



the demise of a substantial segment of agriculture, where sugar simply cannot be replaced quickly.

#### A Strategy for Agriculture, Initiated by Farmers

However, we do require a firm strategy for the development of agriculture and the integration of sugar with other kinds of production in a systematic way. Already the trends are evident - our more successful farmers are diversified farmers. We must have a strategy which leads all farmers in the direction of an efficient blend of modern cane growing techniques and other agricultural production. I am not sure that the industry will survive without such a strategy. If sugar does die, it will not go out with a bang, but by the gradual demise of individual farms, accompanied by the idling of productive land, erosion of the landscape and alienation of agricultural lands; in a word, a contraction of the agricultural sector and the deterioration of the environment. This is not a prognosis and this scenario is by no means inevitable, but we will need an active strategy for agricultural expansion.

The initiatives for devising and implementing the agricultural strategy must come mainly from farmers themselves, through strong organisation and modern management. Government does have a crucial role to play. It controls the incentive system by means of taxes, subsidies and measures for protecting producers; it also owns substantial agricultural lands of its own

account. But Government cannot devise and implement an overall agricultural strategy. It does not have the wealth of managerial talent to allocate enough to run the island's agriculture, nor does it have the breadth of wisdom and expertise which the private farming community can bring to bear. Moreover, Barbadians have achieved consensus on the kind of economy we want - a mixed economy, not state control. The private sector is responsible for most of the implementation of economic strategy since it owns most of the resources. Private entrepreneurs, farmers and others, can be expected to embrace with enthusiasm only those decisions which they themselves have been party to.

The sugar industry must therefore begin to develop a strategic view of agriculture. We must ask the question: how can we make agriculture profitable? That question must become the subject of intensive debate which considers all the alternatives, so as to produce a consensus on the most promising combination for a viable agricultural sector. Strategies such as this cannot be thought up in an ivory tower; they will result only from a thorough airing of all the issues. The present conference is particularly welcome since it offers the opportunity for many of the relevant issues to be discussed in open forum. Your association is one of the most promising things to have happened to agriculture in recent times. A consensus on strategy cannot be forced, and it cannot be dictated by a particular group of people sitting down for two or three days; but it will evolve if sensible people take part in well informed discussion.

The industry will need to consider the challenges which it will face. Some of them - such as prices - are beyond their control, while others they can do something about, such as industrial relations and productivity. They must try to quantify the kinds and amounts of support needed and they should make their case specific to those whose backing they depend on. Support is not necessarily only financial; it may simply be the willingness to compromise and the desire to give the industry the benefit of any doubt. In this respect the industry must reach out to its work force, to the government, to the buyers of its product and, in the final analysis, to all citizens in the country. Industry leaders must learn to view agriculture in the national context rather than from an entirely sugar-centered point of view.

#### The Information System

In undertaking this task the sugar industry must develop a comprehensive, up-to-date information system to which users have ready access. It should provide information for effective management decision-making, for monitoring the industry's progress, for providing feed-back to managers, for the planning of strategy and for public information.

Informed decision-making must be high on our list of priorities. The first requirement is for comprehensive, concise, authoritative information sufficient for a critical evaluation of matters to be decided. Secondly, there must be time to think about decisions; information must be made available well before decision time. Thirdly, there should be a well-focussed

discussion of the issues. This means that decision-makers must have a certain amount of general background information which they have been able to pick up from materials supplied to them continuously over a long period of time.

Next we must have effective monitoring and feedback. The key to success in many areas of life is anticipation. Managers need a feedback mechanism which can warn of difficulty or identify unsuspected opportunities before a crisis arises. Farmers and businessmen need early warning of possible liquidity shortages, of the effects of changing productivity, of changes in technology and changes in prices. That means an efficient reporting system, keyed to measures of operating efficiency and financial control.

We need information systems which are adequate for strategic planning. Planning strategy is not an attempt to predict what the world will look like in the future. Rather, it involves decisions about how we will cope with different states of the world. Sensible people cannot avoid strategic planning. You cannot stop the world and get off, so you had better prepare to face the future; and you should do that in a systematic way. It will help if you equip yourself with as much information about the past as is relevant. None of us knows what the weather will be in the 1984/85 growing season for sugar, but each of us should have some understanding of the relation between weather patterns and sugar yields. The better you understand that relation, the sooner and more accurately you can predict your crop. Of course,

there are many other variables that get in the way, but precisely because of the complexity of the inter-relationships, a good information system is needed to support strategic planning. Comprehensive information helps us to discriminate, with varying probability, between the many effects that influence yields. The information is not a substitute for the farmer's judgement. It is simply a means of informing that judgement.

The sugar industry also needs to provide a continuous flow of hard information to the public. The industry has a responsibility to keep the citizens of the country informed about what it is doing and how it is doing it. After all, sugar justifies itself on the grounds of its contribution to the national economic welfare through foreign exchange earnings and employment generation. I have a stricture on all business in Barbados. Businessmen profess to be surprised that the general public often fails to give them the benefit of the doubt, in spite of the parsimonious way in which they release information about their operations. If you behave as though you have something to hide you should not blame people for suspecting you of unconscionable conduct. The society, by and large, accepts that businessmen have a right to profits. When their operations are in surplus they never want to disclose what profits they make. However, when they make losses the figures come tumbling out. Naturally, John Public wants to know what reserves you built up when you were making your undisclosed profits. If you have taken a reasonable profit for yourself, built up sensible reserves and

still, due to the vagaries of life and of the sugar industry, you find yourself in trouble, reasonable men will think you deserving of support. But you must have provided that information; I would be a fool to take your word for it. The sugar industry and the rest of our business sector must get into the habit of supplying the public with continuous information as a matter of course.

Stress needs to be put on the way the information is presented. In disseminating information you wish to get across to your audience; you must therefore make your presentation intelligible to the people with whom you wish to communicate. Businesses must understand that it is not sufficient that the information is "somewhere in the accounts". It must be made accessible to the audience you wish to reach. That also means attractive publications, careful editing and the use of everyday language rather than technical terms.

#### Modern Management Needed

The sugar industry must accelerate the pace at which it introduces modern management practices. The industry has a creditable technical record but it has so far paid only passing attention to modern management techniques. It remains weak in crucial areas such as the capacity to plan and implement strategy, industrial relations and personnel management, effective decision-making and the management of new technologies. The industry must install management who understand why strategy is

vital and who have the capacity to undertake it. They must know how to organise and supervise the industry personnel so as secure substantial gains in worker productivity. They must understand the dangers of the casual approach to decision-making and dedicate themselves to eradicating it. They must take a dynamic view of the industry and of the world. Markets and technologies in today's world are in a process of continuous rapid change. The manager who does not make himself a student of his industry is doomed to fall by the wayside. All levels of management in the industry must learn the importance of cost-effective management.

#### The Role of Government

Government's role in the development of the agricultural strategy is two-fold: to contribute to the evolution of the agricultural strategy through its specialist institutions in agriculture and to manage the overall system of incentives and transfers to shift money and resources in support of the agricultural strategy.

The mechanism that has been chosen to support the sugar industry by way of the issue of Government-guaranteed bonds is a commendable strategy. At any time the private sector may make a choice of a range of vehicles available for investment of its surplus funds. By giving its guarantee Government provides an incentive to attract bond holders to the issues put out by Barbados Sugar Industry Limited. That incentive has so far been

sufficient to attract funds which had been placed elsewhere in the system. Government provided a guarantee because it was satisfied that, from a national standpoint, the benefits from employing these funds to put a floor on returns to farmers were greater than the benefits from alternative uses.

The key to the success of the bond issues so far has been their modest scope. There are many competing demands for investable funds - for home-construction, to alleviate the financial problems of tourism and manufacturing, for Government infrastructure and possibly for public utilities. The growth in financial liabilities in 1983 was about \$100 million. That is not a lot of money to go round; the moral is that every sector will have to learn to make a little go a long way.

I do not expect much change in the general contours of Government involvement in the strategy for agriculture. Government institutions - the ADC, the BMC, the BNB-AD, and the Central Bank - will be intimately involved with private farmers in devising and implementing that strategy. Each of these institutions has a specific role to play. An important requirement is that the roles be more clearly defined and the missions assigned to each institution agreed by Government and the institution's managers. Then Government must see to it that capable management is in place in each institution. The institutions must be managed by competent technicians and organisation specialists who are capable of making strategy, developing the required information systems and implementing

agreed policies. Government also needs to provide for greater continuity in the management of public enterprises. It takes three to five years for competent managers to put a non-performing institution to rights.

Government will continue to provide incentives via the tax system. I am not sufficiently knowledgeable to comment on the appropriateness of the present incentives for a desirable agricultural strategy; they must match whatever course the industry decides upon. Government must also continue to act as the economic watchdog to make sure that the strategy pursued by each sector is consistent with that being undertaken by every other sector; it will need to gear its incentives to this end.

#### The Banking Sector

The banking sector will need to finance whatever strategy is agreed; their views must therefore be taken into account in the evolution of the strategy for agriculture. Banks' *raison d'être* is to raise funds from whomever wishes to deposit and to lend where they think best. They make their living by knowing borrowers better than you or I. The distribution of finance is therefore up to them, for the most part. It is an illusion to believe that two dozen managers and technicians at the Central Bank can dictate the allocation of finance. The Central Bank can provide incentives, encouragement, moral suasion and some control, but ultimately banks will do what is best in their judgement. It cannot be otherwise. Central Bank cannot have the

expertise to evaluate the thousands of proposals of all kinds that come before banks every day, nor could it arrange to monitor the hundreds of thousands of existing advances; and if it did, how would bankers justify drawing their salaries and making profit? The banking system exists to allocate the available funds. It is up to would-be borrowers to present convincing propositions; that applies to farmers as well as to everybody else.

However, Government has long recognised that farmers need very special financial arrangements to supplement access to banks. That explains the role of the agricultural division of the Barbados National Bank. The division is the Government's conduit for specialist financial services. It has been used, inadvertently, to provide some relief to farmers by way of roll-overs of existing loans. However, finance must be conditional. We must be able to discriminate between farmers with good organisation and prospects of recovery and farmers who have no real prospects of a return to prosperity. Financial relief must therefore be conditional on performance criteria. Farms must present a plan for financial recovery based on the output they have undertaken to sustain and what they would consider reasonable prices. This programme must then be monitored continuously over time to ensure that its conditions are being observed. I believe wholeheartedly that farmers

deserve special financial support. However, not every farmer can be saved, nor should everyone be saved. Agriculture will not survive unless we can rid the industry of incompetence.

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