

CARIBBEAN EXPORT DEVELOPMENT AGENCY

Opportunities in agri-processed foods for the region

Global food security

According to figures from the United Nations, the world population is projected to grow by 34% from 6.8 billion today to 9.1 billion in 2050. Nearly all of this increase will occur in developing countries¹. About 70% of the world's population will be urban (compared to 49% today). Most of the growth in food demand will come from developing countries, and this is also where the greatest production capacity potential lies. By 2050, the global demand for food is projected to be 70% higher than today.

CARICOM food security – dependency on food imports

The Caribbean Community (CARICOM) has approximately 16 million inhabitants in its 15 member states and an annual food import bill of more than US\$4 billion². Consumer food products accounted for over 50% of exports from the United States to the Caribbean, with poultry, red meats, snacks, dairy products, and processed fruit and vegetables the top five export categories. Some hotel resorts and larger supermarkets often order larger shipments of these products directly from US suppliers - compared to medium to smaller sized retail and food service businesses whose main resources are local importer/wholesalers - making them a target for smaller US exporters³.

A large segment of imports go directly into tourism and the growing fast food sector⁴. In a study⁵ conducted on behalf of the CHA also shows the similar trends: that the level of linkage between the hotel sector and the agricultural fresh produce sector is mixed with 42% sourced locally and 7% regionally. Two-thirds of requirements are sourced locally in the areas of vegetables, meats and dairy, but less than one-fifth in the areas of fruit, fish and eggs. The study doesn't speak about processed foods but based on these figures the same could be said about the processing industry.

SEE SLIDE 2

With respect to agriculture fresh foods this study further concluded that:

- the single largest agricultural product group sourced locally is vegetables with 74% of all supplies used by the hotel sector produced locally, 11% are from regional sources
- the second largest product group is dairy, with 67% sourced locally. A further 10% is sourced regionally and 23% extra-regionally.
- The meats sub-sector is third in contribution with 63% of purchases by hotels being supplied locally

This creates the following opportunities for the fresh agriculture sector:

- Fresh Fish because the hotels only source 20% locally and 8% regionally - room for growth
- The hotels in the sample countries known as traditional exporters of fresh fruit, purchase only 16% of its fresh fruit locally and 7% regionally.
- Only 10% of eggs purchased by hotels in the sample are sourced locally and zero regionally.

¹ World Summit on Food Security (WSFS) 2009

² Kaitour News on-line, 2012

³ Caribbean Market Profile, 2011

⁴ Trinidad and Tobago, Government On-line, 2012

⁵ The Caribbean Accommodation Sector as a Consumer of Locally Produced Goods and Services and Contributor to Government Revenues

All of this also creates opportunities for the processed food industries which are not sufficiently tap into.

Why agro-processing?

The need to develop a competitive agro-industry is necessary for the creation of employment and income opportunities. Agro-processing enhances the quality of, and the demand for, farm products. Agro-processing companies have the potential to provide employment for the rural population not only in farming, but also in off-farm activities such as handling, packaging, processing, transportation and marketing of food and agricultural products. There are clear indications that agro-industries are having a significant global impact on economic development and poverty reduction, in both urban and rural communities. There is the need to recognise the importance of food processing industries as a force for economic development⁶ in particular for the Tourism industry.

The Agriculture sector is in some form or format in every Caribbean state but the Agro-processing sector in the Caribbean is relatively fragmented and underdeveloped and is mainly made up of small and medium sized enterprises involved in the processing of traditional agricultural products and fresh fruits and vegetables for domestic use and export. Based on their size, resources and/or geography, the islands of Jamaica, Trinidad & Tobago, Barbados and the Dominican Republic boast the most advanced food-processing industries, having attracted the bulk of regional and global investment.

The main products manufactured in and exported from CARIFORUM include, but are not limited to margarine, beer, jams and jellies, condiments and snacks, fruit juices, alcoholic beverages and various cake products. Most products are being sold to retail outlets like supermarkets and gift and duty free shops, restaurants, hospitals and other mass merchandizers and of course are also used by hotels and cruise ships and airline catering companies. A key sector that is linked to the agro processing sector is of course the Tourism sector: restaurants (incl restaurant chains), hotels (incl hotel chains), duty free shops etc. has proven to be an important factor for the agro processing industry to reach the local as well as the export market.

However, in order to be successful, the processed foods industry requires an adequate supply of quality agricultural raw materials. This is where improvements in the fruits and vegetables supply chains will be imperative for the future success of the sector. This is a major shortcoming of the Caribbean's food-processing industry as the region is dependent on the import of these raw ingredients. In addition the agro processing industry has a number of other competitive constraints that currently hinder the expansion of the agro-processing sector in CARIFORUM, including limited production and quality management capacity, poor product consistency, expensive and unreliable transportation, poor quality packaging, fluctuating prices for inputs of raw materials and lack of cold storage. These are all crucial factors that needed to be addressed when developing the sector.

SLIDE 3 - 6

The total number of visitors to the region is nearly 25 million (2012) per annum which is 5.4 percent more than in 2012 and is still growing according to the CTO Chairman. This creates significant potential for increase of consumption of agri-processed foods

The agri-processed food industry and tourism industry will both benefit from increased linkages as this will offer significant opportunities for the development of both sectors within the region because they increase trade and business development between fresh and processed producers and promote a greater use of local products, quality improvements etc which lead to ensuring the sustainability of the region's tourism product. The utilisation of linkages also enable the tourism industry to diversify the Caribbean economy, stimulate entrepreneurship, catalyse investment and assist in wider social development of local communities.

The benefits include:

- a) Increased sale of agri-processed products due to consumption by visitors during visit and "take away/souvenir packages"
- b) Cost efficient method to promote local products to foreign consumers who will continue to consume when they return to their home country and introduce the products to friends
- c) A more differentiated and value-added tourism product

Examples:

- spa treatments and local wellness food products
 - community based tourism –agri-tourism + cultural tourism + food tourism + eco-tourism
- d) Increased participation by micro and small enterprises which comprise the majority of agro-processors
 - e) Reduced dependence on imported foods to support the tourism industry and reduced foreign exchange leakages
 - f) Preservation of local culinary traditions and therefore continued demand for local agro-processed products

Constraints to increased agri-processed food industry and tourism linkages:

- a) Level of production and therefore reliability of supply of primary agriculture and processed foods
- b) Quality assurance systems along the value chain – from on farm to agri-processors to street vendor.
- c) Investment in physical Infrastructure and product development to support the introduction of more value added tourism products

e.g. investment in the development of authentic Caribbean spa experiences that combines Caribbean treatment products, Caribbean music, Caribbean décor, Caribbean food, etc

e.g. investment in infrastructure for hosting of street food vendors and street food festivals in a manner that represents value-for-money for visitors

- d) Positioning of agri-processed products – packaging, promotions, pricing, product features – to meet value-for-money expectations of visitors
- e) Availability of products (online or on-shelf) when visitors return to their home countries

Planned or Ongoing Projects which will contribute to resolving the above constraints:

- a) Technical assistance to spa and wellness enterprises to increase use of local foods and other local content to create a Caribbean spa experience
- b) Training and certification of food handlers
- c) Technical assistance to specialty food enterprises to improve food safety management capacity

- d) Establishing in-market liaison services in the EU and USA to assist specialty food enterprises to penetrate those markets
- e) Training in product development and technical assistance with packaging to micro and small agri-processors leading of products that meet visitors' expectations in terms of taste and appearance

Following a list of products with potential for trade with tourism – Food and Non-Food products. **SLIDE 7 - 8**

A strengthened agro processing industry would contribute to economic diversification into higher value-added production, increased export readiness of firms in particular SMEs, and also foster linkages with primary agriculture and fisheries, the packaging industry, marketing and transportation, both nationally and regionally. It would, additionally, promote increased intra-regional consumption of quality Caribbean products and ultimately strengthen Caribbean identity, self-confidence and its international profile.

Following is the:

Product classification by Country with greatest competitive opportunity SLIDE 9

These are all products that can be produced in the region and can be used in the Tourism sector

EXAMPLE is the Market Opportunities for Sauces and Condiments

World demand for sauces grew by 6% over the period 2008 – 2012. This growth resulted in a corresponding 10% growth in CARIFORUM Export of these products. Despite the corresponding growth in the sector, CARIFORUM is still a net importer and as such, this market provides tremendous potential for regional exports. The value of total global exports (2013) in this product group was 8 billion USD, total CARIFORUM exports was 89 million USD, just 2% of global exports. In 2013 CARIFORUM imported 102 million USD worth of these products of which 49 million (48%) was supplied interregional. The trend in both global and regional demand and a supply pose a great opportunity for regional producers to expand the sales.

The major markets for Sauces, preparations and mixed condiments

The top markets for sauces, preparations, mixed condiments and seasonings, were those countries that displayed favorable annual growth value and volume between 2008 and 2012 as seen in the table below.

SLIDE 10

The US Market

The US market imported a total value 750 million dollars in 2012. It has a positive trade balance which means it exports more of the products that they import. US imports represent 10% of the world market share and is the largest importer of sauces, preparation, mixed condiment and mixed seasoning in the world. The US has had positive growth in import demand for these products, 8% in value between 2008 and 2012.

Major suppliers to the US, were Canada, Mexico, Italy. These major suppliers each had moderate growth in the US market. Canada the major exporter to the US (192 million), grew by 2%, Mexico (115 million)

grew by 11% and Italy (115 million) by 7%. The fastest growing exporters to the US were South Africa (5.7 million) by 50%, Germany (5 million) by 41% and Peru (4.8 million) by 37%. Important to note that growth from traditional markets has slowed down, and US imports from non-traditional markets like South Africa and Peru has increased. **This speaks to the increase in demand of new types of sauces and condiments in the US, which would be of interest to local supplies.**

Following shows the share of Sauces, Dressing & Condiments Market in the US. Retail Value in US\$ Millions – Current Prices.

SLIDE 11

SLIDE 12

Shows the Top Brand Shares by Company (Global Brand Owner) of Sauces, Dressings & Condiments in the US –Retail Value % Breakdown

Please look at the area of private labelling (29%) which is where the Caribbean sauces and condiments have an opportunity.

CARIFORUM Trade with the US

SLIDE 13

CARIFORUM exports of sauces, preparations, mixed condiments and seasons totalled 24 million dollars in 2012. This represents 3.3% of total US imports of the product. CARIFORUM is a net importer of these products, meaning they import more from the US than they export to the US. The average price per ton paid by the US for these products from CARIFORUM was \$2,598 USD, which was higher than the global average of \$2,016 USD outside that of the Dominican Republic. This can be an opportunity to position regional brands in premium or high quality niche of the market.

Market opportunities for Sauces, preparations, mixed condiments and mixed seasonings in CARIFORUM

SLIDE 14

CARIFORUM imports of sauces, preparations, mixed condiments and mixed seasonings totalled 49 million USD in 2013. There was growth in value of 21% between 2007 and 2009 and 62% between 2010 and 2013. The major importer in the region was Haiti with 42 million USD in 2013, representing 84% of total regional imports.

The demand in Haiti grew by 34% between 2007 and 2009 and by 753% between 2010 and 2013. Growth in Haitian market poses a great opportunity within the region, granted firms can maximize on its close proximity and duty free access. Other top importers were Jamaica 5%, Guyana 4% and Trinidad and Tobago 3% of regional imports.

Based on the charts below, the major supplying market for Haiti was its neighbour the Dominican Republic whose drastic growth in supply to Haiti between 2010 - 2013 explains the large growth in demand.

Last but not least is an overview of activities Caribbean Export is undertaking in the Agro processing industry.

Agro processing is currently one of the priority sectors under the Caribbean Trade and Private Sector Development (CTPSDP)