



Development of the Poultry Sector in Suriname

A role of government and firms

By

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LIST OF ABBREVIATIONS

AKF	Agricultural Credit Fund
APSS	Association of the Poultry Sector in Suriname
CARICOM	Caribbean Community
GATT	General Agreement on Tariffs and Trade
GDP	Gross National Product
IMF	International Monetary Fund
LVV	Ministry of Agriculture Animal Husbandry and Fisheries
HI	Ministry of Trade and Industry
QRs	Quantitative Restrictions
SRD	Surinamese Dollar
WTO	World Trade Organization

CHAPTER 1

INTRODUCTION

1.1 Background

Globalization and trade liberalization have partly caused for the decline of the local poultry industry in Suriname (*LVV 2011a: 6*). In order to respond to the challenge of increasing the competitiveness of local farmers the collaboration of various actors and in particular the support of the government is necessary.

From the 1990s to date poultry farmers in Suriname lost nearly 60% of their local market share. While thirty years ago the country was almost self sufficient, currently the local market is mainly secured by imported poultry meat. The loss of market share have also led to the loss of employment within the sector and allied industries. Government's decision to liberalize the import of poultry meat in the 1990s is considered one of the main causes for the decline of the local poultry industry in Suriname.

During the 1980s and 1990s, Suriname had to contend with several macro-economic imbalances. There was a "currency crisis" since 1983 and fluctuations in exchange rates and money speculations prevailed due to the low availability of currency by the Central Bank of Suriname (*SBF 2010: 6*). These macro-economic imbalances had direct consequences for the industrial sector in Suriname, including the poultry industry. Given the high dependency of the poultry industry on imported inputs, especially for feed, it became difficult for farmers to acquire sufficient currency to import inputs. Furthermore, farmers were confronted with poor growth result and high mortality rate of chicks, due to fluctuations in the quality of feed and lack of necessary medicines. All this lead to a scarcity of chicken and high consumer prices (*Boedhoe 1992: 1-3*). In order to provide consumers the opportunity to purchase affordable chicken meat, the former government allowed the import of chicken parts and in 1992 the first bulk of leg quarters was imported in Suriname, also known as the "kerstkip" (*Kroon 2010: 15*). Hereafter, imports of poultry meat increased over the years, making it difficult for local farmers to compete against the low prices.

Governments' decision to liberalize trade can also be placed in the framework of the international and regional trade processes in the 1990s, which influenced the national trade policy of Suriname. In 1995, Suriname became member of the World Trade Organization (WTO) and the Caribbean Community (CARICOM) and committed itself to fulfill the objectives of these organizations. Especially for the WTO, agreements are binding and member countries are obligated to pursue their trade legislation and trade policies in accordance with the WTO basic principles (*HI, n.d.*). One of the main objectives of the WTO is to "help trade flow as freely as possible", therefore most of its principles are aimed at promoting trade liberalization (*WTO, n.d.*). Equal treatment of local- and foreign produced products, transparency, promotion of fair trade and progressive trade liberalization are some of the principles of the WTO (*Kiely 2007: 116*).

Generally, globalization is considered as a driver of trade liberalization, since it stimulates the process and supports international organizations such as the WTO to achieve its objectives. Economic cooperation between countries has increased over the years, especially regarding trade. The World Development Indicators 2011 and Dunn, Kawano and Brewer's study (*as cited in Dunn and Kwan, 2011*) illustrate a massive growth in world trade as percentage of world's GDP from 1970 to 2008. International trade nearly doubled within thirty-eight years (from 14% to about 30%). Even developing countries experienced an increase in their exports and according to the WTO, this economic development has partly been the result of trade liberalization (*WTO, n.d.*). However, there is a differentiated view on whether globalization and trade liberalization stimulates the economic development of a country. 'Pro-globalisers' argue that the removal of trade barriers allows markets to work more efficiently, since it sharpens the competition between industries, motivate innovation and breed success, while 'opponents of globalization' claim the opposite (*Potter et al. 2008: 140*) (*WTO, n.d.*). According to them globalization is a process that distorts patterns of development and leads to further division of countries and peoples rather than bringing them closer to each other (*Wint 2003: 3*). *Kiely (2007: 19, 121)* takes a position somewhat in between the aforementioned arguments. He argues that globalization and the removal of trade barriers does not "represent a straightforward opportunity" for developing countries, since markets do not operate as freely as indicated, but a certain amount of power play is involved. He acknowledges that some regions such as the East Asia have successfully entered

high value added sectors and generated profits. However, most developing countries have not been able to obtain a competitive advantage towards established industries of developed countries that already were in an advantageous position to respond to the intensified competition that occurred through trade liberalization, due to their advanced technologies, skills, infrastructure and markets.

Suriname's commitments to the WTO have influenced government decision making. This is apparent in the current trade policy of the Ministry of Trade and Industry (HI), which aims at the promotion of trade liberalization and removal of regional and international tariff barriers. The reason for the former government not to revise its decision to permit the import of poultry meat at low import tariffs before Suriname's membership to the WTO is difficult to declare. Fact is that we live in a world where the intensity of globalization and expansion of trade liberalization is increasing. Furthermore, commitments to regional and international organizations compel governments to formulate their policies conform the objectives of these organizations and limit their scope of intervention. Therefore, the challenge for small economies such as Suriname to develop their industries becomes greater.

1.2 Research objectives

The objective of this research is to assess the role of various actors and in particular, the government in strengthening the competitiveness of the poultry industry in Suriname, and to study the possible effects of aspects of globalization and governments commitments to international organizations such as the WTO to liberalize trade. Furthermore, to propose recommendations regarding the poultry policy of the Ministry of Agriculture, Animal Husbandry and Fisheries (LVV), that will help to stimulate farmers to expand their businesses and invest in the sector in order to strengthen it and create employment within the poultry sector in Suriname.

1.3 Research questions

With Suriname having the potential to expand its poultry sector, this paper asks:

How can the government in particular facilitate the strengthening of the competitiveness of the poultry sector in Suriname in the current era of globalization and growing trade liberalization?

Therefore, it is relevant to examine:

- How has globalization affected the poultry industry in Suriname?
- Which aspects of globalization had an impact on the development of the industry?
- What are the difficulties that the poultry industry in Suriname has to deal with in order to strengthen its competitiveness?
- What are the competencies of the industry?
- How can the government in particular support the development of the sector?

1.4 Relevance and justification

According to the Ministry of LVV (2011a: 6), poultry meat is one of the main protein sources in Suriname, since it is widely consumed by most people. Permission given by the government to import poultry meat in the 1990s, over the years increased Suriname's dependency on food imports. Currently almost 69% of total chicken consumed in Suriname is imported (LVV 2011a:6). Given the poultry industries' potential to flourish, in the context of food safety and especially food security it is important for Suriname to boost this sector. With the intensification of globalization and Suriname's membership to several regional and international organizations, it is not possible and probably not recommended to shield local industries. Furthermore, debates about the advantages and disadvantages of globalization and neo-liberal policies in the economic development of countries, makes it interesting to look at the challenges faced and possible opportunities provided to industries within developing countries, like Suriname.

1.5 Research methods

Research was carried out through literature review, review of collected data of governmental and non-governmental institutions and interviews with key informants. Literature review was necessary to get a broader view of the impacts of globalization and trade liberalization in general and specifically, on developing countries and their industries. Furthermore, data of similar studies in the poultry sector of other developing countries was gathered to get an overview of possible applied measures in responding to the challenges and opportunities that occurred due to trade liberalization. For the descriptive analysis of the poultry sector, mainly secondary data is used, in particular reports of the Ministry of LVV and the Association of the Poultry Sector in

Suriname (APSS), previous committed studies, and relevant articles on the internet, newspapers and magazines. Primary data was collected through semi-structured interviews with key informants, which were selected based on their involvement and experiences within the sector. They were non-formal, one on one interviews in order to give the interviewees the freedom to freely express their thoughts. Interviews were carried out with a set of prepared questions of which notes were taken. Data is analyzed per respondent and for questions that were asked to multiple respondents, answers were combined. To reach the respondents snowball sampling was used, whereby the first information about the stakeholders was collected at the Ministry of LVV. Information was collected from various sources in order to present the data as objective as possible. Since this research focuses on policy level and proposing possible policy recommendations, interviews are limited to some key informants and no extensive survey is carried out among farmers.

1.6 Limitations

Some limitations in carrying out this research are:

- *Limited availability of specific data for the poultry sector*

Data about the agricultural sector in Suriname is usually presented collectively, making it difficult to derive specific information for a subsector. Moreover, comparison of data from institutions is difficult since data is usually presented in different formats. Recent data presented in this research is mostly obtained from the draft policy documents of the Ministry of LVV.

- *Availability of concrete policy documents*

With the new government that took office in 2010, there is not yet a concrete policy document from which information can be gathered about the designated policies of the government. The Ministry of LVV is currently in the phase of finalizing its policy document and the completion of it will be this year. Information from draft policy documents, reports of stakeholders meetings held to the preparation of the policy document for the subsector Animal Husbandry, and the government statement (regeringsverklaring) is used for this research.

- *Inconsistent use of definitions*

Various sources use different definitions for agricultural terms, which usually makes it time consuming to find the right data.

- *Own perspectives of the poultry industry*

Since I belong to a family that has been active in the poultry business for many years, I am to some extent involved in the sector and somewhat familiar with the situation. To carry out this research objectively questions for interviews were formulated based on literature study. Semi-structured interview was used in order to stay focused and not to deviate from a particular subject.

1.7 Chapter overview

In this chapter, a brief explanation is given about the study, its objectives and the way the study was carried out. Hereafter an overview of the literature that is used will be provided, namely the concept of globalization and trade liberalization, some perspectives about both processes, indication of the environment in which businesses usually operates and the role of the government in the development of local industries. In chapter 3, a descriptive analysis of the poultry sector in Suriname is given followed by an overview of government policies and regulations regarding the poultry sector. Furthermore, the role of various actors that are considered important for the development of the sector is described. Chapter 4 presents the view of key persons about the further development of the sector. Finally, conclusions are drawn and recommendations are made.

CHAPTER 2

LITERATURE REVIEW

2.1 Globalization and trade liberalization

Globalization has been around for centuries, yet its rate and intensity increased over the past twenty years. Due to the complexity of the set of processes, that globalization comprises it becomes difficult to give the term a simple definition. Therefore, scholars define the term from different perspectives such as economical, social and political. Stiglitz (*as cited in Schneider, n.d. :2*) defines globalization as “the closer integration of countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication and breaking down of artificial barriers to flow goods, services, capital, knowledge and people across borders”. According to Stiglitz’s definition, globalization is a process where countries have become closer to each other due to the removal of barriers.

Pros and cons of globalization

“Pro-globalisers” argue that globalization is good for the development of a country, since the removal of barriers allows markets to work more efficiently and leads to economic growth. This view is particularly based on the economic logic that reduction in barriers decreases the cost of production. Since goods can move more freely from one place to another, distance becomes less important for economic activities (*Potter et al. 2008: 129 & 140*). Moreover, it is stated that the removal of trade barriers creates opportunities for even the poorest countries to trade. Since communication- and technological development can reach countries faster and easier, developing countries are provided the opportunity to move along with recent developments and enhance their production methods. In addition, according to the theory of comparative advantage presented by David Ricardo (*Daniels 1995: 140 & 174*) global efficiency on trade can be achieved when a country specializes in those products that it can produce most efficiently.

International organizations such as the IMF and the WTO are major advocates of globalization. According to the WTO (*n.d.*), world economic growth averaged about 5% per year during the first 25 years after the World War II, partly due to the lowering of trade barriers. Akyüz (*2004: 2 & 3*) in its discussion paper “Developing Countries and World Trade: performance and

prospects” also indicate the increase in world trade, especially the fast growth in exports from developing countries. However, he argues that the growth in world trade of developing countries does not always resemble the actual growth in these countries GDP. The average growth is frequently much lower than indicated, except for some countries such as China. Akyüz acknowledges that some developing countries have succeeded to integrate more closely into the world trade by making a shift to more technology-intensive manufactured exports and so thus Kiely in his book “The New Political Economy of Development” (2007: 19). However, Kiely argues that for most developing countries breaking into high-value-added sectors has been a greater challenge than expected. Developed countries with their established industries and technologies already were in a leading position and were able to cope with the intensified competition that occurred through trade liberalization, while most of the developing countries faced greater challenges. Since developing countries are generally in a financially disadvantageous position, the adaption of mega developments in technology becomes difficult for them, making it more problematic to obtain a competitive advantage for their products. In addition, the existing gap between the “have” and “have nots” intensifies (Daniels 1995: 145). Potter et al. (2008: 140) illustrate this by giving an example from Kiely ‘s work “Globalisation and the Third World”, that around 1999, “80 percent of the world’s population still lacked the access to the most basic communication technologies”. Moreover, the number of telephone lines in Manhattan is much more than the total of whole sub-Saharan Africa. These examples point out the uneven distribution of global development benefits and the concentration of it in certain places. Globalization and in particular trade liberalization have supported the economic development of several developing countries, however like Kiely (2007: 118) states the “benefits of free trade policies are limited”.

Globalization and small industries

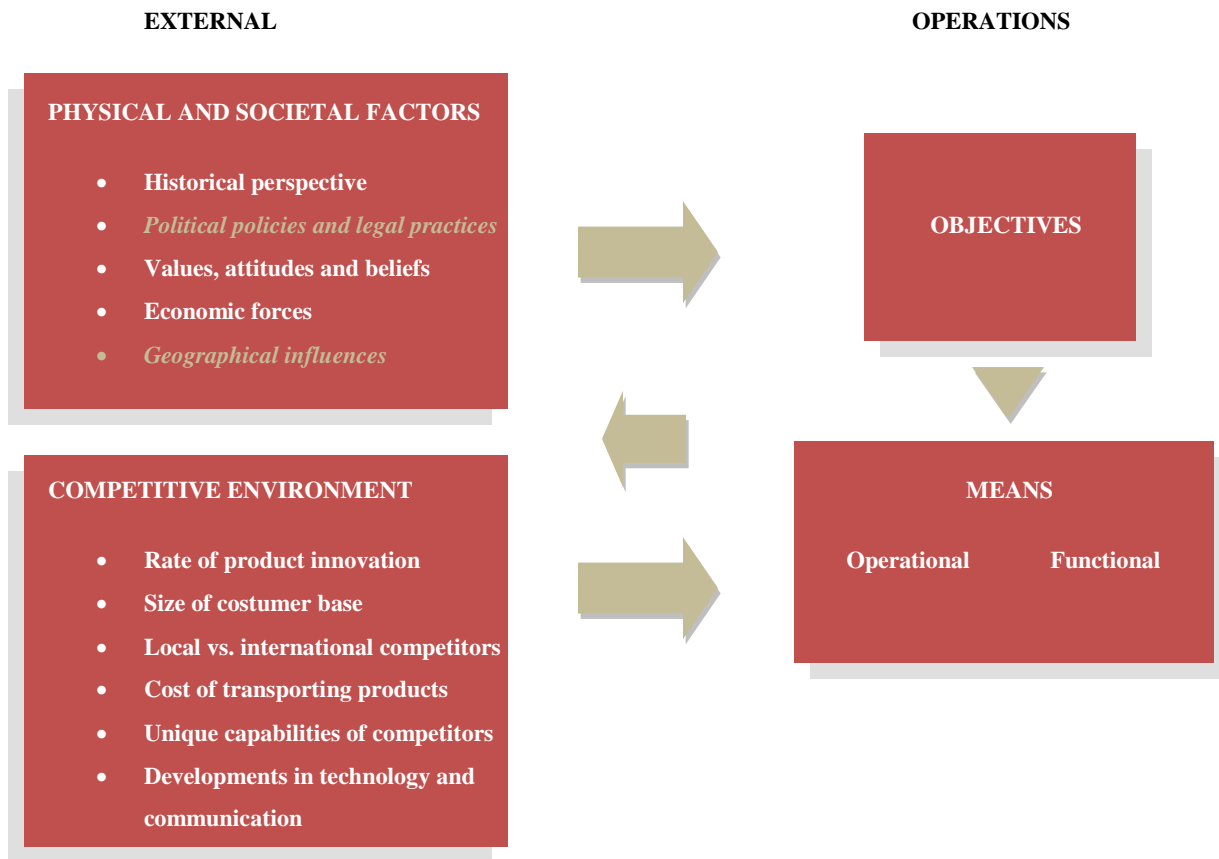
As mentioned before, there is a differentiated view on the effect of globalization on countries and their industries. Reddy (2007: 3), in its report "Impact of Globalization on small Farmers Worldwide: Implications on Information Transfer" present some examples of the negative effects of globalization on small farmers. While globalization provides developing countries certain opportunities to develop their economies, several studies indicate that these developments have been very uneven among and within countries. Usually in developing countries, small farmers

are the least to benefit from these opportunities. Industrialization, specialized production, and imposed legal barriers make it even more difficult for them to access markets and to compete against cheaper and high value-added products. Since most developing countries still are depended on agricultural exports, trade policies on agriculture remains a major concern. Membership to the WTO was assumed to provide developing countries the opportunity to easier access the markets of developed nations. However, since each country had the opportunity to determine their own tariff rates at the WTO negotiations, tariffs for agricultural products were set so high by developed countries that even after the reduction of it over the years it remains an obstacle for developing countries (*Kiely 2007: 117-118*).

2.2 Environment in which businesses operate

Firms operate in environments that influence their existence and development. Generally these environments can be classified as external or internal. The external environment commonly comprises uncontrollable forces such as physical, social and competitive factors, while the internal environment include those forces over which firms do have a certain amount of control such as the factors of production and activities of the organization (*Ball et. al. 2008: 20-22*) (*Daniels 1995: 9*).

Figure 1 *Business operations and its influences*



(Daniels 1995: 9) Adjusted

Figure 1 gives an indication of the impact of political decisions and geographical influences on the operations of firms. Although the figure is actually presented in the context of international trade, it illustrates that “no domestic firm is entirely free” from environmental forces and that a firm's operation, domestically or internationally, is influenced by uncontrollable and controllable factors, a claim that is underlined by Ball et al. (2008: 20). Therefore, the interplay of the various actors is considered relevant for an industries' success. With the intensification of globalization and liberal trading systems, the former role and involvement of governments in local businesses seems to be fading over the years, therefore in the following sub-paragraph the focus is mainly based on the role of government in trade.

The role of government in trade

Generally “pro-globalisers” argue that state protection and government intervention distorts patterns of trade, while history of many of today’s leading countries in world trade and more recently the emergence of one of the biggest economic powers China, demonstrate the important role of governments and their decisions in the development of the economy. China’s economy has grown at an average of 9.5 percent per year since the government introduced economic reforms in 1978. However, this growth was partly due to China’s protectionist measures and government’s considerable control on import, exports and investments (*Burnell 2008: 67-68*). Chang (2009) in his article “under-explored treasure troves of development lessons” give examples of some of Europe’s major global trading countries and advocates of liberal trading systems, who developed their industries due to protectionist measures. The Netherlands for example one of the largest exporters of agricultural products has developed its agricultural sector largely through public policy and public private partnerships, whereby governments supported the sector namely by the provision of educational-, extension-, and research services, subsidies, financial support and tariff protections.

The importance of government’s interference in trade

There are different reasons why governments interfere in trade, such as the avoidance of unemployment and the improvement and enhancement of the competitiveness of domestic industries for productivity and growth. Government’s decisions affect the environment in which firms operate and can have major impacts on a firm’s performance and existence. However, fact is that an industry’s development and success does not merely rely on the extent to which government support it, many other factors can have major impacts on a firm’s performance such as the firms operations itself. The scope of governments to interfere in markets has been limited over the years, however its importance for some sectors or products that are rather 'sensitive' such as agriculture cannot be neglected. Mehta (2003) in his paper about “The WTO and the Indian poultry industry” presents some measures of the Indian government in order to develop its poultry sector after its decision to liberalize the poultry industry. The poultry sector in India was for a long time protected from the foreign market by QRs and licensing. After India’s membership in the WTO, the country implemented some major trade reforms, such as removal of QRs and placing tariff bindings at fixed levels since it sees globalization as an opportunity to

expand its production and develop its agricultural sector. However, chicken products in India do not have much competitive advantage over other global suppliers. Therefore, the state gave priority to the sector and focused their national policy on it. Strengthening of the infrastructure, training, research and development, and easy access to vital facilities such as inputs, credit and marketing are a number of facilities provided by the government to local farmers in order to stimulate the sector. The government's decision to support the market was not only based on the economic benefits, but also on the sector's enormous contribution to employment namely about 1.5 million people mostly in the rural areas. Mehta's study indicates the important role of the state and firms in the 'survival' of India's poultry industry. While the government ensured the basic conditions, on the other hand firms responded to opportunities that occurred.

Motives for governments to liberalize trade

In today's world, influences from the outside are inevitable and liberal trade policies that are imposed by international organizations such as the WTO and the IMF, or that are a prerequisite for regional integration are partly leading to the erosion of the former role and power of the nation states and have major influences on the formulation of policies nationally. Despite this, governments liberalize their trade policies for different reasons, such as:

- citizens' access to a greater variety of goods and services at lower prices;
- increasing competition, motivating domestic producers to produce efficiently;
- to take better advantages internationally by inducing other countries to reduce trade barriers (*Daniels 1995: 12*).

During the Uruguay Round (held from 1986 until 1994), thirty-one developing countries joined the WTO with the expectation that a more open trading environment would strengthen the growth prospects of developing countries and push producers to produce efficiently improving their access to markets in the North (*Akyüz 2004: 2*). Currently, 150 developing countries are participating in the WTO (*WTO, n.d.*). Developing countries exports have indeed grown faster in the past years, yet their exports are still concentrated on primary products limiting their prospects for productivity growth and access in world markets (*Akyüz 2004: 4*).

Conclusion

While some developing countries benefit from the process of globalization, for example China who expanded its manufacturing business globally and apparently today belong to one of the major economic powers in the world, other countries such as in sub-Saharan Africa have to deal with increasing disparities, pushing them further away from the opportunities of global development. The degree to which a country or industry can gain from global development differs. International organizations such as WTO and IMF argue that countries where government intervention or protection is limited benefit more from trade, since firms can produce more efficiently and trade distortion is avoided. While other studies show that, a certain degree of government intervention is necessary in order to develop local industries, especially 'sensitive' sectors such as agriculture. Government's decision influences the external environment of firms and its decreasing role and power in trading systems make firms more dependent and vulnerable to developments internationally. However, a firm's existence is not merely based on government's decisions, but also on its operations and response to emerging challenges.

CHAPTER 3

POULTRY SECTOR IN SURINAME

3.1 Descriptive analysis of the poultry sector in Suriname

The poultry sector is the largest subsector within animal husbandry in Suriname, however local farmers hold the smallest market share domestically. While once the country was almost 100% self sufficient, currently the supply is mostly secured by imported poultry meat. The decrease in the share of the local poultry industries partly due to the impact of globalization and trade liberalization, has been alarming over the past twenty years leading to the loss of employment and making the sector more dependent and vulnerable to global developments.

Importance of the sector

The poultry sector provides jobs to approximately 6.400 people, comprising 26% of the total job provided by the agricultural sector in Suriname both direct as indirectly. According to the the Ministry of LVV (2011a: 5), the contribution of the subsector Animal Husbandry to the GDP fluctuated around 1.5% in the period 2005-2009. Although the contribution of the poultry sector to the GDP is not specified, the sector is considered economically and above all socially important since it provides employment to apparently the most vulnerable groups in society, for whom working in another sector would probably be difficult. Given the statistics of the Ministry of LVV presented in table 1, chicken meat can be considered as the most consumed meat in Suriname and thus the main source of protein. However, these statistics also indicate the small contribution of local farmers (around 31%) in the provision of it.

Table 1 *Average meat consumption per capita (2009)*

Meat Type	Locally (kilo)	Import (kilo)	Total (kilo)	Local as % of total
Beef	3.85	2.70	6.55	59
Pork	3.58	1.34	4.92	73
Sheep-and goat meat	0.03	0.03	0.06	50
Chicken	15	33.49	48.49	31

(LVV 2011a: 6)

FAO food index statistics show a massive increase in food prices between 2005 and 2008 (*FAO 2011*). With the world population's growth every year, investment in agriculture and food security especially for developing countries becomes a major challenge. In addition, for developing countries such as Suriname who have the potential to expand their agricultural sector, these developments could provide possible opportunities.

Globalization, trade liberalization and the development of the sector

During the 1990s, the government of Suriname gave permission to trading companies to import poultry meat in order to respond to the then so called “chicken crisis”. High prices and scarcity of chicken prevailed during the 1990s. Since poultry meat is considered to be the most consumed in Suriname and thus a major source of protein, government permitted the import of poultry meat, in order to provide citizens the possibility to purchase affordable meat. However, the impact of this governmental decision was not favorable for the sector. Poultry meat was imported at a low import tariff of 20% and local poultry firms were confronted with the difficult task to compete against the low market prices of these imports. For many small farmers this proved impossible and they actually were forced to close their businesses and look for alternative employment. Table 2, illustrates the significant decrease of the number of poultry farms from 1959 until 2008.

Table 2 ***Number of poultry farms and chicks registered during the agricultural census of 1959, 1981 and 2008***

Census year	Number of farms	% increase/decline of farms compared with previous census	Input of chicks	% increase/decline of the input of chicks compared with previous census
1959	13045	-	289965	-
1981	11099	- 14.9%	1159999	+ 300%
2008	3629	- 67.3%	484000	- 58.2%

(LVV 2011a: 8) adjusted

According to the statistics, the number of poultry firms decreased with almost 72% from 1959 to 2008. Different reasons are given for this decline including the emigration from suburb areas to the city in order to search secured jobs outside the agricultural sector and trade liberalization. Although the statistics indicate a decline of almost 14.9% in the number of farms from 1959 to

1981, the figures record an enormous growth in the input of chicks, namely 300%. This growth could partly be explained by the high mortality rate of chicken and their poor growth results due to fluctuations in the quality of feedings and the lack of necessary medicines during the eighties (*Boedhoe 1992: 3*). Thus, despite the high input of chicks a shortage of chicken prevailed during the period, leading to a massive increase in prices and making chicken meat almost unaffordable for consumers. In order to respond to this problem, government gave permission to import poultry meat at much lower prices. While this decision of the government was supposed to bring solution to the then so called “chicken crisis” and stimulate the sector’s performance, it actually pushed the sector further into difficulties.

Government policies and regulations

In January 1995, Suriname became member of the WTO and committed itself as other member countries to support the liberalization process. Decisions made during the negotiations and policy reforms that were implemented had their impact on the agricultural sector, amongst which the poultry industry. Dr. Subhaas Ganpat in his article about the Suriname’s Poultry Industry (*DBS 2004*) stated that the poultry sector was still an emerging industry in the 1990s and was actually not provided the opportunity to prove its potential partly due to the governments’ liberal trade regime. Although globalization in a specific way supports trade liberalization, the decline of the local industry’s share over the past twenty years cannot automatically be indicated as a result of the globalization process. In the case of Suriname, it rather seems that decision making of the government largely affected the business environment of poultry firms. Renfurm (*2006: 25*) in his study “The impact of Trade Liberalization on Poverty in the Poultry Sector”, states that Suriname applied an import tariff of merely 10% on broiler meat and meat products before becoming member of the WTO in 1995 and that American and Brazilian poultry meat entered the country on a much lower tariff than currently applied (20%). However, Renfurm did not mention that although the import tariffs were low, permission given by the government to import poultry meat was limited. Since the applied import tariff in Suriname’s (namely 10%) was under the WTO ceiling of 20% for Agricultural products and the former government omitted to “adjust” the tariff before the WTO trade negotiations, Suriname could not apply for higher tariffs in order to protect its agricultural sector. Other countries in the region that did manage to

increase their tariff rates before the negotiations now apply higher tariffs than Suriname. Table 3 gives an overview of the bound rate of Suriname and several CARICOM countries.

Table 3 *CARICOM commitments for poultry meats under WTO Agreement on Agriculture*

Country	WTO bound rates	Effective Tariffs* on poultry products (over the year 2000)
Barbados	Over quota tariff-chicken 236%	Quota – 405,897 kg In Quota tariff- 0% Over quota tariff – 207%
Belize	110%	40% on all chicken products, preparations and substitutes
Guyana	100%	56% on whole birds and other parts 10% on leg quarters, back & neck, liver, feet
Haiti	10%	5 % on all poultry meat
Jamaica	100%	86% for whole birds and leg quarters 80% on wings 40% on feet and giblets 0% on back & neck
Suriname	20%	12% on all poultry meats and preparations
Trinidad & Tobago	110%	40 % on whole birds 136% on parts and offal 20% on chicken preparations

*Effective tariff is the actual rate paid by importers as some applied tariffs are compounded with, and/or include other duties and charges (CPA 2001:15)

Poultry meat in Suriname is mostly imported from the USA and Brazil. For Suriname it is hard to compete against these two major producers of agricultural products, however the local industries major concern is mostly about securing the local market. Suriname's 'negligence' at the WTO negotiations generally makes it difficult for the industry to expand locally and to respond to potential opportunities that occur, such as expansion of market to other CARICOM countries.

Sector's competitiveness

The competitiveness of poultry firms in Suriname is usually indicated on the basis of the production cost and market price. Feed constitutes almost 75% of the production cost and almost 90 % of all feed components in Suriname are imported (*LVV 2011a: 11*). Due to the high import component firms usually have to deal with price differences, caused by fluctuations on the international markets. The high dependency of Suriname's poultry sector on foreign inputs is a phenomenon that is present since its earlier years. The difficulties within the poultry sector in the 1990s were partly because of this dependency. Local poultry firms then benefitted from the low prices of feed commodities on the world markets. However, when the "currency crisis" occurred in Suriname in 1983, firms faced difficulties to obtain enough foreign currencies in order to import feed commodities optimally. In addition, due to fluctuations in the quality of feed commodities poor growth rates were achieved. Despite these 'lessons', investments in research about the possibilities to produce feeding commodities locally has not been sufficient. Several firms who are financially in a better position invest in research and development in order to improve their product or production methods. The government and in particular the Ministry of LVV provides training and information to farmers. However, major investments in research and development, which could actually benefit the whole sector, are generally not committed. Moreover, since the sector mostly consists of small farmers, it is difficult for them to afford the high costs for research.

The poultry industry in Suriname currently secures the market for around 40%, in which the assumed contribution of big farmers counts for 60% while small farmers who apparently form the largest group within the industry contribute for the remaining 40%. Obtaining a bigger market share appears to be difficult for both groups due to the major difference in the prices of local- and import chicken. Survival of most large firms was due to gentleman's agreements between farmers, processors and wholesalers, specialized production and shift of market segment. Furthermore, smaller firms shifted from independent farming to farming for larger firms in order to have a secured supply.

3.2 Several main actors in the sector

As mentioned in chapter 2, the environment in which businesses operate is influenced by several forces. While firms can have a certain degree of control on some forces, others mainly in the external environment are mainly uncontrollable or to a lesser extent influenced. In Suriname, the collaboration of concerned actors, particularly the government and poultry firms, appears to be necessary for responding to the challenge of increasing the competition of the local industry. Agricultural industries in even developed countries, such as the Netherlands (as illustrated in chapter 2) and the United States have mainly developed through sound government trade policies and cooperation. Suriname has long been characterized as one of the business un-friendliest countries in the world. In 2010, Suriname was listed on the 161st place on the world's list of ranking "Doing Business" (*VSB 2011: 13*). The government, in particular, has to make sure that important preconditions are in place that at least stimulates entrepreneurs to invest.

Association of the Poultry Sector in Suriname

The APSS is the largest organization representing poultry farmers in Suriname. Its states that the poultry industry in Suriname has the potential to grow further however, some preconditions need to be in place in order to take advantage of the opportunities that occur. The organization claims that, currently an increase in the production of chicken can reduce the costs, yet the price for local chicken will not be competitive enough against imported poultry meat. With investments in new production techniques, firms could acquire higher productivity or more diversification of products, however the possibility exists that with the current limited scope of local industries to expand their market share, major investments that are needed will increase the production costs of firms making their products expensive and more uncompetitive than imports. The great difference in prices that exists between local and imported poultry meat cannot merely be diminished by an increased production of farmers or more investments in production techniques. The sector should be supported through research and development primarily for feeding commodities, strengthening of infrastructure and easy access to facilities such as inputs and credits, providing firms the opportunity to enter new markets such as the interior. However, these measures require the availability of enough finances and like most developing countries, Suriname has to deal with financial deficiencies.

Ministry of Agriculture animal Husbandry and Fisheries

The Ministry of LVV is responsible for the agricultural policy in Suriname. One of its main aims is the development of a sustainable agricultural sector that promotes and supports the production of high quality products and makes a significant contribution to the economy of Suriname in terms of employment and income generation (*LVV n.d.*). Several measures of the Ministry of LVV to support the poultry sector have been the provision of training and information to firms and the establishment of the Agricultural Credit Fund (AKF). Through the AKF, farmers can get a loan at a low interest rate of 6.75%. The ministry also contributed to the formulation of the report “Calculation of the tax provisions of the agricultural sector” (2008), in which some recommendations were made to the government such as the suspension of sales tax and import duties on inputs primarily used for agriculture and the adjustment of several rules and regulations. The report was presented to the government, however it was never implemented.

Ministry of Trade and Industry

In the mission statement of the ministry of Trade and Industry (HI), strengthening of the competitive position of the business community in Suriname is cited and in its pursuance to realize this, the ministry concentrates on the protection of consumers and products (*HI 2011*). The ministry of HI is “the core institute in Suriname to implement trade liberalizations that are agreed upon at the global level” (*Renfirm 2006: 6*). Trade in poultry meat has grown fast over the past twenty years, since the government permitted the import. Every year, about 42-55 million USD is spent on the import of meat, other products of animal origin for human consumption and feed components. In table 5, an overview is given of the import of chicken meat in the years 2009 and 2010.

Table 4 ***Average import of chicken meat over the years 2009 and 2010***

Product	2009		2010	
	Volume (x1000 kilo)	Value (x1000 USD)	Volume (x1000 kilo)	Value (x1000USD)
Fresh chicken meat	14.972	15.884	18.794	35.370
Processed chicken meat	1.439	2.910	2.168	2.784
Total in USD		18.794		38.154

(*MAAHF2011a: 21*)

The figures also give an indication of the opportunity that is missed or that is deprived from local poultry firms in Suriname. The policy reforms of the government supports trade and not the production sector. While import of poultry meat was liberalized, duties on inputs such as feed commodities remained. This has been a major concern over the years for farmers and ministries, yet the situation largely remained unchanged. The ministry of HI is currently in the stage of formulating proposals in this manner, therefore regarding this not much can be displayed.

Conclusion

Trade policy reforms in the 1990s had major impacts on the structure and development of today's poultry sector in Suriname. The decision of the government to permit the import of poultry meat at a low import tariff since the 1990s and duties that remained on the major inputs of agricultural products, made it difficult and in some cases impossible for local poultry firms to obtain a competitive advantage. Since governments cannot entirely protect their local industries and industries are unable to influence all forces in their business environment, collaboration of actors is considered necessary to respond to the challenge of increasing competition and the development of a specific sector.

CHAPTER 4

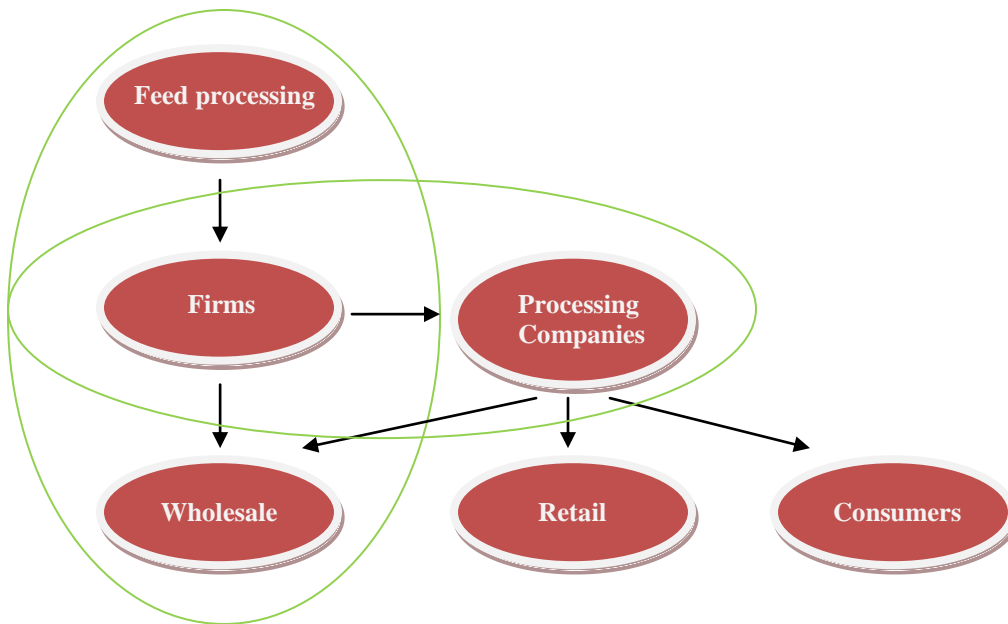
THE ROLE OF GOVERNMENT AND FIRMS IN THE DEVELOPMENT OF THE POULTRY INDUSTRY

There are several actors that influence the poultry industry in Suriname, however the focus in this paper is mainly on the role of the firms, particularly based on interviews with the APSS and some major players in the market, who have been active in the sector for several years, and the government, in particular the Ministry of LVV given its role in the formulation of the agricultural policy in Suriname.

4.1 Firms

As mentioned before, the local market is 40% secured by local poultry meat. This preserving has largely been through retail and agreements with wholesalers, processing companies and some hotels that despite the price differences chose for locally produced poultry meat. However, since the industry has a high import component, loss of market share is feared if production costs increases as a result of the rise in the price of feed commodities and inputs. Besides foreign competition, firms are confronted with obstacles on the local markets, such as the group of hit-and runners who almost every year distorts the supply in the market. The input of chicks of the group of hit-and runners is not planned but is merely based on favorable prices during certain periods or when some “extra” capital is available. Since no license is required for farming, it becomes difficult to control the activities of these groups. Furthermore, farmers can be involved with different tasks such as breeding, farming, feed processing and even in supplying, leading to conflicting interests. While on one hand the group of hit-and runners is disapproved, chicks are freely sold to this group. In figure 2, an indication is given of the involvement of firms in different activities.

Figure 2 Firms involvement in different activities



Based on own findings through interviews

Cooperation problems between farmers and government has for long been indicated as an obstacle in the development of the sector. While farmers usually claim that the government does not involve them in decision-making processes for example during the WTO trade negotiations, the government states the opposite.

Government's policy is also claimed as "two-sided". While law in Suriname prohibits elements of animal protein in feed, import of poultry meat breed with feed that constitute animal protein is permitted. Government's decision to permit import of cheap poultry meat was meant to benefit consumers and ensure food security. However, this decision had quite a negative effect on local firms. Firms are not against import, neither against foreign competition and agree that consumers should have the possibility to choose among products and that competition encourages companies to perform better. Firms have adapted better techniques and currently produce under better conditions than before. In addition, with these development firms actually declare that they can secure the local market with poultry meat. Therefore, the amount of poultry meat that is imported is disapproved. "If there is a scarcity of poultry meat, government should permit the

amount of import that fills the gap and not flood the market with cheap poultry meat” (*Interview, 09-09-2011*). Furthermore, it was indicated that firms “do not need a protected-market, merely some measures by the government that allow local producers to produce” (*Interview, 09-09-2011*).

The great price difference in local and imported poultry meat is assumed to be one of the main limitations for firms to expand their businesses. It is declared that the capability to expand exists and committing the necessary investments is feasible, particularly for large firms, however given the current situation this would not be beneficial. Currently, an expansion in local market share can merely be due to some “crisis situations” such as the outbreak of a certain disease in the supplying countries or weather conditions that affect the growth of chicken. It cannot be confirmed with certainty whether this claim is correct or not, however according to the interviews firms have more or less reached their market potential (within the 40% of market that they secure locally) and competition that they face in this is usually between local farmers themselves.

4.2 Government

The role of the government can certainly not be neglected in the poultry industry of Suriname. Decisions made by the government in the 1990s, is still considered one of the decisive factors of the formation of the current poultry sector. Due to important role of the Ministry of LVV in policy formulation of the agricultural sector, special attention is given to the ministry.

Ministry of Agriculture, Animal Husbandry and Fisheries

Some of the main objectives of the Ministry of LVV are:

- ensuring food security for the total population of Suriname
- development and promotion of sustainable development of the agricultural sector
- increasing the contribution of agriculture to the national economy
- development of the sector to food producer and supplier of the Caribbean
- creating conditions for sustainable development of the agricultural sector

The division Animal Husbandry of the Ministry of LVV mainly works towards the achievement of committed goals of the ministry translated to the subsector. There are several departments with specific functions, such as:

- Livestock development: in charge of breeding processes
- Veterinary inspection: inspect if there are possible diseases in companies. Products that are imported also inspected by this department

There are certain rules and regulations regarding the poultry sector however, it is admitted that these need to be adjusted to today's trade situations, with better "protection" and "assistance" offered to the local poultry industries. The ministry acknowledges that certain conditions must be in place for better functioning of the poultry industry and that some issues have been overlooked in former decision making. The so-called "political decision" of the 1990s to permit the import of poultry meat partly led to the fall back of the sector and since the number of licenses issued to import was never reversed, competition for local farmers became difficult over the years. However, there are opportunities that are being missed by farmers, often because they do not want cooperate with each other.

The ministry underlines that the government in Suriname to a certain extent failed to clearly state its national agricultural policy during trade negotiations when joining the WTO and CARICOM, however it also indicate that "better organization and cooperation between farmers is needed" to respond to the challenges that the factors faces.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

There is a differentiated view on the effects of globalization and trade liberalization on the development of a country. While pro-globalisers encourage these processes, anti-globalisers claim that it leads to uneven development. In Suriname, regarding the poultry sector it can be stated that globalization and trade liberalization provided both opportunities and difficulties to local firms. While firms were able to benefit from new technologies and better production methods on one hand, the loss of market share over the past twenty years is usually assumed the result of government's decision to permit the import of cheap poultry meat. This research focused on the role of firms and government, in particular the Ministry of Animal Husbandry and Fisheries in strengthening the competitiveness of the poultry industry in Suriname. The competitiveness of firms in Suriname is usually indicated based on the price, therefore usually the difference in prices of local- and imported poultry meat is used to illustrate the 'uneven' competition. One of the main challenges that the sector faces in order to expand their market share locally is the competition against the cheap imports. On issues, such as the re-negotiation of WTO agreements and adjustment of rules and regulation, the Ministry of LVV and firms have the same opinion, while on other issues such as the collaboration and cooperation of firms the view differs. In order to strengthen the competitiveness of the sector, a collaborative approach of both actors is necessary. While the government is in the position to put the required pre-conditions in place, the poultry industry have to ensure that provided opportunities are exploited.

Recommendations

Some farmers are financially in a better position and already made some investments in research. Partnerships of the Ministry of LVV and these farmers could bear fruits in research and development of for example the possibility to produce feed commodities locally. Expertise of both can be used in order to obtain better results, and since finances are usually a major constrain for the government, such partnerships can contribute in the achievement of committed objectives.

The Ministry of LVV also have to take into consideration the different groups of firms that are operating within the sector, to avoid conflicting interest. A policy for food security would mainly be based on small firms and vulnerable groups in society whose living is mainly depended on farming. While a policy based on contribution of the sector to the national economy or becoming the food supplier of the CARICOM will largely be “business” oriented and for a great amount benefit large firms, since they are financially in a better position and have the capital to make the necessary investments.

In which way the competitiveness of local firms can be strengthened through cooperation of firms and government, further research is necessary.

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ANNEX I

Questions for key persons

1. Hoeveel jaren bent u reeds actief binnen de pluimveesector.
2. Bent u fulltime pluimveehouder (geweest)?
3. Hoe zag de pluimveesector volgens u eruit voor de liberalisatie?
4. Heeft de openstelling van de markt invloed gehad op uw bedrijfsvoering? Op welke wijze?
5. Welke veranderingen heeft u binnen de periode waargenomen (productie niveau)?
6. Wie zijn volgens u de belangrijkste actoren die kunnen bijdragen tot de ontwikkeling van de sector?
7. Welke zijn volgens u de voornaamste problemen (beperkingen) waarmee de pluimveesector te kampen heeft?
8. In hoeverre denkt u dat de overheid zicht inzet voor ontwikkeling van de sector?
9. In hoeverre zetten de pluimveehouders zich in?
10. Hoe zou de overheid volgens u de sector kunnen stimuleren?
11. Wat bepaald volgens u de concurrentiepositie van kip en kipproducten op de Surinaamse markt?

Indien het goedkope prijs is van import kip

12. Hoe concurreert u tegen de goedkope buitenlandse kip en kip producten en de lokale aanbod van kip en kip producten?
13. Hoe denkt u dat de concurrentie positie van lokaal geproduceerde kip en kip producten behouden/versterkt kan worden?
14. Hoe is de samenwerking tussen producenten binnen de sector? Zijn er lobby organisaties? Hoe opereren deze?
15. Hoe is de relatie tussen boeren onderling (organisaties)? En tussen de boeren en de overheid?
16. Stimuleert u uw kinderen om actief te zijn/worden in de pluimvee sector? En welke verwachting heeft u voor de toekomst van de sector?

Questions for the Ministry of Agriculture, Animal Husbandry and Fisheries (LVV)

1. Wat is de taak van het Ministerie van Landbouw, Veeteelt en Visserij ten aanzien van het pluimvee beleid in Suriname?
2. Welke rol vervult het Onderdirectoraat Veeteelt in deze?
3. Hoe ziet het beleid van het ministerie voor de pluimveesector over de komende vijf jaren eruit?
4. Hoe denkt het ministerie de doelstellingen aangegeven in het witboek veeteelt te kunnen realiseren?
5. Wat zijn volgens het ministerie de voornaamste factoren binnen de pluimveesector die de ontwikkeling van de sector belemmeren?
6. Welke stappen heeft het ministerie ondernomen (denkt te ondernemen) om deze problemen weg te werken?
7. Is er een wet en regelgeving ten aanzien van het pluimveebeleid in Suriname?
 - Indien ja, wordt deze optimaal toegepast?
 - Indien niet, waarom?
8. Stimuleert het ministerie pluimveehouders om hun concurrentie positie te behouden/verhogen?
 - Op welke wijze doet zij dat?
9. Suriname is lid van een aantal internationale organisaties, waaronder ook de World Trade Organization (WTO) en Caribbean Community (CARICOM).
 - Welke kansen biedt Suriname's lidmaatschap aan de pluimvee sector in Suriname?
 - Welke beperkingen leggen zij in het bijzonder aan de overheid als het gaat om de stimulering van de pluimveesector?
10. Wat is de motivatie geweest om lid te worden van de diverse internationale organisaties zoals de WTO?

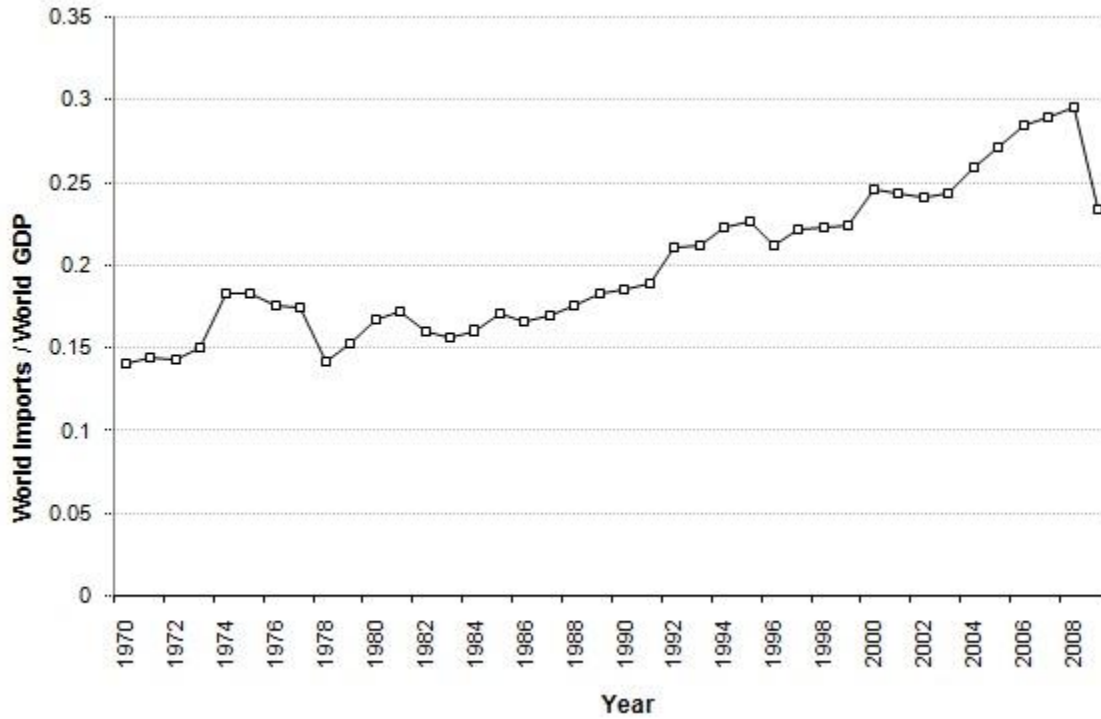
ANNEX II

List of interviewees

- Chairperson of the Association of the Poultry Sector in Suriname (APSS)
- Director of Vabi N.V.
- Executive manager marketing and sales of Sranan Fowru N.V.
- Policy employee of the Trade Department of the Ministry of Trade and Industries (HI)
- Employee of the Landbouw Bank NV
- Director of the division Animal Husbandry of the Ministry of Agriculture, animal Husbandry and Fisheries (LVV)
- Designated person for the “poultry field” within the division Animal Husbandry of the Ministry of LVV

ANNEX III

Wave of trade globalization since 1970



This figure is presented in Dunn and Kwan study 'Crisis and Counter-Movements in World Evolutionary Perspective' (2011, n.d) and is an updated version of the trade globalization series published in Dunn, Kawano and Brewer (2000) and the World Development Indicators (2011).