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INVESTING IN THE FUTURE OF THE CARIBBEAN MEANS INVESTING IN AGRICULTURE

EU-INTRA-ACP APP TO HOST A TWO-DAY FORUM DISCUSSING THE WHO, WHAT, WHY AND HOW OF INVESTING IN MICRO, SMALL AND MEDIUM AGRI-ENTERPRISES IN THE CARIBBEAN

KINGSTON, Jamaica, September 21, 2016 – Most everyone probably agrees that farms are important. Without farms and other agricultural enterprises, there would be no food. Countries could rely on imports to feed their population but that is expensive and leaves a country vulnerable. So, why is it so challenging for agricultural enterprises to secure financing and attract investors?

Operators of micro, small and medium sized enterprises (MSMEs) involved in agriculture in the Caribbean cite access to financing as one of their greatest challenges.

“It is difficult for small farmers to obtain financing because there are certain levels of record keeping and guaranteed markets that are required by lending institutions before you can even be considered,” says Neil Gomes, Vice President of the Team Fresh Produce, Caribbean Farmers Network (CaFAN) group in Antigua. “As a result, many farmers are reluctant to even approach a lending institution.”

Robert A. Reid, International Consultant, Agribusiness agrees that pre-requisites are an issue, along with the matter of risk. “The difficulty in obtaining financing also stems from a general perception on the part of Financial Institutions (FIs) of the level of risk in lending to agricultural SMEs,” says Mr. Reid. “They are known to experience production and market failures due to factors outside of their control such as adverse climatic conditions, theft of crop, unfair market competition, and failure to collect sales receipts from buyers in a timely manner. FIs have not been proactive in looking at innovative financing schemes where the exposure of the MSME and themselves to high levels of risk can be reduced.”

It is for this reason that the Agricultural Policy Programme (APP), which aims to address the development needs of smallholder agriculture, made it a priority to increase opportunities to secure financing for agricultural MSMEs. Previous activities executed under the APP have generated a wealth of raw data and analysis pertaining to production, markets, commodity-based value chain development initiatives, and the financing needs of agricultural MSMEs. Now, as stated in the action plan for the APP, it is time to “enhance CARIFORUM financial service providers understanding” of opportunities in agriculture.

One initiative aimed at furthering this action is a two-day Regional Agri-Value Chain Finance Forum which will take place later this month in Jamaica. Participants of the forum will include over 50 people from the CARIFORUM and Pacific regions, including representatives of regional and national financial institutions, leaders of producer, enterprise, women and youth groups and networks, and experts in the area of agri-value chain financing.

The main goal of the forum is to share knowledge with FIs; to give them a better understanding of smallholder agriculture and their important role in
this industry that is vital to the Caribbean.

“The event will present to them innovative risk-mitigating practices and specific opportunities to be involved in agri-value chain financing of MSMEs. It will also facilitate further face-to-face engagement of CARIFORUM-based MSMEs with financial institutions for the purpose of increasing their access to credit,” said Mr. Reid.

A specific goal of the forum is also to pursue an agreement for the establishment of a CARIFORUM FI Platform for Agri-Value Chain Business Development and to identify a group of Champion FIs that would be charged with the task of overseeing future agricultural initiatives related to financing.

Over the course of the five technical sessions it is expected that attendees will gain a better understanding of their opportunities. For financial institutions, it will be learning about exciting projects in which they can invest. For producer groups, it will be learning about how to become a credit and investment worthy business, and how to better access financing.

Financiers will also be presenting workable proposals for improving access to finance for agribusiness development, and producer groups will be sharing their financing needs. A specific spotlight will be put on Roots & Tubers as an important Caribbean commodity that provides an informed opportunity for investment across the value chain.

“These (roots and tubers) are widely grown by small and medium size farmers in all CARIFORUM countries and at the highest policy level, have been deemed as ‘Priority’ commodities for attention,” says Mr. Reid. “Domestic and export market prospects for these roots and tubers are very encouraging, and so are the prospects for down-stream value addition to produce snack foods, baked products and beverages.

He also notes that organizations such as the Caribbean Farmers Network (CaFAN), the Caribbean Agribusiness Association (CABA) and several chapter members within the Caribbean Network of Rural Women Producers (CANROP) are pursuing roots and tubers production and value-added initiatives, and that these initiatives are supported by the APP and will require further financing in order to grow.

Mr. Gomes hopes that this forum is a success story. Personally, he would like to find out if he is ready to be considered by a financial institution to receive funding and to negotiate support. On a wider scale, he sees it as an opportunity to show young farmers that it is not just “doom and gloom”, as he puts it, but that farming can be a lucrative business opportunity and a good way of life.

The APP Caribbean Action, as part of a wider the Intra-ACP (African, Caribbean and Pacific) APP project, seeks to also simultaneously address the concerns of rural communities and small holders in the Pacific region. The conditions for agriculture production in the Pacific are very similar to the Caribbean. Both regions face difficulties from natural disasters, high food prices, small domestic markets, climate change and reliance on an export market with preferential market access to the EU for commodities and limited access to financing. This is why key individuals from the Pacific Region have been invited to the Jamaica Forum. The Pacific will be represented by the Fiji Crop and Livestock Council (FCLC), the Reserve Bank of Fiji (RBF) and the Fiji Merchant Finance & Investment Co Ltd, as well as the Pacific APP Intra-ACP Team Leader.

The forum will provide an opportunity for the Caribbean Action APP to wrap up the work that has been done in facilitating better financing opportunities for agricultural MSMEs in the Caribbean Region. Information, lessons learnt
and recommendations for moving forward will be shared among participants, including those from the Pacific, in a manner that can benefit stakeholders in both regions.

The workshop will take place at the Courtleigh Hotel in Kingston, on Monday 26th and Tuesday 27th September. Caribbean participants are being financed under Component 3 of the APP programme and for the Pacific participants, by The Netherlands-based Technical Centre for Agricultural and Rural Cooperation (CTA), which is responsible for managing the Intra-ACP component of the APP. The APP is funded by the European Union under 10th European Development Fund.

For More Information about the Regional Agri-Value Chain Finance Forum, please email Robert Reid, IICA International Consultant, Agribusiness at robertreid79@gmail.com and/or Ainsworth Riley, IICA Agribusiness Specialist at ainsworth.riley@iica.net.