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Agri-Food Regional Profile of Central America

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Canada

Executive Summary

Central America¹ has faced numerous challenges in its development, but agriculture has provided a foundation for further growth. These countries have relied heavily on exports of a few commodities, namely sugar, bananas, and coffee to sustain their economies through rough periods. With general political and economic stability in the region and liberalization of their economies, many of these countries are forecast to enjoy significant real growth. This should provide for additional opportunities for Canadian agri-food and seafood exports beyond the traditional ones of wheat, skim milk powder, corn, and soybean residue.

Economic Overview of Central America

Consistent with typical economic development, countries first rely heavily on agricultural production and, later, investment in manufacturing and services occurs. Between 1980 and 2000, all

	Pop.	Pop. Growth Rate	GDP	GDP per capita	Real GDP Growth Rate	Real GDP Forecast 03/04/05
Costa Rica	3.941	1.84	16,886	4,284	2.1	5.6/4.8/4.5
El Salvador	6.523	1.94	14,287	2,190	0.7	1.6/2.4/3.0
Guatemala	11.992	2.61	23,251	1,939	0.6	2.1/3.0/3.5
Honduras	6.755	2.57	6,594	976	-0.4	3.0/3.3/3.6
Nicaragua	5.334	2.55	2,067	430	1.6	2.3/3.5/3.3
Panama	2.940	1.53	12,295	4,182	0.7	3.4/3.5/2.1
Total/Avg	37.485	2.33	75,383	2,039	0.7	3.1/3.4/3.4
US	288.369	1.12	10,416,818	36,123	1.4	3.2/4.2/3.1

Source: UNECLAC, World Development Indicators, Economist. Population is in millions, population growth rate is average rate 1998-2001, GDP is in millions of US dollars in 2002 (Nicaragua 1998), GDP per capita is in US dollars in 2002 (Nicaragua 1998), real GDP growth rate is average annual real GDP growth rate 1998-2002.

Central American countries reduced their economic dependence on agriculture (as measured by share of GDP). The only exception was Nicaragua, whose share went from 28 per cent to 36 per cent. As can be seen in Table 1, Nicaragua was the poorest country in the region,

¹ In this analysis, the countries comprising Central America are defined as: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

with average per capita income just exceeding \$1 per day. Despite this, all countries, over the last decade, have seen increases in the absolute number of economically active people engaged in agriculture.²

Some countries have reaped economic benefits from tourism and heightened international importance, such as Costa Rica and Panama, while others have been fraught with domestic unrest. This has left the various countries in radically different positions. A country like Costa Rica, which has the highest GDP per capita in the region, faces the prospect of continued high real economic growth, while Nicaragua is poor and facing only modest real GDP increases. International aid flows account for more than one-third of Nicaragua's GDP.

Intra-Regional Integration and Trade Efforts

Even despite the economic gains of some regional players, the Central American market is small, based both on population and economic importance. Without coordinated and sustained regional effort, interest by larger world players, such as the European Union and the United States, in areas such as bilateral trade negotiations is difficult to attain for both the agricultural sector and for other sectors on which it relies (e.g., transportation and banking). Close relationships with developed countries are important in attracting foreign investment.

On the other hand, large world players have engaged Central American countries in multilateral trade negotiations. As the World Trade Organization (WTO) relies on a one country, one vote mechanism, Central American countries can play a pivotal role in this process.

Although ASEAN is arguably the most successful economic association of developing countries, the Central American Common Market (CACM), by Latin American standards, has accomplished significant progress. Formed in 1960 by El Salvador, Guatemala, Honduras, and Nicaragua, and later joined in 1962 by Costa Rica, CACM was successful in increasing intra-member trade tenfold within the first decade. Panama is an observer on some issues. By the end of the 1970s, because of various factors, interest in this initiative was

² "Survey of Agriculture in Latin America and the Caribbean, 1990-2000." *United Nations Economic Commission on Latin America and the Caribbean* (UNECLAC), December 2001.

low, with relative intra-regional trade values hitting a trough in the mid-1980s.

The beginning of the 1990s saw renewed interest in regional integration and liberalization, resulting in the 1993 Protocol of Guatemala. This formally established the proposed path of further negotiations both internally and with external partners. The common external tariff was finalized in 1995 and now covers 95 per cent of the agreed-upon import tariff lines. On the whole, however, agricultural products have been excluded from this process. Some of these are the most important commodities to the entire region – sugar and coffee. Table 2 outlines the various delineations.

Category of goods	Tariff Rate
Raw materials, intermediate goods & capital goods from outside region	0%
Raw materials from within region	5%
Intermediate goods & capital goods from within region	10%
Finished products	15%

Source: Secretariat for Central American Economic Integration, SIECA

Despite stated adherence to these numbers, various member countries have conducted bilateral negotiations regarding free trade agreements that jeopardize and supercede these commitments. For example, Mexico has signed free trade agreements with three of the members, but each with different rules, exclusions and restrictions. Furthermore, different countries have adopted (or not) the common tariff rates at different paces, resulting in an unevenly applied common tariff. This is not surprising, considering that fellow regional members are relatively small in comparison to other, more lucrative alternatives.³

The impetus moving the Free Trade Area of the Americas (FTAA) forward has slowed, similar to work on further CACM integration. Central American countries are increasingly seeking out bilateral agreements in lieu of regional or international agreements.

Agriculture in Central America

Agriculture in Central America can generally be divided into two categories: subsistence agriculture and large farm holdings. Governments in this region had consistently promoted the latter as a means to alleviate the need for the former. More recently, land reform programs have been initiated to more equitably distribute land among the region's citizens. Despite these reforms, the tropical climate lends

³ "Central American Report." *Inter-American Development Bank*, 2000.

itself to the harvesting of a few commodities that are demanded globally. These crops, produced mainly on large farm holdings, are heavily dependent on exports and were prominent in discussions at the Doha round of WTO talks.

Over the last decade, primary producers have borne most of the institutional changes brought about by their governments. In an effort to reduce the role of the state in agricultural markets, price supports have been withdrawn and formal credit programs abandoned. Moreover, efforts to exert greater fiscal discipline have caused governments to cut domestic spending. This has caused some instability and realignment within the agricultural sector. Even when governments have attempted to link industry with agriculture in an effort to produce more value-added goods domestically and bring more stability to the sector, the majority of these ventures have been unsuccessful.

As can be seen in Table 3, agriculture plays a large, but declining, role in Central American economies. The use of agricultural inputs is highly differentiated between capital and chemical inputs. The relative number of tractors is significantly below the level utilized in the United States. On the other hand, fertilizer use has, in many countries, surpassed that of the United States. This can be explained by the large abundance of cheap labour. Effectively, Central American countries are exporting labour through agriculture.

Table 3	Agriculture in Central America					
	Arable land	Tractor use per 000 ha	Fertilizer use per 000 ha	Agriculture (% of GDP)	Aid per capita	Cdn. Agri-Food Exports
Costa Rica	225	31.1	568.7	9.0	0.56	\$13.02
El Salvador	660	5.2	110.9	9.5	36.64	\$5.58
Guatemala	1,360	3.2	134.5	22.3	19.27	\$51.25
Honduras	1,068	4.9	141.9	13.7	102.92	\$6.99
Nicaragua	1,935	1.4	11.7	32.4	178.35	\$0.66
Panama	548	9.1	53.3	6.9	9.69	\$20.79
Total/Avg	5,796	4.8	101.4	13.9	57.28	\$98.29
US	175,209	27.4	111.9	1.6		\$18,524.78

Source: FAOStat, World Bank, World Trade Atlas. Arable land is thousands of hectares in 2001, tractors/fertilizer use is for 2001, agriculture as percentage of GDP is for 2001 (2000 for US, 1998 for Nicaragua), aid per capita is in US dollars for 2001, and Canadian exports are in millions of Canadian dollars for 2003.

Over the whole region, there has been a large transformation in the commodity structure of agriculture. Although traditional export-oriented large farm holdings are still widespread and heavily promoted by government (in crops such as coffee, cotton, and bananas), their

role in the economy has slightly diminished. Over the 1990s, poultry production expanded by an annual rate of 9.2 per cent, while pork and beef also had high growth rates. To facilitate this growth, increases in corn production, primarily used in feed of livestock and poultry, have occurred. Rice and soybeans have also grown rapidly.⁴

Canadian agri-food and seafood exports to the region are relatively small. In 2003, these exports did not exceed \$100 million, whereas in 2000, these countries had imported \$132 million worth of Canadian goods. Guatemala is the largest regional importer, absorbing more than 50 per cent of Canadian exports in 2003, even though the country only has approximately 30 per cent of the region's GDP.

Agriculture in Individual Central American Countries

Costa Rica

Costa Rican agriculture has focused heavily on export markets, especially through the 1990s. This is most clearly seen in the large contribution that agriculture makes to GDP without the high corresponding employment. Commodities for export markets, such as pineapples and melons, have grown rapidly. Farm output, however, is dominated by bananas, coffee, sugarcane, and rice, which accounted for more than 50 per cent of output. Fruits and vegetables comprise two-thirds of all agricultural exports. Overall, domestic agricultural output has declined in the last few years.⁵

The two largest economic sectors for Costa Rica are agriculture and tourism. Tourism's boom over the last decade has further changed agri-food import patterns. Rising incomes have also increased imports of higher-value and more 'North American' products. These have been led by jams and jellies (232 per cent rise since 1996) and ice cream (184 per cent rise).⁶

Opportunities for additional Canadian products in the Costa Rican market appear good. The signing of a Canada-Costa Rica free trade agreement in 2001 will result in tariff-free access to 94 per cent of Canadian agri-food and seafood exports. Furthermore, continuing

⁴ It should be noted that these trends are for the UNECLAC's definition of Central America and the Caribbean, which encompasses a much larger area than the specific countries under investigation here.

⁵ "Costa Rica." CountryWatch, 2004.

⁶ "Agri-Food Sector Profile – Costa Rica." Agri-Food Trade Service, Agriculture and Agri-Food Canada, 2004.

consolidation of supermarkets should allow easier access for North American products.

Costa Rica is considered by exporters to be “Latin America lite,” as consumer tastes and preferences closely resemble those of North Americans. Accessing a large proportion of the country is relatively easy, as three-quarters of the population resides in the greater San Jose area. Costa Rica also has the highest proportion of English-speaking residents anywhere in the region.⁷

Table 4		Leading Suppliers of Agri-Food and Seafood to Costa Rica			
		1999	2000	2001	2002
Overall imports		\$469.2	\$471.1	\$495.2	\$577.5
1	United States	44.78%	46.62%	46.62%	45.67%
2	Mexico	7.49%	8.46%	7.96%	7.63%
3	Guatemala	8.45%	8.53%	8.22%	6.93%
4	Nicaragua	2.74%	3.02%	3.80%	5.15%
5	Panama	4.37%	4.09%	3.91%	5.01%
6	Chile	2.73%	2.66%	2.75%	3.41%
7	Netherlands	2.35%	2.49%	2.74%	2.73%
8	Honduras	1.49%	1.88%	2.32%	2.56%
9	Canada	3.75%	4.54%	3.43%	2.47%

Note: Value in millions of USD. Source: Global Trade Atlas

As seen in Table 4, the United States commands a dominant share of the agri-food and seafood import market. While most of its neighbours have maintained a consistent performance in the Costa Rican market, two countries have significantly increased their presence – Nicaragua and Honduras. Canada has lost market share, despite a free trade agreement.

Table 5		Leading Costa Rican Agri-Food and Seafood Imports			
		1999	2000	2001	2002
1	Corn, not seed	48,256	53,723	55,548	60,000
2	Soybeans	48,144	49,651	45,170	54,823
3	Misc. food preparations	18,359	18,099	22,838	34,046
4	Wheat, meslin	27,829	35,794	29,514	26,865
5	White kidney beans	15,153	14,919	13,124	16,003

Notes: HS codes: 100590, 120100, 210690, 100190, 071333. Value in millions of USD. Source: Global Trade Atlas.

Tables 5 and 6 display agri-food and seafood imports to Costa Rica from the world and Canada, respectively. The rise in miscellaneous food preparations is indicative of rising wealth in the country, coupled with aggregate consumption pattern changes as a result of increased tourism spending. Although Canadian exports did not perform as well in 2003 as 2000, there are some successes. Exports of frozen French

⁷ “Country Commercial Guide – Costa Rica.” StatUSA, 2004.

fries are largely due to access gained through the Canada-Costa Rica Free Trade Agreement. The significant and sustained increases in pork exports also reflect increased access.

		2000	2001	2002	2003
	OVERALL	\$24.789	\$6.364	\$5.956	\$13.020
1	Pork, frozen boneless	0.044	0.083	0.532	2.213
2	Pork, frozen bone-in	0.085	0.185	0.568	2.102
3	Potatoes, frozen	0.805	0.423	0.281	1.815
4	Malt, not roasted	2.651	1.258	0.000	1.279
5	Rawhides, bovine/equine	0.000	0.000	0.510	0.821

Notes: HS codes: 020329, 020322, 200410, 110710, 410150. Value in millions of Canadian dollars. Source: World Trade Atlas.

El Salvador

While by developing countries' standards, agriculture comprises a low percentage of GDP, the economically-active population in agriculture is high, at 24.3 per cent, suggesting that there is still some subsistence farming. Despite this, there is significant production of export-oriented crops. By far, the largest primary crop grown domestically is sugar cane (84 per cent of primary crop production), followed by corn and coffee. Much of this production is exported.⁸

		1999	2000	2001	2002
	Overall imports	\$613.2	\$655.4	\$688.3	\$743.9
1	United States	40.04%	38.77%	38.81%	36.82%
2	Guatemala	18.36%	22.37%	19.16%	19.93%
3	Nicaragua	9.04%	8.88%	9.50%	10.52%
4	Honduras	7.00%	7.76%	8.53%	9.96%
5	Mexico	6.11%	5.09%	6.10%	5.96%
6	Costa Rica	5.26%	5.39%	5.09%	5.26%
7	Chile	1.07%	0.94%	1.41%	1.56%
8	New Zealand	1.93%	1.53%	2.19%	1.44%
9	Canada	1.72%	1.95%	2.17%	1.05%

Note: Value in millions of USD. Source: Global Trade Atlas

El Salvador has been rated one of the most transparent economies in Latin America, fuelled by an open domestic economy and low tariff rates. Consumer spending has slowed recently because of earthquakes and low prices for its major export commodities, which are coffee and sugar. Salvadorians spend 43 per cent of their income on food, which

⁸ "El Salvador." CountryWatch, 2004.

is high when compared to Honduras. Hondurans spent over half their income on food and their incomes levels are significantly lower.⁹

The United States is El Salvador's largest agri-food and seafood supplier. Its Central American neighbours, notably Guatemala, are also significant suppliers. Nicaragua and Honduras have made large gains in the Salvadorian market. Canada's export performance in 2002 was significantly below previous years' levels.

Despite the growth of miscellaneous food preparations, many of the other agri-food and seafood products imported are basic commodities with little value-added. As seen in Table 8, corn is a large import, which is used almost exclusively for animal feed. Soybean residue is used for the same purposes, although it cannot be grown domestically.¹⁰ Many of the main products imported are unable to be produced domestically because of climatic conditions.

		1999	2000	2001	2002
1	Corn, not seed	53.987	48.105	55.624	50.508
2	Wheat, durum	32.762	35.321	34.443	40.803
3	Misc. food preparations	34.563	43.269	45.778	43.128
4	Soybean residue	26.287	30.229	33.246	33.084
5	Milk, concentrated >1.5% fat	24.805	31.482	33.751	27.684

Notes: HS codes: 100590, 210690, 100110, 230400, 040221. Value in millions of USD. Source: Global Trade Atlas.

Canadian exports to El Salvador had a major decline in 2003 over 2002. This can almost be completely attributed to the drop in exports of durum wheat. In 2002, Canada exported \$5.7 million worth of durum wheat and nothing in 2003. This fluctuation can be partially explained by domestic supply issues relating to droughts across the Prairies. While wheat sales are highly variable between years, some of the products outlined in Table 9 have shown steady gains, notably pork and chicken.

		2000	2001	2002	2003
	OVERALL	\$7.868	\$11.392	\$9.844	\$5.581
1	Fat, bovine/sheep/goat	2.181	5.754	0.960	1.772
2	Potatoes, frozen	0.405	0.206	0.378	1.489
3	Pork, frozen boneless	0.000	0.010	0.032	0.651
4	Skim milk powder	0.222	0.893	1.422	0.486
5	Chicken, frozen cuts & offal	0.076	0.347	0.345	0.466

⁹ "El Salvador – Exporter Guide, 2003" and "Honduras – Exporter Guide, 2003." USDA FAS.

¹⁰ "Country Commercial Guide: El Salvador." StatUSA, 2004.

Notes: HS codes: 150220, 200410, 020329, 040210, 020714. Value in millions of Canadian dollars. Source: World Trade Atlas.

Guatemala

Of the countries surveyed in this report, the Guatemalan economy is the second-most dependent on agriculture. Coupled with this, more than 58 per cent of the population is employed in the agricultural sector, indicating significant subsistence farming. Where there are large farm holdings, the main crops grown are coffee, sugar, and bananas. These constitute 32 per cent of the total value of exports from Guatemala. Of growing export importance, however, is the production of cut flowers, specialty fruits and berries, and shrimp.¹¹

In the past decade, Guatemalan consumers have acquired tastes and preferences similar to those in North America. Part of this is due to increased tourism (more than 500,000 visitors per year) and domestic demand for more differentiated products that are usually only available internationally. Many of these goods are usually alternatives to regular items, such as low-fat products.¹²

		1999	2000	2001	2002
	Overall imports	\$615.5	\$640.8	\$825.4	\$849.8
1	United States	43.44%	36.50%	33.76%	43.76%
2	El Salvador	12.24%	14.73%	14.13%	11.98%
3	Mexico	8.53%	12.83%	10.74%	8.44%
4	Costa Rica	7.44%	8.89%	9.61%	8.42%
5	Canada	9.70%	6.58%	7.70%	5.18%
6	Honduras	3.45%	3.75%	4.93%	3.70%
7	New Zealand	1.78%	1.65%	3.13%	3.43%
8	Argentina	2.63%	2.89%	4.13%	2.97%
9	Chile	2.14%	1.77%	1.77%	2.07%

Note: Value in millions of USD. Source: Global Trade Atlas

As seen in Table 10, the United States is the leading exporter to Guatemala. In 1997, the U.S. provided \$965 million in development aid to Guatemala. While not necessarily tied, there are usually positive economic returns to international aid benefactors. Other Central American countries provide approximately one-quarter of imports, with almost half of that from El Salvador. The majority of El Salvador's agricultural exports from imported sources and processed

¹¹ "Country Commercial Guide: Guatemala." StatUSA, 2004.

¹² "Agri-Food Sector Profile: Guatemala." DFAIT, 2004.

domestically. Although Canada ranked as a major exporter in 2002, it has lost almost half of its market share in the previous three years, mainly due to decreased wheat exports.

		1999	2000	2001	2002
1	Corn, not seed	37.983	38.102	58.650	72.458
2	Misc. edible preparations	67.478	71.324	98.431	66.820
3	Wheat, durum	38.275	29.286	44.593	62.985
4	Soybean residue	23.331	23.834	34.754	41.989
5	Milk, concentrated >1.5% fat	26.345	39.340	45.931	38.077

Notes: HS codes: 100590, 210690, 100110, 230400, 040221. Value in millions of USD. Source: Global Trade Atlas.

Much like other Central American countries, the leading imports are primary goods that are not produced in adequate quantities domestically. The domestic pork industry in Guatemala has improved significantly, but production is still low and there are consumer sentiments that domestic product is inferior to imported pork products. In order to build their industry, significant volumes of porcine genetic material have been imported, with Canada supplying approximately 80 per cent. Imports of pork remain significant.¹³

Akin to overall imports, imports of Canadian agri-food and seafood are primarily focused on primary goods that are efficiently and cheaply produced in Canada. More than two-thirds of agricultural exports are comprised of wheat, despite their large decline from earlier in the decade. There has also been an increasing market for Canadian mustard and sunflower seeds, but exporters have not yet attempted to capture the value-added market that is emerging within the country.

		2000	2001	2002	2003
	OVERALL	\$71.597	\$93.434	\$54.275	\$51.245
1	Wheat, non durum	57.983	69.088	34.481	31.615
2	Wheat, durum	2.809	8.711	3.403	8.077
3	Potatoes, frozen	1.580	1.512	1.012	4.424
4	Malt, not roasted	3.530	2.475	3.232	1.792
5	Misc. beans	0.207	0.395	0.160	0.785

Notes: HS codes: 100190, 100110, 200410, 110710, 071339. Value in millions of Canadian dollars. Source: World Trade Atlas.

Honduras

¹³ "Agri-Food Sector Profile: Guatemala." DFAIT, 2004 and information from DFAIT posts.

Honduras has recently enjoyed relatively high real GDP growth rates, the second-highest rate of the Central American countries in 2002 after Costa Rica. The poor economic performance in previous years can be attributed to the devastating effects of Hurricane Mitch.¹⁴ Despite extremely low levels of GDP per capita, Honduras has made significant gains in health, education, and poverty alleviation – reducing the proportion of the population living under the poverty threshold from 75 per cent in 1991 to 66 per cent in 2000.

Honduras has been particularly active in the international arena, negotiating agreements with its Central American neighbours. In 2001, Honduras signed a free-trade agreement with Mexico and joined El Salvador, Guatemala, Costa Rica, Panama, Belize, and Mexico in the Puebla-Panama Plan, which seeks greater harmonization of political, economic, social, and environmental policies. Despite these regional alliances, the United States is still dominant in the local economy, accounting for approximately 75 per cent of all foreign direct investment in the country. Much of this investment has gone into banana and citrus fruit production.¹⁵

		1999	2000	2001	2002
Overall imports		\$495.5	\$541.8	\$551.4	\$520.4
1	United States	51.65	48.82	50.18	43.37
2	Guatemala	12.11	14.29	11.70	11.24
3	Costa Rica	2.37	2.78	4.20	9.93
4	El Salvador	12.38	12.22	10.22	9.72
5	Nicaragua	1.57	3.25	3.49	5.93
6	Mexico	5.48	5.57	5.39	5.29
7	Chile	1.47	1.08	2.20	2.16
8	Panama	1.61	1.52	1.75	1.87
12	Canada	0.88	1.20	1.13	0.89

Note: Value in millions of USD. Source: Global Trade Atlas

As seen in Table 13, the United States is the largest foreign presence in the Honduran agri-food and seafood market. Despite its dominance, close neighbours – Costa Rica and Nicaragua, in particular – have made significant strides. One reason for this may be caused by increased familiarity with Honduran market mechanisms. The government maintains informal price controls over staple goods. This is achieved by pressuring businesses to keep prices as low as possible.

¹⁴ "Country Commercial Guide: Honduras." StatUSA, 2004.

¹⁵ "Honduras." CountryWatch, 2004.

Regional exporters may be better able to respond to these market 'signals' than more distant exporters.¹⁶

Honduras' largest exports are meats, and beverages and tobacco. Meat, and fruits and vegetables are the most valuable broad category of imports. Table 14 details the leading agri-food and seafood imports by Honduras. With the exception of miscellaneous food preparations, the other four leading imports are basic commodities used to supplement local production.

Table 14		Leading Honduran Agri-Food and Seafood Imports			
		1999	2000	2001	2002
1	Misc. food preparations	59.543	60.586	71.391	53.664
2	Corn, not seed	16.757	28.113	28.970	30.954
3	Soybean residue	21.987	21.466	26.088	27.104
4	Wheat, meslin	23.820	21.365	31.484	20.486
5	Milk, concentrated >1.5% fat	26.729	29.441	28.184	20.370

Notes: HS codes: 210690, 100590, 230400, 100190, 040221. Value in millions of USD. Source: Global Trade Atlas.

Canadian exports to Honduras are not considerably different than to other Central American countries. The large relative rise in exports of skim milk powder has almost single-handedly doubled Canadian exports to this country. As Honduras recovers from Hurricane Mitch and the full extent of new trade agreements are reached, there is optimism that export opportunities to Honduras will increase.

Table 15		Leading Canadian Agri-Food and Seafood Exports to Honduras			
		2000	2001	2002	2003
	OVERALL	\$4.712	\$3.679	\$7.194	\$6.989
1	Skim milk powder	0.017	0.375	2.379	3.736
2	Potatoes, frozen	0.485	0.667	0.627	1.267
3	Pork, frozen, boneless	0.343	0.745	0.589	0.289
4	Soybean oil, refined	0.000	0.042	0.000	0.262
5	Misc. animal feed	0.015	0.016	0.078	0.227

Notes: HS codes: 040210, 200410, 020329, 150790, 230990. Value in millions of Canadian dollars. Source: World Trade Atlas.

Nicaragua

Nicaragua is the poorest member of the Central American economy. After years of civil war, Nicaragua emerged in the early 1990s with a barely-functioning economy. The year 1995 signified the return to a market-based economy, with the election of a new president. Significant reforms were instituted and GDP growth rates reached levels that had not been seen since the 1970s. Hurricane Mitch

¹⁶ "Country Commercial Guide: Honduras." StatUSA, 2004.

inflicted damages of over \$1 billion USD on an economy with a GDP of just over \$2 billion USD.¹⁷

Agriculture plays a large part in the Nicaraguan economy, accounting for 31 per cent of GDP and 33 per cent of employment. Agriculture also accounts for 68 per cent of exports. The largest crop grown is sugar cane, with almost 3.5 million tonnes in 2002. Record levels of agricultural output have been seen in recent years (even considering the effects of Hurricane Mitch). A large growth area for the domestic industry is in livestock production, as Nicaragua has low population density with large tracts of fertile grazing land. Between 1998 and 2002, beef production increased from 45,000 tonnes to 60,000 tonnes, an increase of one-third. Offsetting the large gains in the overall agricultural industry, however, have been depressed coffee prices. This negative impact has severely affected small producers.¹⁸

		1999	2000	2001	2002
	Overall imports	\$323.6	\$277.2	\$294.7	\$285.2
1	United States	36.64%	29.17%	29.90%	29.70%
2	Costa Rica	21.46%	22.80%	24.20%	22.18%
3	Guatemala	8.30%	11.95%	11.80%	14.33%
4	El Salvador	6.91%	11.82%	7.35%	7.93%
5	Mexico	3.33%	4.58%	4.85%	5.91%
6	Panama	4.01%	3.35%	4.70%	3.59%
7	Honduras	7.29%	4.57%	4.06%	3.12%
8	New Zealand	0.39%	0.91%	2.72%	2.21%
9	Canada	2.55%	3.45%	3.21%	2.18%

Note: Value in millions of USD. Source: Global Trade Atlas

Although the United States is the leading exporter of agri-food and seafood products to Nicaragua, its share of the market is considerably less than in other Central American countries. Compared to its presence in surrounding countries, Canada has a large and relatively consistent share of the Nicaraguan market.

Of broad categories, meat, and fruits and vegetables dominate Nicaragua's exports, while cereals are the primary agricultural import. Table 17 details their imports. The large rise in the import of tobacco is concurrent with a steep decline in domestic production and export of tobacco leaf and related products.

		1999	2000	2001	2002
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¹⁷ "Nicaragua." CountryWatch, 2004

¹⁸ "Country Commercial Guide: Nicaragua." StatUSA, 2002.

1	Misc. food preparations	16.905	16.396	20.032	20.746
2	Wheat, durum	22.866	10.349	13.858	20.717
3	Tobacco, unmanuf, stemmed	0.753	0.217	2.361	12.267
4	Palm oil, not chem. refined	16.767	9.828	9.457	12.070
5	Food with swelled cereal	6.505	8.190	9.548	10.844

Notes: HS codes: 210690, 100110, 240120, 151190, 190410. Value in millions of USD. Source: Global Trade Atlas.

While the first two products in Table 18 are similar to Canada's exports to other countries, the following three are radically different. Overshadowing the whole issue, however, is the severe drop in the value of Canadian exports. Previously, Canada had exported large quantities of animal fat, rapeseed oil, legumes, and wheat. No new products have appeared to fill this void.

Table 18		Leading Canadian Agri-Food and Seafood Exports to Nicaragua			
		2000	2001	2002	2003
	OVERALL	\$6.420	\$5.987	\$2.127	\$0.659
1	Skim milk powder	0.000	1.447	0.162	0.214
2	Potatoes, frozen	0.000	0.000	0.056	0.121
3	Onions and shallots, fresh	0.053	0.062	0.186	0.101
4	Chewing gum	0.084	0.039	0.037	0.092
5	Oats, rolled	0.055	0.031	0.022	0.032

Notes: HS codes: 040210, 200410, 070310, 170410, 110412. Value in millions of Canadian dollars. Source: World Trade Atlas.

Panama

Although Panamanians enjoy one of the wealthiest economies in the region, income inequality pervades the country, with more than forty per cent of the populace living in poverty.¹⁹ A small proportion of the country has large disposable income, with tastes and preferences similar to those of North Americans'. This stratum of the economy drives many of the value-added trends in imports.

Despite agriculture accounting for only 7 per cent of GDP, almost 16 per cent of economically-active people are employed in the agricultural industry. Sugar cane production dominations, accounting for more than 55 per cent of domestic primary crop production. Primary crop production has been declining over the last few years. In addition to falling quantities, falling agricultural prices have also affected producers. Some of this is due to restricted access for exports (bananas to the EU), bad weather (El Niño), and disease (shrimp exports have fallen significantly because of the White Spot virus).²⁰

¹⁹ "Agri-Food Sector Profile – Panama." The Canadian Trade Commissioner Service, ITCan, 2004.

²⁰ "Country Commercial Guide: Panama." StatUSA, 2004.

There have always been close economic and political ties between Panama and the United States. Much of this can be attributed to the large military presence in the region when the U.S. controlled the Panama Canal. In 2000, after 96 years of operation, the U.S. Government ceded sovereignty of the canal to Panamanian authorities. Despite the formal handover, indirect American influence is still strong in Panama. It is estimated that 6,000 Americans live in Panama, many as retirees from the Panama Canal Commission.²¹

		1999	2000	2001	2002
	Overall imports	\$415.7	\$405.7	\$374.6	\$419.0
1	United States	53.00%	50.64%	50.55%	52.20%
2	Costa Rica	6.58%	6.48%	6.16%	6.69%
3	Mexico	3.24%	4.31%	5.16%	4.98%
4	Guatemala	4.16%	4.29%	3.97%	4.75%
5	New Zealand	3.10%	1.19%	3.83%	3.39%
6	Chile	3.04%	2.80%	2.93%	2.93%
7	Canada	3.43%	3.97%	3.67%	2.39%
8	Colombia	1.25%	1.52%	1.77%	1.85%
9	Netherlands	2.36%	2.30%	1.76%	1.82%

Note: Value in millions of USD. Source: Global Trade Atlas. Note: Category 'Bunkering' was left off this list.

This effect can be seen in the large American market share of Panama's agri-food and seafood imports, outlined in Table 19. After the U.S., regional players are relatively active in the economy. Although Canada's market share dropped in 2002, it still remains a relatively large market participant.

Panama acceded to the World Trade Organization in 1997 and has since reduced tariff levels on most goods. There are a few agricultural goods that still have high tariffs, such as pork, dairy, tomatoes, and potatoes. While restrictive tariffs do not exist, there are significant non-tariff barriers for many other value-added agricultural products. These factors add an extra level of difficulty in exporting to Panama. In spite of this, there are still significant imports of agri-food and seafood products, as outlined in Table 20, many of which are primary goods.

		1999	2000	2001	2002
1	Misc. food preparations	34.867	32.366	30.108	38.296
2	Corn, not seed	30.975	30.657	29.441	35.701
3	Soybean residue	21.141	22.093	23.159	27.191
4	Food with swelled cereal	14.859	13.132	12.373	13.118

²¹ "Panama." CountryWatch, 2004

5	Wheat, durum	15.468	16.967	10.709	12.302
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Notes: HS codes: 210690, 100590, 230400, 190410, 100110. Value in millions of USD. Source: Global Trade Atlas.

Canada has exported a relatively large value of agri-food and seafood products to Panama over the past few years. On the other hand, the type of product has fluctuated wildly. Canada's main exports are outlined in Table 21. While wheat is one of Panama's leading imports, Canadian exports of non-durum wheat were the first such export in over a decade.

Table 21		Leading Canadian Agri-Food and Seafood Exports to Panama			
		2000	2001	2002	2003
	OVERALL	\$16.279	\$14.798	\$10.190	\$20.792
1	Wheat, non-durum	0.000	0.000	0.000	3.981
2	Fat, bovine, sheep or goat	0.000	0.769	0.000	2.737
3	Misc. pork, cured	1.223	1.951	1.579	2.561
4	Misc. swine offal	1.638	1.525	1.536	1.623
5	Skim milk powder	0.129	1.517	0.000	1.389

Notes: HS codes: 100190, 150200, 021019, 020649, 040210. Value in millions of Canadian dollars. Source: World Trade Atlas.