

**THE CARICOM REGIONAL TRANSFORMATION
PROGRAMME FOR AGRICULTURE**

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

Report prepared for the CARICOM Secretariat

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GLOSSARY OF TERMS

AoA	Agreement on Agriculture
CARDI	Caribbean Research and Development Institute
CAREC	Caribbean Epidemiology Centre
CARICOM	Caribbean Community
CARIRI	Caribbean Research Institute
CET	Common External Tariff
CSME	CARICOM Single Market and Economy
ERP	Economic Recovery Programme
EU	European Union
FAO	Food and Agriculture Organization
FTAA	Free Trade Area of the Americas
FTC	Farmers Training Centre
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GRDB	Guyana Rice Development Board
GRPA	Guyana Rice Producers Association
GUYSUCO	Guyana Sugar Company
HACCP	Hazard Analysis and Critical Control Point
ISPM	International Standards for Phytosanitary Measures
MFN	Most Favoured Nation
NARI	The National Agricultural Research Institute
NDS	National Development Strategy
NGMC	The New Guyana Marketing Corporation
NTB	Non-Tariff Barriers
QA	Quality Assurance
R&D	Research and Development
RRD	Replacement Revenue Duty
RTP	Regional Transformation Programme
S&T	Science and Technology
SAP	Structural Adjustment Programme
SPS	Sanitary and Phyto Sanitary
UK	United Kingdom
USA	United States of America
WTO	World Trade Organization

EXECUTIVE SUMMARY

Purpose & Scope of the Review

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

While the primary interest was on the commodities selected for the competitiveness study (hot pepper, sweet potato, papaya, coconut and small ruminant), the review was necessarily broader in scope to include sector-wide policies since these could provide incentives for enhanced efficiency and competitiveness of agriculture in general. The review also examined commodity-specific policies for non-RTP commodities since it was felt that important lessons on policy relevance could be learnt.

Sector Profile

The Guyanese economy is still heavily dependent on primary agriculture with rice and sugar being the two most important agricultural commodities on the basis of their respective contributions to exports earnings, farm incomes, employment and food security. In an effort to meet the challenges of competition as a result of liberalization of markets and the erosion of preferences, the government has been attempting to improve productivity and efficiency in the traditional export crops while promoting non-traditionals.

Guyana produces a range of domestic food crops as well as livestock and fishery products, some of which are exported while the major part is utilized for domestic food consumption. The livestock sub-sector includes dairy and beef cattle, swine, sheep, goats and rabbits. The country has a large fishery sector exploited by both local fishers and multinationals. The forestry sector is also well-developed with products marketed both regionally and internationally. Food crop production includes a variety of root crops

(cassava, eddoes and sweet potatoes), plantain, cowpeas as well as vegetables. Fruit crops such as citrus, pineapples, mangoes, papaya and carambola are also grown.

Production technologies are traditional and productivity is generally below optimal levels. Small farms with low levels of technology, low volumes of output and high production costs exist side by side with modern commercial farms, more appropriately structured and equipped to become competitive. Although mechanization is widespread in sugar and rice, other agricultural industries are generally labour-intensive. With respect to agro-processing, this industry is relatively underdeveloped. There is scope for significant entrepreneurial activity here given the wide range of agricultural raw material that the country is capable of producing. However, the realization of this potential requires a serious R&D thrust.

In 2003, the agricultural sector (including fisheries and forestry) accounted for 35% of GDP and 46% of merchandise exports. It was the main source of employment for the rural population of the country, employing 30% of the labour force in that year. With regard to sub-sector contribution to agricultural GDP, in 2003 sugar contributed 54%, rice 12.6%, livestock 7.5%, fishing 9.2% and other agriculture 16.8%.

Policy

Economy-Wide Measures: Prior to the 1990s, the government of Guyana pursued inward looking policies where the State was deeply involved and exercised firm control of over most industries and the economy. Tight controls were in place with respect to imports, foreign exchange and private sector activities. The *Economic Recovery Programme (ERP)* of 1989-92 was an attempt to gradually liberalize the economy and rationalize the level of involvement of the State in various sectors of the economy.

Following the ERP, Guyana in 1996 developed its *National Development Strategy (NDS)* which included measures to enhance efficiency and competitiveness within the sector such as the upgrade of infrastructural facilities, development of market intelligence and R&D capabilities as well as training and education. The measures proposed for the sector were clearly critical and strategic for lifting levels of productivity and cost efficiency. It is noted however, that other key policy measures were needed to complement those in the

Strategy including, more effective extension support, development of an effective SPS and quality assurance system, the upgrading and modernization of marketing infrastructure and the revision of strategies (governance models) to mobilize the productive capacity of small producers.

Commodity-Specific Policies: At the commodity specific level, there was little evidence of policies emphasizing the RTP commodities of interest, the exception being R&D for small ruminants. However, in the case of sugar and rice, the two most important commodities for the country, the industries had formulated their own set of policy measures/instruments to address the challenges of the increased competition arising from the erosion of preferences in the EU market. The proposals for both commodities comprehensively addressed issues that are considered key in enhancing and sustaining productivity and efficiency, leading to greater international competitiveness.

For the non-traditional sub-sector, generally the strategies proposed included greater attention to R&D, agronomic practices, water management, germplasm, farming systems, mechanization and marketing (emphasis on market information). They also include advisory services, market facilitation, postharvest technology and agro processing and the establishment of rural development centres and cooperatives.

Conclusion

The policy objectives and policy areas identified in the NDS (1996) generally include some of the key drivers of competitiveness. We noted, however, that insufficient attention was paid to quality assurance, SPS and food safety. With the lowering of the levels of tariffs in agricultural trade under the WTO, trade today is being regulated more by non-tariff measures. Quality standards are being upgraded on a continuous basis and therefore are likely to become the most important driver of international competitiveness. We note also that the NDS appears to pay inadequate attention to the need for an effective and efficient technology transfer and extension system. We ask that this area therefore should receive greater emphasis given the important role of technology in the transformation process.

Although the policy mix of the NDS with respect to sector-wide policies is generally in the right direction, its effectiveness in the transformation of agriculture depends on implementation. Given the limited resources of the country and the many segments of the sector making claims on these resources, the impact of the policy provision is unlikely to be noticed unless priorities, accompanied by specific actions to address constraints are established.

The policy document has provided little by way of specific policies for the commodities selected by the RTP – the exception being R&D with respect to small ruminants. We draw attention to the specific policy measures outlined for the sugar and rice industries. We are of the view that the latter proposals are not only the correct ones, but are also sufficiently focused and detailed to provide the desired transformation of sugar and rice into competitive industries. Likewise, with respect to the RTP commodities, we are of the view that highly specific and focused policy measures are necessary to complement the sector-wide policies in creating the enabling environment to transform them into competitive industries.

SECTION 1.0 INTRODUCTION

1.1 PURPOSE & SCOPE OF THE REVIEW

In this Report, we provide an analytical review of the major policy provisions for the agricultural sector in Guyana with a focus on the development of an efficient and competitive sector in the context of the challenges of liberalization and globalization. In this regard, we start with the policy reform agenda associated with the country's ERP of 1988–94, followed by the policies in the period after 1995 which emerged in response to the various measures under the WTO Agreement on Agriculture. Our review includes policies at the sectoral and commodity levels as well as the specific trade policy measures under the WTO disciplines of market access, domestic support and export subsidies.

The Report is introduced with a brief overview of the agricultural sector in Guyana. We then present an overview of the main policies at the sectoral and commodity levels, followed in each case by a discussion of these in terms of their appropriateness in the context of the global policy environment.

1.2 SECTOR PROFILE¹

The Guyana economy is still heavily dependent on the primary agricultural sector. Rice and sugar remain the two most important agricultural commodities in Guyana on the basis of their respective contributions to agricultural exports, earnings, farm incomes employment and food security. In an effort to meet the challenges of competition as a result of liberalization of markets and the erosion of preferences, the government has been attempting to remedy the situation by seeking to improve productivity and efficiency in the traditional export crops while promoting non-traditional crops.

¹Trade Policies by Sector. Guyana. http://www.wto.org/english/tratop_e/tp_e/s122-4_e.doc

Guyana also produces a range of domestic food crops as well as livestock, some of which are exported while the major part is utilized for domestic food consumption. The livestock sub-sector includes dairy and beef cattle, swine, sheep, goats and rabbits. The fishery sub-sector is reasonably well developed and is exploited by both Guyanese fishers as well as multinationals. Exports from this sub-sector are considered substantial.

Food crop production includes a variety of root crops (cassava, eddoes, and sweet potato), plantain, cowpeas as well as vegetables. Fruit crops such as citrus, pineapples, mangoes, papaya and carambola are also grown.

Production technologies are traditional and productivity is generally below optimum levels. Small farms with low levels of technology, low volumes of output and high production costs exist side by side with modern commercial farms more appropriately structured and equipped to become competitive. Although mechanization is widespread in sugar and rice, some agricultural sub-sectors are labour-intensive.

With respect to agro-processing, this industry is relatively underdeveloped. There is scope for significant entrepreneurial activity here given the wide range of agricultural raw material that the country is capable of producing. However, the realization of this potential requires a serious R&D thrust.

1.3 SECTOR PERFORMANCE HIGHLIGHTS

The agricultural sector, including fisheries and forestry, contributed about 30% of GDP and 46% of merchandise exports in 2003. It represents the main source of employment for the rural population of the country, employing 30% of the country's labour force.

With regard to sub-sector contribution to agricultural GDP, in 2003 sugar contributed 54%, rice 12.6%, livestock 7.5%, fishing 9.2% and other agriculture 16.8%.

As the mainstay of the economy, sugar accounted for 16% of total GDP, 20% of the cultivated land, 23% of foreign exchange earnings and 10% of the labour force in 2002². Rice, the largest user of agricultural land, contributed approximately 20% of agriculture GDP and 12% of total export earnings 12% during the same period.³ During the same year, total merchandise imports stood at USD\$563.1 million of which food and related products accounted for 17.6% (USD\$99.4 million). (Source: Guyana Bureau of Statistics, 2003; Bank of Guyana Statistics, 2003).

1.4 AGRICULTURAL TRADE

The major non-traditional agricultural exports include shrimp and fish, Heart of Palm, coconuts (crude oil, copra), plantains, mango, pineapple, and watermelon (Table 1.1). A range of agro-processed products is exported to regional and selected metropolitan markets, e.g., spices condiments, jams, sauces, fish, and medicines. However, these volumes remain small.

Table 1.1: Major Non-Traditional Export Crops: Guyana (2002)

Major Commodities	Export Volume (Tonnes)	% of Total Volume
Heart of Palm	1381.5	33.6
Coconuts (Crude Oil)	742.0	18.0
Copra	741.6	18.0
Plantain	371.7	9.0
Others	256.1	6.2
Mango	222.6	5.4
Pineapple	143.7	3.5
Watermelon	90.4	2.2
Lime	63.5	1.5
Hot Pepper	46.0	1.1
Pumpkin	41.9	1.0
Wiri Wiri Pepper	10.1	0.2
Total	4,111	

Source: Overview of Guyana's External Trade. pp 15.
<http://www.guyanaconsulate.com/documents/Guyana%20foreign%20trade%202001-2002.pdf>

² Reference Source: Guyana Development Policy Review. The Challenges of Governance and Growth. November 2003. Report No. 25640-GUA. Document of the World Bank. pp 46

³ Source: Trade Policy Review. Guyana. Report by the Secretariat. Restricted. World Trade Organization WT/TPR/G/122. 1 October 2003. (03-5077) http://www.crn.org/documents/Trade_Policy_Reviews/Guyana%20Trade%20Policy%20Review%20Oct%202003%20-%20Summary.pdf Page 5

In terms of the direction of Guyana's external trade, the data highlights the USA as Guyana's leading export market destination, followed by Canada and the UK, with the EU as a block accounting for approximately 25% of the country's export. Our review further reveals that CARICOM has become an important market for Guyana. In 2002, an estimated 25% of Guyana's export was directed to the CARICOM market, with Jamaica, Trinidad and Tobago and Barbados being the major destinations (*Source: Overview of Guyana's External Trade. Bank of Guyana, p. 8*).

With regard to sources of imports, the USA was also Guyana's main source of import. Trinidad and Tobago followed as the second important source with other CARICOM countries also being important suppliers to the Guyanese market.

SECTION 2.0

REVIEW OF RECENT SECTORAL POLICIES (1995–2004)

We present here the general sector level policies for Guyana’s agriculture. This is followed by specific commodity-level and trade policies. We then consider other sector level policies such as investment policy, science and technology, land policy, quality assurance and food safety among others.

2.1 THE ECONOMIC RECOVERY PROGRAMME (1988–94)

For much of the period from independence in the 1960s until the late 1980s, Guyana pursued a series of inward looking policies where the State was deeply involved and exercised firm control of most areas of the economy including the agricultural sector. Tight controls were in place with respect to imports, foreign exchange and private sector activities. With the elimination of a properly functioning private market system and the consequential disincentive for entrepreneurial and investment activities, the economy remained depressed for most of the period. The secular decline of the economy and the consequential deteriorated state of the country’s infrastructure and depressed socio-economic conditions led the Government to seek assistance from the multilateral lending agencies by the end of the 1980s. The response was the Economic Recovery Programme (ERP) (1988) which sought to introduce policies to liberalize a range of economic activities and industries while introducing disciplines in the management of the economy. In return, funding was provided for the rehabilitation of key infrastructural works and upgrading of social services and institutions.

The ERP, which in essence was a SAP, addressed economy-wide constraints and impediments to growth and development. Within a relatively short period of time, Guyana’s economy showed significant improvement in performance. However, both sugar and rice were slow to respond due to the poor state of plant, equipment and infrastructure. In an attempt to rejuvenate the sugar industry, the Government hired Booker-Tate as managers and sought to recapitalize the industry with a World Bank loan. In the case of rice, the initiative included rehabilitation of some of the drainage/irrigation

infrastructure. A new policy environment conducive to investment and entrepreneurship along with Government's recapitalization of the two industries provided the platform for improved productivity, growth and development. However, given the gestation period associated with such activities, the positive results were not noticeable until many years later, in the early 1990s.

2.2 SECTORAL POLICIES 1994 (RESPONSE TO THE WTO)

Guyana's policy response to the WTO's AoA disciplines was outlined in the country's National Development Strategy (NDS) 1996 (Government of Guyana, NDS). The policy objectives articulated were aimed at the transformation of the sector to increase its productivity, output, production and competitiveness, and included:

- (i) Providing adequate support services and infrastructure to facilitate development of the sector,
- (ii) Reducing restrictions on market operations to allow for free mobility of resources and increasing domestic market access,
- (iii) Providing producers with greater control over productive resources,
- (iv) Designing and implementing systems for information generation as they relate to market intelligence and research and development,
- (v) Increasing linkages for information flows to all stakeholders in the sector to inform investment, production and marketing decisions,
- (vi) Increasing the relevance of agricultural training and education,
- (vii) Targeting investments to upgrade infrastructure in the areas of drainage, irrigation, roads and other support systems, and
- (viii) Developing maintenance models and mechanisms for productive infrastructure, in particular drainage and irrigation.

The policy document identified a number of economic opportunities based on export potential. The following sub-sectors⁴ were identified:

- (i) Traditional agriculture – sugar, rice
- (ii) Non-traditionals – vegetables, root crops, orchard crops, herbs, spices, and oil palms
- (iii) Horticulture – various types of fruits and flowers
- (iv) Fisheries – fresh and salt water fish, shrimp, and aquaculture, and
- (v) Agro-industry – processing, canning and bottling of agricultural products including rice, sugar and various non-traditional crops.

The policies outlined in the NDS, if accompanied with the right set of implementation strategies could contribute to improved efficiency and competitiveness of the sector. However, we note insufficient attention being paid to some key policy areas that have the potential of raising the level of international competitiveness. While these may have been subsumed under the above policy areas, their importance requires explicit recognition. They include the following:

- (i) More effective extension support
- (ii) Development of institutions and facilities for SPS, HACCP and quality assurance
- (iii) Upgrading and modernization of marketing and shipping infrastructure and
- (iv) Support for the establishment of governance models to mobilize the productive capacity of small producers.

⁴ Chapter 4. Macro-Economic Strategies and the Management of the Economy. 4.I The State of the Economy <http://www.sdn.org.gy/nds/chapter4.html>

SECTION 3.0

COMMODITY SPECIFIC POLICIES/STRATEGIES

The Draft NDS also included an elaboration of policies for sugar, rice and other commodities. We now consider the proposals with respect to these commodities.

3.1 THE SUGAR INDUSTRY

In the case of sugar, the objective was to improve the competitiveness of the industry in order to increase its contribution to the development of the country. The initiatives under the ERP were not enough to address all of the industry's problems as the sugar industry was still being constrained by inadequate/poor infrastructure and equipment. For example, the eight sugar mills were considered obsolete and hampered by low capacity.

The strategies proposed in the NDS for improving the performance of the industry included:

- (i) Utilization of the most productive soils that were available within the various agro-climatic zones so as to achieve the highest yield of sugar at the lowest possible costs
- (ii) Increasing the productivity of the Demerara sugar estates by adopting more effective agronomic practices
- (iii) Improvements in the quality of the milling process through the establishment of new mill and the amalgamation of others and
- (iv) Adding value to the sugarcane raw material through the expansion and deepening of the manufacturing process, the widening of the range of sugar-based products and the enhanced packaging of these products.

Using the broad strategies outlined above, GUYSUCO then formulated its plan in 1998, aimed at enhancing the competitiveness of the industry. The focus was the transformation of the industry into one that was entrepreneurial, customer driven and a producer of top quality sugar for the retail market at a cost that will enable it to compete in any foreseeable market environment. The specific mechanisms and strategies are presented in Box 3.1.

BOX 3.1

The Sugar Industry: Strategies (1999–2008)

- (i) To reduce unit costs to a level that will ensure viable and sustainable operations in the anticipated future markets. The strategy is to concentrate investment on increasing production in the lower cost areas of Berbice, to maximize the use of the best class of lands, and to develop larger processing facilities that benefit from economies of scale and more modern technology.
- (ii) Continued operations in the less favourable areas where, despite their cost disadvantages, given its multifunctional role.
- (iii) The construction of a new factory at Skeldon is proposed, the expansion of an existing one in Albion, and the closure of the Rose Hall mill
- (iv) The targets for the industry aims at increasing production levels up to 457,000 tonnes per annum, and unit costs down to U.S. \$0.1261 per pound, including depreciation.
- (v) The plan further envisages the restructuring of the administration and management of the estates and at the corporation's head office, the amalgamation of contiguous estates, the mechanization of cane loading, the introduction of more modern processing technology into existing factories, and the outsourcing of a range of activities and services to increase productivity.
- (vi) Further, the plan envisages continuing to exploit the existing preferential market and intensification of marketing strategy within the CARICOM market.
- (vii) Consideration to additional value added investments in refining, distilling and electricity generating activities.
- (viii) The use of the term "Demerara" as a geographic indication for both sugar and rum are being pursued.

Source: Trade policies by sector. WT/TPR/S/122 http://www.wto.org/english/tratop_e/tp_r_e/s122-4_e.doc

3.2 THE RICE INDUSTRY

The rice industry is second only to sugar in its importance to the economy. Although the Ministry of Agriculture has overall responsibility for the rice industry, the Guyana Rice Development Board (GRDB) and the Guyana Rice Producers Association (GRPA) play key roles in the planning and overseeing of the industry. Through their involvement, farmers and millers participate in decisions regarding the industry. The Rice Board assumes the role of facilitator of selected activities within the industry which is now almost completely in the hands of the private sector.

According to the NDS, the overriding objective for the rice industry is to become internationally competitive so as to ensure sustainability in the context of reduced preferential access and falling export prices in the EU. The specific strategies proposed for the sector includes enhanced grades and standards systems, improved extension services, market expansion and diversification. The introduction of a rice futures market, formation of a rice marketing consortium, improved systems for drying and storage and product development are also planned including improvements in the operations and maintenance of the Drainage and Irrigation systems (NDS). Elaboration of the proposed strategies is presented in Box 3.2.

BOX 3.2

The Rice Industry: Proposed Strategies

- (i) The capacity of the GRDB to develop a set of regulations and standards relating to contractual procedures, payment mechanisms, rice quality, etc., will be strengthened.
- (ii) Extension services will cover more than the traditional area of providing information on production techniques and inputs (seeds, agro-chemicals). They will in particular, include farm management as a core activity.
- (iii) GRDB will establish a Market Information System.
- (iv) A permanent, formal and appropriate mechanism for bringing together the primary institutions of the agricultural sector to discuss and resolve issues such as land use the need to put down new infrastructure (D&I, roads, etc.) for opening new rice lands; competition for scarce water resources; and environmental matters will be established.
- (v) The industry will be assisted by the relevant government industries to continue to access the markets of the European Union, Caricom and Africa. At the same time, it will be helped to develop further the markets in the broader Caribbean, particularly in Haiti and Cuba, and in other countries of Latin America.
- (vi) To penetrate these markets successfully, the industry will be encouraged to establish a "consortium" with the capacity to export large shipments, develop export strategies, and a market intelligence service.
- (vii) Mechanisms for "futures" marketing will be developed.
- (viii) In addition to the rehabilitation of facilities in Georgetown, and the installation there of bulk and bond facilities, such services will be installed at Corriverton, Rosignol and Essequibo.
- (ix) A review of the present system of drying and storage will be undertaken in order to effect its improvement as these operations are crucial to the attainment of increases in yields and quality.
- (x) Regulations will be issued and enforced to ensure that the quality of rice exported is that which is stated on the export contract.
- (xi) The rice industry will be diversified. Fiscal incentives will be provided for the production of such value-added goods as rice flakes, popped rice, rice straw (for mushroom production and as a ruminant feed) and for the use of hulls as a fuel and in concrete production.
- (xii) Within the general policy of facilitating credit to Guyana's producers, measures will be taken to ensure adequate financing for rice producers and millers. In this regard several options will be explored, e.g., group lending, in which farmers guarantee each other's loans; and the conversion of existing leaseholds to transferable tenures which could be used as collateral.
- (xiii) Millers will be provided with more intensive courses in financial management, in the operation of letters of credit, and in other methods of payment, as part of their regular extension and advisory services.
- (xiv) Appropriate institutional and fiscal arrangements will be put in place to ensure that the Drainage and Irrigation system is operated and maintained in an efficient and sustainable manner. This will include greater farmer participation.
- (xv) A machinery/inputs pool will be established to reduce costs of production.
- (xvi) A research programme, based on both market demands and the experience of farmers, will be developed and implemented. Such a programme will be relevant to the farmers' perception of field-level problems, and should lead to the long run sustainability of the rice sector.
- (xvii) Research will concentrate on increasing productivity, decreasing the variability of yields, increasing pest resistance, enhancing quality, and developing and maintaining those characteristics demanded by export markets and domestic consumers.

Source: <http://www.sdn.org.gy/nds/chapter10.html>

In our view, the policies and strategies outlined for sugar and rice are the correct set of measures to address the challenges currently faced by both industries. These two industries constitute the major agricultural exports of the country and therefore, the major sources of foreign exchange.

Guyana enjoys preferential treatment for rice and sugar in the EU market. The recent erosion of these preferences, including the declining prices calls for significant improvements in efficiency and competitiveness in order to survive. In this regard, we are of the view that the specific measures proposed have the potential to change the economics of these industries, enhancing efficiency and competitiveness. The real test is in the implementation.

However, we draw attention to the fact that the proposal for sugar does not explicitly identify R&D as a major instrument for achieving the improved efficiency and competitiveness, while in the case of rice its role appears to be understated. It should be noted that among the various instruments being considered for transformation of these industries, the most important is that of technology support and technological solutions on a sustained basis. We therefore advocate that in all agriculture, a necessary condition in the quest for enhanced efficiency and international competitiveness on a sustained basis is that of S&T/R&D support. The sector must be supported with a cadre of well-qualified scientists, having competencies in strategic areas such as agronomy, biotechnology/genetics, food technology, drainage/irrigation, mechanization and agricultural economics. The effectiveness of R&D would also require appropriate infrastructure for the conduct of high quality research.

SECTION 4.0 NON-TRADITIONAL AGRICULTURE

The NDS has also identified strategies for the non-traditional sub-sector. The aim is to facilitate growth of this sub-sector as a basis for the creation of employment and entrepreneurial opportunities. The strategies include greater attention to R&D agronomic practices, water management and germplasm, farming systems and mechanization. Marketing with an emphasis on market information, advisory services, market facilitation, postharvest technology and agro-processing, and the establishment of rural development centres and cooperatives are also included.

The specific strategies proposed for the non-traditional sector are outlined in Box 4.1.

BOX 4.1	
Research and Development	<ul style="list-style-type: none"> (i) R&D on selected commodities on geographic delineated zones (ii) Farming systems research including farm mechanization (iii) The National Science Research Council (NCRS) to be resuscitated (iv) Farmers and private sector to be involved in setting the research agenda
Extension	<ul style="list-style-type: none"> (i) Establish computerized information system
Marketing	<ul style="list-style-type: none"> (i) An advisory services agency will be established to provide marketing intelligence (including market opportunities) to farmers on a timely basis
Rural Development	<ul style="list-style-type: none"> (i) The establishment of rural development centres and agricultural cooperatives
Education and training	<ul style="list-style-type: none"> (i) Agriculture will be re-introduced into the primary school curriculum. (ii) The FTC to promote awareness of technological advances to farmers (iii) Training in postharvest technology
Water Management	<ul style="list-style-type: none"> (i) Water management, the control of weeds, pests and diseases, fertilizer application and soil fertility, land preparation, planting methods, harvesting, and crop suitability for various ecological and climatic zones will be specifically considered
Germplasm supply	<ul style="list-style-type: none"> (i) The aim is to achieve self-sufficiency in germplasm supply
Livestock	<ul style="list-style-type: none"> (i) Establishment of a National Livestock Development Agency (ii) Production of alternative energy feeds (low quality rice, corn, sorghum, or cassava to be utilized)
<p><i>Source; National Development Strategy http://www.sdn.org.gy/nds/chapter12.html</i></p>	

We note the need for priority setting since resources do not allow the pursuit of all areas of agriculture or the full range of support services that have been identified. Also, we suggest elevated levels of emphasis for non-traditionals as now exists for the sugar and rice, since growth and development of this sub-sector is important for food security, rural livelihoods and economic diversification. Clearly, non-traditional crops must be given more prominence and priority if they are to successfully compete in the international market place over the medium-to long-term. The reason is obvious in that the intensity of competition will increase as more countries enter the market place with a wider range of high quality, competitively-priced products grown and manufactured using modern and cost-effective technologies.

Our view is not for a de-emphasis of efforts and initiatives to improve rice and sugar, rather they should continue. But we wish to point out however, that due to the stringent requirements of the international market, non-traditional commodities will find it increasingly difficult to gain new market space. In this regard, special incentives and support systems to induce higher levels of capital investments into the sector with particular emphasis on new technologies, production systems and business models aimed at significant increases in productivity and efficiency are considered critical to this effort.

In terms of the marketing initiatives for non-traditionals, we observed that the strategies and policies were very general and subject to a multiplicity of interpretation. In this regard, we highlight the need for clearly defined objectives, implementation strategies, executing agencies and distinct timelines. These should be framed along similar lines as those which exist for the sugar and rice sub-sectors. With respect to marketing, we also observe a focus on municipal market activities aimed at facilitating rapid movement, storage and product-handling activities.

SECTION 5.0 TRADE POLICY ISSUES

5.1 TARIFFS

Guyana removed most of its NTB such as negative lists, quotas, and certain licensing restrictions under its ERP. Under the AoA of the WTO, tariffs were bound at 50% for non-agricultural commodities and at 100% for agricultural products. The maximum tariff rate for non-agricultural products was 20% CET and 40% for agricultural goods with some exceptions⁵. The average applied tariff was 12.1% and almost two-thirds of the tariff lines were subject to duties of 10% or less. Agricultural goods, alcoholic beverages and tobacco face duties as high as 100%. The average tariff for agricultural products was 21.6% while for non-agricultural products, the average was 10.3%. Duty-free access is granted on imports from CARICOM countries which meet the rules of origin criteria. The country also grants tariff preferences to a limited number of products originating in Colombia⁶.

A number of animal and vegetable products are subject to import licensing⁷ (exception of CARICOM countries) and SPS requirements. The country also grants import duty relief for goods listed in its Conditional Duty Exemption List and most items, including imported goods are subject to a 30% consumption tax (some are subject to lower rates and others to rates as high as 128%)⁸. There is also a List of Exemptions to the CET for a limited number of products which are subjected to rates ranging from 45% to 100%. In addition to this, Guyana grants least MFN treatment to all its trading partners.

⁵ Reference Source: Chapter 5. Guyana. I. Introduction. Agriculture, Trade and Food: Country Studies – Volume II < <http://www.fao.org/docrep/003/x8731e/x8731e106.htm> > page 1. Date visited: 27/10/2004 and Trade Policy Review. Guyana. Report by the Secretariat. Restricted. World Trade Organization WT/TPR/S/122. 1 October 2003. (03-5077) *Page ix* Date visited: 04/01/2005

⁶ Reference Source: Trade Policy Review Guyana. Report by the Secretariat. WTO. WT/TPR/S/122. October 1. 2003. pp ix

⁷ Meat products, live plants and flowers, coconuts, fruits, rice, cane and beet sugar. Source: Trade Policy Review. Guyana. Report by the Secretariat. Restricted. World Trade Organization WT/TPR/S/122. 1 October 2003. pp 44, 45.

⁸ Source: Trade Policy Review. Guyana. Report by the Secretariat. Restricted. World Trade Organization WT/TPR/S/122. 1 October 2003. (03-5077) *Page x*.

With regard to Guyana's import tariffs, these are primarily intended to raise domestic revenue. However, we note that higher levels of tariffs on imported inputs for the agricultural sector are likely to make the sector less competitive. Therefore, these should be kept as low as possible to facilitate the sector's competitiveness. The tariff regime with specific reference to the rate on imported food commodities also has an important role to play in protecting domestic producers. On the one hand, these rates must be established in full recognition of the dangers of import surges and on the other, the need to generate revenue for government. Herein lies the paradox in agricultural policy formulation.

5.2 QUALITY ASSURANCE AND FOOD SAFETY

The export marketing of non-traditional commodities is today being challenged to satisfy stringent SPS (including HACCP and GAP) requirements. Meeting this challenge would require significant upgrading and re-engineering of technical infrastructure in plant, machinery and equipment, as well as systems and processes. Successful entry of non-traditional commodities in the export market depends on the full design and implementation of systems, processes and procedures related to SPS/HACCP, food labelling, grades, standards, packaging, market intelligence and appropriate marketing support systems and infrastructure.

The proposed policy measures for quality assurance and food safety include:

- (i) Modernization of Food Safety and Quality Assurance legislation,
- (ii) Development of an operational and management plan for food quality assurance
- (iii) Training of staff in QA
- (iv) Modernization of the food inspection system and quality control.

Further, the policy focuses on priority areas including fisheries, cut flowers, alternative crops, agro-processing as well as a five-year plan for organic agriculture. The emphasis on all the above is based on improving competitiveness of business on an economy-wide basis.

The Food and Drug Act of 1971 addresses the sale of food for human consumption. The Plant Health Unit has been reviewing legislation from the FAO on SPS documentation and has been implementing some of the FAO ISPM in areas of farm certification, export certification, pest risk analysis surveys and surveillance.

The review undertaken with regard to the agricultural development strategies/policies to facilitate market access revealed:

- (i) Relatively slow progress towards the development of the required SPS infrastructure and capabilities in both the public and private sectors as a critical support requirement for export competitiveness over the medium- to long-term
- (ii) In the fisheries sub-sector, some fish processing plants, landing sites and supportive legislation are yet to be upgraded and modernized to support export competitiveness
- (iii) Some progress in the areas of abattoir facilities and upgrading and modernization of meat processing plants to support development initiatives in the livestock sub-sector.

5.3 MARKETING

In the areas of market access and export trade facilitation, the *New Guyana Marketing Corporation* provides market facilitation services to the private sector for the export of non-traditional crops. These services include market entry assistance, development and dissemination of postharvest technology and general market research support. The Guyana Rice Board provides overall policy direction for the industry as well as research support, extension, quality control and market facilitation. These are all important marketing support activities in the context of fostering and enhancing export competitiveness of agricultural commodities in Guyana.

5.4 EXPORT SUBSIDIES/TAXES

The country does not provide export subsidies, nor does it extend non-exempt support to agricultural producers. Export taxes are applied to certain non-manufactured products at a rate of 1.5%, (rice and sugar) with some exemptions (shrimp 10%). Additionally, rice exports are subject to a commission of USD 6.00/tonne for whole grain rice, USD3.00/tonne for broken rice and USD 2.50/tonne for rice by-products⁹. Taxes are waived on all exports to CARICOM countries. In the case of non-CARICOM countries, these taxes are sometimes waived or not collected. A small number of products are also subjected to export licensing.

⁹ *Source:* Trade Policy Review. Guyana. Report by the Secretariat. Restricted. World Trade Organization WT/TPR/S/122. 1 October 2003. (03-5077). *Page*50

SECTION 6. 0 OTHER SECTOR SPECIFIC POLICIES

6.1 INCENTIVES POLICY FOR AGRIBUSINESS

Guyana offers certain incentive schemes related to local value-added content and also certain sector specific programmes. These are available through fiscal and investment incentives for various sectors including agriculture, fisheries, forestry and manufacturing.¹⁰

An export allowance is also granted for non-traditional exports to extra-regional markets. This measure impacts upon the level of profits that are taxable, varying between 25% and 75% (Ibid). Specific incentive measures are presented in Table 6.1.

Table 6.1: Incentives Available to Various Industries in Guyana

Sector	Available Incentives
General	<ul style="list-style-type: none"> • Tax holidays for pioneering activities • Zero-rate on custom duty and consumption tax for most items of plant, machinery, and equipment • Zero-rate on custom duty and consumption tax on raw materials for registered companies • Unlimited loss carry over from previous years • Accelerated depreciation on plant and equipment • Export allowance for non-traditional exports outside of CARICOM, granted as a percentage of export profits, varying between 25% and 75%
Agri-business	<ul style="list-style-type: none"> • Waivers of duty and consumption tax on a wide range of machinery and equipment for land preparation and cultivation • Duty and consumption tax waivers on a wide range of agro-processing equipment • Duty-free importation on a wide range of agro-chemicals • Allowances for expenditure incurred in development and cultivation purposes
Fisheries	<ul style="list-style-type: none"> • Exemption from import duty on trawlers, fishing vessels, and a wide range of fishing equipment • Exemption from duty and consumption tax on fish and seafood processing equipment, blast freezers, and other refrigeration equipment used in fish and seafood processing, packaging material, and other inputs required for processing, and refrigerated vehicles • Waiver of 30% consumption tax on power generators

¹⁰ Source: Trade Policies and Practices by measure. WT/TPR/S/122 http://www.wto.org/english/tratop_e/tpr_e/s122-3_e.doc

Table 6.1 (Continued)

Sector	Available Incentives
Regional	<ul style="list-style-type: none">• In addition to the incentives available elsewhere in Guyana, projects in Linden, Ituni, and Kwakwani are eligible for the following:<ul style="list-style-type: none">- Waiver of duty and consumption tax on all imported plant, machinery, and equipment- Waiver of duty and consumption tax on all imported spares- Waiver of duty, consumption tax, and purchase tax on all vehicles imported exclusively for the business manufacturing and agricultural entities only

The domestic support policy measures related to the agricultural sector focused on the sector generally and include specific measures for agribusiness, fisheries and forestry. Some of these measures are specific to commodities and sub-sectors.

It is our view that these policies will support and improve the investment climate in the sector and therefore, may lead to higher levels of production, output and exports over the medium to long term. They are also likely to work favourably to support the sector's competitiveness.

6.2 SCIENCE AND TECHNOLOGY/RESEARCH AND DEVELOPMENT (S&T/R&D)

Science and technology policy support under the NDS for the period 2000-2010, aims at ensuring the efficient application of S&T to enhance production and productivity in agriculture. The specific policy measures outlined by the Government of Guyana in its publication of Science and Technology Policy for Guyana (Government of Guyana, 2000) include:

- (i) Development and implementation of research programmes to support agriculture
- (ii) Programmes to undertake applied research to provide solutions to problems in agriculture
- (iii) Measures to increase the rate of technology transfer and adoption

- (iv) Measures to facilitate and adopt the use of information technology as a management tool
- (v) Measures to diversify agriculture through modern and cost-effective research and development methods

The NDS identifies specific measures to improve the performance of the livestock sub-sector through livestock research and access to breeding stock. The document outlines the following areas of research:

- (i) On-farm management systems: nutrition, especially mineral/trace element requirements and the use of chemical growth and production enhancers
- (ii) Reproductive physiology
- (iii) Applied Breeding and Genetics
- (iv) Livestock diseases, especially as they relate to endo-and ecto-parasites
- (v) The sociology of farming groups
- (vi) Postharvest storage and product shelf life
- (vii) The use of antibiotics and anti-parasitic drugs

The proposal is also to establish an Animal Breeding Unit with the responsibility to:

- (i) Evaluate performance of identified breeds including the Corentyne White and other adapted breeds of sheep, goats, and pigs; and
- (ii) Establish cross-breeding programmes.

The institutional support for research is vested in the National Agricultural Research Institute (NARI) which is mandated to undertake research activities aimed at increasing the production of crops and livestock for national food self-sufficiency and exports. Programme activities include plant protection, biotechnology, soil microbiology and soil and plant analyses. An Agricultural Research Committee advises the Minister of Agriculture on agricultural research policy issues.

Technical and extension services to the farming communities are provided by the Crops and Livestock Department of the Ministry of Agriculture. However, the Veterinary Diagnostic Laboratory was reportedly non-operational due to a lack of trained personnel and equipment.

In our review, we observe the lack of emphasis on technology and mechanization in small-farm production systems. We are of the view that specific policy measures are needed to address the unique requirements of each agro climatic/geographical area. Further, institutional arrangements need to be appropriately strengthened in order to optimize the use of regional research institutions. In the area of animal health, emphasis needs to be placed on extensive and intensive production systems in the beef, dairy, and small ruminants sub-sector given the potential which exists for low-cost production systems. Parallel development of slaughtering and meat processing facilities must follow and should be made to conform to international standards.

6.3 AGRICULTURAL LAND POLICY

The land policy initiatives outlined in the national development strategy focus on the following:

- (i) Issues related to ownership and title
- (ii) Improvements in efficiency of land use
- (iii) Increasing access to agricultural lands for production and expansion
- (iv) Improvements in transparency and distribution of the allocation process.

Unless it has been stated elsewhere, the document remains silent on a comprehensive long-term land-use strategy. We recognize the need for an efficient land market to stimulate investments in the sector and to support competitiveness in selected commodity areas.

We strongly believe that policy measures should be developed to exploit scale economies from large-scale production systems based on appropriate technologies. This strategy could possibly provide one of the drivers of competitiveness in Guyana's agriculture. In this regard, we should also be reminded of previous attempts which failed. Important

lessons can be learnt from those experiences to inform the development of appropriate policies and strategies to support competitiveness in the sector.

6.4 INFRASTRUCTURE POLICY

Our review of the database found significant policy focus on infrastructure to encourage and expand production. These include road transport infrastructure and drainage and irrigation. With regard to drainage and irrigation infrastructure, the *National Drainage and Irrigation Board* continues to implement its mandate on the management, improvement and provision of drainage and flood control infrastructure. These initiatives are positive signals with regard to time savings, delivery efficiency and reduced transportation costs from farm gate to markets a critical contribution to the effort of increasing competitiveness. In addition, measures to upgrade air and marine transport are identified in the development strategy. All these measures listed above, once implemented in the shortest possible time will give confidence to investors.

6.5 AGRICULTURAL CREDIT

There are no specialized agricultural credit institutions to provide concessionary and targeted credit to meet the specific requirements of the sector. However, the Government proposes to establish a specialized agricultural development bank. This initiative will increase the levels of private sector investment into the sector to stimulate expanded production and marketing activities.

Micro-credit schemes are also to be introduced to facilitate investment in the sector. In this regard, the Government plans to sensitize credit agencies as to the unique needs of the small-farm sector, including outreach programmes into rural communities and the provision of small loan schemes to farmers without collateral.

6.6 INVESTMENT PROMOTION POLICY

The country's investment policy regime includes a wide range of instruments to stimulate and attract new investments into the sector. These were previously mentioned in Section 6.1 and include:

- (i) Tax holidays on pioneering activities
- (ii) Accelerated depreciation
- (iii) Export allowances for non-traditional export outside CARICOM
- (iv) Exemptions on plant, equipment and machinery
- (v) Exemption of import duty and consumption tax on fish and seafood processing equipment, refrigerated vehicles, packaging material and other inputs for seafood processing
- (vi) Unlimited loss carryover from previous periods

Since 2001, GO-INVEST, the *Government of Guyana Investment Agency* established in 1994, has been responsible for investment, trade and export promotion activities of the economy. The New Guyana Marketing Corporation (NGMC) is a trade-facilitating institution to support and promote the exports of non-traditional commodities¹¹. The NGMC has been mandated to expand the market for local agricultural produce locally, regionally and internationally¹².

Agribusiness and marketing entrepreneurs interested in commodity export activities from Guyana are provided with advisory support and information services from GO-INVEST. With regard to export promotion, GO-INVEST provides exporters with trade information, assists in export promotion and advises Government on policy formulation and strategies to stimulate export performance. Investment profiles are also developed to guide investment opportunities.

Duty-free imports and tax holidays are also available to investors on the basis of certain defined criteria. Together, GO-INVEST and NGMC are expected to be in the forefront of the new development paradigm to support the sector's competitiveness. Further, these institutions are expected to undertake the lead role in export trade facilitation and market intelligence as well as monitoring the effectiveness of promotional instruments in support of the sector's competitiveness.

¹¹Source: Trade Policy Review. Guyana. Report by the Secretariat. Restricted. World Trade Organization WT/TPR/S/122. 1 October 2003. (03-5077). Page 52

¹²Source: Trade policies and practices by measure. WT/TPR/S/122 pp 58 http://www.wto.org/english/tratop_e/tpr_e/s122-3_e.doc

6.7 EXPORT CREDIT

The review undertaken identified the absence of specialized export financing facilities to stimulate export performance and to reduce risks associated with export marketing activities. Guyana does not have a domestic ‘Exim’ Bank as exists in some other CARICOM countries to support export trade. However, it is likely that such facilities may be provided by other institutions.

Given the challenges of the competitive environment, policy makers should examine the feasibility of establishing an export-financing bank in Guyana as a strategic instrument to attract investment and minimize export risk, especially as exists in the non-traditional export markets. We are of the view that this risk protection measure will further stimulate investment levels in the sector. We also feel that other risk protection instruments should be explored, especially for the emerging non-traditional sector given its relative ‘newness’ in the marketplace.

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