



“Resolving Production and Marketing Issues in PA Systems in Trinidad and Tobago”

**THE RATIONAL FOR CLUSTERING
IN THE DEVELOPMENT OF
T&T’s GREENHOUSE INDUSTRY**

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THE INTERNATIONAL CONTEXT

- ↪ International markets for main greenhouse (GH) products (i.e. tomato and sweet pepper) are now maturing and 'commoditized' ➔ ***competition is now on the basis of price*** and development of new varieties
- ↪ While Specialty GH products (e.g. cherry tomatoes) may command higher prices, this position will only last for a relatively short time (as more growers begin to enter into the marketplace).



↪ On the production side:-

- ▶ GH growth/expansion is being achieved by the continued *displacement of similar field-grown products*
- ▶ Only the most productive and efficient GH growers are likely to expand and survive the impact of escalation in labour and energy costs.



↪ On the market side:-

- ▶ A major challenge to GH product market expansion - accessing the food service market (*i.e. supermarket chains, hotel chains, restaurants*)
- ▶ A significant factor in accessing the food service and retail markets - the ability of GH producers to provide year-round supply. (*This is one of the key strengths of the U.S. GH industry*).



- ▶ In recent years there have been *increasing (Market) alliances* between GH producers (and with international distributors) – aimed at developing the capacity needed to supply year-round and thus access large retailer chains/food service market
- ▶ Canadian and Mexican GH producers have been establishing alliances to accomplish the primary goal of penetrating the US food service industry.



▶ For example:-

↪ In the case of Canada, as far back as 2003, the Ontario Greenhouse Alliance (TOGA) was formed between GH vegetable, pepper, and flower growers in an effort *to integrate greenhouse stakeholders into a community and international marketplace cluster* - to be a world leader in greenhouse operations.



↪ In the case of Mexico Village Farms has exclusive arrangements with greenhouse producers in Mexico, to market their products under its Village Farms® and Home Choice® brand names, - primarily to retail supermarkets and dedicated fresh food distribution companies.

Village Farms distributes throughout the U.S., Canada and Mexico, and operates five distribution centers located across the U.S.



Prognosis

- ✦ Survival and growth in the international GH industry, will depend not on the individual strength of GH growers, but their ability to establish and maintain alliances amongst themselves and with entities (along the value chain) that impact on production efficiency and market access.



THE RATIONAL FOR ALLIANCES IN TRINIDAD AND TOBAGO'S GH INDUSTRY



CURRENT STATUS OF GH INDUSTRY -T&T

- ☞ Est 28 GH growers in T&T with a total of 50-60 houses – operating at less than 50% capacity ????
- ☞ Spread throughout the country – no current geographic concentration (except for Mayaro/REPSOL)
- ☞ Fragmented with an Association in need of capacity building
- ☞ Price takers selling to middlemen with limited if any contact with retailers and food service buyers
- ☞ Competing on the basis of **price** against open-field and imported products (from the USA during the 3rd and 4th quarters of the year).



CURRENT STATUS OF GH INDUSTRY -T&T



No programmed working relationship with extension service, banking institutions, R&D/universities; input suppliers; food distributors; government policy makers



Government(MOA/ADB)supporting development of the industry through access to lands and discounted financing

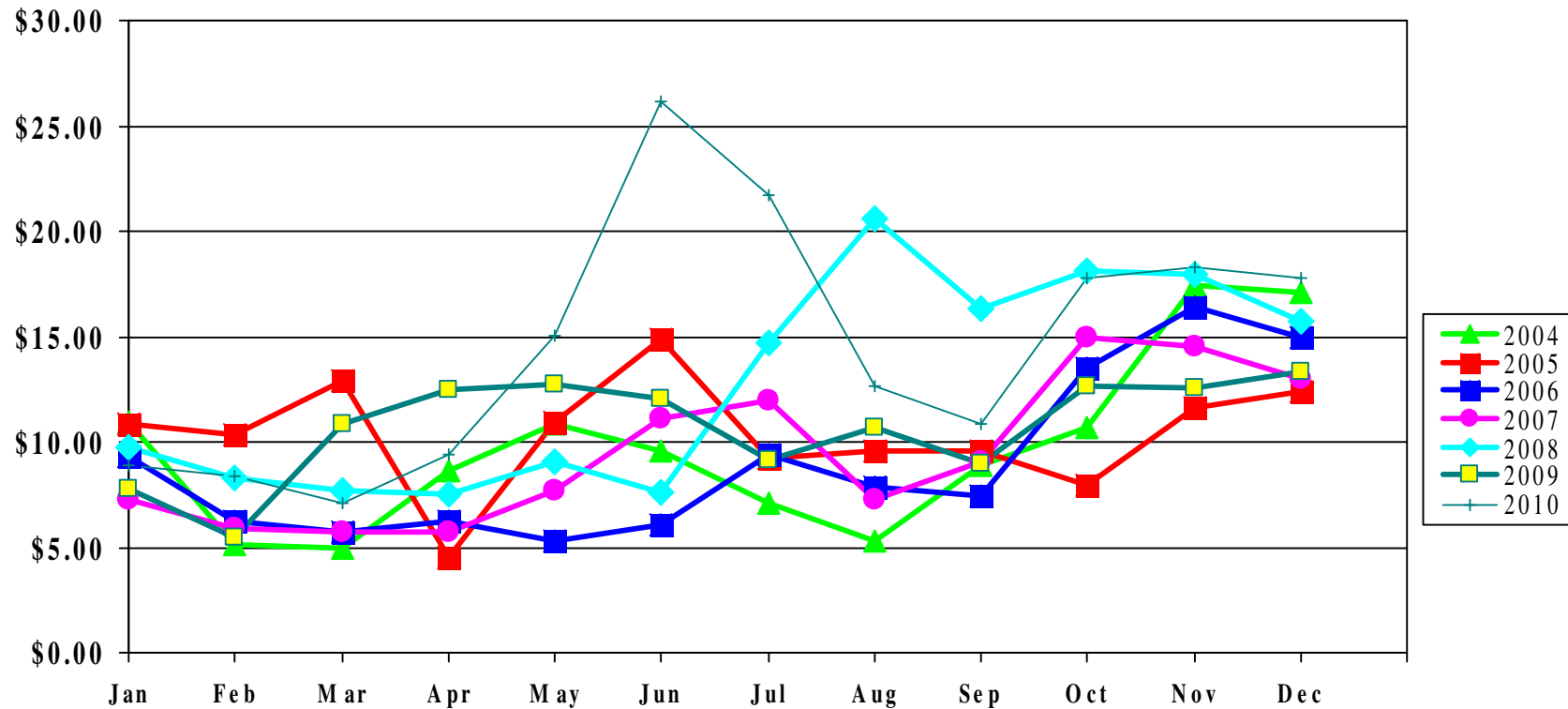


GH – Profitable or not?

*“ All tomato production technologies (except greenhouse) covered their cost of production throughout the year.....**greenhouse did not cover the cost of Production: January to June (medium tomato);January to May (large tomato)**”*
:Seepersad etal (2009)

TOMATO (MEDIUM) AVERAGE MONTHLY WHOLESALE PRICES 2004 –2010

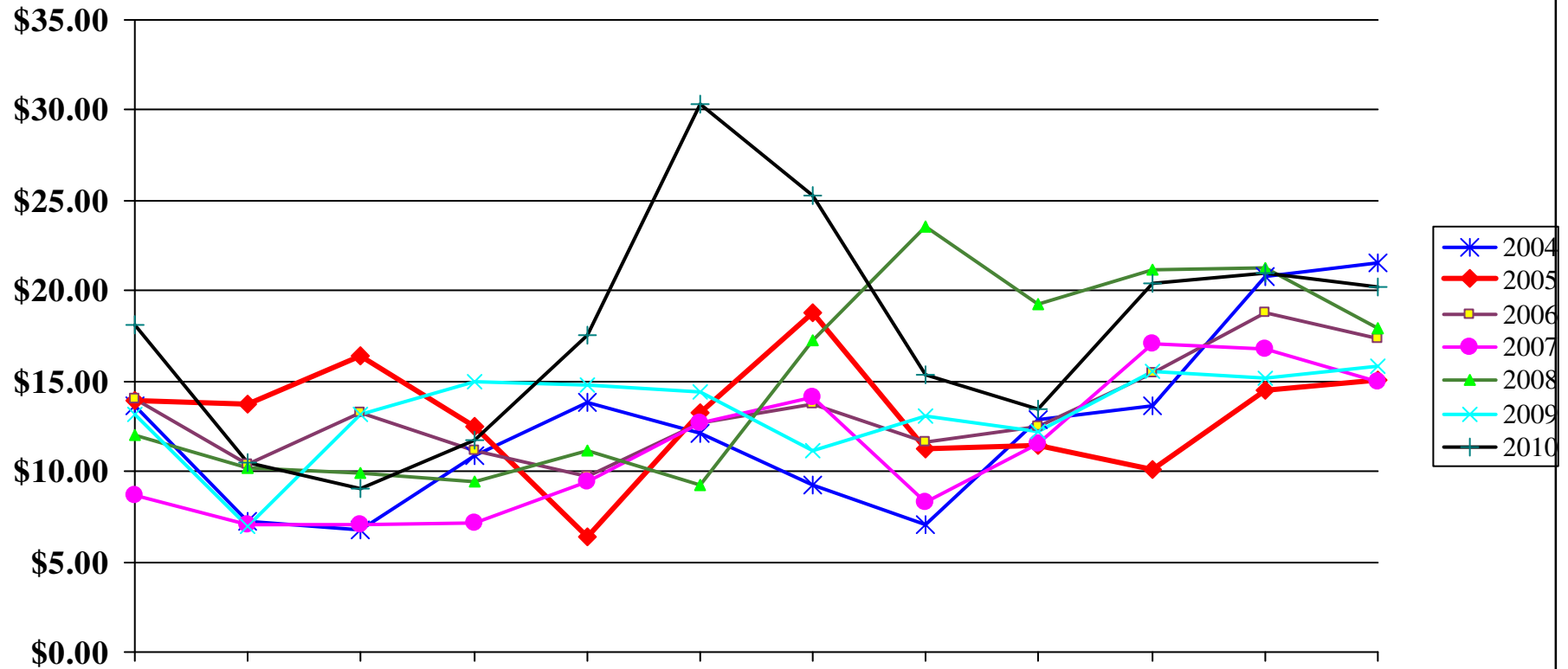
(\$TT/kg)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	10.98	5.15	4.96	8.60	10.85	9.59	7.08	5.29	8.93	10.66	17.45	17.12
2005	10.86	10.30	12.93	4.56	10.91	14.88	9.23	9.60	9.60	7.96	11.61	12.40
2006	9.35	6.26	5.73	6.27	5.33	6.07	9.39	7.88	7.45	13.49	16.42	14.99
2007	7.29	5.86	5.73	5.73	7.68	11.14	11.95	7.29	9.05	14.98	14.52	12.96
2008	9.77	8.30	7.73	7.53	9.04	7.62	14.69	20.62	16.35	18.16	17.97	15.72
2009	7.82	5.43	10.84	12.47	12.70	12.09	9.18	10.66	9.00	12.63	12.54	13.31
2010	8.89	8.39	7.07	9.38	15.02	26.12	21.73	12.68	10.89	17.75	18.31	17.74

TOMATOES (LARGE) AVERAGE MONTHLY WHOLESALE PRICES 2004 - 2010

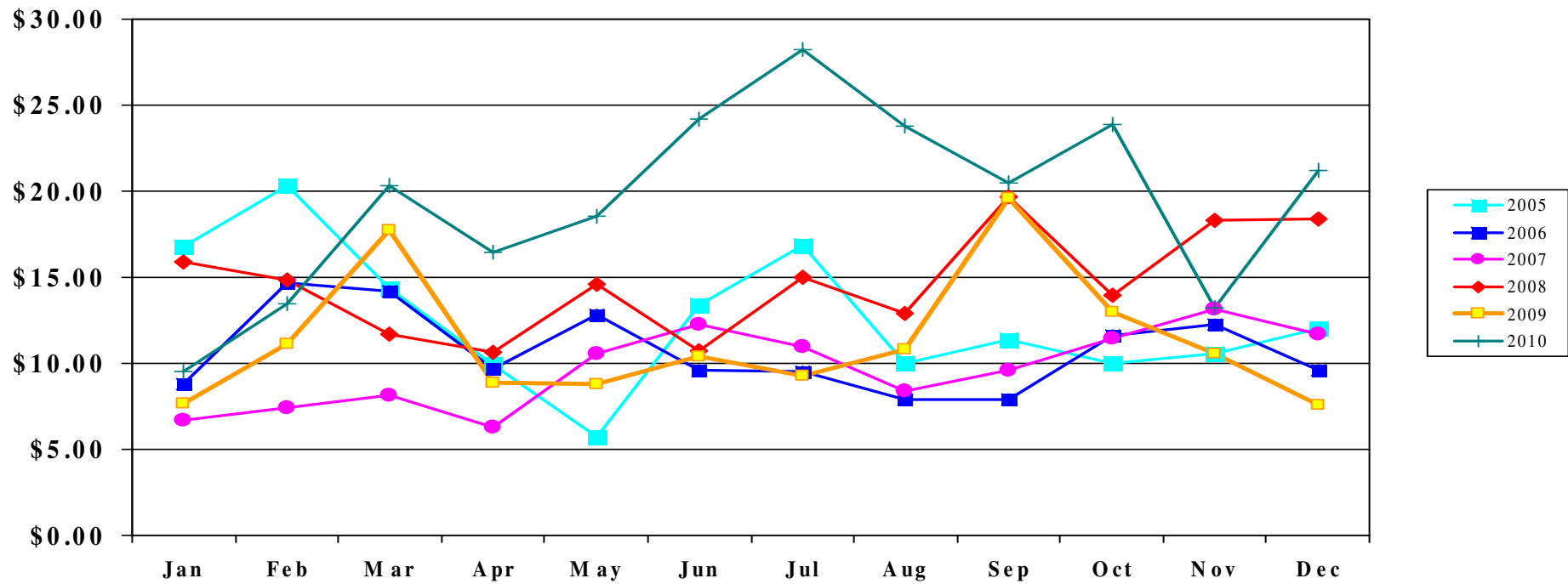
(\$TT/kg)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2004	13.64	7.28	6.80	10.91	13.84	12.09	9.21	7.05	12.87	13.65	20.79	21.53
2005	13.92	13.72	16.36	12.51	6.39	13.26	18.80	11.25	11.45	10.13	14.54	15.04
2006	13.99	10.36	13.27	11.16	9.75	12.71	13.75	11.63	12.46	15.49	18.78	17.38
2007	8.71	7.1	7.03	7.18	9.46	12.69	14.07	8.32	11.55	17.03	16.82	14.98
2008	12.01	10.24	9.91	9.41	11.15	9.28	17.29	23.52	19.31	21.20	21.26	17.93
2009	13.17	6.96	13.17	14.96	14.79	14.42	11.14	13.02	12.16	15.55	15.18	15.81
2010	18.14	10.51	9.08	11.75	17.52	30.28	25.26	15.35	13.43	20.37	21.00	20.21

SWEET PEPPERS (LARGE) AVERAGE MONTHLY WHOLESALE PRICES 2005– 2010

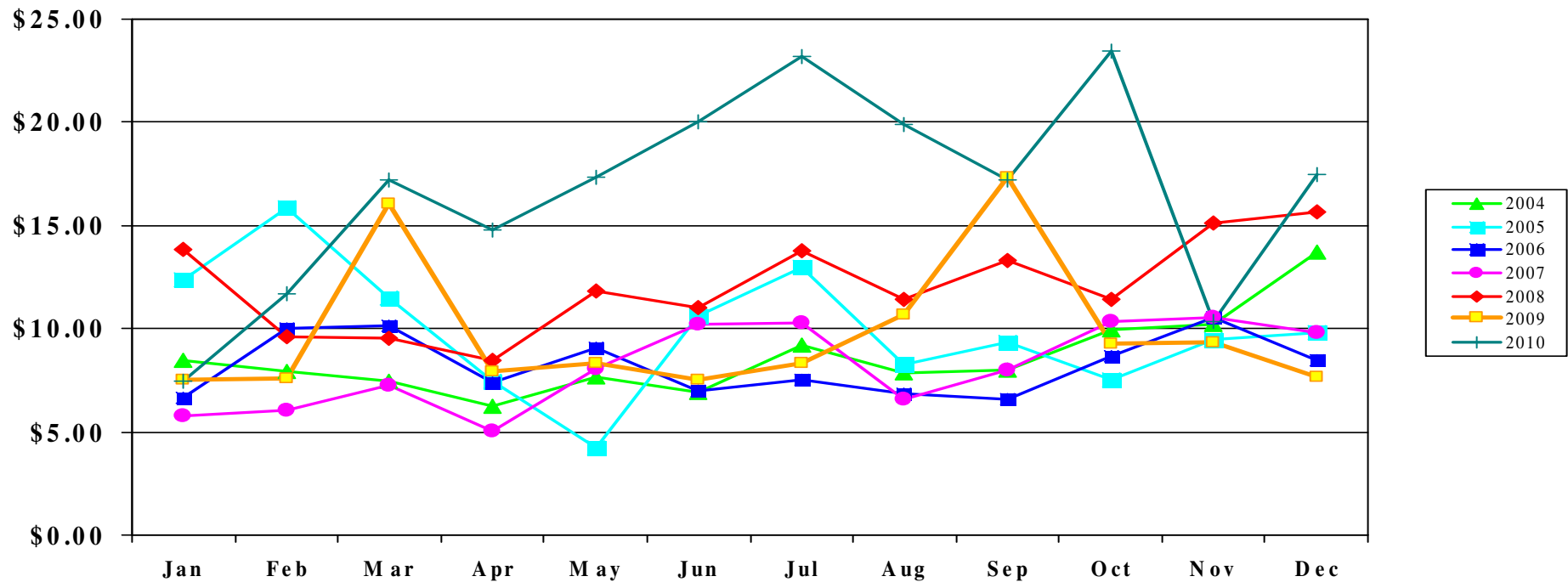
(\$TT/kg)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005	\$16.78	\$20.36	\$14.38	\$9.95	\$5.71	\$13.39	\$16.86	\$10.00	\$11.39	\$10.03	\$10.55	\$12.04
2006	\$8.83	\$14.69	\$14.22	\$9.67	\$12.80	\$9.58	\$9.51	\$7.91	\$7.89	\$11.59	\$12.22	\$9.60
2007	\$6.72	\$7.45	\$8.13	\$6.30	\$10.57	\$12.22	\$10.94	\$8.38	\$9.59	\$11.43	\$13.14	\$11.71
2008	\$15.87	\$14.80	\$11.69	\$10.63	\$14.63	\$10.74	\$15.02	\$12.88	\$19.70	\$13.99	\$18.34	\$18.35
2009	\$7.67	\$11.13	\$17.73	\$8.87	\$8.79	\$10.42	\$9.30	\$10.84	\$19.60	\$13.00	\$10.58	\$7.60
2010	\$9.48	\$13.50	\$20.32	\$16.48	\$18.58	\$24.23	\$28.24	\$23.81	\$20.46	\$23.88	\$13.24	\$21.17

SWEET PEPPERS (MEDIUM) AVERAGE MONTHLY WHOLESALE PRICES 2004– 2010

(\$TT/kg)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	\$8.47	\$7.94	\$7.49	\$6.24	\$7.66	\$6.90	\$9.18	\$7.85	\$8.00	\$9.92	\$10.24	\$13.71
2005	\$12.35	\$15.89	\$11.51	\$7.49	\$4.25	\$10.59	\$12.98	\$8.29	\$9.32	\$7.52	\$9.45	\$9.82
2006	\$6.62	\$10.00	\$10.12	\$7.38	\$9.06	\$6.98	\$7.53	\$6.84	\$6.57	\$8.65	\$10.55	\$8.50
2007	\$5.79	\$6.06	\$7.24	\$5.04	\$8.07	\$10.20	\$10.25	\$6.61	\$8.01	\$10.32	\$10.56	\$9.80
2008	\$13.83	\$9.63	\$9.57	\$8.50	\$11.85	\$10.99	\$13.76	\$11.42	\$13.30	\$11.42	\$15.13	\$15.69
2009	\$7.51	\$7.60	\$16.09	\$7.91	\$8.34	\$7.54	\$8.30	\$10.67	\$17.33	\$9.27	\$9.37	\$7.65
2010	\$7.47	\$11.67	\$17.22	\$14.78	\$17.37	\$20.00	\$23.20	\$19.90	\$17.19	\$23.45	\$10.38	\$17.48



DIAGNOSIS



GH farms in T&T face the sector-level challenges of **low economies of scale, productivity, and price competition from open-field producers and importer/distributors .**

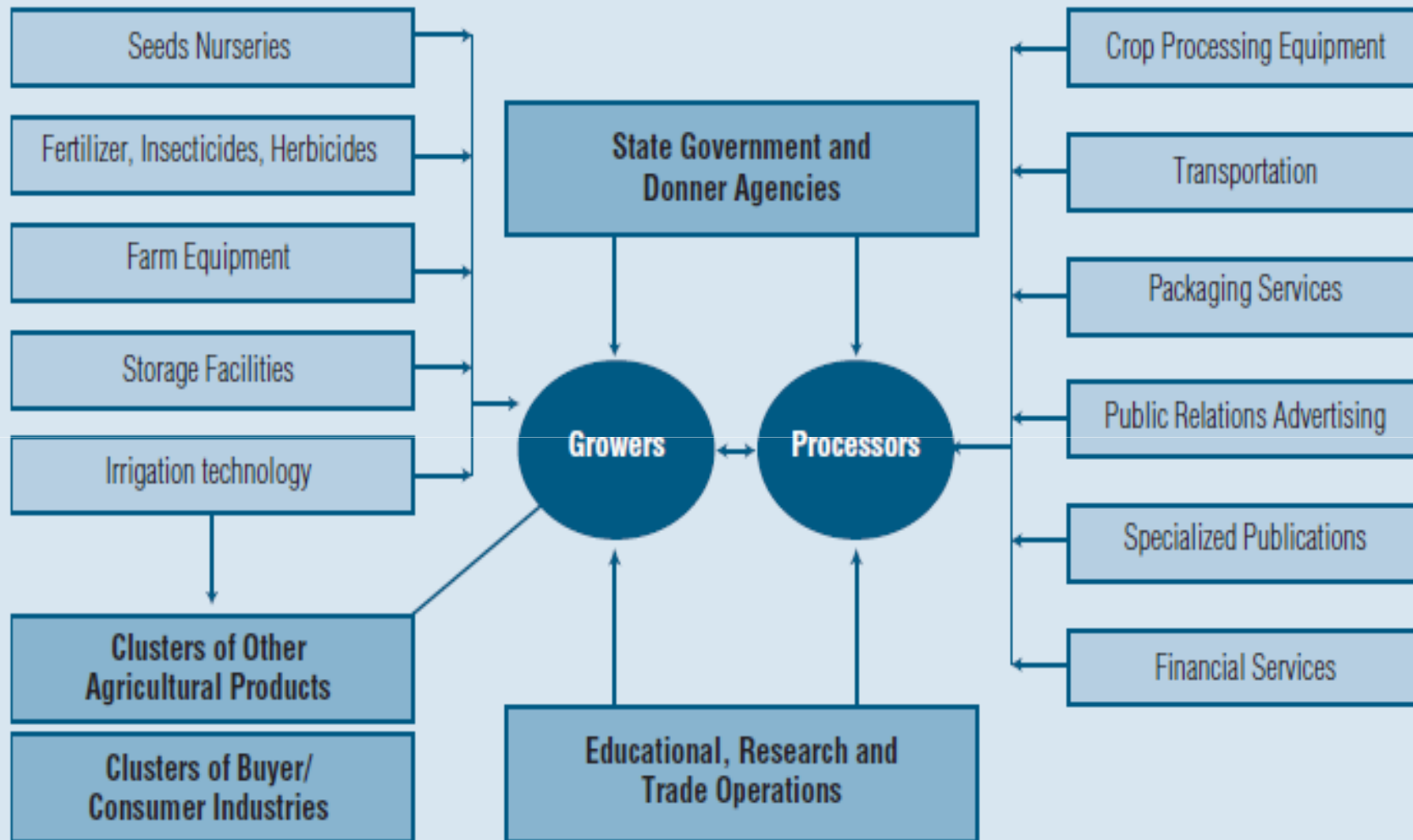


Given the size and dynamics of the domestic market, this challenge (and **any effort to increase competitiveness**) cannot be addressed by the individual GH grower.



CLUSTER - A geographic concentration of similar oriented production companies, specialized suppliers, service providers, firms in related industries, and associated institutions (for example universities, standards agencies, and trade associations) that cooperate to increase sales outside of the area, and employment inside the area.

Figure 1: An Agribusiness Cluster



World Bank (2009): "A practical guide and policy implications for developing cluster initiatives"; International Trade Department-



Focus of the Cluster Approach

- **Knowledge Sharing, Building Trust, and taking Joint Action** - to support production and market access for a specific product *e.g. access to market segment off-take information, buying practices, central distribution points close to food service buyers*
- **Buyer/Consumer demand driven** – key (food service) buyers are willing to work with GH suppliers and other relevant organizations to build a stronger value chain (including the bringing of the consumer to the cluster *e.g. commodity food festivals and shows*)



- **Clustering** will allow GH producers in T&T to:-
 - ☞ achieve economies of scale
 - ☞ engage in several production activities from which the members benefit such as bulk buying of inputs
 - ☞ generally improve producer access to services (training, credit and saving schemes, market information, production costing)
 - ☞ negotiation of better prices for products and their position in the value chain.
- **Clustering** will over the long run, draw new resources and investment to an area/community.



Some Challenges and Pitfalls



Management of the Cluster

- When the structures are not managed well there is a danger that members' ownership, trust, and commitment deteriorates, which can lead to the collapse of the cluster
- Diversity of interests among the members leading to tensions
- **WEAK GH PRODUCER ORGANIZATIONS** -When the participation of Producer Organization is weak, the effectiveness of the cluster declines.



Dependence on external actors

- Clusters are often set up due to the interference of NGOs. The groups are unwilling or not able to break free from this external support

Lack of finance/money

- To establish distribution & storage facilities and pay their members directly when they bulk produce for distribution to food service buyers; side selling of their members



- Practically, **CLUSTERING** :-



presents an opportunity for small and medium-size GH farmers in T&T to quickly gain economies of scale,



become price competitive



access larger and more sophisticated markets



lobby governments for provision of necessary infrastructure and policy reforms, and



jointly develop resources, and employment within a community.



- **Building CLUSTER ALLIANCES takes time....
10-30 yrsstart now!!!**

RECOMMENDATIONS

- 1. Strengthen the capacity of the TTTGOA to service its members (knowledge /market information /costing etc)**
- 2. Begin to form GH/PA clusters in various regions of T&T**
- 3. Develop a Strategic Plan for Marketing and Distribution of GH products**
- 4. Collaborate with UWI (Competitiveness Centre) to examine the issue of improving competitiveness of GH production in T&T**



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