategy is the implementation of an effective food safety and quality assurance system.

The policies for the agricultural sector in Barbados are considered unique on two accounts, viz, (i) being broadly and fully integrated in the wider national economic policy; and (ii) attempts at fostering and establishing strong linkages between agriculture and other sectors of the economy. They also reflect a conscious effort to ensure a balanced development strategy in the country. Generally, the country's Agricultural Policy Framework provides an appropriate institutional and policy environment for the development of the sector in this period of globalization and competition.

With respect to the commodity specific policies for the RTP commodities, we note a general absence. Focused/targeted measures offer the potential to accelerate the process of transformation into competitive industries by complementing and reinforcing the sector wide policy provisions. In this regard the role of S&T/R&D is critical and the specific strategy for generating the technological solutions for the respective industries must be articulated.

# **SECTION 1.0 INTRODUCTION**

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## **1.1 PURPOSE AND SCOPE OF THE REVIEW**

This Report provides an analytical review of the major policy provisions for the agricultural sector in Barbados. The focus of the study was on the appropriateness of policy measures in facilitating transformation of the sector into one characterized by higher levels of efficiency and competitiveness. The review was conducted within the context of the challenges confronting agriculture as a consequence of liberalization and globalization.

While the primary interest was on the commodities selected for the competitiveness study (hot pepper, papaya and small ruminant), the review was necessarily broader in scope to include sector-wide policies since these could include incentives for enhanced efficiency and competitiveness of agriculture in general. The review also examined specific policies for other important commodities, since it was felt that there could be important lessons with respect to policy relevance and effectiveness that could be learnt from such cases.

## **1.2 SECTOR PROFILE**

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The restructuring of the sugar industry has resulted in the diversion of some of the sugar lands into the services/recreation/sports sector such as for the development of golf courses. Rural development has been receiving greater focus over the years in an attempt to rationalize the utilization of the land and to address the multifunctional role of agriculture, not only in terms of food production and supply but also to guarantee a good quality of life for the population.

The thrust in agro-industry and food service has placed Barbados at the forefront to increase the Region's effort to add value and improve competitiveness of the sector.

### **1.3 SECTOR PERFORMANCE HIGHLIGHTS**

Agriculture contributed an average of 6.4% of total GDP over the period 1995–2000, but has declined to approximately 5% in 2003. The contribution of fishing has also declined but continues to play a strategic role in the country's economy. Of the remaining enterprises, only pork and poultry have shown increases in production and productivity.

The restructuring that took place in agriculture has also led to a reduction in the levels of employment in the sector. The planned developments in the Scotland District are expected to enhance agro-processing and employment creation.

## **SECTION 2.0**

### **REVIEW OF RECENT SECTORAL POLICIES**

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Over the years, the Government of Barbados has enacted a number of policies and measures to stimulate growth in the agricultural sector. The Government's current initiatives are targeted at preparing the sector for competition in the globalized market place. Collectively, these measures are expected to increase agribusiness contribution to GDP over the medium term.

#### **2.1 AGRICULTURAL POLICY MEASURES**

Policies for the agricultural sector have been articulated within the framework of the National Policy, the current goals of which include:

- (i) Transforming and repositioning of the sector to increase its contribution to GDP
- (ii) Increasing the levels of domestic food security thus reducing the food import bill which was estimated at USD 330 million in 2003.

The specific policy instruments used to achieve these goals include:

- (i) Definition of a green belt for agriculture,
- (ii) Development of a programme of income transfers to the farming community,
- (iii) Provision of targeted incentives to exploit local and export markets,
- (iv) Upgrade technology to attract new investments in non-traditional agriculture,
- (v) Major institutional reforms: Ministry of Agricultural and Rural Development, Barbados Agricultural Development and Marketing Company (BADMC)
- (vi) Improvement in quality assurance and standards.

Recognizing the importance of agriculture in rural stability and food security, the Government has signaled its intention to accelerate implementation of the foregoing policies and measures.

The early 1990s witnessed two strategic initiatives within the agricultural sector viz, (i) the restructuring of the sugar industry; and (ii) the accelerated diversification into other agricultural based activities. The above initiatives were the country's responses to the erosion of preferences in the EU Sugar market.

Rationalization and restructuring of the sugar industry were aimed at achieving higher levels of cost efficiency and market competitiveness. Strategies in this regard were centered on increasing productivity and efficiency in growing and milling sugarcane, improved management structure and institutional strengthening. The last mentioned included proposals to reorganize the Ministry, the BADMC, the Rural Development Commission (RDC), as well as producer groups and farmers' organizations. These institutions were expected to undertake the burden of responsibility with regards to implementing the new diversification initiatives for the sugar industry.

Part of the new focus for the sugar industry was on electricity generation and fuel production to supply 10% of the country's annual electrical energy requirements.

## **SECTION 3.0**

### **COMMODITY SPECIFIC POLICIES/STRATEGIES**

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We consider here more specific policies for the sugarcane industry as a follow up to the broader sector level initiatives in the previous section. We also consider the case of cotton.

#### **3.1 SUGAR**

The policy measures outlined for the sugar sub-sector include the following [Medium Term Strategic and Macroeconomic Framework (2003)]:

- (i) Transformation of the sugar industry to take advantage of value added activities in pharmaceuticals, energy, alcohol, rum, board, wax and sweeteners
- (ii) Continue research between Ministry of Agriculture and Michigan State University on alternative uses for sugarcane
- (iii) Introduction of cane separation technology for alternative uses of cane juice
- (iv) Continue to meet EU obligations and that of the domestic market by producing 40,000 tonnes of sugar annually
- (v) Maintain technological and fiscal support to the industry as well as annual assistance to BAMC in 'out-of-crop' financing
- (vi) Introduce sugarcane replanting incentive scheme to encourage producers to maintain and return lands to cane cultivation
- (vii) Price support to the independent plantations as an incentive to continue production
- (viii) Continue government support to meet part of the wage bill of independent growers as well as meeting the cost of new diversification activities.

The above measures suggest a broad based approach to the transformation of the sugarcane industry. The measures are sufficiently focused and specific to achieve sustained improvement in competitiveness. Timely implementation is however critical to the success of this strategy given the erosion of EU market preferences and the proposed 36% reduction in the price of sugar to ACP suppliers.

### **3.2 COTTON**

Cotton, a major agricultural commodity for Barbados has had increases in production in recent years. In response to this renewed interest, the State has developed a five-year business plan for the industry which envisages significant production increases. The plan is to encourage private sector-led activities throughout the agribusiness chain from production-to-marketing and in spearheading of an integrated cotton industry.

The specific objectives for cotton are as follows:

- (i) Increasing production to 1,620 ha over a five-year period
- (ii) Establishment of a private sector-led company
- (iii) Development of a vertically integrated West Indian Sea Island Cotton industry
- (iv) New capital injections into the cotton R&D fund to undertake priority research and development activities.

## SECTION 4.0 NON-TRADITIONAL AGRICULTURE

### 4.1 LIVESTOCK

In the livestock sub-sector, the poultry, pork, mutton (Barbados Black Belly Sheep), beef and dairy industries are carded for development. The measures proposed are presented in Table 4.1.

*Table 4.1: Measures to enhance the Barbados Livestock Industry*

Poultry	<ul style="list-style-type: none"> <li>(i) Fiscal incentives to encourage greater adoption of the wind tunnel ventilation system</li> <li>(ii) Introduction of new legislation relating to slaughter house activities, market administration and transportation of refrigerated livestock products including poultry</li> </ul>
Beef and Dairy	<ul style="list-style-type: none"> <li>(i) To support the resurgence of the beef industry</li> <li>(ii) To develop a beef feed lot system parallel to that for sheep</li> <li>(iii) To improve the viability of dairy farms and provide the outlet for young bulls and heifers</li> <li>(iv) To continue with the policy of managing markets to allow dairy farmers to restore quotas at former levels</li> <li>(v) Establish a buy-local support fund</li> </ul>
Sheep	<ul style="list-style-type: none"> <li>(i) To support the conduct of baseline data surveys and commodity systems analysis</li> <li>(ii) To prepare a business plan and other pre-investment activities for the development of the industry</li> </ul>
Pigs	<ul style="list-style-type: none"> <li>(i) Continuation of special incentives to support the resurgence of the industry including increasing breeding stock, dedicated extension services, artificial insemination financing and rebates for investments in new technology</li> <li>(ii) Aggressive lending by the agricultural and livestock development funds</li> <li>(iii) Strengthening collaboration among stakeholders</li> </ul>

The policies outlined above aim at increasing domestic production of non-traditionals geared at satisfying local market requirements as well as satisfying certain developmental objectives such as employment creation and generating higher levels of farm income. Specifically, part of the domestic production of these crops and livestock commodities

will be absorbed in the tourism sector as well as in some agro-industries where strong linkages have developed over the years. In particular, our review noted that special emphasis is to be placed on encouraging agriculture value-added and to pursuing research and development in this area. Fiscal incentives are provided to support these new initiatives in addition to supporting legislation and standards.

Our review indicated that significant improvements in production and productivity have resulted from the commercial introduction of the wind tunnel ventilation system in the poultry sub-sector. In this regard, the current initiatives include further assistance to facilitate higher levels of adoption of this technology through specialized fiscal incentives.

## **4.2 FISH**

In the fisheries sub-sector, upgrade of infrastructure such as landing sites and marketing facilities has been earmarked for development including HACCP compliance. Specific measures include re-development plans for the Bridgetown Fish Complex and the Oistins Fish Market.

In order to promote the fisheries sector, the GOB has outlined a series of measures to upgrade the standard of fishing facilities to improve the handling, storage and display of fish, promote the product quality and consumer confidence in the sector, facilitate access to new technology to improve the efficiency of the sector, and to cooperate with other nations in the management of shared, straddling and highly migratory stocks. The government is also actively participating in the RFM, the planned successor to the CFRAMP in order to coordinate the management of the Region's fisheries resources, to ensure compliance with the ICCAT, within the context of regional and international agreements and to prioritize management of stocks of species identified as being sensitive.

## SECTION 5.0 TRADE POLICIES

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In this section we now highlight those trade policies that are likely to influence successful entry into the global market. In this regard, Barbados plans to undertake domestic reforms in such a manner that will mitigate against adverse consequences of both trade and economic liberalization as the country seeks to join the FTAA, the CSME and participate fully in the liberalized global economy by 2007. Some of the specific trade policy initiatives are discussed in more detail in the sub-sections that follow.

Over the years, Barbados has employed an import substitution strategy for promoting economic development. Thus, trade policy measures aimed at utilizing a system of tariff and non-tariff barriers were to be used to protect producers in the manufacturing and agricultural sectors until they were internationally competitive.

Within the context of globalization and trade liberalization dialogue, the country has used the Special and Differential Treatment mechanism and is now presenting a case for a new category called “Small Developing Economies” as a basis for further derogation.

Specific trade policy measures<sup>1</sup> implemented with respect to agriculture (after 1999) include the following:

- (i) Establishment of bounded tariff rates for
  - a. *All agricultural products except fish and fish products*
  - b. *Manufactured goods*
- (ii) Border protection measures for domestic production (agri-food sector, notably for meat, dairy and vegetables)
- (iii) Waivers and exemptions for imports of selected inputs and
- (iv) Drafting and special safeguard legislation (2002)

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<sup>1</sup> Source: Market Access Sectoral and Trade Barriers Database website. <http://mkaccdb.eu.int/cgi-bin/stb/mkstb.pl> -Barbados. last updated on 2004-02-06.

Prior to January 1997, the “other charges and duties” levied on imports included:

- (i) Consumption Tax
- (ii) Stamp Duty
- (iii) Surcharge
- (iv) Excise Tax and
- (v) Environmental Levy.

When VAT was introduced at 15%, it replaced all the above taxes with the exception of the Environmental Levy and the Excise Tax on certain products. This resulted in a marked reduction in the prices of imported goods<sup>2</sup>.

Current policies also make provision for appropriate safeguards on certain food products and aerated beverages. It should be noted that certain products for example poultry are imported only by the State-run organization, BADMC.

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<sup>2</sup> Reference Source: <http://mkaccdb.eu.int/cgi-bin/stb/mkstb.pl> -Barbados

## **SECTION 6.0 OTHER SECTOR SPECIFIC POLICIES**

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### **6.1 RURAL DEVELOPMENT**

The Scotland District was singled out for special development initiatives. These include conservation and reforestation, development of water resources, irrigation infrastructure, marketing of goods and institutional strengthening including training and disaster management. In addition, initiatives are proposed to encourage producers of agricultural and seafood value-added products to pursue new product development and investment in research and development<sup>3</sup>.

### **6.2 MARKETING POLICIES/MEASURES**

The marketing policies to support the agricultural sector's growth and development include strategic intervention to build market research capacity, market intelligence support, trade and market facilitation, export promotion and general market access.

In order to compete successfully in today's increasingly challenging environment, the exporter must have (a) a sound knowledge of the market, (b) a balance between price and quality of the product and (c) the ability to supply reliably and on time. In this regard, initiatives are required to routinely conduct commodity/market research in order to provide timely market information. The supplier must be able to respond to the competitive conditions in the marketplace: the pressures of price, changing consumer demand trends and concerns for food safety and environmental protection. Additionally, the exporter must also respond to a changing and more demanding regulatory environment.

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<sup>3</sup> Barbados 2003 Budget – Sectoral Policies. <http://www.vob929.com/html/budget/2003/part7.cfm> (p. 16)

### 6.3 QUALITY ASSURANCE AND FOOD SAFETY

The Medium-Term Strategic and Macro-Economic Framework (2003 Budget Statement) recognized that failure to address agricultural health and food safety in an environment of increasing trade liberalization and common international standards places the health of a nation at risk. It also compromises the tourism industry, militates against agricultural exports and increases the risk of introducing invasive alien species of pests and diseases as well as unsafe foods into the country.

In this regard, the government proposed to establish, *The National Agricultural Health and Food Safety Authority* to provide for improved coordination of activities relating to agricultural health and food safety. Further, to ensure reliable testing to support this critical area, projects have been developed for upgrading the infrastructure and systems in the areas of analytical and veterinary services, crop protection, cotton fiber, tissue culture and animal nutrition. A summary of these policies is presented below.

**Table 6.1: Summary of Barbados Quality Assurance and Food Safety Policies**

Grades & Standards	(i) Upgrading infrastructure and systems (ii) Establish policy, legal, and regulatory framework for setting standards and phytosanitary procedures.
SPS	(i) Establish a NAHFSA to coordinate activities in agricultural health and food safety (ii) Special emphasis to be placed on SPS (iii) Update plant and animal health legislation. Quality assurance and standards to be given high priority (iv) Special consideration to be given in respect of compliance with SPS (v) Government through all its agencies will rigorously assist exporters in maintaining and improving market share including breaking the language barrier and correcting for the lack of market intelligence and SPS (vi) Updating of all plant and animal health legislation

Compliance with food safety standards and the reengineering of production systems and processes seem to be progressing satisfactorily and indeed, the implementation rate appears to be much faster than other CARICOM countries. Legislation and regulatory support are also keeping pace with development of the national health and food safety infrastructure support and systems. However, it should be noted that while attempts are made to ensure quality and safety of products, accompanying penalties for non-compliance are absent. Unless these provisions are included in the protocols, the upgrading and modernization exercise although necessary will be insufficient to prepare the sector for successful entry into the single global market.

#### **6.4 SCIENCE AND TECHNOLOGY**

The Medium-Term Strategic and Macro-Economic Framework stated that government will establish a National Science and Technology Centre under the National Science and Technology Council<sup>4</sup>. Specifically, the stated policies are as follows:

- (i) To embrace a new approach to science and technology and to deploy new means to equip nationals to master the use of new modern technology.
- (ii) Accelerate the programme of access to technology and re-tooling in industries as a vital aspect of enhancing competitiveness.
- (iii) To establish a National Fund to finance R&D projects supportive of developmental initiatives.
- (iv) To establish a national centre under the S&T Council.

#### **6.5 EXTENSION AND TRAINING POLICIES**

The existing mix of extension and training policies comprise specific measures in the areas of technological packages and commodity-specific extension services, promotion of best practices and improvement in production technology as well as a fairly comprehensive programme of training in selected agricultural disciplines. These are summarized below.

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<sup>4</sup> Barbados 2003 Budget – Sectoral Policies. <http://www.vob929.com/html/budget/2003/part7.cfm> (p. 28)

**Table 6.2: Summary of Policies/Strategies for Technology Transfer – Barbados**

<b>Item</b>	<b>Policies/Strategies</b>
Extension Services Specific to the Commodity	Institutional reforms of MAR, BADMC, RDC and farmers organizations
Technological Packages	To encourage farmers to invest in proven technology and good agricultural practices. Introduction of new crop technology
Training in Management	To accelerate the programme of improving access to technology and retooling to enhance competitiveness
Training in Marketing	Implementation of a farm attachment mentorship programme for youths
Training in Value Added	Special incentives to be introduced to invest in marketing and processing facilities in Scotland District
Promotion of Best Practices	To be monitored and accelerated. Implement a technical assistance programme

While extension services are available, the quality and relevance are often questioned by the farming community. Further, their existing modes may not provide the much needed fillip to position the sector on a competitive path over the medium-term. We are of the view that the technology transfer unit for the sector should be continuously strengthened and re-customized to meet today's requirements for higher levels of productivity and efficiency. We observe a commendable policy towards promotion of best practices as this would support the food safety and SPS initiatives and can also work in support of the country's border protection measures. Further, adoption of best practices will serve to modernize and improve the competitive edge of the Barbadian agricultural sector. We are also of the view that the policy focus should recognize the importance of strong linkages between the research and the technology deployment units.

## 6.6 AGRICULTURAL LEGISLATION

With regard to modernizing agricultural legislation, the document recognizes the urgent need for the introduction of new institutional and legislative arrangements to ensure the effective implementation of national economic policies<sup>5</sup>. Accordingly, the National Agricultural Commission developed a Sustainable Agricultural Development Bill to place agriculture on a similar legislative footing with other sectors of the economy such as tourism.

Legislative reform has been particularly rapid in the European Union. Within recent times, new tracability and labeling legislation were introduced. Likewise, Canada and the USA have quality assurance and tracability regulations in place to protect plant and human health. We recognize however, that conflict may arise where countries consider these new legislations as an overt trade barrier, often sighting only political rather than scientific reasons for the new rules. One concern emanating from this is the eventual high costs of food resulting from implementation, especially with regards to the concern of poor rather than the wealthy people who are in need of food.

The above developments suggest that obsolete legislation cannot support competitive agriculture in today's global trading regime. While noting the establishment of the Sustainable Agricultural Development Bill, we wish to reiterate that legislative reform must be scientifically-based to protect the country's agriculture rather than act as a non-tariff barrier. We wish to highlight also that generally in the Region, legislative reform has been overly time-consuming, particularly in the area of implementation and as such efforts should therefore be made to ensure expediency. It is also important that Caribbean legislators translate and interpret the developed country's legislation accurately to inform the design of their own. In this regard, the need for building competencies in Barbados as well as the Region must be recognized and appropriate action taken to meet the requirements.

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<sup>5</sup> The Medium-Term Strategic and Macro- Economic Framework. Summary of proposals (Financial Statement. Economic and Financial Policies of Government. Presented By The Rt. Hon. Owen Arthur Prime Minister And Minister of Finance & Economic Affairs Barbados October 25, 2003)

## **6.7 POLICY ON INCENTIVES**

An important provision for the agricultural sector is an appropriate incentive package which provides financial support targeted at increasing new investment flows and enhancing productivity in the sector. The major components of such packages include concessionary credit, rebates, duty free concessions as well as other specific instruments to encourage introduction and adoption of new technologies to promote increased efficiency. The present policy orientation aims at a new incentive programme with emphasis on up-front duty free concessions aimed at addressing productivity enhancement, product development, and agricultural health and food safety. Some of the initiatives include the tunnel ventilation system for poultry, development of value added and agricultural waste treatment. Details of the current package of incentives are presented in Box 6.1.

From our review of the database, the range of incentives provided for the sugar sub-sector appears to be supportive of a competitive sugar industry and higher levels of efficiency and competitiveness are expected over the medium-term.

The provision of incentives for the sheep and beef sub-sectors such as the establishment of feedlots can lead to increased levels of technology adoption, greater production efficiency and enhanced competitiveness. In addition, the duty-free concessions for specialized refrigerated vehicles and the rebate on product development and research in value added can lead to risk reduction associated with marketing of primary commodities, and at the same time enhance commodity utilization. Overall, the package appears to be quite attractive and once easily accessible should lead to increased investment flows, greater technological adoption and higher levels of efficiency and competitiveness.

### BOX 6.1

#### Summary of Policy Incentives and other Sector Support Measures

- (i) Continue to assist with out-of crop financing of the sugar industry via the continuance of the Bond issues guaranteed by the Government.
- (ii) Continue to provide support to the Cane Replanting Incentive Scheme at an estimated annual cost of \$1.5 million.
- (iii) Provide price support to independent cane growers.
- (iv) Provide capital injection of \$1 million to the Cotton Research and Development Fund.
- (v) Implement measures to enable the development of a sustainable pork industry.
- (vi) Provide \$250,000 in support of the preparation of a business plan as well as pre-investment activities in the Barbados Black Belly Sheep Industry.
- (vii) Provide a grant of 50% of cost up to a maximum of \$250,000 to registered farmers organizations for the establishment of a beef feed lot.
- (viii) Allocate adequate funds for Government institutions to meet 60% minimum purchase requirement for local produce.
- (ix) Establish a Buy Local Support Fund to facilitate the payment of price differentials to suppliers of local produce to Government institutions.
- (x) Establish a Scotland District Investment Support and Development Fund to provide grant funds to support the development and implementation of agricultural and agro-related projects.
- (xi) Establish a National Agricultural Health and Food Safety Authority.
- (xii) Establish a Special Competitiveness Enhancement Fund to finance benchmarking of agricultural enterprises and the implementation of competitiveness enhancement strategies.
- (xiii) Provide \$1 million under the Agricultural Development Fund as special project financing for specialized agribusinesses.
- (xiv) Provide \$250,000 annually to meet the administrative costs of a Farm Mentorship Attachment Programme for young people interesting in farming.
- (xv) Recapitalize the Agricultural Development Fund by \$7.5 million and restructure it to provide \$10 million in annual loans to the sector as well as \$6.0 million annual support to the sugar industry.
- (xvi) Upgrade fish landing sites and marketing facilities to ensure their compliance with Hazard Analysis Critical Control Point (HACCP) and other international standards.
- (xvii) Grant a maximum rebate of \$25,000 on the components of approved environmental control systems for poultry and livestock facilities.
- (xviii) Grant duty free concessions on refrigerated and other specialized vehicles used in the transportation of animals, meat and fish.
- (xix) Grant a rebate of 50% up to a maximum of \$25,000 on the cost of product development of value-added agri-food and seafood products.
- (xx) Grant a rebate of 50% up to a maximum of \$15,000 per annum to agribusinesses engaged in the treatment of agricultural produce and fish waste to produce useful by-products.
- (xxi) Grant a rebate of 50% or a maximum of \$5,000 per holding per annum to farmers to implement waste disposal and environmental control systems.
- (xxii) Grant a rebate of 75% or a maximum of \$240 per hectare under a Strip Tillage Incentive Scheme.
- (xxiii) Effective April 1, 2004 reduce the Corporation tax rate of all manufacturers to 25%.

*Source: The Medium-Term Strategic and Macro- Economic Framework as contained in Financial Statement. Economic and Financial Policies of Government. Barbados October 25, 2003*

## **6.8 AGRICULTURAL FINANCE**

Policies to address recapitalization of the sector as outlined in The Medium-Term Strategic and Macro-Economic Framework<sup>6</sup> include:

- (i) Restructuring of the Agricultural Development Fund to support retooling of the sector in order to achieve international competitiveness
- (ii) Recapitalization of the fund to accommodate increased demand as a result of the measures proposed by the MAR
- (iii) Providing annual support to the sugar industry (B\$6.0 M)

Sources of agricultural credit include commercial banks and certain government institutions. However, we note that there is no specialized autonomous credit institution to service the specific needs of the agricultural sector. Further, the policy review identified credit for smallholders as being particularly limited and on the decline – total credit from commercial banks to agriculture and fisheries declined from B\$50.7 million in 1999 to B\$43.8 million in 2002 – a decrease of 13.6%.

The recapitalization of the Agricultural Development Fund and the creation of other specific mechanisms such as the Scotland District Agricultural Development Fund can serve to alleviate the problem of limited credit availability to the sector. In this regard, we wish to also reiterate that good access and efficient delivery of customized rural credit is a precursor to a vibrant and competitive agricultural sector.

## **6.9 LAND POLICY**

The stated policy seeks a revisit of the current land-use in order to generate higher levels of national and social returns and to make land available to the landless through technical support and procurement respectively. The policy also seeks to “give space to agriculture” and create green belts.

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<sup>6</sup> The Medium-Term Strategic and Macro- Economic Framework (pg 13 – 14) (Financial Statement. Economic and Financial Policies of Government. Presented By The Rt. Hon. Owen Arthur Prime Minister And Minister of Finance & Economic Affairs Barbados October 25, 2003)

## 6.10 WATER POLICY

A draft policy framework for water resources development and management was approved in 1997<sup>7</sup>. The establishment of an authority to assume regulatory and assessment functions was proposed. The authority had its mandate realigned to concentrate on potable water supply. The agricultural sector currently utilizes an estimated 6 million gallons of water per day mainly for the irrigation of vegetable crops. Both ground and surface water are used for agriculture. While Government-supported irrigation projects are in operation, irrigated land remains only a very small fraction of the total agricultural land used in 2004. While some farmers are using improved irrigation systems (mainly drip irrigation) the efficiency and management of these systems need to be upgraded and expanded (Ibid).

The policy statement includes development of a code of agricultural practices to address water pollution problems and conservation measures. Water for “non essential purposes” would be restricted in the dry season. Construction of a desalination plant to augment supplies is planned and water resources in the Scotland District would have to be developed as part of the overall project. Other water development projects are to include hydro-geological drilling and reservoir development.

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<sup>7</sup> Reference Source: FAO Document Repository. Land Resources Information System in the Caribbean. Barbados.  
[http://www.fao.org/documents/show\\_cdr.asp?url\\_file=/DOCREP/004/Y1717E/y1717e08.htm](http://www.fao.org/documents/show_cdr.asp?url_file=/DOCREP/004/Y1717E/y1717e08.htm) (pg 3)

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The Miscellaneous Controls (General Open Import License) Regulation, the Importation and Exportation of Goods (Prohibition) Amendment Regulations and the Customs Tariff (Amendment) Order, were passed (<http://mkaccdb.eu.int/cgi-bin/stb/mkstb.pl> -Barbados)