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**CARIBBEAN AGRICULTURE:
DO WE HAVE A PLACE IN THE NEW WORLD ORDER?**

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CARIBBEAN AGRICULTURE:

IS THERE A PLACE FOR US IN THE NEW WORLD ORDER?

We live in a time of great challenges and crisis. On the one hand, our trading partners in North America and Europe are just now emerging from an economic slowdown; the Middle East is as volatile as ever; and regulations are making it harder to enter the markets we covet. While in my own country, we are wrestling with crime, sovereign debt and a currency that is difficult to count on.

On the other hand, we also live in a time of great changes. Globalization is opening up new markets to us while bringing new products to our stores; transportation and communication costs are falling at an ever-increasing rate; and information technology is bringing astonishing dreams to life.

Great challenges and great changes produce great opportunities. This is one of those rare times in the history of a region when many things feel uncertain but, in fact, anything is possible. The opening of the global economy provides us a fresh start to build the prosperity of our islands. I believe the time is right for all Caribbean people to make a commitment to seize the new economic opportunities that are now before us. Agriculture, as we have practiced it in the past, may not be long for this

new economy. But agriculture as only we can produce it – the agriculture of the future – offers a promise about which we have only dreamt.

To begin with, I offer some underpinnings of my beliefs. A nation's standard of living is determined by its productivity, meaning how well all of its citizens work together to create value for our customers and for one another. Even taking into account all of the forces at play in the rapidly changing world economy, it is still the case that the only way a nation may enjoy a higher standard of living is to become more effective at satisfying the needs of rewarding customers and partners.

In one way, this is terrific news for the Caribbean. Because higher living standards derive from productivity, and because productivity reflects how well a nation's people work together to satisfy their customers and each other, all of the keys to prosperity are within the nation's hands. More to the point, each citizen can raise his or her own standard of living by improving his or her own productivity.

How can agricultural firms improve productivity and become more competitive?

Success stories show that the right management strategies can yield profits in even the most troubled industries – provided there is an acceptance of the need to effect change.

First, we can improve the choices we make about which customers to serve and what services to offer. To build and sustain a high standard of living,

this will mean that a nation's firms must seek to offer complex, high-value services to customers who will pay a great deal for them. This does not simply mean finding new buyers for old products; it means seeking out niche markets that will pay a premium for something only we can produce – even if we are not yet producing it adequately. I give you for example, hot sauces

based on the finest scotch bonnet peppers in the world, and the trademarked Sea Island Cotton.

Second, firms can improve the efficiency with which they combine people with other resources to deliver the chosen services to the desired customers. Productivity is not just about working harder and eliminating waste; it is also about working smarter; making new choices in pursuit of more rewarding opportunities.

While globalization is forcing nations to improve efficiency, a second trend is forcing them to re-examine the fundamental choices their leaders have made. Choices about what kinds of overseas markets they are pursuing, how they are trying to serve these markets, and what local and foreign

partners they want to have for support. The great irony is that the challenges that the region is facing are born from the hard-earned successes of the past.

Until recently, the most successful nations created wealth by exporting the natural resources they had in abundance, their comparative advantages.

Globalization and innovation have either made these resources more plentiful or less important, reducing their value and making these comparative advantage societies poorer over time. Today, the most successful nations, the competitive advantage societies, create by exporting complex products and services created by highly skilled people.

The proof of this formula is simple: if one produces a commodity, say sugar, one competes on one dimension alone: price. That is the very definition of a commodity. While price can be reduced through efficiency, in a commodity business, the techniques and equipment for improving efficiency are available to all. Thus, there will always be more supply at the global price than there is demand. Ultimately, prices can be lowered only by reducing the cost of labor, which is a company's single biggest expense. Companies that compete in commodity products are, therefore, engaged in a race to see who can pay their workers the least. A nation, or region, competing on that basis, is engaged in a race to see who can stay the poorest, the longest, before their society crumbles.

As a group of small island nations, we can never hope to match the cost structure of nations with enormous tracts of land and highly mechanized production equipment. We can only hope to compete in commodities by continuing to impoverish ourselves.

But there is another way. By producing innovative products, based on our unique agricultural offerings, such as ginger, coffee and spice, we can offer premium products to sophisticated customers around the world, who are willing to pay a premium. In this regard, our smallness is an advantage. The economy of my home country, Jamaica, is roughly 1/1000th the size of my biggest market, the United States. Niche success on a global scale means enormous success-and wealth-to me.

Adopting this new approach will require all citizens of the region to rethink fundamental assumptions about the nation's people, companies and economy, causing a "change in the mind of the nation." Mass production and economies of scale are theories which lie behind the routine decisions and activities of societies mired in comparative advantage thinking. Innovative nations are replacing these concepts, requiring them to retrain and fundamentally reeducate their people. Rather than turn earnings into high profits and dividends, these nations are re-investing heavily in retooling in even more efficient production, along with introducing strategies for effective distribution. These changes require time and commitment.

In the comparative advantage model, assets are the driving force. In the competitive advantage model, strategy is the driving force. The typical strategy emphasizes identifying which customers are the most rewarding to serve and focuses all energy on designing experiences which are customized to these attractive customers' most important needs.

Often, delivering a complete experience with consistently high quality for the customer requires companies from the same and different industries to form close partnerships, with each participant providing unique value for the customer and for the other partners. In this way, they resemble a veteran team of talented players who accept complementary roles and are most concerned about winning and strengthening the team.

Professor Michael Porter of the Harvard Business School first focused the discussion of competitiveness of this "team Behavior" among companies, labeling it "clustering." Professor Porter identifies clustering among companies as one of the keys to the competitiveness of regions and nations in his book, The Competitive Advantage of Nations. The term "cluster" is now standard to describe companies working together in this fashion to improve their competitiveness and productivity.

This approach to strategy emphasizes the private sector's responsibility for competitiveness leadership and calls on the government to provide space so that firms may make their own choices and may learn from the consequences.

One way that we are addressing this challenge in Jamaica is through the Jamaica Cluster Competitiveness Project. This program organizes groups of companies, together with their government counterparts, into cluster groups. These groups represent the entire value chain from the farm all the way to the final customer. In our sauces and spices cluster, each of the major processors have enrolled, together with several dozen other firms. Together we have implemented a programme to purchase inputs collaboratively (this will save us approximately US \$1million in reduced bottle costs alone); we have worked to address our pepper supply constraints through a pepper mash proposition; and we have undertaken surveys of international distributors and refocused our programmes with them to increase volume with the right end consumers.

Having accomplished all this, in just the first year of the JCCP, I believe that the future of Caribbean agriculture is bright, but it is also new. The world has changed dramatically. This means that the pace of business and politics has also become faster. Those that compete -or govern- at the old pace will be left permanently behind.

Those that embrace new realities, on the other hand, can benefit disproportionately. Globalization provides the opportunity for the best in the world to earn enormous rewards simply for being a little bit better than anyone else. That same logic will also punish those who forget that their competition no longer lives around the corner, but on the other side of the planet.

Recognizing that we are in a global competition leads us to an agricultural imperative: to acknowledge that we are over-dependent on the basic advantages of location, and the abundance of natural resources. In a world in which competitors are many, we must offer distinctive products and experiences that no other nation can produce. To continue to view our natural resources as wealth is a strategy that will lead us inevitably into destructive price competition. This price competition can result only in poorer workers and a poorer environment.

Wealth in the future is based on insight, sophisticated human capital, cultural attitudes focused on embracing competition, learning, trust, cooperation and investing in complex advantages. We must put our resources into the only investment with the possibility of infinite returns: our children.

Never has this been truer than in today's economy. For most of human history, wealth was finite and both rich and poor were born and died without changing their station. In the old economy of commodity products and enormous factories, there was a function for a working class and natural (if unfortunate) battle lines were drawn.

Today, however, we live in a knowledge-based economy. Today successful companies and countries invest their profits in their ability to generate future profits: their people. We no longer need the worker who will simply man the factory line; we need that worker to reinvent the factory so that it produces a better output than the competition. Today we must understand that the prosperity of only a few is not prosperity at all.

More than two decades ago, the Nobel Prize Winning economist Wassily Leontief imagined a world in which productivity was so high, that machines would produce all physical goods – there would be just one manufactured job – the human worker who flipped the switch.

The immense wealth generated by all this productivity would have to be redistributed so that other people would have useful employment providing services to complement all these physical goods – otherwise nobody could afford to buy the products!

Leontiefs' industrial dystopia has arrived a lot sooner than most economist forecasts.

As recently as the 1990's rising productivity ended up producing rising employment and earnings.

Today however, we are at a point where the ability of the private sector to create wealth, is not outstripping its' ability to create jobs.

In this new world order, we in the private sector must take the lead. This is not to say that government does not have a role to play. In fact, it is imperative that we acknowledge that government must do everything it can

to assist the private sector, *except to impede competition*. Governments can

invest in people, infrastructure, learning organizations and a non-defensive dialogue between the public and the private sectors. They can improve the context within which companies compete by providing a stable and predictable legal frame work and a straightforward regulatory system.

Government can build the stadium and cheer from the stands. They cannot, however, play the game, nor can they coach the team. This is our role, and for too long we have shirked it by looking to our Government "parents" for guidance.

We must therefore understand that the private sector needs to invest in more learning. Companies must pay attention to customer preferences and to their position relative to competition (both global and local). They must be aware of possibilities of changing distribution channels and invest in the upgrade of their products. Most importantly, we as business leaders must go to the world to find the most demanding consumers and to proactively serve them, rather than waiting for them to show up on our doorstep. We must strive to become a region of companies that choose their customers, instead of a region of order-takers.

The Caribbean is blessed, not only with abundant natural resources and an advantaged position. We are also blessed with a rich heritage and culture. Our music, coffee, tourism product, and people are global brands. Let us

build on these so that they pay dividends for generations, rather than squander them for short-term gains.

The beauty of our islands, the promise of our history, and the opportunity of our future are calling us forward. Through grace and perseverance we have survived to create the fragile miracle that is the Caribbean. Now let us turn challenge and change into opportunity. That opportunity is prosperity, and your organization plays a pivotal role in the realization of our goals.

Nothing stands in our way but our own imagination.

Thank you.

Winston Stona

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