PROMOTING REGIONAL TRADE AND AGRIBUSINESS DEVELOPMENT IN THE CARIBBEAN

ANTIGUA AND BARBUDA: CASE STUDY ON LINKING FISHERIES TO TOURISM-RELATED MARKETS

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Methodology

The two case studies presented in this paper, 1) Live Lobster Traders and 2) Stingray City (Antigua) Limited, were developed from:

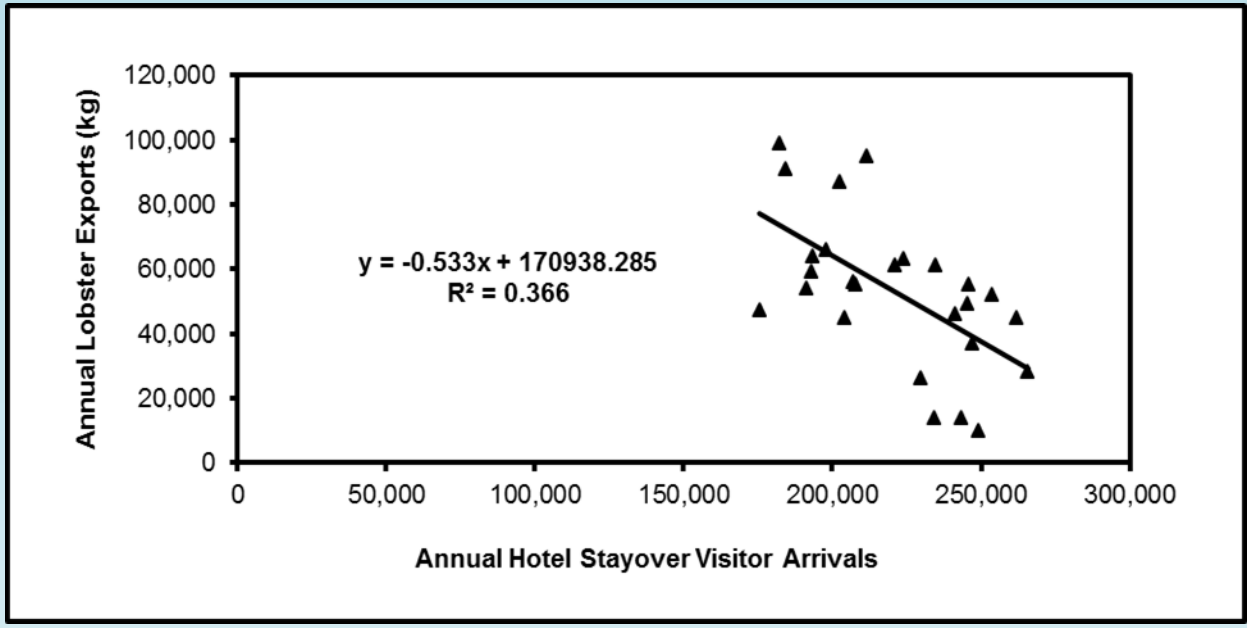
- desk studies;
- interactions with key informants (managers, supervisors, workers, etc.); and
- informal interviews with consumers of the various goods and / or services to facilitate validation of the info provided.

In terms of a quantitative approach, the following data sets were used (where available):

- spiny lobster production and exports from the Fisheries Division;
- stayover arrivals from the Research and Statistic Department of the Ministry of Tourism; and
- stayover arrivals from the Office Départmental du Tourisme, Guadeloupe.

Live Lobster Traders: Export & Local Tourism

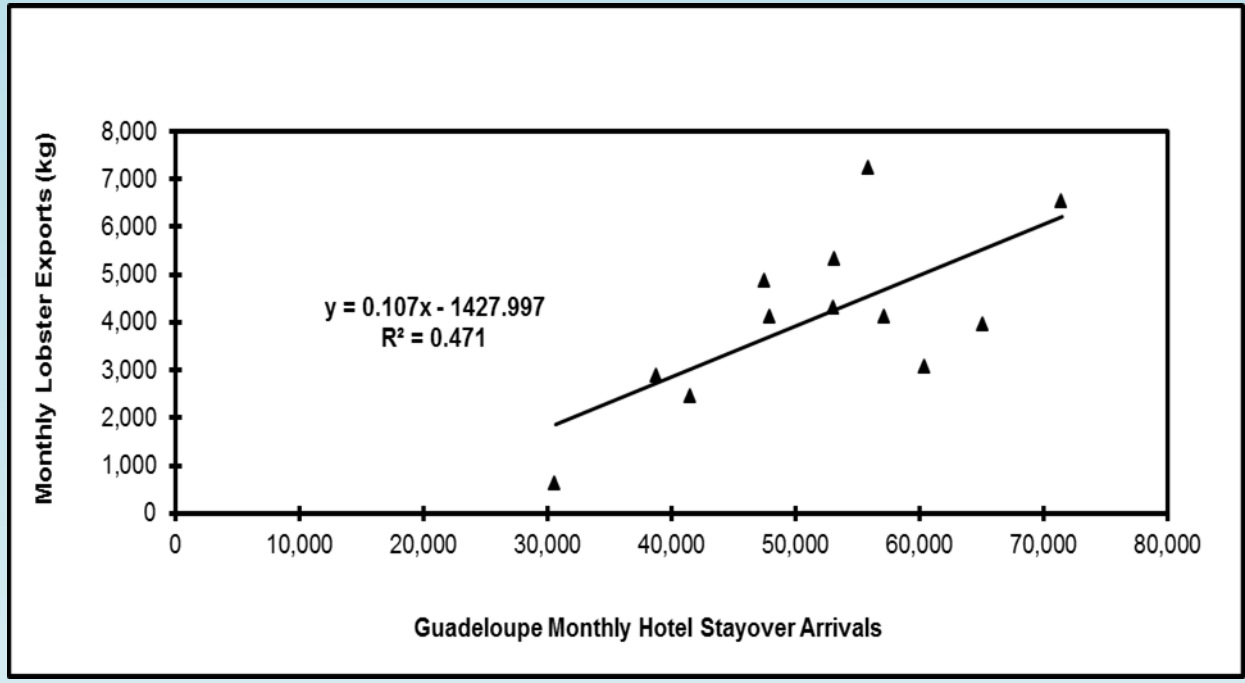
- Hotel stayover visitor arrivals was useful as a predictor of lobster exports; regression was significant, $p = 0.001 < 0.01$.
- The coefficient of determination indicated that 36.6% of the variation in annual lobster exports can be explained by annual stayover tourists at hotels in Antigua and Barbuda.
- On average, for every 1000 hotel stayover guests arriving in Antigua and Barbuda per year, 533 kg less lobster is exported annually.
- Domestic export of live lobster is negatively correlated with stayover visitor arrivals based on data from 1989 to 2014.



- Hence growth of the local tourism sector had a negative impact on lobster exports.

Live Lobster Traders: Export & Tourism in Guadeloupe

- Concerning the relationship between lobster exports and tourism in the destination market of Guadeloupe, linear regression was significant ($p < 0.05$).
- Limited data from 2000 indicated that 47.1% of the variation in monthly lobster exports to Guadeloupe (including St. Barthelemy and St. Martin) can be explained by monthly tourist arrivals at hotels in Guadeloupe.
- on average, for every 1000 hotel guests arriving in Guadeloupe per month, 107 kg more lobster is required per month from Antigua and Barbuda.



- Other factors that may influence variation in exports to Guadeloupe included local demand from the tourism sector, supply from other neighbouring countries and market prices (local versus regional).

Live Lobster Traders: Key Drivers of Success

- Access to the lucrative EU market; Antigua and Barbuda authorised to export fishery products.
- Proximity to market; Guadeloupe and St. Maarten within 20 minutes by air and on average 242,147 stayover arrivals per year (2010 to 2014).
- France (the main export market) high expenditure on seafood; €10.0 billion in 2012 and 2nd in the EU in terms of expenditure.
- Lobster was perceived economically as a “luxury good”.
- Diversification of revenue streams; traders reinvested in other ventures (hotels, fishing vessels, loan services, etc.).
- Control of supply; loan services to fishers was one strategy by which certain traders ensured loyalty in the supply.

Live Lobster Traders: Limitations & Challenges

- Over-reliance on French Overseas Department and more recently Dutch Overseas Territory (greater than 95% of lobster exports)
- Vulnerability to exogenous economic shocks (e.g., 2008 financial crisis, 2009 global recession) can impact demand; domestic business cycle fluctuations were highly correlated (0.7)with business cycle fluctuations in industrial countries.
- Natural disasters; Antigua and Barbuda ranked among the most highly exposed countries in the world to natural disasters from 1970 to 2002.
- Absence of or inadequate insurance (high cost and maritime limits of policy); insurance was limited to the capture production and transportation aspects of their business.
- Accessing financial resources was difficult; lending institutions perceived capital investment in the fisheries sector as being high risk.
- Trade requirements (sanitary and phytosanitary measures, catch certification, etc.)
- Negative "perception" about the sustainability of the resource despite scientific info to the contrary; traders concerned that the regional resource may follow the same narrative as the queen conch - WildEarth Guardians saga.
- Low level of technological use (e.g., information and communications technology – ICT); only one trader invested in a website.
- Language was seen as a barrier to trade.
- High energy cost limited value addition (frozen whole lobster, frozen lobster tails, etc.)
- Upsurge in the use of cheap substitutes (e.g., imitation crab or lobster meat); the issue of food fraud.

Live Lobster Traders: Recommendations

- Traders should consider additional markets (e.g., the cruise-tourism sector and directly marketing to the 28 Member States of the EU); UK may be the best option.
- An insurance scheme for the fisheries sector at a minimum at the sub-regional level; “risk pooling” and spreading the risks across a larger population are two prudent strategies.
- Setting up a public credit registry and support for the establishment of a private credit bureau (i.e., credit-information sharing system) are required policy interventions.
- Marketing is critical towards establishing a positive image of sustainability, safety and quality for the spiny lobster.
- Embrace the use of ICT in all aspects of their business.
- Traders targeting the French and Dutch markets should address the issue of language in their business plan (adding a summary pages in French and Dutch to business website, acquiring language skills through staffing and training, etc.).
- Investment in alternative sources of energy; there are stand-alone, off-grid, 100% solar-powered cold storage facilities.
- Review and upgrade existing legislation concerning consumer protection and food fraud.

Stingray City (Antigua) Limited

- Located in the village of Seatons, on the north-east coast of Antigua.
- Ecotourism business that offers interactions with southern stingrays in their natural environment.
- Currently ranked number one of “things to do in Antigua and Barbuda”.

Photo: Stingray City Antigua Ltd

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Stingray City Antigua: Key Drivers of Success

- Niche marketing to the cruise-tourism sector; with cruise-ship arrivals averaging 557,666 passengers per year from 2010 to 2014 there was sufficient demand.
- Offering a “unique” experience in a relatively safe environment.
- They knew their customers (market intel).
- Pricing to suit the target demographic; since most cruise-ship passengers were low to upper middle-income earners, tours were affordably priced at US$50 as opposed to US$100 for a typical marine tour.
- Strong and positive internet presence (e.g., excellent reviews on websites such as TripAdvisor).
- Adoption and adaption of industry “best practices” for interactions with southern stingrays as well as health and safety standards.
- Operations were perceived as eco-friendly by most tourists; Stingray City Antigua does not hold stingrays captive or de-barb them (i.e., remove their stingers) for safety reasons. Supplemental feeding was used to attract and maintain wild stingrays in the area.
- Synergies with other tour operators in the area of marketing and services offered (i.e., “bundling” products).

Stingray City Antigua: Limitations & Challenges

- Absence of a legislative framework governing ecotourism interactions (including safety, use rights and animal welfare).
- Inadequate enforcement of marine protected areas regulations; Stingray City's offshore operations takes place at Barge Reef close to the eastern boundary of the North East Marine Management Area.
- Concerns over the safety of stingray tours following the death of Australian naturalist Steve Irwin in 2006.
- Concerns that supplemental feeding of stingrays to retain them in the area affect animal behaviour and welfare.
- Business was at the whim of the cruise-ship industry due to its dependency.
- High cost of public liability insurance; most insurance companies perceived this type of operation as high risk and charge high premiums.
- Accessing financing resources was difficult; similar to the insurance companies lending institutions perceived this type of venture as high risk.

Stingray City Antigua: Recommendations

- Development of a national policy in collaboration with stakeholders with respect to marine ecotourism interactions as well as legislative framework to govern such interactions.
- Improve enforcement of existing legislation regarding the marine protected area.
- Improve business resilience through market diversification; greater effort should be made to attract more locals, stayover guests and regional travellers.
- While it is difficult to change the perception of risk associated with the operations, business risk can be mitigated through:
  - safety management programme (guide to client ratio, safety practices, training, etc.); and
  - proper business structuring to minimise personal liability, for example contract out certain services that may be high risk (e.g., catering).
- Creation of a public credit registry and the establishment of a private credit bureau should enhance commercial financing.

FINANCING MECHANISMS AND SUPPORT

- The National Development Foundation (NDF) is a private sector non-profit organisation to promote and develop micro and small businesses; service offered include small business loans, technical assistance, training, business management and market promotion.
- The Antigua and Barbuda Development Bank (ABDB) is a statutory development finance institution that provide medium and long-term development financing to the productive sectors (including micro and small enterprises).
- The Antigua and Barbuda Investment Authority (ABIA) is a government statutory body formed under the *Investment Authority Act of 2006* for the promotion of both local and foreign investment; services offered include enterprise development, investment facilitation, promotion and business development.
- Mind Your Business Programme – provides entrepreneurs with basic business development skills.
- The ABIA & Diaspora Investment Partnership Programme is geared towards bolstering foreign direct investment inflows into the nation through dedicated and targeted outreach to the diaspora.

FINANCING MECHANISMS AND SUPPORT

Small Business Development Act 2007 provides incentives in the form of concessions, technical assistance and credit guarantee to aid in the development of small businesses in Antigua and Barbuda.

Some of the incentives and concessions include:

- exemption from or reduction of payment of duty on the importation;
- reduction of property tax of up to 75% in respect of land and buildings used;
- exemption from or reduction of stamp duty on documents required for loans;
- exemption from or reduction of payment of income tax on the income of the business for a period not exceeding -five years.

The Caribbean Export Development Agency was established in 1996 as the regional trade and investment promotion agency of the 15 Member States of the Caribbean Forum. Two main flagship programmes are:

- Break Point – a programme aim to empower Caribbean businesses through alternative funding sources such as private investors in the form of venture capitalists.
- Direct Assistance Grant Scheme – a reimbursement grant funding facility provided by the Regional Private Sector Development Programme under the 10th European Development Fund.

Thank You