



# USAID Guyana Trade and Investment Support

A Joint Government of Guyana - U.S. Government Project

## Innovative USAID/GTIS Project to Modernize Guyana's Agribusiness Value Chain

**GEORGETOWN, GUYANA** – The land along Guyana's Linden Highway is lush with forests, but with sandy soil relatively devoid of nutrients, the area has long been considered worthless for traditional Guyanese farming practices. One community in the area, Hauraruni, dabbled in pineapple production in the 1990s with little luck. Explaining why it didn't work, Chairman of the Hauraruni Friendly Farmers Society (HFFS), Mr. Vivian Fredericks said, "The local market is so unpredictable. Market prices rise and fall sharply and it makes it very difficult to plan ahead and form a viable business." With poor soil and an unpredictable local market, the HFFS gave up on hopes of earning income for the community through farming.

Experts have long said that Guyana has the potential to become the breadbasket of the Caribbean region, but despite the international demand, Guyana has not yet been able to achieve a significant increase in non-traditional agricultural exports. This is largely because of several challenges facing the sector, including a lack of commercial-sized farms dedicated to growing non-traditional crops, limited financing for new projects, outdated farming methods, and a disconnect between international buyers and local producers.

For centuries Guyana has relied on just two exportable crops – rice and sugar – to support the bulk of the country's economy, but with the economic future of these traditional agricultural products becoming more uncertain, the need to diversify into high-value non-traditional crops is becoming increasingly important. But as the HFFS demonstrated, it's not as easy as handing out seeds, giving instructions, and waiting for the yields to come in.

To help move Guyana's agriculture industry in a new direction, the USAID Guyana Trade and Investment Support (GTIS) project has employed a market-led value chain approach to development, working with foreign investors, strategic buyers, and "anchor firms" in Guyana to strengthen the agricultural sector through investment in new capacity, technology, and international certifications. Through their interactions with USAID/GTIS, international firms have defined the market demand for Guyanese products and the upgrading required to satisfy those needs. Such international and local anchor firms have then invested in the infrastructure and services needed to meet demand.

Working with Guyana's Ministry of Agriculture and local farmers, USAID/GTIS has tried several strategies to increase the export of higher value, non-traditional crops from Guyana. One endeavor, which involved working with dozens of small farmers in an attempt to coordinate their production schedules and combine their harvests into exportable quantities, proved overly complicated but did lead to the realization that Guyana needs commercially viable anchor firms with modern farming techniques and international market connections. These larger firms could then contract Guyana's many small farmers to help supplement their export shipments.

USAID/GTIS worked with the National Agricultural Research Institute (NARI) of Guyana and a team of New York-based Guyanese investors to set up a demonstration farm in Guyana to prove that a



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farm using modern agriculture techniques is feasible. The success of the farm (beginning in July 2010, it's set to function free from USAID/GTIS assistance) inspired two anchor firms to begin building modern farming facilities in Guyana.

Bounty Farm Ltd., Guyana's single largest poultry producer, has established an acre of greenhouses to conduct crop trials of produce for export. Shigam Inc., an Israeli farm based in Antigua, is building modern greenhouses and planting non-traditional crops on a 200-acre concession along the Linden Highway, near the community of Hauraruni. In addition to decades of experience in modern farming techniques, Shigam brings well-established international market connections and demand for non-traditional produce to Guyana.

When asked why they chose Guyana as the location for their company expansion, CEO of Shigam Inc., Liran Peretz said, "The USAID/GTIS project highlighted for us the immense potential that exists in Guyana for agriculture. The country is outside of the hurricane zone and there are many more land and water resources available here than in the Caribbean islands, which is where we have been working for the past 30 years. The project also connected us with the right people to facilitate our investment in Guyana."

With export-ready anchor firms established, USAID/GTIS is now focusing on strengthening the production of more small farmers to help supplement export orders. By working under contract with the anchor firms, these farmers will have access to credit, technical assistance, and a guaranteed market.

Of the benefits of this arrangement, Peretz said, "Contract farming allows sector stakeholders to specialize in their contribution to the value chain. Farmers can focus on farming without having to involve themselves in complex global markets."

While this sounds like a win-win situation, in Guyana the practice of contractual farming for export is untried and requires more expensive and unfamiliar technologies. Because of this, many farmers may be more hesitant to come on board.

To combat any hesitation, USAID/GTIS has established a partnership with the HFFS that will demonstrate to small farmers that contractual farming is a feasible and attractive arrangement. USAID/GTIS and Shigam Inc. will assist the HFFS in developing and implementing a community-based farm that will cultivate five acres of butternut squash and two acres of papaya for export. Of the arrangement, Fredericks said, "This project will foster agricultural development in the community and provide new job opportunities for us in the village."

USAID/GTIS will work with the HFFS and Shigam Inc. to use advanced technologies in farming (drip irrigation, greenhouses, fertilizer injectors) to create a robust farming corridor in the area bordering the Linden Highway, while modernizing Guyana's agribusiness value chain to meet international market requirements.



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HFFS will serve as a demonstration facility for at least 200 farmers from neighboring communities interested in entering into contract farming with Shigam Inc. or Bounty Farm Ltd. According to Fredericks, “We have had several visits already from other farming groups from all over the country who want to be a part of this program and learn from these technologies.”

As an alternative to grant-based assistance, USAID/GTIS will supply the HFFS with a viable business model. For the first year USAID/GTIS will provide funding for certain startup and running costs, provide an on-site farm supervisor, and create a business plan that details required capital for the initial crop cycle, estimated revenues, and additional capital needed for future crop cycles and farm expansion.

Fredericks says the innovative agreement between USAID/GTIS and the HFFS eliminated the hurdles the community had been facing for decades. “This partnership has allowed us to overcome a lack of startup capital, lack of knowhow to get into export markets, and a lack of technology to grow produce on sandy soil.”

Through Shigam Inc., USAID/GTIS will provide technical assistance to HFFS in production and farm management best practices in compliance with GlobalGAP standards. Shigam Inc. will also be under contractual agreement to purchase all export quality produce from the community.

USAID/GTIS will use the partnership with HFFS to gauge the effort required to set up contract farming before implementing it on a larger scale in Guyana. Based on the lessons learned from working with HFFS as a demonstration community, USAID/GTIS will be able to design an appropriate assistance program for future beneficiary farmers. It will also allow Bounty Farm Ltd. and Shigam Inc. to learn what will be required of them when contracting farmers such as HFFS.

According to Peretz, having a successful model makes the prospect of contract farming much more desirable to other farmers. “The Hauraruni demonstration is a very positive way to show how a small community can achieve economic growth through a small push from the USAID/GTIS project,” he said. “This community will show that contract farming is a business that can support not only the farmers but also the entire community. This is especially important along the highway where the villages are tight knit communities eager for a way to generate income from within, rather than look for work in the capital.”

If all goes well, the community of Hauraruni will have a functioning business that will stand as a model for the redevelopment of – and widespread economic development within – Guyana’s agriculture industry.



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