



Developing a Fair Trade Certification Label for rice exports from Guyana & Suriname

A project commissioned by
Imani Development
on behalf of the
Caribbean Rice Association



imani
DEVELOPMENT
global vision, local knowledge

Principal Consultants

Graham Young

Graham Young Consulting

graham@grahamyoungconsulting.co.uk

Philip Angier

Angier Griffin

philip@angier-griffin.com

August 2010

Abstract & Executive Summary

Abstract

Developing a Fair Trade Certification Label for rice exports from Guyana and Suriname.

This action was requested by the Caribbean Rice Association (CRA) and funded by an ACP Group Programme named the TRADECOM Facility.

Its overall objective was to:

- Develop the competitiveness of the Caribbean rice industry in response to challenges of liberalization in the global rice industry.

Its specific objective was to:

- Develop Certification Standards for the production, promotion and exports of Fair Trade Rice in Guyana and Suriname.

Its expected results were:

- Enhanced awareness on the preparation, adoption and application of Fair Trade labelling standards for Rice Exports.
- Recommendations concerning Certification Standards to support the development of a Fair Trade Label for the Rice Industry in Guyana & Suriname.

The main activities were:

- A Feasibility Study on the potential of Guyana & Surinamese Rice for Fair Trade Certification.
- Seminars to Validate the Study's Findings and its Recommendations.

These activities were carried out between April and August of 2010.

The two external consultants were appointed. The consultants made three visits to the region during this period and had extensive meetings with key stakeholders. Two Validation Seminars, one each in Guyana and Suriname, were held in early August. Contact was also made with all major actors in the Fairtrade market in Europe and potential buyers. Full lists of all stakeholders contacted and all market contacts are available in the Appendices to this report. The external consultants would like to record their thanks to all those contacted for their time and assistance in this project.

Local consultants were also contracted and considerable assistance was given by the Guyana Rice Development Board (GRDB) and the Anton de Kom University of Suriname (ADEKUS) in the logistics and data collection for this project. Our considerable thanks go to them too.

The consultants wish to stress that the outputs of this project have not simply been the production of this report, but also awareness raised, enthusiasm generated and actions committed to for the increase in smallholder farmer co-operation in both Guyana and Suriname. This has the potential to lead to a successful application for certification by the Fairtrade Labelling Organisation (FLO), and to the increased competitiveness of the rice industry in Guyana and Suriname.

From early research in the market and with buyers, it was clear that an established Fairtrade standard is the best way forward for the Guyana and Suriname rice industry and the only one which would command recognition by European buyers. The Fairtrade mark is the largest social label in terms of retail sales, the best known amongst the European public and the only one with an established rice standard.

This project has therefore been drawn together to provide information that will facilitate the setting of a Fairtrade price and premium for rice from the Caribbean region and ultimately to support application for Fairtrade certification.

The Executive Summary below lists our key Findings from the meetings and consultations undertaken with the stakeholders in this industry, which were validated by them at the Validation Seminars. It also includes Recommendations for the way forward which have emerged from the seminars and the process. The main body of the report and its appendices gather together the key research findings and source data used during the process. This report is not the end, but the basis for a way forward for the rice industry in Guyana & Suriname.

Graham Young & Philip Angier

August 2010

Executive Summary

Key Findings

(These Key Findings were presented and validated at the two Validation Seminars in August 2010)

What 'social label' opportunities are there?

- FLO certified Fairtrade is the only scalable opportunity recognised by rice buyers.

Is there a market?

- Fairtrade rice is a small niche within the whole European market - <10,000 MT
- The present market in Europe for Fairtrade Long-grain White Rice is estimated 1,000 – 1,500 tonnes per year.
- The market has the potential to grow, there is interest from some small independent distributors and although there is no major supermarket distributor yet, there is interest from European Fairtrade organisations to promote the product to such buyers.
- Fairtrade consumers in many countries want Fairtrade **and** organic, which is a disadvantage for Guyana and Suriname.
- Positive responses from Fairtrade Labelling Initiatives in UK & France

Could Guyana and Suriname rice qualify for Fairtrade?

- Rice millers in Guyana and Suriname are not particularly attracted by the prospective volumes but some would co-operate with Fairtrade.
- There are qualifying smallholder farmers in both Guyana and Suriname.
- These farmers would be required to become organised. Fairtrade could act as an incentive to farmer organisation.
- There is a well developed rice producer organisation in Guyana, and a less well developed producer organisation in Suriname.
- This may suggest differential progress to market.

Is there a Fairtrade price and premium set?

- There is no existing Fairtrade price and Premium for rice from this region. The Fairtrade Foundation UK is considering 'sponsoring' this price setting. This Final Report is designed to contain as much as possible of the information they may require to do this.
- Initial research suggests that cost of production in the Caribbean is higher than in Thailand.

Is Fairtrade rice worth pursuing?

- Global trade is moving towards higher quality, greater transparency and higher product, social and environmental standards.
- Fairtrade is a standard based on continuous improvement which helps small farmers compete in such a market (plus giving a social premium and maybe even a better price).
- It may be time consuming and incur some set-up costs, but the opportunity is there and the prize is a better organised, more competitive small farmer rice industry.
- **But someone will have to pursue it.**

Recommendations

In order to reach a point of readiness to apply for Fairtrade Certification and to commence sales in Europe under Fairtrade, the following actions are recommended:

1. Collaborate in the Region

- i. Form Action Groups between the key stakeholders in each country to implement these recommendations and pursue the goal of Fairtrade.
- ii. The Action Groups in Guyana and Suriname to collaborate with one another and with the Caribbean Rice Association to share knowledge and understanding and to explore potential for funding to support the processes.

2. Build Alliances in Europe

- i. Develop links with Fairtrade Foundation UK and Max Havelaar France.
- ii. Request that one or both of them 'sponsor' the setting of the Fairtrade minimum price and premium and submit this Report as background
- iii. Request that they make contacts with buyers in the market on the basis of research in the Report, in order to establish market potential for at least 1,000 MT per year and to encourage major retailers to buy Guyana and Suriname rice.

3. Support Small holder Farmer Organisation

- i. Work nationally and locally to establish and support smallholder farmer organisation.
- ii. Link the above with smallholder farmer mobilisation and education about the benefits of organising and about Fairtrade.
- iii. Identify units capable of applying for Fairtrade Certification.

4. Work Towards Compliance

- i. Carry out a gap analysis of such units against the Fairtrade compliance criteria.
- ii. Recognise the benefits of different speeds to market for different units and for different countries depending on their readiness.
- iii. Link with Fairtrade Labelling Organisation's Liaison Officers.
- iv. Improve compliance.
- v. Establish a 'letter of intent' from a European buyer.

5. The Goal

Fairtrade certification to boost rice exports to Europe and to continue to improve the competitiveness of the rice industry in Guyana and Suriname.

Contents

Abstract & Executive Summary	1
Contents	6
List of Abbreviations & Acronyms	8
Background & Method	9
1.1 Commissioning of the Report	
1.2 Market Reform within the EU	
1.3 Local Stakeholders	
1.4 Role of Consultants	
1.5 Methodology & Timetable	
1.6 Inception Report	
1.7 Information for Stakeholders & Interim Findings	
1.8 Validation Seminars	
Rice Production in Guyana & Suriname	15
2.1 Guyana	
2.1.1 History & Background	
2.1.2 Topography, Climate & Growing Seasons	
2.1.3 Land Ownership	
2.1.4 Socio-Economic Conditions & Livelihoods	
2.1.5 Economic Significance	
2.1.6 Rice Variety Improvement & Support Services	
2.1.7 Structure of the Rice Industry	
2.1.8 Export Capacity & Export Markets	
2.2 Suriname	
2.2.1 History & Background	
2.2.2 Topography & Climate	
2.2.3 Land Ownership	
2.2.4 Socio-Economic Conditions & Livelihoods	
2.2.5 Economic Significance	
2.2.6 Rice Variety Improvement & Support Services	
2.2.7 Structure of the Rice Industry	
2.2.8 Export Capacity & Export Markets	

Market Analysis	32
3.1 Global Trends	
3.2 Market in Europe	
3.3 Market Trends in some Principal EU Countries	
3.3.1 Market Trends in the UK	
3.3.2 Market Trends in France	
3.3.1 Market Trends in Germany	
3.3.1 Market Trends in the Netherlands	
3.4 Opportunities & Threats for Exporters to the EU	
3.5 Trade Channels within the EU	
Fair Trade	41
4.1 About the Fairtrade Mark	
4.2 Other Social Labels	
4.3 Fairtrade Rice	
4.4 Fairtrade Rice in Europe	
4.5 Fairtrade Price Mechanism	
Suitability for Fair Trade	47
5.1 Market Opportunities for Fairtrade Rice from the Caribbean	
5.2 Suitability of Supply Chain	
5.3 Smallholder Farmer Associations	
5.3.1 Smallholder Farmers in Guyana	
5.3.2 Smallholder Farmers in Suriname	
5.4 Cost of Production & Fairtrade Price	
5.4.1 Cost of Production in Guyana	
5.4.2 Cost of Production in Suriname	
Conclusions & Recommendations	51
6.1 Conclusions – Key Findings	
6.2 Validation Seminars	
6.3 Recommendations	
Acknowledgements	55
Appendices	Separate document

List of Abbreviations & Acronyms

ABS	Stichting Algemeen Bureau voor de Statistiek in Suriname (<i>Suriname Bureau of Statistics</i>)
ACP	African, Caribbean and Pacific Group of States
ADEKUS	Anton de Kom University of Suriname
CAP	Common Agricultural Policy
CARICOM	Caribbean Community and Common Market
CRA	Caribbean Rice Association
EC	European Commission
EU	European Union
FAO	Food & Agriculture Organisation
FLO	Fairtrade Labelling Organisation
GDP	Gross Domestic Product
GRDB	Guyana Rice Development Board
GRMEDA	Guyana Rice Millers and Exporters Development Association
ha	Hectare
HDI	Human Development Index
HIES	Household Income and Expenditure Surveys
JICA	Japan International Cooperation Agency
ILO	International Labour Organisation
LVV	Ministerie van Landbouw, Veeteelt en Visserij (<i>Ministry of Agriculture, Suriname</i>)
MT	Metric Tonne
NGO	Non-Governmental Organisation
RPA	Guyana Rice Producers Association
SRD	Suriname Dollar
UNDP	United Nations Development Programme
WTO	World Trade Organisation

Background & Method

1.1 Commissioning of the Report

The TRADECOM Programme is an ACP Group Programme of 50 million Euros financed by the European Development Fund. The Programme includes provision for the strengthening of institutional capacity for implementation of trade policies and international trade agreements.

The objectives of this project fall within the facility to develop the competitiveness of the Caribbean Rice Industry in response to challenges of liberalization in the global rice industry.

1.1.1. Developing Fair Trade Certification of Rice from Guyana & Suriname¹

The use of labels (i.e. labelling products according to environmental & social criteria) by governments, industry and non-governmental organizations (NGOs) is increasing. Environmental and Social labelling schemes are complex but have the potentials to enhance market access and add value to developing country exports. WTO members generally agree that labelling schemes can be economically efficient and useful for informing consumers, and tend to restrict trade less than other methods.

The EC Communication, (COM (2009) 215 final) to the Council and European Parliament² emphasized the role Fair Trade and non-governmental trade-related sustainability assurance schemes can play in Sustainable Development.

Fairtrade schemes have accelerated in Europe in recent years. In 2006, Marks and Spencer in the UK announced a major commitment to ethical and sustainable sourcing to include Fairtrade cotton goods, 100% Fairtrade tea and coffee and sustainable marine and forestry sourcing. This was followed by both Sainsbury and the Co-operative moving to 100% Fairtrade sourced own label bananas in 2007 and commitments to 100% Fairtrade Tea, Coffee and Cocoa.

The ACP Rice Export market is another ACP agro-sector undergoing Reforms which could benefit from opportunities provided by Fair-Trade. Guyana and Suriname are the only two significant rice exporters within the ACP group. The contribution of the rice sector to these countries economic performance is very significant and contributes directly to the livelihood of around 85,000 farming families and a further 80,000 in support/processing services. Their exports are primarily oriented towards the EU and CARICOM Region. For Suriname the EU market represents between 50-70% of its exports, as compared to between 50-60% in the case of Guyana. Rice exporters from these countries now face increased competition on the EU market arising in part from imports from non-ACP countries due to the liberalization of EU Agriculture markets.

¹ TRADECOM Terms of Reference – March 2010.

² www.trade.ec.europa.eu/doclib/docs/2009/may/tradoc_143089.pdf.

Reform of the EU's internal rice market has also led to price decreases in the market and has resulted in a reduction of income earned from rice exports for Guyana and Suriname. In many other regions it is becoming increasingly difficult, if not completely impossible, to sell domestic rice at sustainable prices. Due to trade liberalization policies negotiated in the framework of the WTO and the end of the EU-ACP Commodity Protocol, subsidized rice from highly efficient producer countries such as the US or Japan can enter the traditional markets of Caribbean rice producers at prices below the production costs. In other words, subsidized rice is dumped onto the international markets.

Fairtrade Standards can open up new markets for the benefit of small farmers by offering better trading conditions to and securing the rights of disadvantaged producers and workers. The action will increase the competitiveness and long-term sustainability of the rice sectors of Guyana and Suriname. To realize this goal the Caribbean Rice Association seeks to identify Certification Compliance requirements towards the introduction of a Fairtrade Label for the exports of Rice from the Region. This will enhance the competitive position of the sector, develop and improve productivity and promote Fairtrade Standards in the Rice Industry.

1.1.2. Developing Fair Trade Certification of Rice from Guyana & Suriname

Imani Development was awarded a contract agreement with TRADECOM to provide the above-mentioned technical assistance.

Imani has engaged two external consultants, Graham Young and Philip Angier, the authors of this report to deliver the project.

Graham Young, project leader, is an international fair trade expert who founded the UK charity Traidcraft Exchange. Graham was the Founder & Chair of the UK Fairtrade Foundation, Chair of the European Fair Trade Association and has worked as an independent consultant to FLO in Germany and to businesses on ethical sourcing and corporate social responsibility. He has travelled extensively in Africa, Asia and Central America. He has 30 years experience of Fair Trade.

Philip Angier is an expert in social auditing and social finance. The former Managing Director of Traidcraft plc, one of the UK's largest independent fair trade importers, Philip is the Chair of several UK social enterprises and advises charities and business on strategy, finance and measurement of social value – www.angier-griffin.com

1.2 Market Reform within EU³

In 2003 the EU ministers of agriculture adopted a fundamental reform of the Common Agricultural Policy (CAP) to break the links between subsidies and production volumes, and to prepare the market for the Everything But Arms Agreement affecting the EU's dealings with the least developed countries.

The EU is both a domestic producer and a net importer of rice. The policy measures implemented under the reforms included:

- stabilization and reduction of intervention stocks which had been accumulating since the 1990's
- a 50% reduction in the intervention price to €150 per metric tonne (MT), balanced by an increase in direct aid to producers. In November 2008 ministers agreed that the intervention price would drop to zero with effect from 2009/2010.
- a reduction in the Maximum Guaranteed Areas granted to rice production (effectively steering domestic production towards levels equivalent to approx 60% of EU consumption)
- a reduction in import tariffs for milled rice and brown rice.

The net effect of these reforms has been to stabilize the level of domestic production of rice within the EU. Some commentators suggest that these reforms, coupled with developments in the world market may result in a decline in EU domestic production of paddy rice.

Under the Everything But Arms Agreement all rice imports from a number of developing countries including Guyana and Suriname have been quota and tariff free since September 2009.

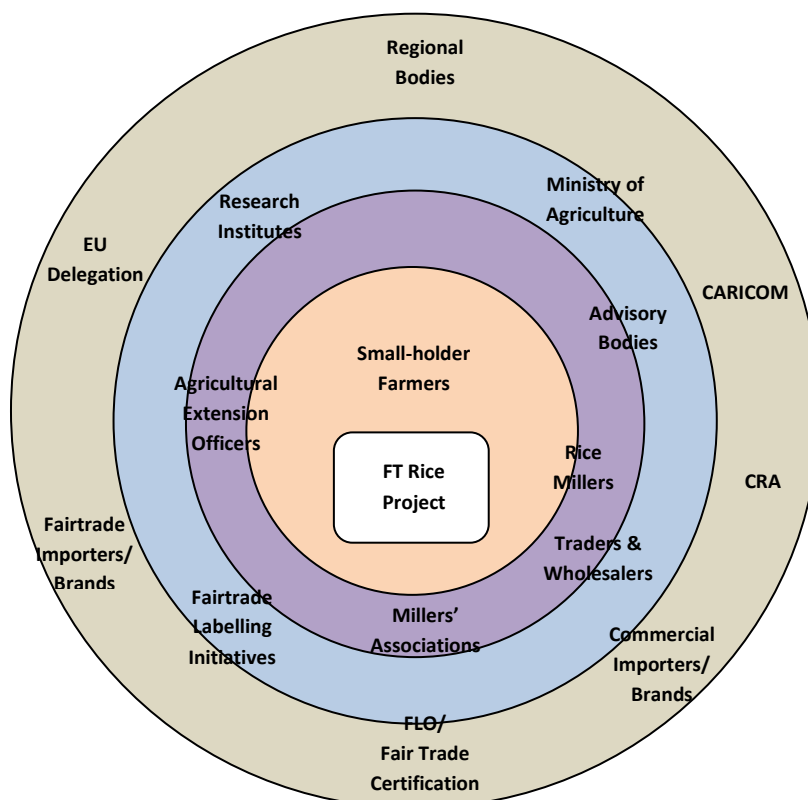
1.3 Local Stakeholders

The project started with a classic stakeholder map. After consultation throughout the process and during in-country visits, it has been refined as in Figure 1.1 below.

Throughout the project the consultants have consulted and maintained communication with these stakeholders. This has included three country visits to Guyana and Suriname – see Appendix 1.3 for the programme of meetings during these visits and contacts made.

³ Summarised from The Centre for the Promotion of Imports from Developing Countries (CBI) - 'CBI Market Survey: The Rice and Pulses Market in the EU' (March 2010), pp. 15, 16 & 28.

Figure 1.1 - Fair Trade Rice Stakeholder Map



1.4 Roles of Consultants

The external consultants are responsible for the work of this project and the overall report.

Their work has been supported by local consultants in both Guyana and Suriname appointed with the agreement of TRADECOM. The local consultants have gathered data and information against mutually agreed Terms of Reference – see Appendix 1.1.

In Guyana the local consultants were the Guyana Rice Development Board (GRDB), led by General Manager Mr. Jagnarine Singh. In Suriname the local consultants were the Anton de Kom University of Suriname (ADEKUS), Dr. Sieuwnath Naipaul, Ms. Malka Goelmohamed & Ms. Chandra Mehairjan.

1.5 Methodology & Timetable

The project was designed to engage with interested stakeholders: local growers, farmers and workers’ representatives, rice millers and exporters, experts concerned with economic development and trade policy, potential buyers and those concerned with fair trade accreditation.

An initial visit was made by the external consultant team leader Graham Young to both countries in May 2010. Contact was made with key stakeholders, the origins and objectives of the project were explained and views and suggestions were recorded and followed up. A decision was made about the appointment of local consultants and a way

forward for the project was agreed with the representative of the Caribbean Rice Association (Mr Azim Hosein). This was then included in an Inception Report which was approved by the TRADECOM Programme.

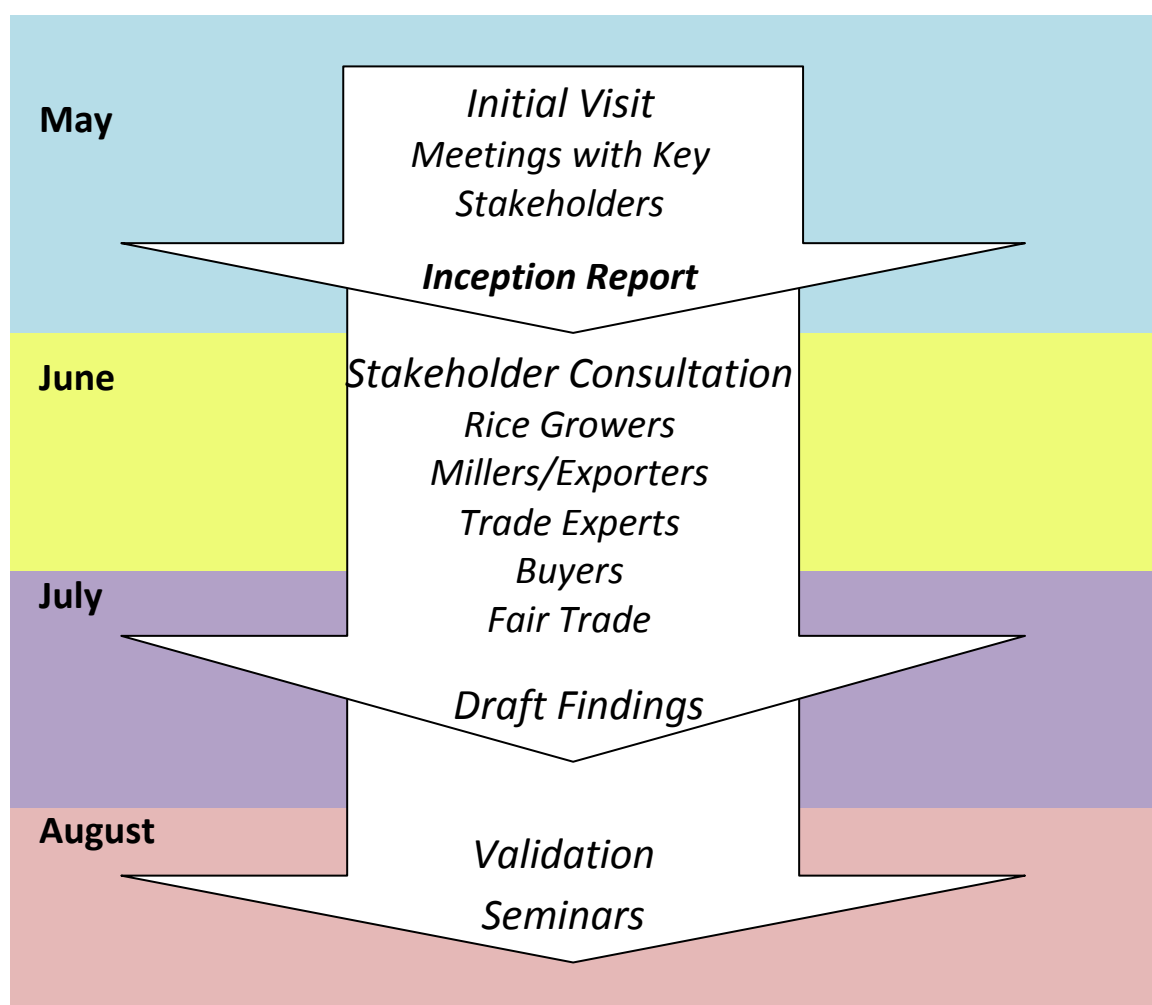
Initial market research was conducted in Europe in May and June 2010 as to the general market for Caribbean rice and the specifics of the Fairtrade market.

A second visit was made by both external consultants (Graham Young and Philip Angier) in June 2010 to update key stakeholders and to commission the local consultants and to raise further awareness about Fairtrade, its requirements and its potential benefits. An interim report was submitted to TRADECOM about the progress of this visit and the project so far.

The local consultants continued their research in-country and the external consultants conducted further research on the market in Europe. Appendix 1.4 contains a list of organisations contacted.

A third visit was made to the region by the external consultants in August 2010 to conduct Validation Seminars in each of Guyana and Suriname. Results from the seminars (see Appendix 5.1) have been included in this Final Report submitted to the TRADECOM Programme and the key stakeholders of the region.

Figure 1.2 – Project Programme



1.6 Inception Report

The original Terms of Reference from TRADECOM Programme were the source document for this project. During the first visit to the region by the lead consultant (Graham Young), these terms of reference were reviewed with client representative (Mr. Azim Hosein for the Caribbean Rice Association) and discussed with key stakeholders. The way forward for the project was then devised, checked and agreed with the client.

An Inception Report was then drafted, submitted and agreed which recorded the consultations made and the proposed way forward to achieve the project's objectives. The Inception Report was agreed by TRADECOM as the basis of the continuing work plan for the project in June 2010. Extracts of the Key Findings and Recommendations from the Inception Report are set out in Appendix 1.2.

1.7 Information for Stakeholders & Interim Findings

An interim project briefing was prepared for meetings and interviews with stakeholders in June and July.

An Interim Report was submitted to and approved by TRADECOM following the June programme of visits by the external consultants.

A Summary Findings report was prepared and presented at the Validation Seminars in Guyana and Suriname in August. A Dutch translation was made available to stakeholders attending the Seminar in Suriname.

1.8 Validation Seminars

The Validation Seminars were held in at the Ministry of Agriculture, Georgetown, Guyana (3rd August) and the Concord Hotel, Nickerie, Suriname (5th August).

The Guyana Seminar was attended by Hon Robert Persaud, Minister for Agriculture, and the Suriname Seminar was formally opened by the District Commissioner of Nickerie, Bhagwatpersad Shankar. Both Seminars were attended by Azim Hosein representing the Caribbean Rice Association, the client for this project.

They were attended in all by some 51 local stakeholders.

Media Coverage

The Validation Seminars in Guyana and Suriname both attracted significant media interest in TV, radio and the press. Stories featured in both countries and across the Caribbean region. Along with the many meetings and seminars we have held with individuals and groups (see list of contacts made in Appendix 1.3), this contributes, to the project action point regarding the raising of awareness about Fair Trade.

Some links to the English language press are given in Appendix 5.2. We know that there was other coverage on the Dutch Language services in the region and in the Netherlands through Netherlands World Omroep.

Rice Production in Guyana & Suriname

2.1. Guyana

2.1.1 History & Background

The rice industry in Guyana is currently the second largest agricultural industry in the country and is surpassed only by sugar. It is by far the greatest user of arable land with about 10,000 families directly and indirectly associated with the industry. Rice is cultivated primarily along the coastal belt in Guyana and the banks of the rivers of Abary, Mahaicony and Mahaica Creeks. Rice was first 'officially' introduced into Guyana around the mid-eighteenth century under the administration of the Dutch Governor of Essequibo, Laurens Storm Van Gravesande. This was followed by the French in 1782 at a time of their brief occupation of the colony. They brought rice from their then- French colony of Louisiana in the United States of America. While the Dutch and French colonizers are credited with 'officially' introducing rice into Guyana, new research points to a strong connection between rice and slavery.

The influx of East Indian immigrants from the sub-continent of India especially in the second half of the nineteenth century had pronounced effects on the industry. They came under a system of indenture to the sugar estates, but were very familiar with rice which was their staple diet in their homeland. Major infrastructural works including roads, bridges and sea defences erected by the government prompted these immigrants to seize the opportunity to purchase land instead of returning to India. Many of them turned to rice cultivation. These rural settlements were in effect the pioneering areas of the modern rice industry. At this early stage cultivation and harvesting were done using hand-tools. The use of oxen for harrowing and threshing the paddy also became prevalent.

By 1893 some 2,500 acres of land were under rice cultivation. This figure rose to 7,490 acres by 1898; 47,037 acres by 1914; and 61,200 acres by 1919.

During the war years (1939-1945) the government's official policy was that of a "Grow More Food Campaign", a call made against the background of acute shortages of imported foodstuff and rising cost of living. Under Ordinance No. 5 of 1946 the British Guyana Rice Marketing Board was formed as the "only buying and selling organization for all rice produced in the colony". Not long after the British Guyana Rice Producers Association (RPA), a statutory body, was established primarily "for the protection, promotion and advancement of the interests of rice producers."

The post-war years saw a steady expansion of the rice industry. New techniques and varieties were introduced and mechanisation began to take root. Rice production and rice exports nearly doubled between 1939 and 1957.

During the 1960s and 1970s mechanization further transformed the industry. The number of small farmers drastically reduced while rice plantations became relatively large holdings.

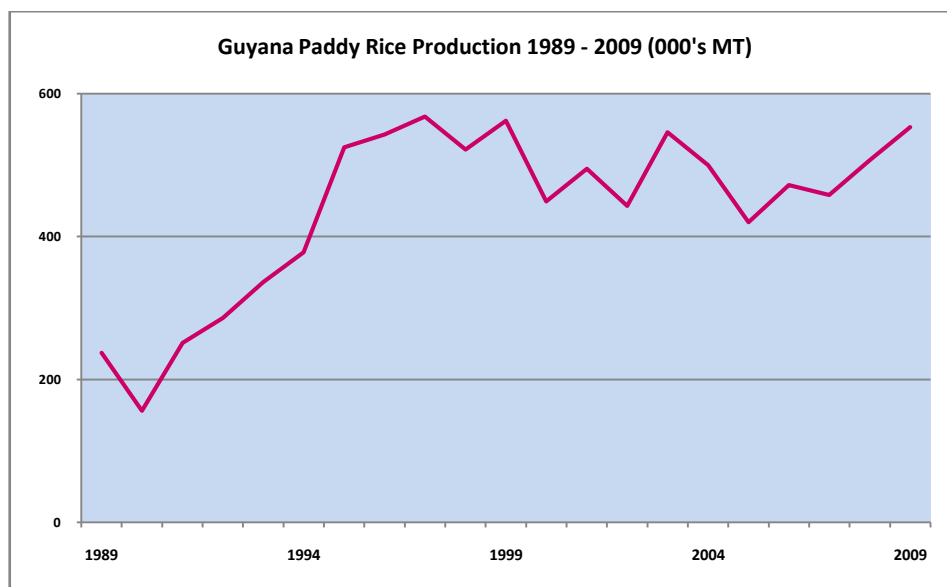
A prolonged economic crisis which began in the late 1970s took its toll on the rice industry. Acute foreign exchange problems; maintenance and retooling issues; marketing problems and declining prices on the world market; growing transportation costs; loss of managerial skills and expertise; rising prices for machinery, fuel, fertilizers and pesticides; unattractive paddy prices and low paddy grades, abandonment of rice lands and outward migration, and inadequate drainage and irrigation all led to a decline in production.

Rice production averaged around 150,000 MT in the 1980s but by 1990 this figure declined to a mere 93,400 tonnes. It rebounded to 168,300 MT in 1992.

The late 1990s witnessed a turning point rise in rice production. Improvements in the area of drainage and irrigation, the introduction of new varieties of paddy, higher yields per acre, a more efficiently run industry with agencies such as the Guyana Rice Development Board (GRDB), the Guyana Rice Millers and Exporters Development Association (GRMEDA) and the Guyana Rice Producers Association (RPA) making significant contributions.

Rice production suffered a further setback in 2005 with the disastrous flood which severely affected the East Coast Demerara corridor.

Figure 2.1 - Paddy Rice Production since 1989



Data Source: GRDB

It can be argued that the prospects for the future progress and development of the rice industry are encouraging. Increased government allocations to drainage and irrigation, the implementation of measures to ensure prompt payment to farmers, an intensification of the education of farmers on improved farming techniques and scientific methods to agriculture, access to duty free fuel and agricultural machinery and implements, higher world prices and widening overseas markets are all positive signs. Action is being taken to increase rice exports to traditional markets (Europe & CARICOM) while new markets are being explored in Venezuela, Africa, Panama and Poland.

2.1.2 Topography, Climate & Growing Seasons

Guyana is divided into four natural regions, the low coastal belt, the hilly sand and clay region, the interior savannahs and the forested highlands. The coastal zone is narrow and consists mainly of clay and is about 2 m below sea level. It is about 6% of the country's area and is the location where most of the administrative, agricultural, industrial and residential activities are concentrated.

Guyana is situated between 1 and 9 north latitude and between 56 and 62 west longitude and so has a warm tropical climate, with two major seasons: rainy and dry. Rainfall varies throughout the country, in the coast it has an average of 2,300 mm annually, in the forested regions this goes as high as 3000mm, and in the savannah 1600 mm. The temperature varies between 34°C and 16°C, with the mountainous regions experiencing the lowest temperatures.

There are two rice crops annually in the spring and autumn, the latter being the larger. The autumn crop is planted around May and June and is reaped in the September/October period while the second or spring crop is planted in November/December and harvested in March/April.

2.1.3 Land Ownership

Guyana is divided into 10 Administrative Regions. Six of these regions contribute to the formation of the narrow coastline (7.5 % of land area) on which 90% of the population lives – see Fig 2.2

The Guyanese Government owns about 90 percent of the national territory. In coastal areas where most of the population is concentrated, roughly half of farms are freehold properties.

The distribution of land is characterised by the predominance of small farms, of 1-30 acres each. This structure of distribution originated during the colonial period when both the size and number of plots allocated to former slaves and indentured workers were restricted. In the post colonial years the predominance of small farms has continued to be encouraged by Government policies that limit the size of plots, leased or granted to individuals by the State to hypothetical minimums that could support a family.

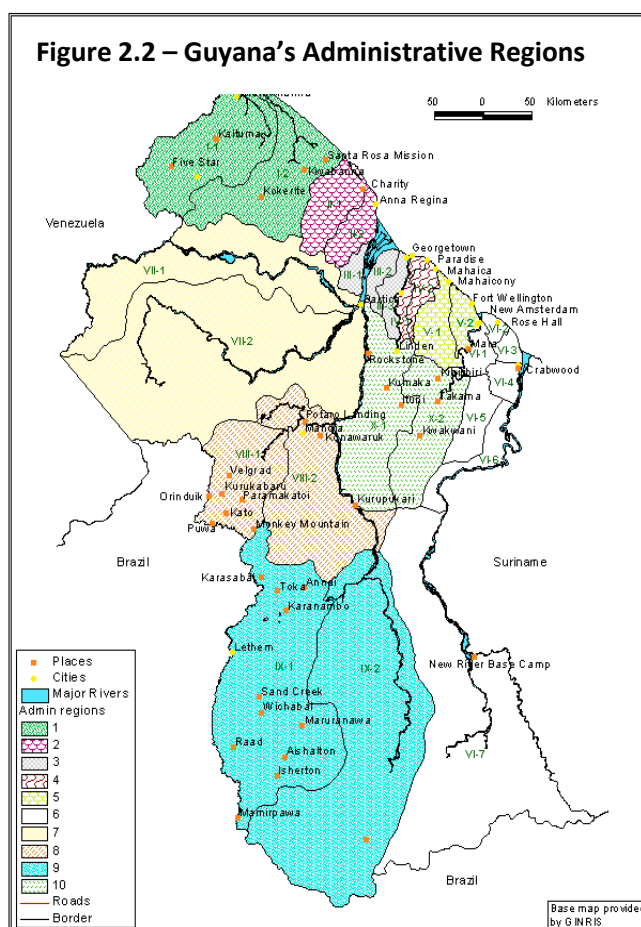


Figure 2.3 – Number of Rice Farmers by Acreage by Region

Regions	Region 2	Region 3	Region 4	Region 5	Region 6	Total
Acreage	No. of Farmers	No. of Farmers	No. of Farmers	No. of Farmers	No. of Farmers	No. of Farmers
1 - 30	1,905	893	382	487	497	4,164
31 - 50	111	67	24	156	114	472
51 - 100	93	40	24	110	111	378
> 100	38	32	8	108	124	310
TOTAL	2,147	1,032	438	861	846	5,324

Data Source: GRDB

1 acre = 0.4 hectare

2.1.4 Socio-Economic Conditions & Livelihoods

Guyana ranks 114th out of 182 countries measured on the Human Development Index (HDI) compiled by the United Nations Development Programme (UNDP) for the year 2007. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and gross enrolment in education) and having a decent standard of living (measured by purchasing power parity and income). This ranking places Guyana below the average for the Latin America and Caribbean region. Although ranked higher (45th out of 182) for educational enrolment, it ranks low (127th) in terms of GDP per capita (US\$2,782 in terms of purchasing power parity).⁴

Household Income and Expenditure Surveys (HIES) were conducted in 1993 and 1999. These showed that the proportion of households living in below the poverty line (35% in 1999) and in extreme poverty (19% in 1999) was still comparatively high, but declining. The same studies quoted in Guyana's Poverty Reduction Strategy Paper 2001⁵ revealed that the poverty gap remained largest in the rural interior and rural coastal regions:

*"Most of the poor in Guyana live in the rural areas. They are largely self-employed in agriculture or work as manual labourers...One of the main differences between poor and non-poor households is the number of people living in the household...This means that poor households are not only larger, but that each wage earner in a poor household supports a larger number of dependent children."*⁶

⁴ http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_GUY.html.

⁵ <http://planipolis.iiep.unesco.org/upload/Guyana/PRSP/Guyana%20PRSP.pdf>.

⁶ Ibid.

An International Labour Organisation (ILO) study of Structural Adjustment in the agricultural sector casts further light on the relative poverty of self-employed farmers. Although the report dates from 1999 and is based on the 1993 HIES.⁷

According to this study almost 30% of all agricultural households had incomes below the official poverty line. Self-employed farmers represented almost 19.5% of the Guyanese labour force, but accounted for more than 40% of those in the lowest income group. The report concludes:

*“Since self-employed farmers constitute a sizeable part of the total population they also constitute the largest poverty group: over a fifth of Guyana's poor are self-employed farmers.”*⁸

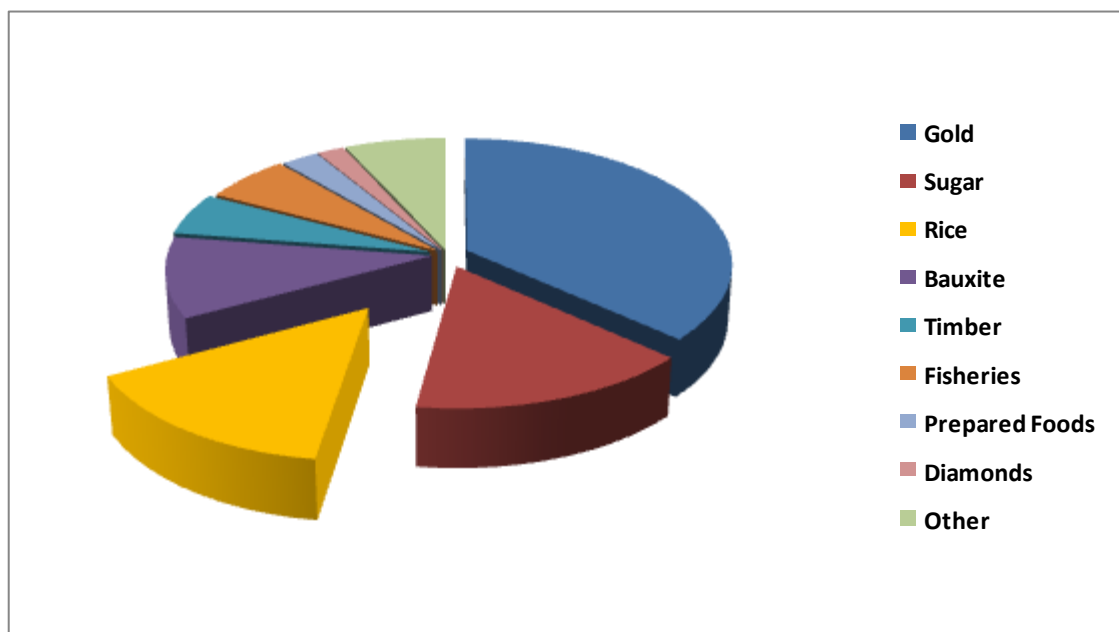
Further analysis from this ILO Report is included as Appendix 2.2.

It has not proved possible to access more recent published data based upon the 2003 HIES. Nonetheless there seems to be prima facie evidence within the sources quoted above to confirm that self-employed small-holder farmers, which will include rice farmers, are relatively disadvantaged even within the context of Guyana’s economy, and that a significant number will still be living below the poverty line.

2.1.5 Economic Significance

Rice is Guyana’s third most important source of export earnings after Gold and Sugar. In 2009 it accounted for 15% of all export earnings.⁹

Figure 2.4 – Guyana’s Major Exports by Value – 2009



Data Source: Guyana Bureau of Statistics

⁷ <http://www.ilo.org/public/english/dialogue/sector/papers/agrguyan/143e4.htm>.

⁸ Ibid

⁹ Guyana Bureau of Statistics - www.statisticsguyana.gov.gy

2.1.6 Rice Variety Improvement & Support Services

The rice cultivated in Guyana is Indica long-grain white rice.

A Central Rice Research Station was established at the Botanic Gardens, Georgetown and a Sub-station at Henrietta, Essequibo. The earliest varieties were 'blue rose' and 'blue stick' introduced from the USA.

The most important variety which dominated rice cultivation in the country for nearly half a century was 'BG 79' known as 'No. 79'. It was a medium grain variety adapted to flooded situations but was photosensitive and had inferior milling characteristics. BG 79 continued to be popular until the early 1970's until when it was gradually replaced by Starbonnet (an introduction from USA) which along with Bluebelle.

A break-through came in 1976 with the release of the variety Rustic. 'Rustic' was ideally suited for the direct seeded, flooded cultivation system of Guyana. Rustic' became a synonym of rice in Guyana for over two decades.

In 1997, GRDB released three blast resistant varieties viz. F7 10, BR 240 and BR 444 for commercial cultivation. In 2001, another four varieties (G98-22-1, G98-24-1, G98-30-3, G98-196) were released. These were also high yielding (4-6 MT/ha) blast resistant varieties with excellent milling and cooking qualities.

Another two varieties, GRDB 09 and GRDBFL 10, were released for commercial cultivation in Guyana during the second season of 2009. Farmers have received consistent yield advantage of 17 and 28 % from GRDB 09 and GRDBFL 10 respectively over their existing commercial varieties.

GRDB's Burma Research Station is continuing its efforts in developing high-yielding varieties (>6.5 MT/ha) with tolerance to lodging; stable resistance to blast; high milling (HRR 55/TRR 70); excellent cooking qualities. Attempts are also being made to evolve aromatic and salt tolerant varieties.

Support Services

GRDB provides a series of services to farmers such as: farm extension, capacity building, hybrid seed development, etc. It maintains a very strong control on rice quality throughout the supply chain. It has agents at each buying station to ensure that quality requirements are maintained and it operates its own rice lab for monitoring the quality of all export orders. It also provides a mandatory fumigation service for all export rice.

Fertilizers are imported into Guyana primarily from Trinidad but also Eastern Europe. Fertilizers are imported by two commercial enterprises and sold to stores and outlets that subsequently retail them to farmers. Fertilizer is also distributed via millers (on credit) and the RPA (for cash) in some locations. Chemicals for pest and disease control are readily available and two companies compete to supply to the rice sector.

Post-Harvest Losses

According to a report done by Mr. Yasunobu Kudo, a consultant working for the Japan International Cooperation Agency (JICA) in December 2002, post-harvest losses in Guyana are unusually high. The report lists various areas in which losses were found:

- Different variety mixed
- Receiving different moisture content
- High percentage of insect damaged kernel
- High percentage of red kernel
- High percentage of chalky kernel
- High percentage of cracked kernel
- Storage losses varies with the type of storage use, the most losses is recorded when bag storage is used
- Processing stage - Dried paddy contains impurities, such as straws, undeveloped (wind) paddy, dust, stones, soil, etc. These impurities do not only degrade the quality of final products, but also damage machines
- Too high and too low shelling ratio - Optimum shelling ratio is generally 85-90%. Only a few rice millers know this standard. If the shelling ratio is increased above the standard, surface of brown rice gets chafed. This makes storability of brown rice worse. Furthermore, breakage and cracking of a grain occurs

Quality and Grading

GRDB is responsible for the following:

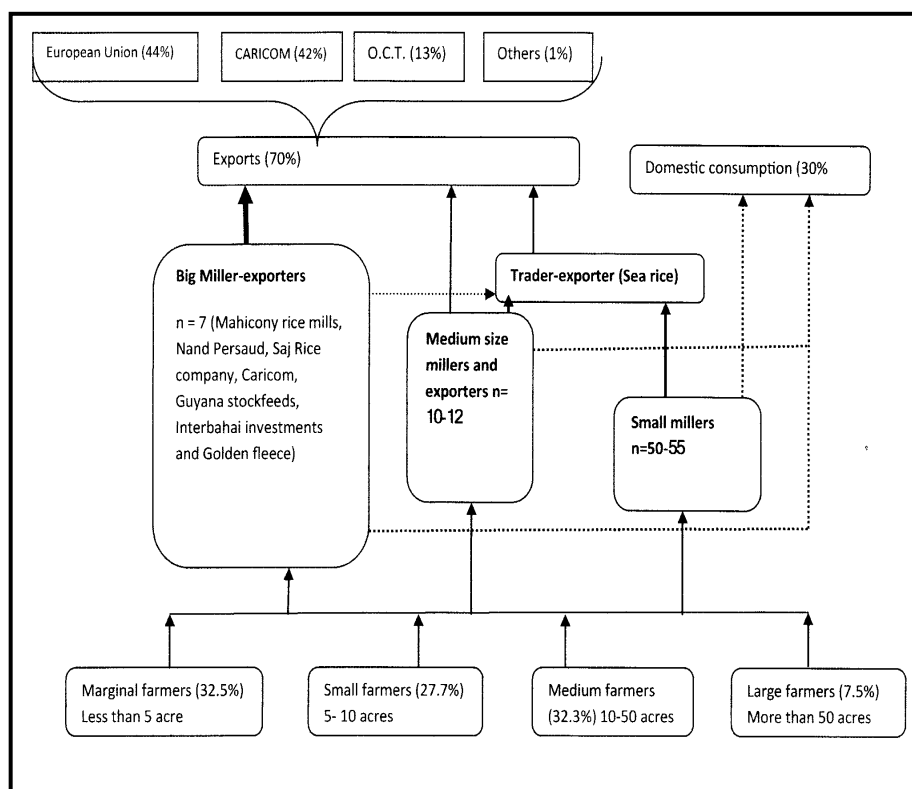
1. To work with the Guyana National Bureau of Standards to lay down and maintain technical standards consistent with international classifications, for grading paddy and rice.
2. To exercise and perform in relation to rice factories the functions, under the Rice Factories Act and the Guyana Rice Development Board Act.
3. To train persons to grade paddy and rice and to certify and license persons who are in the opinion of the Board qualified to grade paddy and rice.
4. To collect and make available to the rice industry relevant data relating to grading and quality of paddy and rice.
5. To grade and certify the grades of all rice intended for sale in Guyana and for export.

2.1.7 Structure of Rice Industry

The rice industry at the farm level in Guyana operates as a competitive market. There are a large number of farmers with average farm size between 10 and 30 acres. Therefore, there are many sellers of paddy.

On the demand side there are over 65 millers that purchase rice from farmers, including 6 larger millers and 17 others that are large enough to compete. Each of the major rice production regions in Guyana has at least 7 mills that purchase paddy from farmers. The largest production region (Region 6) has 24 millers purchasing from farmers. A small number of millers serve the export markets which account for 270% of annual production.

Figure 2.5 – The Rice Supply Chain in Guyana Illustrated



Source: Guyana Supply Chain Risk Assessment Report, May 2010

Figure 2.6 – Institutions Serving of the Rice Sector in Guyana

Guyana Rice Development Board (GRDB)

The GRDB was established in 1995, in pursuance of the Guyana Rice Development Board Act of 1994. The role of three previous statutory bodies - GREB, GRMMA and NPRGC – were merged into the GRDB. The main objectives of the GRDB include.

- To develop the rice industry in Guyana and to promote the expansion of the export trade in the said industry;
- To establish facilities for the conduct of research, relating to rice and extending to rice farmers through an established system, the benefits derived from such research;
- To engage in such promotional and developmental activities which the Board deems necessary for the purpose of developing the rice industry.

Guyana Rice Millers and Exporters Development Association (GRMEDA)

GRMEDA is an NGO of millers and exporters of rice. It was established in 1992 as a successor of the Rice Millers and Exporters Association. The Rice millers Association was formed when a group of millers came together to bid for the Water Street facility of GRMMA in 1989. GRMEDA represents the interests of rice millers and exporters at both the national and international levels. The objectives of GRMEDA are both representative and developmental and it seeks to achieve these set objectives by providing a forum for the interaction of its members. Since 2002, this association only met as needed and very infrequently.

Guyana Rice Producers Association (RPA) – cf. Appendix 5.1

The ROA was established in 1946. At time, it was the only national producer organization representing the interests of rice farmers in Guyana. Its functions include promotion, protection and advancement of the interests of rice producers.

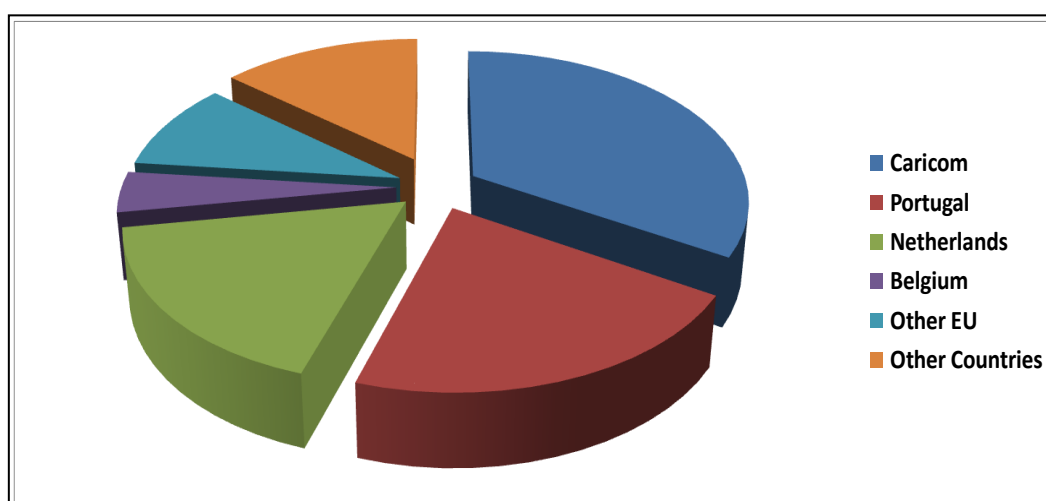
The role of the RPA over the last has changed from being only advocacy body for farmers' rights to being an input supplier. Today it is the only commercial supplier of rice seed paddy with an extensive network of seed processing facilities. They also source other crop inputs for sale to their members.

2.1.8 Export Capacity and Export Markets

Guyana's Rice Exports for 2009 totalled 260,815 MT (2008 - 196,233 MT). Major markets rice continued to be the EU and CARICOM. The quantity of rice exported to the EU increasing by 37% from 99,500 MT in 2008 to 135,991 MT in 2009.¹⁰

The increase in rice exports to the EU can be attributed to the removal of the rice quota for Guyana's rice exports, while the increase in rice exports to CARICOM can be attributed to the new agreement signed between Guyana and Jamaica to export 60,000 MT of rice yearly. In addition, rice exported to other countries increased by 50%, partly due to a new agreement for exports to Venezuela.

Figure 2.6 – Guyana Rice Export Sales by Market



Data Source – GRDB Annual Report

¹⁰ GRDB Annual Report 2009 (Draft).

2.2 Suriname

Suriname is situated between 2° and 6° Northern latitude and 54° and 56° Western longitudes. Lying on the coast of Northern South America between Guyana (to the West) and French Guyana (to the East), the country has a total area of 163.270 km². The relatively small population, slightly less than 1/2 million, has Dutch as the official language and most of them live on the narrow coastland with a length of 386 km. The country is divided into 10 districts. Nickerie, located in the North West of Suriname, is the main rice district.

2.2.1 History & Background

Rice was introduced to Suriname early in its settlement history, but it is not clear when and how. There is a possibility that the Portuguese Jews from Brazil, who arrived here in 1667, carried it with them. It is also quite possible that slaves who were brought to the country introduced the crop. Records show that rice was grown on a very small scale as upland rice by the slaves before the abolition of slavery in 1863. It is believed that the same upland varieties are still grown in the interior.

By the end of the seventeenth century experiments with rice were carried out and attempts were made to export the grain. In 1687 a small quantity (2000 kg) was exported to The Netherlands and again in 1783. Mention is also made, however of rice imports from USA as food for the slaves. So far rice was a less important food product in Suriname and was used only in moderation by the slaves who had root crops as their main staple food.

With the arrival of the British-Indian indentured workers (1873-1916) low-land rice cultivation was introduced in Suriname. They carried seeds of their important food crops to their new destination. Rice was their staple food and they planted it on the low-lying parts of the land allotted to them to grow their own food.

From 1894 until 1939 contract labourers from Indonesia (a colony of the Netherlands at that time) entered the country. These immigrants were also familiar with low-land cultivation of rice and produced their own staple food needs. After expiration of their contract, the immigrants were encouraged to stay in the country and remain in the agricultural sector. Small plots (1-2 ha) were leased on reasonable terms, with the option to purchase the land. The plots were deliberately kept close to the plantations and small enough so the farmer would need additional earnings from the plantations.

Due to problems in the sugar, cacao and coffee industry, the Agriculture Experimentation Station, founded in 1903, started experiments with rice production. Although still in the hands of peasant farmers the crop gradually developed to become an economic commodity. Surplus rice was sold on the local market. External factors, including the high price for imported rice during World War 1, stimulated rice production.

By 1920 the rice area was 4000 ha with a total production of 10,000 tons of which 24 tons was exported.

Production was predominantly by hand labour. Animal traction was used for ploughing and levelling of the land. Seeds were not sown directly in the fields, but seedlings were raised in seedbeds and transplanted.

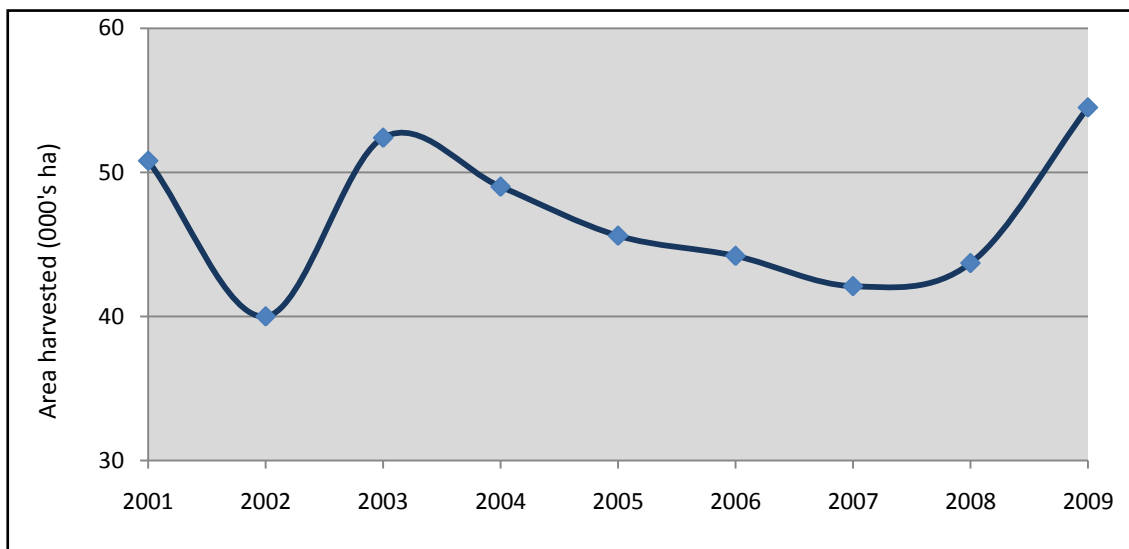
Possibilities for mechanized farming were explored in 1933 in the current rice district Nickerie. By that time it was clear that this Western most district had not only the best soils but also a resident farmer population experienced in lowland rice cultivation making it the most viable area for commercial production of rice. Mechanization appeared to be feasible on the farms >3 ha. The total rice area increased with an additional 7,000 ha.

Mechanization to expand the scale of production, use of high yielding non-lodging varieties with shorter growth duration, were among the efforts to increase production of this staple food. Extensive rice production was converted into intensive rice monocultures of two crops annually and the inevitable use of agro-chemicals.

Poor prices through the 1980's and 1990's coupled with underinvestment in the infrastructure and disappointing yields led to a fall in the amount of land under rice cultivation from approx 65,000 ha in 1980 to just over 40,000 – 50,000 ha in recent years

As the chart below illustrates, the area under rice cultivation increased in 2009 after several years of decline following the uplift in world prices in 2008.

Figure 2.7 - Rice Land Area Harvested (000's ha): 2001 - 2009



2.2.2 Topography & Climate

Climatic conditions

The country has a tropical humid climate with 2 dry and 2 rainy seasons. The short rainy season starts around the beginning of December and ends in February, the longer rainy season is from mid April to mid August. The temperature fluctuates during the day between 24- 36 ° C but is fairly constant throughout the year. Humidity follows the rainfall pattern, with its lowest at 76% and its highest at 86%.

Rainfall – water

Rice is among the grains that can be grown in tropical and sub-tropical areas where plenty of water is available. Worldwide most rice is grown in the tropical rainy seasons. Much rain, cloudy weather and short days is characteristic for such periods. Well distributed rainfall during the growth season is preferable and leads to optimal yields.

Irrigated low- land rice production, as practiced in Suriname, depends heavily on water. For the production of rice a total (all layers put together) water layer of 140-200 cm is necessary. The amount of water used is 1-3 litres/s/ha. Suriname has a rainfall of 2200 mm per year. In district Nickerie rainfall varies from about 1800mm in the north up to 2250 in the south, whilst the evaporation is about 2100mm in the north and 1900mm in the south.

Light

The total light intensity in Suriname is 240 cal/cm² per day, and the maximum daily solar radiation is about 1000W/m². Bright sunshine days are necessary during the whole growing period, particularly in the final stage of the generative development of the plant. Around 45 days before harvest, the grain filling stage starts and enough sunshine is critical for optimal production.

Temperature

During rainy seasons the temperature is ±27°C while in the dry season it is around 32°C. In the night the temperature drops to 24°C. Peak temperatures during the day are around 14.00–16.00 PM. Rice grows best in tropical warm (28 – 33°C) climates.

Day Length

Suriname has year round days of ±12 hours daylight. The difference between the longest day on 21st of June (12.30 hours) and the shortest on 21st of December (11.45 hours) is merely 45 minutes. This slight difference causes a photo-periodic response in Suriname's Indica rice varieties.

Soil

Rice is grown in the low lands of the coastal zone with flat topography and very heavy structured clay soils. Under natural conditions this landscape is characterized by the occurrence of swamps. For irrigated rice, heavy, clay soils with a pH range of 4-8 are ideal. A moderate level of salt in the soil does not cause problems, as long as the irrigation water is sweet.

2.2.3 Land Ownership

In 2008 some 43,650 hectares was planted with rice, (24,200 ha in the Spring, 19,450 ha in the Autumn)¹¹. 90% of the rice lands are located in the Nickerie district.

¹¹ LVV Annual Report 2008.

55% of the land cultivated for rice is in the hands of smallholder farmers (defined as landholdings up to 12 ha).

Figure 2.8 - Land Holdings by Size and No. of Farmers – Nickerie District, 2006

Land Holdings	No. of Farmers
0 - 4 ha	444
4 -10 ha	292
10 - 20 ha	230
20+ ha	150
Total	1,116

Data Source: ADEKUS

Water is taken from the Nani swamp to supply the older polders, mainly cropped by smaller farmers and from the Nickerie River to supply the areas mainly used by the larger estates.

Pumps are located in Wageningen to upload water in the Wageningen polder system and at Wakay pumping water from the Corantijn river after depletion of water from the Nani swamp also to the old polders.

2.2.4 Socio-Economic Conditions & Livelihoods

Suriname ranks 97th out of 182 countries measured on the Human Development Index (HDI) compiled by the United Nations Development Programme (UNDP) for the year 2007. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and gross enrolment in education) and having a decent standard of living (measured by purchasing power parity and income. This ranking places Suriname slightly below the average for the Latin America and Caribbean region. It ranks low (86th) in terms of GDP per capita (US\$7,813 in terms of purchasing power parity) benefiting from its oil and mineral revenues.¹²

There is no published data available which identifies either the relative income of farming households or the proportion of households living below the poverty gap.

Census data from 2004 published by the Bureau of the Statistics (ABS) identifies 5,353 households in the Nickerie District (of which some 1,100 are known to be rice farming households – see Figure 2.8 above. The same census data suggest that the proportion of adults in lower income employment (agriculture, artisanal trades, services and retail) as opposite to higher income employment (professional, managerial, clerical and technical) was higher in the Nickerie District (73%) than the national average (67%). Equally the proportion achieving secondary or tertiary educational qualifications in the Nickerie district less than 9% of the population

¹² http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_SUR.html.

compared with 15% nationally. The average size of household in Nickerie District is 3.86 persons compared with a national average of 4.0.¹³

This limited empirical data corroborates anecdotal and observational data which suggests that in Nickerie District, where approx. 1 in 5 households are directly reliant on income from rice cultivating small-holdings, educational attainment is significantly lower than the national average and other employment is proportionately less well paid. The quality of the private housing stock is also visibly poorer than, for instance, in the capital city, Paramaribo, and its suburbs where the majority of the population is concentrated.

However, households are slightly smaller than the national average in Nickerie, suggesting that farmer families have fewer dependents than residents in the capital city.

The livelihoods data available to this study is less conclusive than had been hoped. Further work will need to be undertaken (eg through case studies) to validate the presumption that small farmer households are economically marginalized.

2.2.5 Economic Significance

Suriname's economy is dominated by the mining industry, with exports of alumina, gold, and oil accounting for about 85% of exports and 25% of government revenues.

According to official statistics, agriculture accounts for approx 11% of GDP and approx 8% of the labour force.¹⁴

Some 1,200 farmer families are engaged in commercial rice production. Export earnings from rice in 2008 were SRD 90 million (US\$ 22.5 million)¹⁵ – making the sector worth just 1.5% of the country's annual export earnings (nearly US\$1.4 billion).

The economic significance of rice lies as much in its contribution to a modernizing agricultural sector, its local economic significance in the rice growing area of Nickerie and as staple foodstuff to the domestic population, as in its contribution to export earnings.

2.2.6 Rice Variety Improvement & Support Services

Research Station

ADRON (the Anne van Dijk Rijst Onderzoeksinstituut Nickerie) is a division of the SNRI (Stichting Nationaal Rijst Instituut). It has a mission "*to improve the rice sector through applied research by developing new and improving existing rice varieties, developing techniques and producing basic seeds as well as data collection and to inform the people*".

¹³ <http://www.statistics-suriname.org/index.php/Census/Census.html>.

¹⁴ Algemeen Bureau voor de Statistiek in Suriname.

¹⁵ LVV Annual Report 2008.

The main activities of ADRON are to produce breeder seed, elite and original seed. The last mentioned is for farmers who are guided and trained by the Institute. ADRON is also responsible for research in cultivation techniques, testing of new lines, fertilizing techniques, disease and pest control. Moreover ADRON is involved in post harvest management and communication with farmers.

ADRON is led by a director, who is responsible to SNRI, and has 54 permanent employees. Activities are divided into work programs, each under the direction of a researcher. The researchers are responsible to the director.

Extension Workers

A network of Farm Extension Workers is employed by the Ministry of Agriculture (LVV). These workers are responsible for advice, support and farmer education to improve cultivation techniques, water management and crop yields. A 'Farmer School' programme is operated in conjunction with ADRON in the key rice growing districts.

2.2.7 Structure of Rice Industry

(See Figure 2.9 on next page)

When the paddy rice is sold to the millers, ownership shift takes place. Millers buy the produce of several farmers or have contracts with certain farmers who are closely linked to the miller. Farmers typically have little bargaining power when it comes to prices. Paddy rice has to be dried within a few days after harvest; hence, in the absence of drying facilities available to farmers, the paddy has to be sold immediately after harvest.

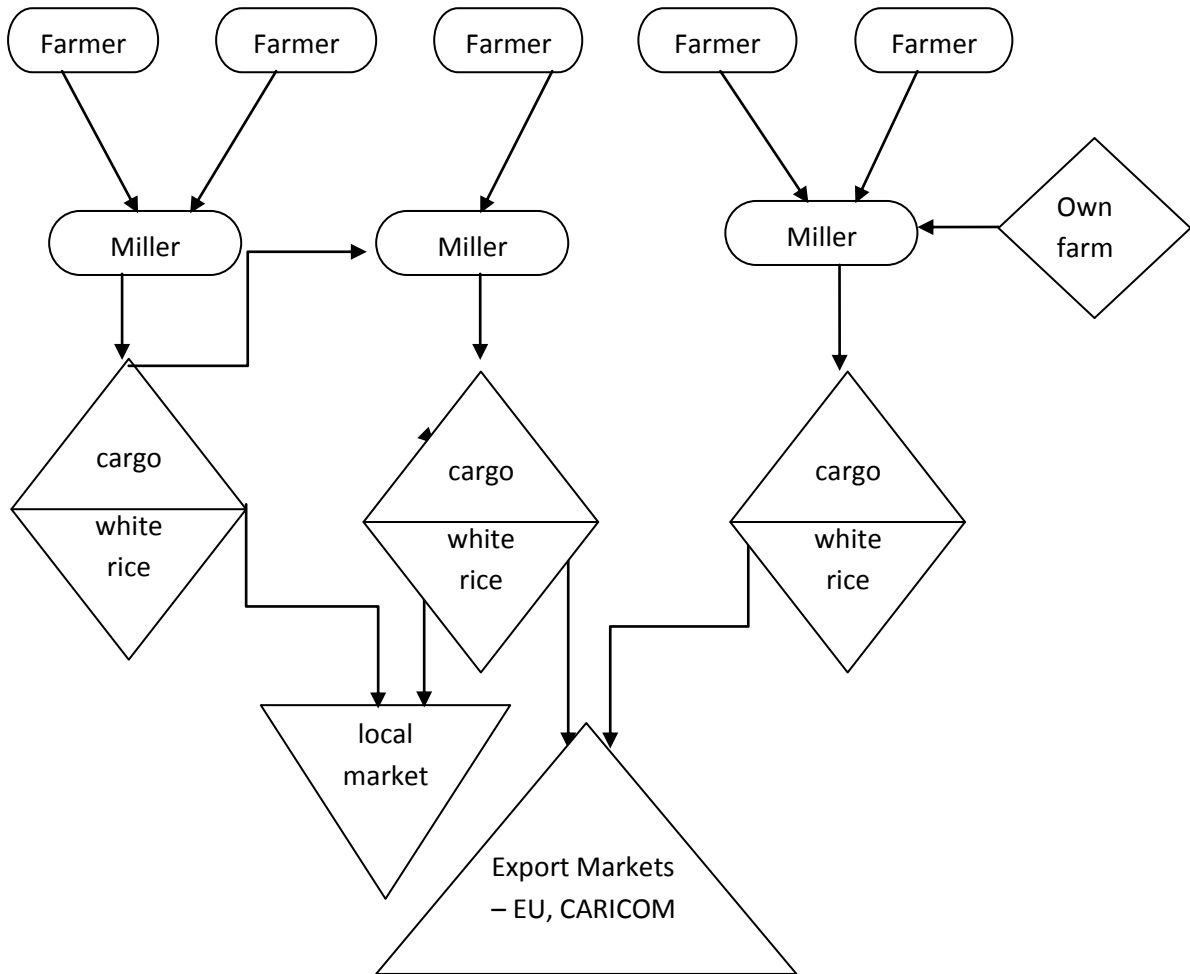
The best mills help the farmers through providing pre-harvest credit and seeds. A number are vertically integrated, growing their own paddy rice and selling the finished goods under their own brand name. Some of the smaller mills sell their production as cargo rice (brown, unpolished rice), either direct to export or to the larger mills for polishing and packing.

There are 23 rice mills in Suriname, of which 20 are operating. There is evidence of overcapacity in the milling sector.

Depending on the length of the harvesting period (8 or 12 weeks) the total drying capacity of the operating mills varies from 170,000 - 250,000 MT of wet paddy per crop, resulting in utilisation levels that vary between 40% and 60% of technical capacity. De-husking and polishing machinery similarly operate well below theoretical operating capacity.

Existing available storage capacity (110,000 tonnes including the concrete silos in Wageningen) means that there is sufficient storage available to accommodate an entire season's crop. Thus there is potential for improving operating efficiencies (and reducing unit costs) within the milling sector as whole.

Figure 2.9 - Typical Rice Supply Chain in Suriname

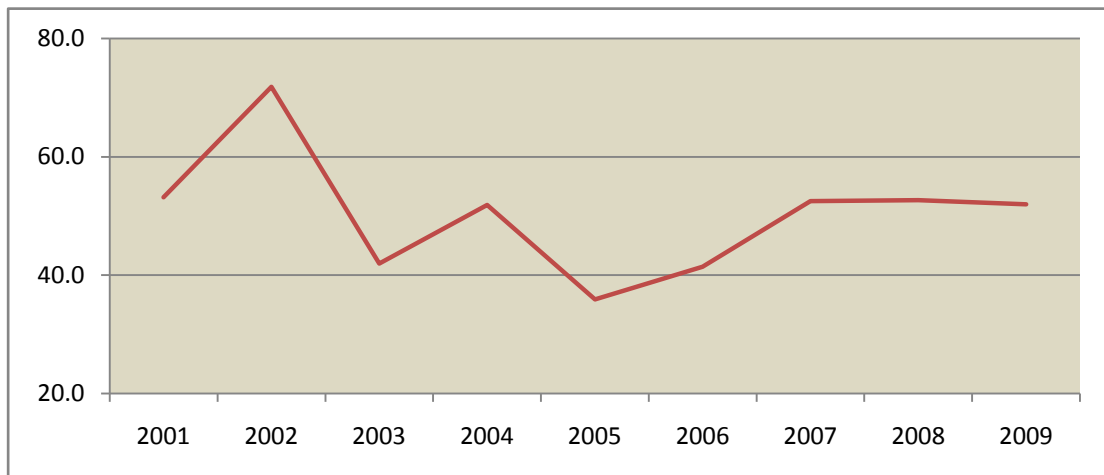


Note: Cargo rice (unpolished rice) is sold on the local market as “zilvervlies” rice.

2.2.8 Export Capacity and Export Markets

The volume of rice exported varies according to seasonal yields, representing the surplus after satisfying domestic consumption of ± 75,000 MT per annum. The chart below shows the volume of rice exported since 2001

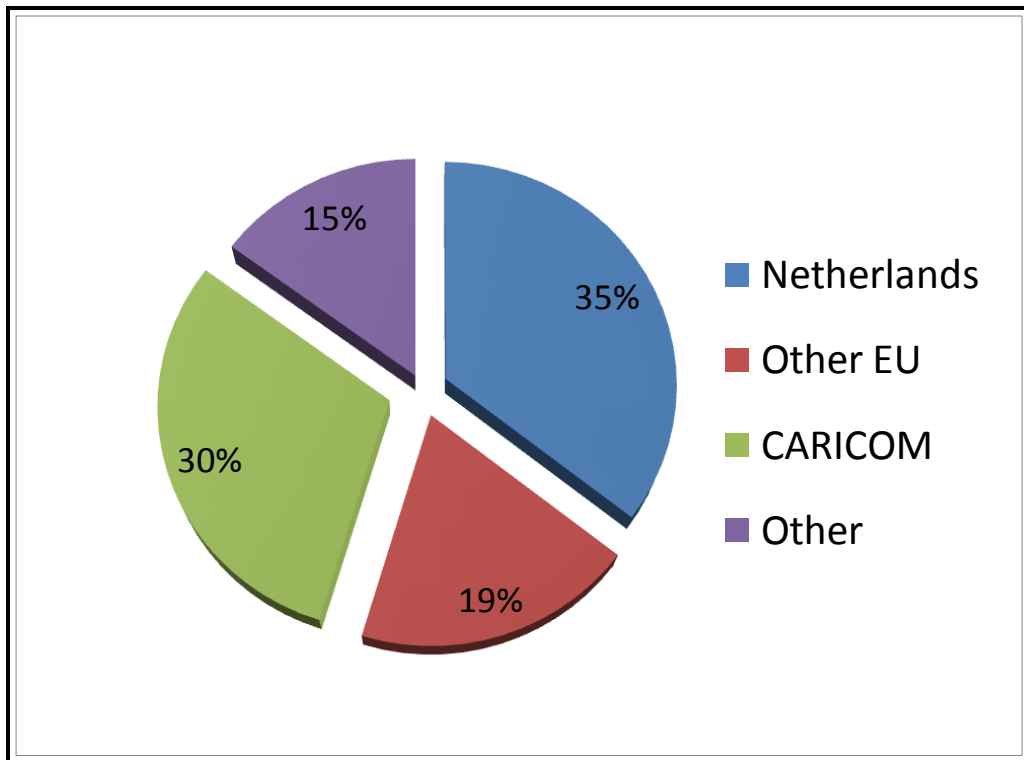
Figure 2.10 - Volume of Rice Exported from Suriname (000's MT) – 2001 – 2009



Data Source: LVV

Historically, the most important export markets for Suriname have been the CARICOM Region and the Netherlands. Together these have accounted for 2/3 of annual exports in recent years.

Figure 2.11 - Principal Export Markets for Suriname Rice



Data Source: LVV

Market Analysis

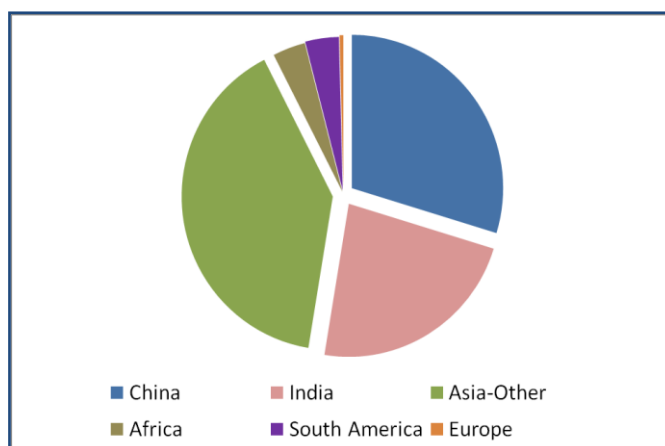
3.1. Global Trends

3.1.1. Production

Global paddy rice production reached 684 million metric tonne (MT) in 2008, and is projected to decrease slightly to 678 million MT by 2010¹⁶. Between 2005 and 2008 paddy rice production increased by 2.6% pa on average. Global milled rice production amounted to 446 million MT in 2008, an increase of 2.7% over 2007.

Figure 3.1 – World Rice Production by Region - 2008

Global production is dominated by China, India and the rest of Asia (90%)¹⁷.



3.1.2. Export Trade

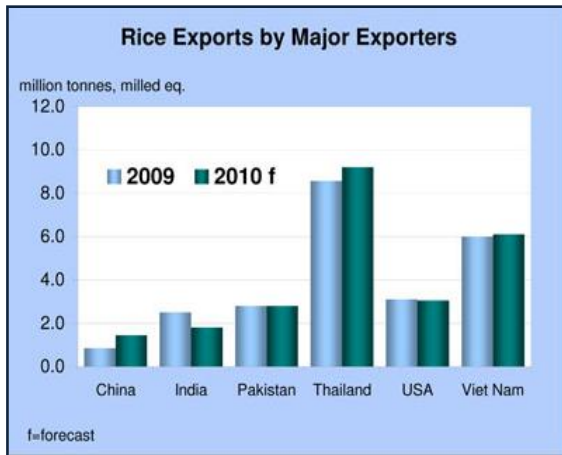
The majority of rice is grown for domestic consumption. The export of rice is often restricted or controlled by national governments for reasons of food security. Food & Agriculture Organisation (FAO) forecasts world export trade in rice in 2010 to be 30.1 million MT¹⁸.

¹⁶ FOA Rice Market Monitor, December 2009 – http://www.fao.org/es/esc/en/15/70/highlight_71.html.

¹⁷ IRRI World Rice Statistics – USDA data for 2008 - <http://beta.irri.org/index.php/Social-Sciences-Division/SSD-Database>.

¹⁸ Ibid.

Figure 3.2 – Major Exporters of Rice - 2009



The world’s main exporter by volume is Thailand.

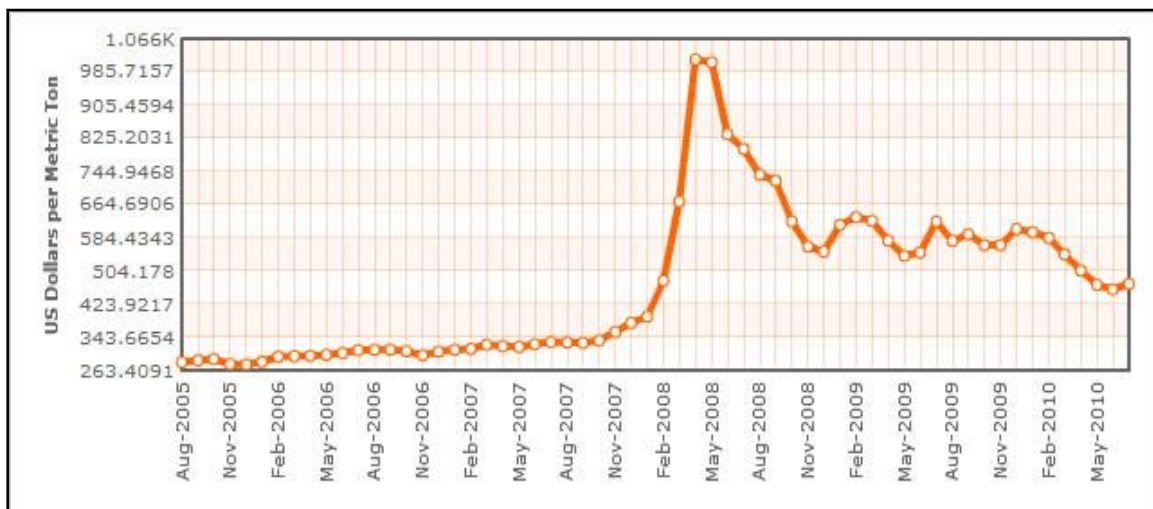
The rice production of Guyana (550,000 MT) and Suriname (230,000 MT) together represent a little over 2% of the global export trade.

3.1.3. World Rice Prices

The world market price of rice is referenced to Thailand White five-per-cent broken milled white rice, with different varieties being sold at either a premium or discount against this. The price is shown in US \$ per MT.

The chart and table below show trends in the world price over the last 5 years. The world price peaked at almost US\$1000 per MT in 2008, and has traded above US\$500 until May 2010. For the last three months it has averaged US\$478.

Figure 3.3 – World Rice Prices, August 2005 – July 2010



Data Source: Index Mundi¹⁹

Figure 3.4 – World Rice Prices, 09 Q2 – 10 Q2 with July 2010

Period	09 Q2	09 Q3	09 Q4	10 Q1	10 Q2	July 10
Price (US\$/ MT)	556	598	580	576	478	472

Data Source: IMF²⁰

¹⁹ Available at <http://www.indexmundi.com/commodities/?commodity=rice&months=60>.

3.1.4 Factors affecting Rice Prices

The sharp spike in world prices (the 'Rice Crisis' of 2008) was the result of confluence of factors:

- steadily increasing consumer demand
- poor weather conditions affecting production yields and leading to falling reserve stocks
- export restrictions by some key producing countries
- weakening of the US\$ in international currency markets

Production has recovered somewhat since 2008. Some commentators suggest that strategic reserve stocks are now excessive (e.g. in the Philippines) and expect some further weakening of world prices.

3.2 Market in Europe

3.2.1 Rice Consumption in EU

Across the EU as a whole, rice consumption has increased by 5% between 1999 and 2008.²¹ The five countries in Europe with the highest level of rice consumption by weight are Italy, France, the UK, Germany and Portugal – see Fig 5. No consumption data is available for Spain.

Figure 3.5 - Human Consumption of Rice in the EU – Principal Countries, 2004-08 (000s of MT)

Country	2004	2006	2008	Av. Annual Change
Italy	602	No	No data	No data
France	375	346	No data	No data
UK	333	No	No data	No data
Germany	344	363	306	-2.9
Portugal	164	172	No data	No data
Poland	92	95	103	+2.8
Netherlands	75	75	95	+6.1
Romania	60	81	62	+1.0
Sweden	61	60	No data	No data
Hungary	67	62	58	-3.5
Greece	83	53	No data	No data
Belgium	33	38	No data	No data
Ireland	27	33	36	+7.8
Austria	24	25	33	+8.8
Slovakia	33	34	31	-1.3
Bulgaria	30	30	No data	No data
Spain	No data for human consumption available			

Data Source: CBI

²⁰ 'IMF Actual Market Prices for Non-Fuel and Fuel Commodities, 2006-2010' – <http://www.imf.org/external/np/res/commod/index.asp>.

²¹ IRRI, 'Rice Consumption by Country and Geographical Region, 1961-2008 (USDA)' (2009) – available at http://beta.irri.org/solutions/images/stories/wrs/wrs_jul30_2009_table17_consumption_USDA.xls.

3.2.2 Rice Production in EU

Italy, Spain, Greece, Portugal and France are also significant producers of rice. Italy, Spain and Greece are hence net exporters within the EU.

Figure 3.6 - Significant Paddy Rice Producing Countries in the EU, 2004-08 (000s of MT)

Country	2004	2006	2008
Italy	1,523	1,419	1,400
Spain	883	724	750
Greece	188	179	185
Portugal	149	147	155
France	115	95	89

Data Source: CBI

3.2.3 Rice Imports into the EU

Rice imports into the EU grew by ½ million MT to 3.23 million MT between 2004 and 2008. This included an approx 400,000 additional MT imported from Developing Countries²².

Figure 3.7 - Imports of Rice by EU Member Countries, 2004 – 2008 (000s of MT)

Origin	2004	2006	2008
Intra EU	1,428	1,539	1,596
Extra EU – non Developing Countries	291	213	138
Extra EU – Developing Countries	1,103	1,107	1,500
EU Imports Total	2,732	2,859	3,234

Data Source: Eurostat 2009

The share of imports from Developing Countries is as follows:

Figure 3.8 - Imports of Rice to EU from Developing Countries by Country of Origin 2008

Country of Origin	%
India	31%
Thailand	31%
Pakistan	17%
Guyana	6.2%
Uruguay	6.0%
Vietnam	2.6%
Egypt	2.4%
Brazil	1.9%
Dominican Republic	1.1%
Suriname	0.8%

Data Source: Eurostat 2009

The largest import markets for rice within the EU are UK, France, Netherlands, Belgium & Germany.²³

²² CBI Market Survey: 'The Rice and Pulses Market in the EU' (2010), p. 29.

Figure 3.9 - Principal EU Member States Importing Rice from Developing Countries, 2004–2008 (000s of MT)

Country	2004	2006	2008	% of EU
United Kingdom	211	201	295	20%
France	143	178	227	15%
Netherlands	108	147	217	14.5%
Belgium	44	103	170	11%
Germany	51	69	153	10%
Spain	66	117	125	8.5%
Portugal	69	45	100	6.5%
Italy	45	63	87	6%

Data Source: Eurostat 2009

3.2.4 EU Rice Consumption by Type

Although some rice sold in the EU is used in animal feed, the great majority of rice is for human consumption. In Northern Europe, long-grain rice accounts for 80% of the market. Growing market segments include perfumed rice and fast-cooking rice. Demand for brown rice (cargo rice) across the EU has remained static, although brown rice is popular within the Netherlands

Southern European states in Europe show higher per capita consumption of rice than Northern states, but also produce much of their own rice needs.

An increasing immigrant population in Europe has stimulated demand for speciality rices (jasmine rice, wild rice, coloured rices).

The share of organic rice within the European market has been growing and is expected to grow. Fairtrade rice still represents a very small proportion of the import market (less than 1%) but is also increasing²⁴.

The EU also offers a market for derivative rice products – rice oils, broken rice for milling into flour, etc. The main constituents of this market are summarised in Appendix 3.2

3.3 Market Trends in some Principal EU Countries

3.3.1 Markets Trends in UK

The UK rice market has been growing steadily since 2000. This growth is due to two complimenting factors. One is the rise in popularity of Chinese, Thai and Indian food in which use rice is a central component, and the changing demography of the UK; ethnic minorities (including those from rice staple countries) accounted for 73% of recent UK population growth.

The other factor is the development and rise in demand for convenience products such as microwaveable and boil-in-the-bag rice. Ambient microwaveable rice (rice

²³ Ibid, p. 34.

²⁴ Ibid, pp. 7-8.

which can be stored at room temperature before being cooked) and is expected to overtake dry rice as the major value product category in terms of retail sales.

The UK rice market is predicted to be worth £334m (US\$ 500m) by 2012.²⁵

Basmati remains the bestselling variety of dry rice, helped in recent years by the increased interest in its health properties. Demand for some speciality rices, which includes wild rice and Jasmine rice from Thailand, is increasing rapidly.

The UK retail sales are dominated by two brands: Uncle Ben (which is owned by Mars) and Tilda. Uncle Ben leads the market and specialises in boil-in-the-bag, long-grain and easy-cook rice. Mars has an 80% share of the microwaveable market, and mainly appeals to inexperienced cooks and families. Tilda, meanwhile, focuses on basmati and specialist rice, appealing to more confident cooks, the Asian community and more affluent customers.²⁶

A tabulated analysis of UK retail market share by variety, by brand and by distribution channel follows.

Figure 3.10 - Dry Rice Types by Value and UK Market Share (2003–07)

Variety	2003		2005		2007		05-07
	£ m	%	£ m	%	£ m	%	% chg.
Basmati	39	33	48	38	57	41	18.8
Boil-in-the-bag	20	17	20	16	21	15	5.0
Long-grain, easy cook	22	18	20	16	19	14	-5.0
Savoury	25	21	22	17	18	13	-18.2
Speciality	9	8	8	6	12	9	50.0
Brown/ wholegrain	5	4	9	7	13	9	44.4
Total	120	100	127	100	140	100	10.2

Data Source: Mintel²⁷

Figure 3.11 – Dry Rice Brands by Value and UK Market Share (2003–07)

Variety	2003		2005		2007		05-07
	£ m	%	£ m	%	£ m	%	% chg.
Uncle Ben's	16	13	20	16	25	18	25.0
Tilda	12	10	17	13	25	18	47.1
Batchelors	11	9	10	8	8	6	-20.0
Risso Gallo	2	2	3	2	4	3	33.3
Others	16	13	14	11	12	9	14.3
Own-label	63	53	63	50	66	47	4.8
Total	120	100	127	100	140	100	10.2

Data Source: Mintel²⁸

²⁵ Bainbridge, 'UK Rice Market Research Summary' – <http://www.marketingmagazine.co.uk/news/782166/Sector-Insight-Rice---Credit-convenience?>

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.

Figure 3.12 - Rice Sales Value & UK Market Share by Retail Outlet Type

Variety	2003		2005		2007		05-07
	£ m	%	£ m	%	£ m	%	% chg.
Grocery	144	85	176	86	231	86	31
Independents	17	10	18	9	22	8	17
Co-ops	5	3	6	3	11	4	75
Others	3	2	4	2	5	2	31
Total	169	100	205	100	269	100	31

Data Source: Mintel²⁹

3.3.2. Markets Trends in France

France is one of the larger consumers of rices and pulses within the EU. Human consumption of rice reached 407,000 MT in 2007, an annual growth rate of 2.7%.³⁰

Although France is also a producer of rice, it is also the second largest net importer of rice within the EU, the value of imports totalling €369m (US\$470m) in 2008.

French tastes favour white long-grain rice. As a result France imports proportionately less rice from developing countries. However this share is increasing. Thailand is the leading developing country supplier,

Organic produce represents only 1% of food sales in France, but along with Fairtrade the sector is gaining popularity amongst consumers. One in three French consumers has reported purchased organic produce in the last 12 months, and the Fairtrade sector in France grew by 22% in 2008 to a retail sales value of €256m (US\$325m) making France the second largest Fairtrade market in the EU.³¹

3.3.3 Markets Trends in Germany

Although a large consumer market within the EU, rice consumption in Germany declined between 2004 and 2008, amounting to 306,000 tonnes in the latter year. Germany remains the third largest net importer of rice within the EU accounting for 12% of all EU imports, and a value of €253m (US\$320m) in 2008.³²

Imports from developing countries accounted for 35% of Germany's rice imports in 2008. However, like France the proportion of developing country imports is increasing annually. Thailand is the leading source of imports, with Morocco, Egypt and Vietnam all gaining market share.

Per capital consumption of rice in Germany is low (3.7 kg per person per year) compared with the EU average.³³ Ethnic groups represent an important segment of the consumer market for rice in Germany

²⁹ Ibid.

³⁰ CBI Market Survey: 'The Rice and Pulses Market in France' (March 2010), p. 1.

³¹ Max Havelaar France.

³² CBI Market Survey: 'The Rice and Pulses Market in Germany' (March 2010), p. 1.

³³ Ibid, p. 2.

As noted below (Figure 4.1, page 45) there is a strong overlap between fairtrade and organic in the German consumer market. Germany represents the biggest market for organic products within EU worth €5.3bn (US\$ 6.75bn) in 2009.³⁴

3.3.4 Markets Trends in Netherlands

The Netherlands' population consumed 95,000 tonnes of rice in 2008, an increase of 6.1% between 2004 and 2008. Per capita consumption of rice in the Netherlands is 5.8kg per year.³⁵

10% of all rice consumption in the Netherlands is brown rice, which is higher than the EU average. Brown rice accounts for 20% of supermarket rice sales due to its association with a healthy diet, and there is a significant affinity amongst ethical consumers with organic varieties.³⁶

Guyana is one of the leading Developing Country exporters to the Netherlands. The Netherlands is also a significant export market for Suriname. However, given that the Netherlands imports more than twice volume of rice consumed in its domestic market, it is clear that some Developing Country imports are for processing and re-sale within the EU.

3.4 Opportunities and Threats for Exporters to the EU

The CBI Report already quoted summarises the opportunities and threats for Developing Country rice exporters to the EU as follows:³⁷

Opportunities

- EU rice consumption is expected to grow whilst EU rice production is not expected to change significantly
- EU imports of milled rice are expected to increase
- Since the end of 2009 imports from the Least Developed Countries and CARIFORM countries will be quota and tariff free
- Growth is 'vertically integrated' supply chains from growing country of origin to distributor in EU

Threats

- World prices remain historically high which may discourage imports and support more production within EU
- The EU market is expected to open up to imports of long-grain white rice from USA (after a temporary ban due to GM fears)

3.5

³⁴ CBI Market Survey: 'The Rice and Pulses Market in the EU' (March 2010), p. 26.

³⁵ CBI Market Survey: 'The Rice and Pulses Market in the Netherlands' (2010), p. 1.

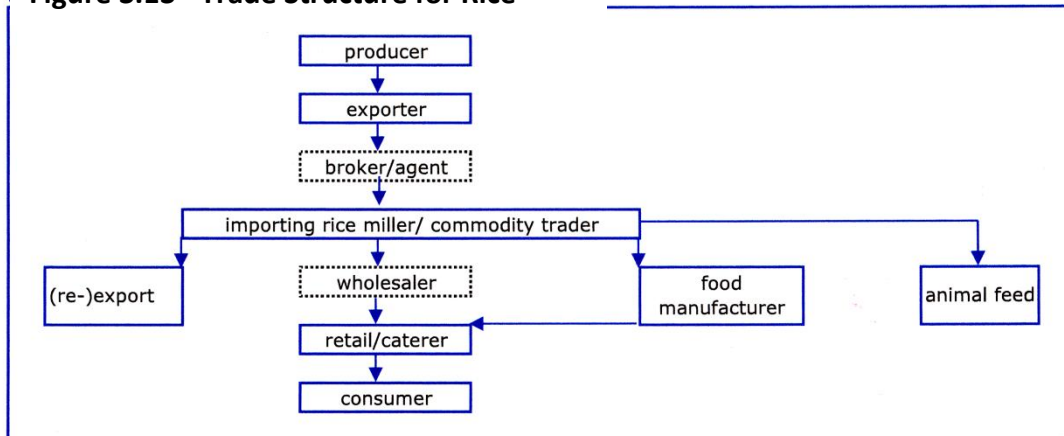
³⁶ Ibid, pp. 1-2.

³⁷ CBI Market Survey: 'The Rice and Pulses Market in the EU' (2010), pp. 37-8.

Trade Channels within the EU

A number of specialist traders, processors and distributors are often involved in the supply chain between exporter and end-consumer. These are summarised in the flow chart below:³⁸

Figure 3.13 - Trade Structure for Rice



Source: ProFound

³⁸ Ibid, p. 22.

Fair Trade

4.1 About the Fairtrade Mark³⁹

Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. Fairtrade offers producers a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future. Fairtrade offers consumers a powerful way to reduce poverty through their every day shopping.

When a product carries the FAIRTRADE Mark it means the producers and traders have met Fairtrade standards. The standards are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade.



4.1.1. The Standards

There are two distinct sets of Fairtrade standards, which acknowledge different types of disadvantaged producers. One set of standards applies to smallholders that are working together in co-operatives or other organizations with a democratic structure. The other set applies to workers, whose employers pay decent wages, guarantee the right to join trade unions, ensure health and safety standards and provide adequate housing where relevant.

Fairtrade standards also cover terms of trade. Most products have a Fairtrade price, which is the minimum that must be paid to the producers. In addition producers get an additional sum, the Fairtrade Premium, to invest in their communities.

4.1.2. Fairtrade Prices

The minimum price paid to Fairtrade producers is determined by the Fairtrade standards. It applies to most Fairtrade certified products. This price aims to ensure that producers can cover their average costs of sustainable production. It acts as a safety net for farmers at times when world markets fall below a sustainable level. Without this, farmers are completely at the mercy of the market.

When the market price is higher than the Fairtrade minimum, the buyer must pay the higher price. Producers and traders can also negotiate higher prices on the basis of quality and other attributes.

4.1.3. The Fairtrade Premium

In addition to the Fairtrade price, there is an additional sum of money, called the Fairtrade Premium. This money goes into a communal fund for workers and farmers to use to improve their social, economic and environmental conditions.

³⁹ This section is explanation of Fairtrade set out the FLO website – www.fairtrade.net.

The use of this additional income is decided upon democratically by producers within the farmers' organization, or by workers on a plantation. The Premium is invested in education and healthcare, farm improvements to increase yield and quality, or processing facilities to increase income.

As many projects funded by the Premium are communal, the broader community, outside the producer organization often benefits from Fairtrade.

4.1.4. Who is behind Fairtrade?

Fairtrade Labelling Organizations International (FLO)

FLO is a non-profit, multi stakeholder body that is responsible for the strategic direction of Fairtrade, sets Fairtrade standards and supports producers. See how it is governed.

FLO-CERT

FLO-CERT is an independent certification company, owned by FLO. FLO-CERT inspects producers and traders to ensure they comply with Fairtrade standards.

Fairtrade Labelling Initiatives

These are national organizations that market Fairtrade in their country. There are currently 19 Fairtrade Labelling Initiatives covering 23 countries in Europe, North America, Japan, Australia and New Zealand. These organizations also licence companies to use the FAIRTRADE Mark on products in their country.

Fairtrade Producer Networks

These are associations that Fairtrade certified producer groups may join. There are currently three producer networks, representing producers in Africa, Asia and Latin America and the Caribbean. Through these networks, Fairtrade producers can influence decisions that affect their future.

4.1.5. How big is Fairtrade?

The global value of Fairtrade sales (in retail terms) was estimated to be over \$4bn in 2009⁴⁰. Fairtrade sales remain most significant in the developed markets of Northern Europe and the USA. Some newer markets (Canada, Australia and South Africa) have experienced rapid growth.

The most significant product types sold under the FAIRTRADE Mark are: coffee, bananas, cocoa/chocolate, tea and sugar.

4.2. Other Social Labels

There is a wide range of social labels (or ethical labels) promoted in Europe. Many only cover a narrow range of products and their market profile in different countries varies greatly. Some are specific to one country and some are more 'international'.

⁴⁰ FLO Press Release – 26th May 2010.

The most well known label concept is that of 'organic' which is certified according to minimum standards set by the International Federation of Organic Agricultural Movements (IFOAM). These standards relate to the way a product has been grown, use of pesticides and chemical fertilisers, and animal welfare conditions where relevant.

Some labels are product specific such as The Marine Stewardship Council (fish), the Forest Stewardship Council (timber) or the Ethical Tea Partnership (tea).

Some labels relate to the domestic production of a particular country or region, such as the Red Tractor scheme for farmers in the UK.

Others seek to encourage sustainable agriculture in the global market, for instance UTZ certified 'good inside', or the Rainforest Alliance. But these are presently limited in scope both in terms of the products they cover and their market profile.

The most relevant label for small-holder rice farmers in Guyana and Suriname is the Fairtrade mark. This is for two reasons:

- ✓ There is already a product standard relevant to rice and farmers are using it in other parts of the world. The process for applying this in Guyana and Suriname would therefore be relatively straightforward (though still time consuming and will involve expense). After consultation with the Rainforest Alliance, it is clear that they are a long way off doing any work on rice.
- ✓ Secondly, the public profile of Fairtrade in the European market is much higher than that of any of the other labels. This means that attaching it to rice from Guyana or Suriname gets the product a higher market profile too. Research in the UK would suggest that 73% of the public say that they have seen the Fairtrade mark logo 'a lot' or 'a little', whilst only 17% would say that of the Rainforest Alliance.

4.3. Fair Trade Rice

FLO took its first steps towards the introduction of Fairtrade standards for rice production in 2000. The aim was to open up new markets for the benefit of small farmers. Since the introduction of the standards farmers who sell rice on Fairtrade terms receive a price that covers their costs of sustainable production. They also get a Fairtrade Premium to invest in social, economic and environmental projects in their communities.

4.3.1. Fairtrade Standards for Rice

Fairtrade standards for rice ensure that:

- ✓ Producers are small family farms organized in cooperatives (or associations) which they own and govern democratically.
- ✓ At least the minimum price is paid directly to the producer cooperatives.
- ✓ Environmental standards restrict the use of agrochemicals, ban genetically modified plants, and encourage sustainability.
- ✓ Pre-harvest lines of credit are given to the cooperatives if requested, of up to 50% of the purchase price.

- ✓ A Fairtrade Premium is paid on top of the purchase price. This is used by cooperatives for social and economic investments such as education, health services, processing equipment, and loans to members.
- ✓ No forced or child labour.

4.3.2. FLO Registered Operators for Rice

The FLO CERT register shows 12 producers and 41 traders certified to trade in Fairtrade rice⁴¹ – see Appendix 3.3.

There are registered producers in Egypt, India, Mali, Sri Lanka and Thailand. The most significant sources of supply are India and Thailand. A small proportion of uncertified fair trade rice is sourced from Laos (sold through EFTA members⁴²) and Malawi (distributed in the UK by Just Trading in Scotland⁴³).

The traders are all based in Western Europe. Desk research suggests that UK, Netherlands, France, Germany and Switzerland are the most significant markets for Fairtrade rice. Fairtrade rice is also marketed in Austria, Belgium, Denmark, Italy and Spain. Fairtrade rice was sold for a short period in the USA, but is no longer listed.

4.4. Fair Trade Rice in Europe

According to some commentators rice remains a less well developed market in the Fair Trade sector. It has been described as ‘under-performing relative to its market potential’, although in some markets (eg Switzerland with an estimated market share 6%) it has clearly reached maturity. Volume data is patchy but suggests that the UK, Germany, Netherlands, Switzerland and France are the most significant markets. Fair Trade rice is also marketed in Austria, Belgium, Denmark, France, Italy and Spain. Fair Trade rice was sold for a short period in the USA, but is no longer listed.

The most frequently listed Fair Trade rice products are Basmati rice and Aromatic rices – see Figure 4.1 on the next page. Long-grain white rice accounts approx. 17% of listings.

Listing data suggests that Fair Trade consumers in Germany, Austria and Switzerland to have a greater interest in organically grown products. This is supported by anecdotal data. Overall almost 40% of product listings are for organic rice.

The UK market has the greatest number of brands/distributors and the most processed products (e.g. rice cakes). The Co-op in Switzerland seems to have the most comprehensive range of micro-wave-able sachet products.

⁴¹ FLO CERT website – www.flo-cert.net.

⁴² EFTA (European Fair Trade Association) – www.european-fair-trade-association.org.

⁴³ www.justtradingscotland.co.uk.

Figure 4.1 – Product Listings of Certified Fairtrade Rice by Country in Europe

Country	No of Brands/ Distributors	Brown Basmati Rice	White Basmati Rice	Aromatic/Sp eciality Rice	Long Grain White Rice	Processed Products
UK	13	6 (Organic – 3)	6 (Organic – 3)	7 (Organic – 5)	4	8
Germany	5	2 (Organic – 2)	4 (Organic – 3)	2	1 (Organic – 1)	2 (Organic – 1)
Netherlands	6	4 (Organic – 1)	4	1	3 (Organic – 1)	1
Switzerland	6	3	2	7 (Organic – 3)	4 (Organic – 2)	6 (Organic – 1)
France	10		5 (Organic – 1)	2	3 (Organic – 1)	
Italy	7	2	1	4 (Organic – 3)	1 (Organic – 1)	
Belgium	4	1 (Organic – 1)	2 (Organic – 1)	3	3 (Organic – 1)	
Austria	3	2 (Organic – 2)	1 (Organic – 1)	2 (Organic – 2)	1 (Organic – 1)	
Denmark	2	1 (Organic – 1)	1	2 (Organic – 1)	1	

Data Source: UK Fairtrade Foundation, Transfair, gepa & Max Havelaar websites

** Proportion of products with organic certification in France and Switzerland may be understated*

Max Havelaar Switzerland publishes data of the volume of Fairtrade rice sold. It reports volume sales of between 1,200 and 1,350 MT in each year between 2006 and 2009.⁴⁴ Sales of Fairtrade rice represent approx. 6% of rice consumption in Switzerland and an approx equivalent share of sales of organic rice.

Fairtrade Foundation in the UK reports sales by retail value. Sales of Fairtrade rice products in the UK grew by 20% from £3.8 million in 2008 to £4.6 million in 2009. If the FOB price is assumed to represent between 20% and 25% of the retail value, and allowance is made for the fact that these sales will include a proportion of more costly basmati and perfumed rices, retail sales of £4.6 million may suggest UK volume sales of Fairtrade rice (all varieties) of 2,000 – 2,500 MT per annum.

Max Havelaar France also recorded the growth of Fairtrade rice sales (up by 20% to 1,200 MT in 2009). Transfair Germany reports a 19% increase in volume sales in 2009 to 535 MT.

Thus the four largest European markets for Fairtrade rice accounted for sales of something over 5,000 MT per annum in 2009. The CBI survey quoted above estimated the

⁴⁴ Max Havelaar Switzerland website – www.maxhavelaar.ch.

value of Fairtrade rice sold within the EU in 2008 at 4,700 MT⁴⁵. These figures exclude Switzerland.

The authors suggest that the European market (including Switzerland) for Fairtrade rice is growing but still something less than 10,000 MT per annum in aggregate. Since a significant proportion of that market will be organic and speciality rices, the volume market for non-organic long-grain white rice may be between 1,000 and 1,500 MT per annum.

4.5 Fair Trade Price Mechanism

As noted above, the Fairtrade price (according to FLO certification rules) is determined by reference to:

- a minimum purchase price payable to producers (this is normally a 'farm gate' price determined by reference to local costs of production and what is required for a sustainable livelihood for producers)
- a Fairtrade Premium paid on top of the purchase price. The premium is assigned to a Premium Committee and used for socio-economic benefits in the community – e.g. education, health, water or sanitation, or improving processing equipment.

When local or world market prices are above the minimum farm gate price, the Fairtrade price applied is the commercial price plus the Fairtrade Premium.

FLO establishes a Fairtrade price for each variant of each agricultural product from each producer locality. The farmgate price for long-grain white rice from Thailand is Thai Bath 7,200 (US\$220) per MT with a Fairtrade Premium Thai Bath 750 (US\$23) per MT⁴⁶. In recent years the world price for long-grain white rice has traded considerably above the Fairtrade minimum farmgate price. After peaking at US\$1,000 in March 2008, it has traded at above US\$500 per MT until May 2010 (see Figures 3.3 and 3.4 on pp. 38-9)⁴⁷.

According to a value chain analysis undertaken by Corne van Dooren for the Fairtrade organisations IFAT, EFTA and FLO, the farmgate price represents on average approx. 72.8% of the FOB price for Thai rice⁴⁸. GRDB in its annual report uses a conversion factor of 69% by weight (i.e. 1 MT of paddy rice will yield 690 kg of milled rice). However the actual conversions rate may vary depending upon moisture content, the quality of the paddy rice and tolerance setting of the mill.

Allowing for the weight-loss and costs in the milling process a farmgate price of US\$220 per MT for paddy rice would equate to a price somewhat in excess of US\$300 per MT for milled rice.

⁴⁵ CBI Market Survey: 'The Rice and Pulses Market in the EU' (2010), p.8.

⁴⁶ FLO website.

⁴⁷ World Bank - www.indexmundi.com/commodities.

⁴⁸ Each life starts with a little seed – Rice value Chain Analysis – Corne van Dooren – November 2005.

Suitability for Fairtrade

5.1. Market Opportunities for Fairtrade Rice from the Caribbean

There are three significant factors which support the market opportunity for Fairtrade rice from the Caribbean.

- ✓ consumption of rice within the EU is growing, and domestic production of rice is static or declining. Therefore the EU is likely to import increasing quantities of rice from developing country producers. The market for Fairtrade rice is also growing within the EU, albeit from a low base;
- ✓ there are established relationships between millers/exporters in Guyana and Suriname and importers/distributors within the EU
- ✓ there is interest amongst some Fairtrade distributors in having access to an alternative source of long-grain white rice (existing supplies come from Thailand)

However, the prospective sales volumes based upon existing market intelligence (see 4.4.1) are much lower than commercial millers/exporters consider viable. In both Guyana and Suriname millers/exporters have been looking to volumes of 10,000 – 25,000 MT pa. The initial market for Fairtrade Caribbean rice is likely to be less than 1/10th of this.

Markets in Germany, Switzerland, Belgium and Austria tend to favour more strongly organically grown rice. Transfair Germany has indicated that it does see a local market within Fairtrade for Caribbean rice.

5.2 Suitability of Supply Chain

There are existing supply arrangements between millers/exporters in-country and importers/distributors in Europe. Meetings have been held with representatives of millers in both countries.

The export market tends to be dominated by a few millers practised in meeting the quality and logistical requirements of European buyers. Smaller millers, who do not have direct access to export markets, may sell-on part of their production as 'cargo rice' to the larger millers to satisfy export demand.

Whilst the prospective volumes of Fairtrade sales are much smaller than exporters in both Guyana and Suriname had been looking towards, it is expected that some may become willing partners in a Fairtrade supply chain provided that the requirements in terms of product traceability and supporting documentation are not too onerous.

In both countries there are small-holder farmers who are likely to meet the FLO criteria for Fairtrade certification.

5.3 Smallholder Farmers Associations

5.3.1. Smallholder Farmers in Guyana

In Guyana there has been a Rice Producers' Association (RPA) since the times of British colonial rule. Established by Statute in 1946 the RPA exists to promote, protect and advance the interests of rice producers.

The RPA has a close working relationship with GRDB. RPA's General Secretary, Dharamkumar Seeraj, is a member of the GRDB Board and a Vice Chair. Dharamkumar Seeraj has shown a strong engagement with this Fairtrade research project since it was first initiated and has indicated a willingness to offer RPA as a lead partner in any certification process.

RPA has strong links with local farmers, especially small farmers, through its agricultural extension work under contract to GRDB and its work in encouraging seed growers.

Membership of the RPA is open to all those who are involved with rice production: farmers, millers⁴⁹, processors, exporters and even land-owners whose land it leased for rice production. The great majority of the RPA's 6,000 members are small farmers. The membership fee is a flat Guyana \$500 (US\$2.50) pa.

The RPA's constitution divides the rice producing area into 14 districts. Every two years the members in each district elect 7 members to a district committee. Each district committee then nominates one member to the General Council. The membership of the General Council comprises 14 nominees from the districts and 4 members appointed for their specialist knowledge/expertise.

More detail of RPA's constitution and governance are set out in Appendix 5.1.

5.3.2. Smallholder Farmers in Suriname

The existing structures for the representation of smallholder rice farmers in Suriname function less well. Democratic organisation of smallholder farmers is supported by government policy. However, the existing Rice Producers' Association (SPBA) is felt to be dominated by large producers, and not to be representative of the voice of smallholder farmers.

At a workshop meeting at ADRON, the rice research station, in June 2010, facilitated by the consultants and ADEKUS, it was acknowledged that reform was required and that potentially the democratic structures of the local water boards may offer a stepping stone towards a more effective collective voice for smallholder farmers.

More evidence of collective organisation of smallholder farmers would be a pre-requisite of Fairtrade certification. The meeting concluded that a reformed representative structure for smallholder farmers would offer lasting community and economic benefits which extend beyond the income benefits of Fairtrade.

⁴⁹ Millers are separately represented by GRMEDA but in recent years this body has met very infrequently.

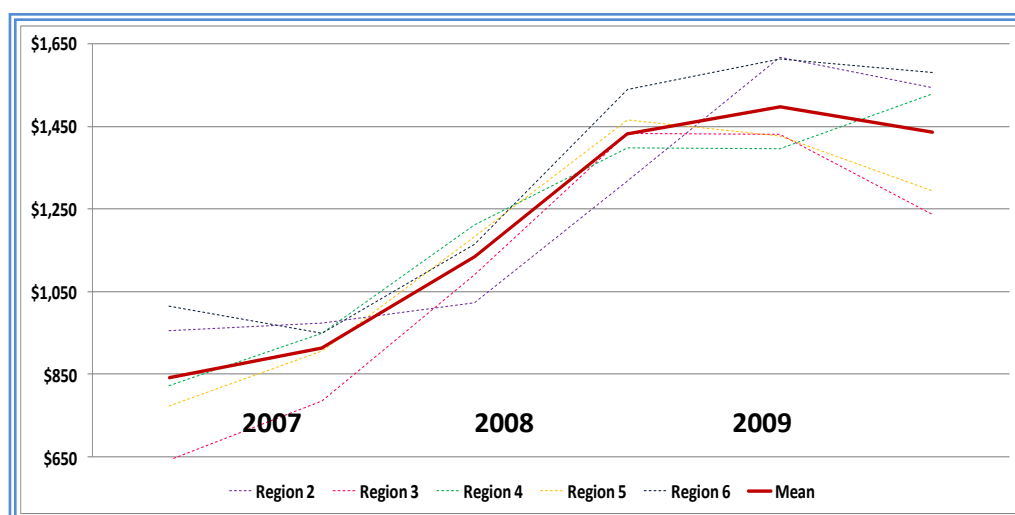
5.4. Cost of Production & Fairtrade Price

5.4.1. Cost of Production in Guyana

GRDB has been collecting cost of production data for each seasonal harvest on a sample basis since 2005. The sample is based upon sample interviews in each Region and by size of farm (less than 10 acres, 10-20 acres, 20 – 30 acres, 30 – 50 acres and over 50 acres + data re: mechanisation). The calculations are quite detailed – a copy of a sample calculation sheet was provided.

Figure 5.1 below shows a trend of steadily rising cost – some of this may be due to improved recording/reporting (i.e. data may have been under-reported in earlier years), some to the rising cost of inputs, some to the cost of pumping water (where irrigation is not gravity fed) [In the sample sheet provided pumping costs accounted for 20% of all costs] The calculations include an allowance for labour input at Guyana \$2000 (US\$10) per day. It is not clear that the calculations make an explicit allowance for maintenance or replacement of machinery. A table of costs by Region is set out in Appendix 5.2

Figure 5.1 Average Annual Production Costs of Paddy Rice – US\$ per hectare



Data Source: GRDB

The aggregated figures record an annual average cost of production per acre of US \$580 in 2009 (highest regional average US\$640 per acre; lowest US\$498 acre) with evidence of a further rise in costs in 2010. These equate to an average annual production cost per hectare in 2009 US\$1,430 (high - US\$1,580; low – US\$1,230)

Over the past 10 years GRDB reports annual paddy yields of between 3.9 and 4.6 MT per hectare.⁵⁰

Based upon these estimates farmers would need a farmgate price of approx US\$315 - US\$345 per MT to cover all costs including attributable labour.

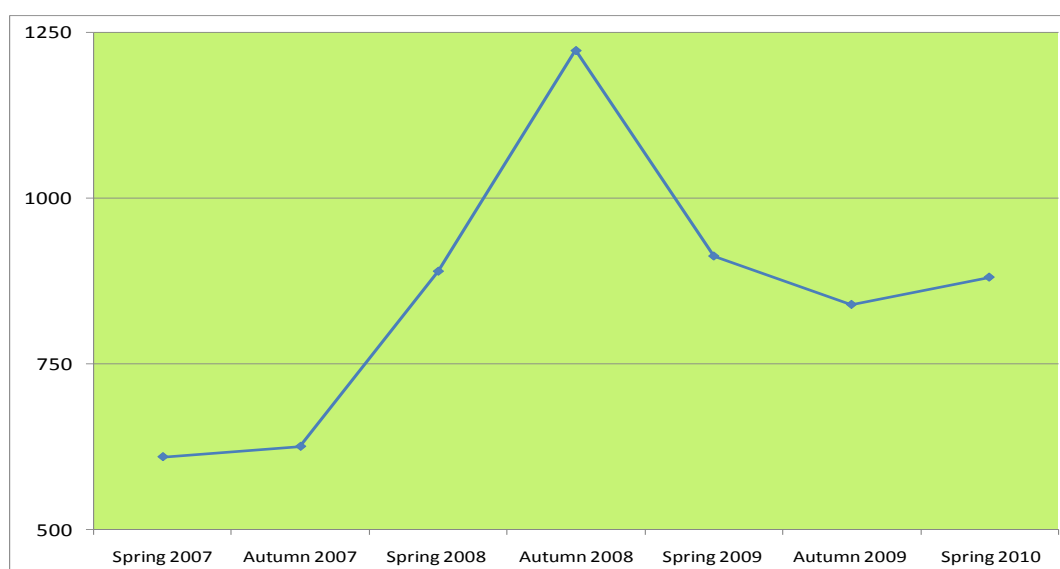
⁵⁰ GRDB Annual Report 2009 (Draft).

5.4.2. Cost of Production in Suriname

Both the LVV (Ministry of Agriculture in Suriname) and the ADRON Research Institute quoted an average cost of production figure of US\$ 1,000 per ha and average farm yields of 4.5 to 5 MT per ha per annum. The cost of production figure was based upon a 2006 survey and includes an allowance for attributable labour.

More recent data obtained through the LVV attributes the cost of production before labour costs at an average of US\$ 850 per ha over the past 7 growing seasons ending in Spring 2010. This is based upon a sample of small-holder farmers (up to 6 ha) in the West Region. Production costs according to this survey spiked sharply in Autumn 2008.

Figure 5.2 Annual Production Costs of Paddy Rice for Small-holder Farmers in West Region (before attributable labour costs) – US\$ per hectare



The LVV Annual Reports record average yields of 4.2 – 4.3 MT per ha rather than the 4.5 – 5 MT per ha quoted anecdotally above. There is some evidence that small-holder rice farmers achieve marginally better yields per ha than larger rice farms

Within the GRDB surveys of small-holder farmers' costs in Guyana, attributable labour varies between 20% and 35% of production costs. Thus on a 'like for like' basis, the data available in Suriname would suggest an average production cost per MT of paddy rice of between US\$250 and US\$300 per MT – a little below the estimated cost of production in Guyana.

The source data set available for Suriname and which supports these figures, is more sketchy than that for Guyana.

Conclusions & Recommendations

6.1 Conclusions – Key Findings

(These conclusions were presented as part of the consultants' Draft Findings at the two Validation Seminars in August 2010)

6.1.1 What 'social label' opportunities are there?

- FLO certified Fairtrade is the only scalable opportunity recognised by rice buyers.

6.1.2 Is there a market?

- Fairtrade rice is a small niche within the whole European market - < 10,000 MT
- The present market in Europe for Fairtrade Long-grain White Rice is estimated 1,000 – 1,500 tonnes per year.
- The market has the potential to grow, there is interest from some small independent distributors and although there is no major supermarket distributor yet, there is interest from European Fairtrade organisations to promote the product to such buyers.
- Fairtrade consumers in many countries want Fairtrade **and** organic, which is a disadvantage for Guyana and Suriname.
- Positive responses from Fairtrade Labelling Initiatives in UK & France

6.1.3 Could Guyana and Suriname rice qualify for Fairtrade?

- Rice millers in Guyana and Suriname are not particularly attracted by the prospective volumes but some would co-operate with Fairtrade.
- There are qualifying smallholder farmers in both Guyana and Suriname.
- These farmers would be required to become organised. Fairtrade could act as an incentive to farmer organisation.
- There is a well developed rice producer organisation in Guyana, and a less well developed producer organisation in Suriname.
- This may suggest differential progress to market.

6.1.4 Is there a Fairtrade price and premium set?

- There is no existing Fairtrade price and Premium for rice from this region. The Fairtrade Foundation UK is considering 'sponsoring' this price setting. This Final Report is designed to contain as much as possible of the information they may require to do this.

- Initial research suggests that cost of production in the Caribbean is higher than in Thailand.

6.1.5 *Is Fairtrade rice worth pursuing?*

- Global trade is moving towards higher quality, greater transparency and higher product, social and environmental standards.
- Fairtrade is a standard based on continuous improvement which helps small farmers compete in such a market (plus giving a social premium and maybe even a better price).
- It may be time consuming and incur some set-up costs, but the opportunity is there and the prize is a better organised, more competitive small farmer rice industry.
- **But someone will have to pursue it.**

6.2 Validation Seminars

Two stakeholder Validation Seminars were held in Georgetown, Guyana and Nickerie, Suriname on 3rd and 5th August respectively. The Seminars were an opportunity for the external to present these Draft Findings, to receive feedback from local stakeholders and to identify the way forward. The local consultants chaired the Seminars and plenary discussions.

The Guyana Seminar was attended by Hon Robert Persaud, Minister for Agriculture, and the Suriname Seminar was formally opened by the District Commissioner of Nickerie, Bhagwatpersad Shankar. Both Seminars were attended by Azim Hosein representing the Caribbean Rice Association, the client for this project.

29 local stakeholders attended the Guyana Validation Seminar and 22 local stakeholders attended the Suriname Validation Seminar. Details of the agenda, presentation and feedback from the two Seminars can be found in Appendix 5.1. The recommendations set out in section 6.3 below follow directly from the stakeholder feedback at those meetings.

6.3 Recommendations

In order to reach a point of readiness to apply for Fairtrade Certification and to commence sales in Europe under Fairtrade, the following actions are recommended:

6.3.1 *Collaborate in the Region*

- Form Action Groups between the key stakeholders in each country to implement these recommendations and pursue the goal of Fairtrade.
- The Action Groups in Guyana and Suriname to collaborate with one another and with the Caribbean Rice Association to share knowledge and understanding and to explore potential for funding to support the processes.

6.3.2 Build Alliances in Europe

- Develop links with Fairtrade Foundation UK and Max Havelaar France.
- Request that one or both of them 'sponsor' the setting of the Fairtrade minimum price and premium and submit this Report as background
- Request that they make contacts with buyers in the market on the basis of research in the Report, in order to establish market potential for at least 1,000 MT per year and to encourage major retailers to buy Guyana and Suriname rice.

6.3.3 Support Small holder Farmer Organisation

- Work nationally and locally to establish and support smallholder farmer organisation.
- Link the above with smallholder farmer mobilisation and education about the benefits of organising and about Fairtrade.
- Identify units capable of applying for Fairtrade Certification.

6.3.4 Work Towards Compliance

- Carry out a gap analysis of such units against the Fairtrade compliance criteria.
- Recognise the benefits of different speeds to market for different units and for different countries depending on their readiness.
- Link with Fairtrade Labelling Organisation's Liaison Officers.
- Improve compliance.
- Establish a 'letter of intent' from a European buyer.

6.3.5 The Goal

Fairtrade certification to boost rice exports to Europe and to continue to improve the competitiveness of the rice industry in Guyana and Suriname.

Resources to support implementation of Recommendations

- **Key contacts at Fairtrade Foundation;**

Marianne Gaspar, Business Development Manager

Sumarya Talyarkhan, Producer Relations and Market Access Manager

- **Key contacts at Max Havelaar France;**

Benjamin de Poncheville, Commercial

Valerie Hauchart, Producer contact.

- **Key information source;**

http://www.fairtrade.net/becoming_a_fairtrade_producer.html

- **Compliance criteria for small farmers at;**

<http://www.flo-cert.net/flo-cert/main.php?id=60>

- **Fairtrade Labelling Organisation (FLO) Liaison Officers;**

http://www.fairtrade.net/liaison_officers.html

- **Apply for Fairtrade certification at;**

Latinoamerica-solicitudes@flo-cert.net

- **Source of funding assistance which may be available;**

http://www.fairtrade.net/producer_certification_fund.html

Acknowledgements

The external consultants and authors of this report would like to thank all those stakeholders in this project who have freely given of their time, knowledge and expertise in meetings with the external consultants and with the local researchers.

We would also like to thank the Guyana Rice Development Board (GRDB) and the Anton de Kom University of Suriname (ADEKUS) for their facilitation and logistical support for meetings, and the local consultants: Mr. Jagnarine Singh, General Manager of GRDB and his staff, particularly Mr. Kuldip Ragnauth, Dr. Sieuwnath Naipal of (ADEKUS) and his colleagues, Ms. Malka Goelmohamed and Ms. Chandra Mehairjan.

We would like to thank Ms. Marianne Gaspar and Ms. Surmaya Talyarkhan of the Fairtrade Foundation for their advice, and Mr. Daniel Mumby for his contribution to market analysis.

Finally we would like to thank the Caribbean Rice Association and Mr. Azim Hosein for guidance and advice throughout our work, Imani Development and Mr. Veepin Bhowon for their oversight of the contract, and the EU TRADECOM Facility who funded it.

Graham Young & Philip Angier