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ESTABLISHMENT OF A FOOD-PROCESSING
DEPARTMENT AT JAMPRO

DP/JAM/88/009

JAMAICA

Technical report: Strategic management process, intervention
at Citrus Growers' Association of Jamaica - follow-up
to previous mission*

Prepared by the Government of Jamaica
by the United Nations Industrial Development Organization,
acting as executing agency for the United Nations Development Programme

Based on the work of R. Hopley,
expert in industrial organization

Backstopping Officer: Dr. A. Ouacouich
Agro-based Industries Branch

United Nations Industrial Development Organization
Vienna

* This document has not been edited.

Explanatory Notes

The United States of America dollar was equal to 22.2 Jamaican dollars in January 1993, the time of this mission.

JAMPRO stands for Jamaican Promotions Limited, the government agency responsible for promoting agricultural and agro-industrial development.

C.G.A. stands for the Citrus Growers Association of Jamaica, a non-profit organization primarily representing growers interests.

J.C.G. stands for the Jamaican Citrus Grower's Limited, a wholly-owned subsidiary of C.G.A.

C.D.C.L. stands for the Citrus Development Corporation Limited, a second wholly-owned subsidiary of C.G.A.

C.D.C. stands for the Commonwealth Development Corporation, a significant investor in C.G.A.

CANEXPORT stands for a project of the Canadian Industrial Development Agency (C.I.D.A.) to promote exports to Canada from participating Caribbean nations.

C.E. stands for Caribbean Exotic Food Processors, Limited.

P.P. stands for Plantation Pride Limited.

B.O.S. stands for the Jamaican Bureau of Standards.

JETCO stands for the Jamaican Export Trade Company.

JFPA stands for the proposed Jamaican Food Processor's Association.

USAID stands for the United States of America Agency for International Development.

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Abstract

This "CGA/Canners Association follow on mission" project was numbered DP/JAM/88/009/11-59/J 13103 and had two primary purposes. One was to follow up on progress made by the C.G.A. since the Strategic Management Process Intervention made in January 1992, and described in final report by Robert Hopley numbered DP/JAM/88/009/11-57 J13103, and dated February 28th 1992. The second was to work with a selected group of contract food canning companies to assist them in forming a self-help association focused on technical and marketing activities. Both of these were to take place during a two-week mission between 3/1/93 and 16/1/93.

The main conclusions are that considerable change has been noted in the last year at C.G.A., most of it being very positive and based upon the strategic discussions held the year before. There remained several pressing issues and some new one's had become apparent and they were discussed with the board and a summary letter was sent to the Chairman, Ivan Tomlinson on 15/1/93 (see Annex 3 for a copy). Additional recommendations were made to JAMPRO and local UNIDO personnel at the debriefing on 15/1/93. (see Annex 5)

Regarding the second objective, three canning companies, Canco Ltd., Plantation Pride Ltd.(P.P.), and Caribbean Exotic Food Processors Ltd. (C.E.) agreed to form an association. A major 1993 objective is to jointly market canned products in Canada with the assistance of the CANEXPORT programme.

Introduction

This report was written by Robert Hopley as a result of a two-week mission to Kingston, Jamaica commencing 3/1/93 and concluding 16/1/93. The complete job description is attached as Annex 1, along with further notes from the initial on-site briefing.

There were two main objectives for the mission, both follow ups to activities undertaken in January and February 1992 and described in technical report titled Strategic Management Process Intervention at Citrus Growers' Association of Jamaica, by Robert Hopley, numbered DP/JAM/88/009/11-57 J13103 and dated February 28 1992. The first week's objective was to work with a group of contract food canning companies to encourage them to organize some self-help efforts through technical or marketing cooperation. The second week was to be spent following up and assessing the progress made by C.G.A. against the plan that resulted from the Strategic Management Intervention made in January and February 1992.

Work on the first objective resulted in agreement among Canco. Ltd., Caribbean Exotics, Ltd. and Plantation Pride, Ltd. and JAMPRO to adopt and complete a plan written by Robert Hopley (see Annex 2) to form an association. This plan was devised during a series of meetings between Robert Hopley, Kathleen Goldson of JAMPRO and various others as outlined in the meeting schedule and notes about those meetings in Annex 4. Basically it was agreed to form an association and a Director and secretary would be hired in 1993. The major short term objective would be to market 15,000 cases of Mango slices and 18,000 cases of Mango Nectar in Canada and the United States during 1993. Major assistance was promised from both JAMPRO and the CANEXPORT programme, and fuller details are found in Chapter 1. Canning Association.

The second objective included visits to the headquarters of C.G.A., the J.C.G. plant at Bog Walk, and the C.D.C.L. plant at May Pen. Additional meetings were held with Mr. Newman, a C.G.A. board member, and various JAMPRO staff. The information gathered and analyzed was discussed with various members of the management staff of all three organisations and a presentation made to the C.G.A. board meeting. Primary findings and new recommendations for C.G.A. and its

subsidiaries were put into a letter (see Annex 4) sent to Ivan Tomlinson, the Chairman of C.G.A. on 15/1/93. The details of this activity are found in Chapter 2, C.G.A. Progress.

There were also recommendations for the local JAMPRO and UNIDO organisations regarding both objectives and other possible activities that were covered in the Kingston debriefing 15/1/93 (Annex 5).

1. CANNING ASSOCIATION PROJECT.

In discussions with Kathleen Goldson, Agro-Industries Specialist at JAMPRO, prior to my arrival in Jamaica we agreed that visits to all plant sites of canners potentially interested in cooperation were needed. These were arranged for Tuesday 5/1/93 with Basil Bernard, Managing Director of P.P. in May Pen, and Ira Ashman, Managing Director of C.E. at Mandeville, and on Wednesday 5/1/93 with Norman MacDonald of Canco at Seaforth. Reports of these visits and meetings and all others mentioned are attached in Annex 4.

Prior to this on Monday 4/1/93 a discussion with Dudley Chase, the CANEXPORT coordinator for Jamaica was held to discover how these companies may qualify under that Canadian government supported export programme. A key finding here was that any of the three companies taken alone was too small for consideration, but together they potentially might represent sufficient capacity to fit the programme's guidelines.

Agreement was reached individually with all three companies to form a joint marketing association that would hire some full-time staff and concentrate upon export sales of common products that would include a 5,000 case Mango slices and 6,000 case Mango nectar from each company. Other items of potential agreement were discussed and a meeting for all parties involved was scheduled for Thursday 6/1/93.

At the Thursday meeting the following major action steps (details in Annex 2 skeleton plan) were agreed to in principle:

1.1. A joint export marketing and technical assistance association would be formed in 1993. There would be three original members. Canco, PP and CE and this would be expanded to six in 1994 and 10 in 1995.

1.2. There would be six products jointly supplied to the association in the first year, 15,000 cases (24 x 19oz) of Mango Slices, 18,000 cases (24 x 19oz) of Mango nectar, and an undecided number of cases from among the following products as presently formulated by C.E. (Tropical fruit salad), P.P. (orange marmalade, guava jelly, and mango jam) and Canco (banana jam).

1.3. The first objective would be the Canadian market with support agreed to by Dudley Chase of the CANEXPORT programme.

1.4. The revival of the Jamaican label currently owned by JETCO would be

pursued with design support from Marie Cassidy of JAMPRO.

1.5. The association would be planned to be self-supporting financially by the third year, with revenue coming from a combination of initiation fees, annual dues and commissions on export sales. (A very preliminary budget is included as Appendix B to the plan in Annex 3).

1.6. A Director would be hired as soon as possible, dependent upon receipt of initial orders totalling J\$2M. By year three a total of five employees in sales and technical areas are anticipated.

1.7. U.S. sales would also be sought in the first year, with European sales targeted for the second year, and Middle East sales in the third.

1.8. Product formulation for the first year would be driven by Mrs. Williams of Canco and Basil Bernard of PP.

1.9. A draft plan would be written by Robert Hopley to be available by 11/1/93. This would be modified and completed by 2/26/93 by three teams from JAMPRO, CANEXPORT, BOS and the three founding companies. The aim is to have a plan to present to the Canadian CANEXPORT team by 1/3/93. The teams are:

ADMINISTRATION

N. MacDonald Canco
L. Picart* JAMPRO
C. Wynter CANEXPORT
V. Veira JAMPRO

MARKETING

I. Ashman CE
D. Chase CANEXPORT
L. Royer* JAMPRO
M. Cassidy JAMPRO

PRODUCTION

B. Bernard PP
Ms. Williams Canco
K. Goldson* JAMPRO
B. Miller BOS

* team leader for plan completion process, with K. Goldson overall responsible to keep the process on schedule.

The detailed recommendations regarding the formation of the association and its operation are contained in the skeleton plan attached as Annex 3 which need to be read as part of this section. They are not reproduced here to avoid redundancy. The teams above are expected to be the final plan developers and are responsible for assigning tasks to individual persons throughout their organisations to implement the plans.

2. CITRUS GROWER'S ASSOCIATION PROGRESS ASSESSMENT

The CGA conducted a strategic planning process in January and February 1992 partially outlined in the UNIDO technical report titled Strategic Management Process Intervention at Citrus Growers' Association of Jamaica by Robert Hopley and William Ennen, based on the mission numbered DP/JAM/88/009/11-57 J13103 and dated February 28 1992. As a result of this process there were a series of recommendations made by various strategic planning teams at an extraordinary Board meeting called for the purpose on 2/28/92 and 2/29/92. The recommendations were discussed, modified as necessary and adopted for implementation during 1992 and beyond.

This current mission involved assessing progress against the planned improvement areas, and feeding back this information directly to the CGA board, JAMPRO and the UNIDO country team.

The best way to present this data is to outline the original strategic action decided upon, state what has happened subsequently, analyze and give a revised recommendation if necessary. The original teams made recommendations in field services, administration and finance, JCG and Hog Walk operations and C/DL and May Pen operations.

2.1 CGA Field Services

The team that was assembled to study this aspect of CGA was led by C. V. Bent, vice chairman of CGA. Mr. Bent has since had the primary responsibility for progress in this area.

2.1.1. Citrus Research Capability

CGA decided to establish a central research capability that can assist growers with better plant clonal selection, disease analysis and treatment and other technical matters to do with improved citrus growing.

During 1992 Dr. Percy Miller was hired as head of research and development and two graduates hired from the University of West Indies Agricultural programme in Trinidad. Work has been done on the identification and treatment of various diseases. The annual general meeting held in December 1992 approved the payment of an additional cost of J\$1 per box of fruit to support this activity.

In this area, progress is judged excellent and no policy changes are recommended.

2.1.2 Field Outreach

CGA decided to hire more field officers to complement the two in place at the start of 1992. This was intended to improve the level of communication between the CGA operations and the growers throughout Jamaica. Two additional field officers have been hired and certain aspects of coordination between the factory need for fruit and the growers are much improved. The new initiative to set dates before which fruit may not be picked to ensure riper fruit with a better level of pound solids is an example of where improved communication will lead to juice with better export sale prospects.

Progress here has begun satisfactorily and it is recommended that field outreach should continue to expand as research activity results in further opportunities for industry enhancement.

2.1.3 Branch Reorganisation

CGA determined that the area and branch organisation was no longer a really effective way to communicate between the membership and the board. An understanding by the general membership of the environmental changes facing the CGA and the board's decisions to respond with different strategies demand an improvement in the communication process.

Although the December 1992 annual general meeting was positive and the board's recommendations were all accepted, this was partially due to the favorable conditions experienced by the Jamaican citrus industry during the year. It remains important to improve communications and it is recommended that further efforts be directed at this by the board. Specifically, C.V. Bent should reactivate his field services strategic management team to consider this matter.

The original team was Bent, Jobson, Prendergast, Wilson and Ennen. Parke will substitute for Prendergast who has been transferred, and one additional member should be invited to substitute for Wilson and Ennen, who have completed their missions.

2.1.4 Dairy Outreach

CGA decided to begin considering establishing relationships out to Dairy farmers. A link between CDCL and the dairy farmers similar to that

between CGA and the citrus growers, where many growers take an interest in and benefit from improvement in the JCG factory operations, was discussed. This model was thought to be desirable but difficult to achieve until the May Pen CDCL operations were improved.

Progress here continues to be gated by the unsatisfactory performance of CDCL and May Pen. See recommendations in subsection 2.4.

2.2 CGA Administration and Finance

Mr. Frank Weir headed of the CGA board headed this team, with support from Aaron Parke of JAMPRO, Victor Nugent Managing Director of JCG/CDCL, and Hopley.

2.2.1. Core Farm

CGA decided that to compete effectively with United Estates and the new Western Citrus Grower's group it would be necessary for CGA to establish a large core farm operation (5,000 acres). This would guarantee a base supply of fruit to the JCG factory at Bog Walk and enable the field support operations to improve.

A 135 acre farm, situated within 5 miles of Bog Walk had been acquired and planted with citrus. Negotiations for a 400 acre parcel in St. Mary's were in progress, and an application for USAID assistance in buying land for a Passion Fruit orchard had been made.

Progress has been good, and it is recommended that the strategy be continued.

2.2.2. Farmer's Cooperative

CGA determined that the formation of a cooperative organisation to purchase farm supplies such as fertilizer, pesticides, herbicides, and equipment would be advantageous. Such a corporation has been formed in conjunction with the Banana Producer's Association and the Cane Grower's Association, with Mr. Ivan Tomlinson being the Chairman. The Coffee Grower's Association has now applied to join and this will mean that some 95% plus of the fertilizer users in Jamaica are members.

A marketing manager is needed to begin to acquire orders and should be hired. The establishment of a fertilizer mixing plant has been considered. Progress here has been rapid and positive and it is recommended that Weir, Parke and Tomlinson discuss the next steps.

2.2.3. Headquarters Administration

CGA determined that a high level financial overview of the total operation was missing and that a financial staff should be added at the Kingston headquarters. This was imperative because of the CGA expansion to acquire CDCL and the changes due to the full convertibility of the Jamaican dollar from October 1991 onwards.

An architectural plan has been produced to add a second storey to the Kingston headquarters that will house the financial staff. This expansion is scheduled for 1993. In the meantime, an investment sub-committee of the CGA board was formed under Mr. Frank Weir's leadership and in August 1992 made a J\$12M investment in Life of Jamaica stock that has since increased in value to J\$17.5M by January 1993. CGA have decided to form a financial subsidiary and are in progress. The goal of this subsidiary will be to provide financial assistance to the growing and processing of agricultural products rather than be a separate contender for investment.

In order to ensure financial support rather than displacement, it is recommended that the hurdle rate for any financial investment be not less than the current marginal interest rate being paid on JCG or CDCL operations.

A second recommendation is that a marketing organisation also be established at the headquarters to be responsible for export, citrus, dairy and Farmer's Corporation products.

2.2.4. Strategic Management Process

CGA decided that the board would set strategy on an annual cycle and leave the details of implementation plans to the Chairman, Ivan Tomlinson, Vice-Chairman, C. V. Bent, Board member, Frank Weir in financial matters, and the Managing Director of JCG/CDCL, Victor Nugent, with his two senior officers, Desmond Duval and Ken Garfield.

It is now recommended that the strategic teams be reactivated for a review during the summer 1993 (after the season) and Ms. Kathleen Goldson has agreed to take responsibility for this. A more formal process for assessing and reviewing implementation progress is now needed, and should be considered by the teams, possibly with the assistance of Mr. Mike Wood of CDC, who has considerable experience in

such areas.

Regarding 1992 implementation, while there have been many achievements it must be noted that Nugent and Garfield are no longer with the operations, and Desmond Duval has had a major switch in responsibility from Marketing Manager to Managing Director. There are several operational issues needing improvement as noted in the sections below. It is recommended that additional senior hires be made in milk operations and marketing as soon as possible, to compensate for the loss of two senior managers. It is further recommended that the senior board members consider whether the present level of involvement of board members into factory level detail is productive and/or potentially demotivating to senior managers.

2.2.5. CGA Ownership

CGA determined that increased involvement by grower's in the success of JCG operations would come from selling shares in that operation. This had not been very successful in the past due to communication gaps, lack of any dividend payments to stockholders, and the absence of a secondary market where shares could be resold. It was decided that a first step towards being able to raise equity more easily should be the payment of a dividend. A dividend of Jamaica 15 cents per share was declared at the December 1992 General meeting.

It is recommended that the offer to grower's of the chance to buy shares be renewed in 1993.

2.3 Citrus market and JCG operations at Bog Walk

There were two teams that dealt with these areas, a Bog Walk team that was led by Nugent and a marketing team led by Duval. It is recommended that one team be reconvened to consider the Citrus business (less grapefruit sectionizing).

2.3.1. Citrus Business

The 40% increase in Bog Walk capacity planned to come on line in 1992 was successfully accomplished and this has set the stage for the transfer of all juicing operations from COOL (May Pen) to JCG.

On the other hand, the nervousness in the CGA board about the availability of fruit in 1992 due to the impending onset of United

Estates's juicing operation turned out to be unnecessary and harmful. Too much underripe fruit was taken and the resulting lower quality juice was unfit for the export market and had to be held in inventory at great interest expense until it could be absorbed in the local market. The 1993 response is logical in that it establishes picking dates for each area, has determined to only take fruit after the issuance of written picking orders, and to devise lower payments for fruit under pound/solid guidelines.

This should enable more container shipments for export to be scheduled on a just in time basis, considerably reducing inventory and expensive working capital.

2.3.2. Responsibility Change

There have been several inventory problems in 1992 that I recommend addressing by a control mechanism shift. Instead of leaving finished products in factory inventories and charging the interest on working capital against the factory, I recommend transferring the responsibility for finished goods, and the associated interest and cold storage charges to the marketing organisation. This will keep them pointed at the only profitable solution for the total organisation, which is to sell the goods, rather than to continue to incur extra expense to hold and store them. The additional benefit in manufacturing is that they are freer to concentrate upon factory operation improvement.

2.4 Dairy market and CDCL operations at May Pen

The CDCL strategic team was headed by Ken Garfield and had John Wilson assigned. Both have left, and the milk business has clearly seen the least progress in the last year. After the top management changes in August 1992, an additional 16 May Pen management, supervisory and other employees were dismissed. Total expenses assigned to the CDCL business and the May Pen plant continue to exceed the revenue from products produced there. The transfer of citrus products to the more efficient capacity at Bog Walk leaves a severe problem to be faced at May Pen. The Dairy Marketing Strategic team was headed by Desmond Duval, who has since been promoted to Managing Director of JCG/CDCL. Thus both teams are unavailable for follow up in a critical failure area. This is a

turnaround situation and has to be treated with great urgency.

2.4.1. Milk Operations

Before purchasing CDCL in 1990 the CGA board had received a consultant's report that stated that the milk business could sustain May Pen expenses alone, if additional market share was achieved. Marketing believed that such a share increase was possible if milk reliability and quality could be sustained. The strategy decided upon was to concentrate upon the milk business and prove it's viability before investing additional capital to produce value added dairy products. Additional market share was not achieved in 1992. Marketing explanations blame quality inconsistencies from the factory, while the factory is not confident that the quality failures are not linked to bringing on marginal retail outlets that the distribution operation is unable to consistently supply in a quality manner as expansion occurs.

Further, from discussions with various CGA board members and executive managers it remains apparent that there is no one single milk business expert associated with the CDCL business. Help is being sought from Evergreen, the Chicago based milk equipment supplier, as quality problems continue that may be due to the equipment. BUT NO ONE WAS ABLE TO STATE THIS FOR A FACT.

It is recommended that an experienced dairy individual be hired, or contracted with, to study the CDCL milk operation from farm to retail and report whether the existing milk packaging business can be viable. To attempt to divest or abandon the milk business at this point would yield little cash benefit. However, if an expert is not to be brought in, then one of these two alternatives should be taken.

To do this will also require that only those charges needed for the express operation of May Pen as a milk operation should be included in the viability analysis.

2.4.2. Other CDCL factors

The 10 acre CDCL plant is on the edge of the fastest expanding town in Jamaica and the site far exceeds in size the space needed for a milk, or even dairy, business. The absorption of all orange juicing operations into Bog Walk will lower costs there, but make the large juicing operation in May Pen redundant.

The grapefruit sectionising operation is also large and is discussed in section 2.5.2. Smaller amounts of space are committed to lime juice and oil operations discussed in 2.5.3.

Crema, a Jamaican competitor in milk and citrus is believed to be succeeding with a combined strategy, but began as a milk operation and later added citrus rather than the reverse being attempted by CDCL.

2.5 Other markets

2.5.1. Fruit based

CGA decided to be opportunistic in its approach to passion fruit, soursop, sorrel and other tropical fruit based drinks. By this they meant that as management time and investment were available to easily pursue product diversification opportunities then they would be taken. However, if meeting existing primary objectives in citrus and milk were fully time consuming, then diversification would not be pursued. A sorrel drink was produced and marketed in 1992. No change is recommended to this strategy.

2.5.2. Grapefruit Sectionising

CGA decided to continue to supply Trout Hall Ltd. with grapefruit sections in cans from their facility in May Pen, but also to contract pack for Emblem and to consider reintroducing grapefruit segments under the Pride of Jamaica label. During the season, however, it was determined to agree to supply only 40,000 of a requested 80,000 cases to Trout Hall and grapefruit concentrate was made from the additional fruit. CGA is unhappy that the rate at which Trout Hall takes the product is such that CGA loses a great deal of money on interest (currently 61% for CDCL) and storage charges. The relationships between Trout Hall Ltd and CGA and the main U.K. distributors of the Trout Hall label are not sufficiently close at this time to allow them to plan a win-win-win solution. The danger exists that a complete breakdown will ensue resulting to loss of business for all companies involved.

It is recommended that Ken Newman, of the CGA board be delegated to contact Gordon Sharp of Trout Hall with a view to improving relations and attempting to find a profitable solution for all companies involved. It is further recommended that the sectionising installation in May Pen

be moth-balled until next June when the Grapefruit season begins. It is not recommended that additional investment be made at Bog Walk to can grapefruit segments as the present process is producing a premium product and may not be easily duplicated.

Finally it is recommended that grapefruit segments be transferred at standard cost to a marketing owned finished goods account so that interest and storage charges are routinely considered against the prices on offer at any point in time. (see 2.3.2.)

2.5.3. Lime juice and oil

CGA decided to investigate whether an equipment upgrade would enhance CDCL's ability to produce high grades and improve yields on the high-priced lime and orange oil products. I found no reference to whether this had been done, and observed many barrels of lime juice that had been stored in May Pen since November 1992, and for which orders had not been received by January 1993. As recommended above in 2.3.2. the lime inventory should be transferred at standard cost to marketing's finished goods account as soon as completed.

It is recommended that transferring the lime juice to Bog Walk be done after the 1993 main citrus season is over, and the future of May Pen is better considered during the 1993 strategic management process.

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

September 1992

Request from the Government of Jamaica

JOB DESCRIPTION

DP|JAM|88|009|11-59|J 13103

Post title Specialist in industrial organization

Duration 1 m|m (split mission, 2 weeks each) - total duration
1st split mission 2 weeks

Time required November 1992

Duty station Kingston, Jamaica

Purpose of project To establish an Agri-Food Processing Unit at JAMPRO capable of providing information and advisory services to the food processing industry and simultaneously selected services.

Duties The consultant will be assigned to the Processed Food Unit at JAMPRO, the implementing agency of the Government of Jamaica. He will work closely with the JAMPRO Processed Food Unit and the Cooperative Associations or the private manufacturing firms of the agro industry subsector, which are identified in this project for intervention. The main responsibilities of the consultant will be as follows:

- To work with selected companies in the food industry and guide the formation of a consortium of processors towards increased cooperation around sourcing of raw material, marketing and other technical services;
- To guide an intervention for restructuring of the food industry to improve its economic efficiency and increase its level of competitiveness with a view of establishing a vision of its future by
 - a) facilitating a strategic planning process of the sector and its institutions;
 - b) drawing on studies done in the UNIDO project.
- The consultant will also be expected to prepare a technical report setting out his findings and recommendations to the Government for further action which might be taken.

.... / ...

Applications and communications regarding this Job Description should be sent to:

Project Personnel Recruitment Section, Industrial Operations Division
UNIDO, VIENNA INTERNATIONAL CENTRE, P.O. Box 300, Vienna, Austria

- Qualifications** Industrial Engineer/Industrial Economist with extensive experience in formulating and implementing restructuring programmes in agro industry enterprises.
- Language** English
- Background information** The agro-processing industry constitutes the main manufacturing sub-sector in Jamaica, contributing approximately 34% of the total manufacturing production value and employing approximately 21,500 persons or, over 20% of the workforce in the manufacturing industry. The food processing component of the sub-sector accounts for approximately 15% of the total manufacturing production. In the latest sub-sector survey, conducted in 1983, 72 agro-processing firms were registered. Approximately 50 of these are food processing plants. However, the bulk of the firms are small and medium-scale enterprises with annual sales of less than J\$ 6.0 million. The predominant technology is labour-intensive.
- The sub-sector suffers from high unit production cost, low capacity utilization, outdated and inappropriate equipment and production lay-out, high factory down-time, poor product quality, inadequate packaging, poor marketing and weak management. The supply of local raw material is very unstable and over 50% of the raw material is imported with only a very limited amount of locally grown tropical fruits being currently processed.
- Agro-industry is one of seven priority sub-sectors for attention in the Government's modernization of the industry programme, a major element of the Government's overall structural adjustment efforts. The Government is aiming at strengthening the competitiveness of the sub-sector to become a main exporting and import displacing industry. Through increased export earnings, particularly from hard currency markets, and foreign exchange savings, the sub-sector is foreseen to contribute to the improvement of the balance of payment situation. By developing new investment opportunities and productive activities, the Government is aiming at attracting new technologies, skills and markets to Jamaica which, in turn, will strengthen the dynamics of the sub-sector and create employment.
- The Food Technology Institute, under the direction of the Scientific Research Council has the responsibility to conduct R & D activities in the field of product development and to provide related services.
- The Jamaica Bureau of Standards is charged with the responsibility to provide services in the field of quality control, i.e. documentation, consultancy, training and testing and certification of samples. The newly established JAMPRO (Jamaica Promotions Ltd.) combines the services previously provided by the now merged

Jamaica National Export Corporation (JNEC), Jamaica National Investment Promotion Ltd. (JNIP) and Jamaica Industrial Development Corporation (JIDC). The services are provided in the fields of export promotion, investment promotion and technical assistance. These services are provided to the industry in general.

JAMPRO, as the Government agency to promote agricultural development, has been chosen by the Government to also become the focal point to encourage and assist with market-led business development and enhance the technical and managerial development of the agro-processing industry.

Annex One - Second partJAMPRO Briefing Notes.

in attendance: Kathleen Goldson, JAMPRO Agrifoods section; Lennox Picart, JAMPRO Agrifoods section; Valerie Veira, JAMPRO Productivity unit; Dominique Rose, JAMPRO Productivity unit.

Time began 9:15 am 4/1/93 end 10:15 am

1. Goal for first week is to follow up with three of the five companies who discussed some form of cooperation in January 1992. Canco of St. Thomas, Plantation Pride of May Pen and Caribbean Exotic Food Processing of Mandeville. Cottage Industries and Westico are not interested at this time. Needs assessment documents have been filled out by all three companies and company profiles available from two.

Must find a compelling project of mutual interest that they will commit to, as they do not want exhortation, but need specific actions. Marketing or technology projects are most likely.

Meetings are set for Tuesday with Basil Bernard at the PP factory in May Pen, and Ira Ashman at the CE Factory at Mandeville. Wednesday morning we meet with Norman MacDonald at Canco in St. Thomas.

2. The second week goals are to meet with the CGA to discuss progress on the activities begun after the strategic planning intervention in the winter of 1992. This is expected to lead to a meeting with the board to analyze the progress to date and identify areas requiring adjustment or replanning.

Status given regarding C.G.A. and it's subsidiaries was:

1. Managing Director of JCG has resigned and been replaced by the former marketing director.

2. Managing Director of CDCI May Pen operation is also no longer with the operation, replaced by JCG production manager.

3. Farmer's Corporation has been formed in conjunction the Cane Grower's Association and Banana Grower's Association. Ivan Tomlinson, Chairman of CGA is the chair of the Farmer's cooperative, and Frank Weir is key to the operation of this budding financial and service unit.

4. Two additional field agents have been hired.

5. A 150 acre farm unit near Bog Walk has been acquired and planted.

6. The annual meeting in December went well and extra cress has been

established to support expanded nursery and other field operations. dividend was announced as recommended.

7. Grapefruit juicing operation doing well, consideration being given to a Dominica operation. (this was not confirmed by CGA)
8. Dairy business thought still marginal or worse.
9. United Estates juicing plant on stream, but supply of fruit not thought to be a CGA problem.

JAMAICA FOOD PRODUCTS ASSOCIATION PLAN

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I. SUMMARY

Three Jamaican food processing companies and the JAMPRO agribusiness unit agreed on 7/1/93 to create the Jamaican Food Products Association (JFPA) that would assist its members in the development of their businesses. The three founding companies and JAMPRO agreed to develop a three year plan and to proceed as quickly as possible to implement the first year.

JFPA will begin International Marketing under it's own label in the first year, also hiring a Director and secretary. Technical Assistance in product formulation and process development will be added in the second year, along with some business services in purchasing, business planning, quality assurance, etc. The third year will see long term contracting with growers of specific crops needed to guarantee the JFPA's ability to supply it's markets.

The initial Board of Directors of JFPA will consist of seven members. Three members from the food processing member companies, one from JAMPRO, one from the Bureau of Standards(BOS), one from the Rural Agricultural Development Authority (RADA) and one from the XXXXX financial institution. All board members serve for one year, those from the private sector are elected from among members, and those from the public sector are appointed annually. There are monthly board meetings and board members must attend nine meetings per year to remain in good standing.

The JFPA will be open to application for membership from all small to medium sized food processing companies in Jamaica. The Board will consider these applications and approve or disapprove on a simple majority vote. The basic aim is to increase membership to six companies in year two and ten in year three.

The JFPA is intended to become self-financing by year three, with revenue coming from member joining fees, member annual fees, fees for technical services used, and commission upon sales. For the first two years JFPA anticipates needing support from Jamaican and other funding entities, both in cash and in kind.

2. ASSOCIATION OVERVIEW

2.1 Founding Companies

As a result of a JAMPRO initiative in January 1992 five small food processing companies began discussing forming an association to assist them in seeking canned exports and solving can coding and other technical problems. Three of these companies decided to become founding members of JFPA. The companies and their representatives are: Canco LTD. of Seaforth, St. Thomas Managing Director Norman MacDonald; Caribbean Exotic Food Processing Co. LTD. of Mandeville, Managing Director Ira Ashman; and Plantation Pride LTD. of Palmer's Cross, May Pen, Managing Director Basil Bernard. All three companies are primarily seasonal Ackee canners which leaves them with annual capacity utilization, work-force stabilization and irregular cash flow problems.

2.2 Public Members

JAMPRO, through its Agri-business unit, has the responsibility to promote the earning of foreign currency through the encouragement of exports. JAMPRO recognizes that there are many small and medium food processors that are below the critical size needed to be able to support some of the necessary capabilities to gain and sustain activity in the International marketplace. Their Board representative will be appointed annually by the President of JAMPRO, currently Ms. Polly Brown.

The Bureau of Standards (BOS) is the control and advisory body for Jamaican products in both the national and International marketplaces. They are able to provide guidance in meeting International quality and uniformity levels. They also must approve the facilities and products of Jamaican food processors and are therefore in an ideal position to assist the JFPA in ensuring that present members meet specifications. Also they can appraise the suitability of new applicants from a process and quality assurance perspective. The board member will be appointed annually by the President of the Bureau of Standards, currently M XXXXXXX.

The Rural Agricultural Development Authority (RADA) oversees the development and maintenance of Jamaican agriculture which is the primary supplier to the food processing industry. A frequently noted problem for Jamaican food processors is the availability and pricing of suitable

crops for processing. It is anticipated that the JFPA activities will need to be supported by increased orchard planting of particular crops, and long-term contracting between growers and JFPA will be needed. It is anticipated that the RADA board member will be able to liaise between JFPA and various activities aimed at the stimulation of Jamaican agriculture. The board member will be appointed by the President of RADA, currently M XXXXXXX.

2.3 Other Board Members

The Director of JFPA is a non-voting secretary to the Board, and is responsible for the agenda, minutes, scheduling meetings, and communicating decisions of the board to the general membership and the executive branch.

The Board member from the XXXXX financial institution advises JFPA on their financial plans and general financial condition, and acts as liaison between JFPA and their bank. This member is also expected to consider the financial stability of all new applicants, and of existing members should the need arise.

2.4 JFPA Charter

The JFPA is a not-for-profit organization that exists to develop its members through the provision of central services not commonly available to small and medium sized companies. The services originally intended fall into four categories: International Marketing; Product Development; Technical Assistance; and Business Services. This list may be revised at any time with the approval of the board of directors.

2.5 JFPA Formation

The JFPA is preparing Articles of Association and intends to be incorporated as a Not-For-Profit institution by April 1st 1993. JFPA's fiscal year runs from April 1st through March 31st of the following year. (see Appendix A for draft of Artcles).

2.6 Members Responsibilities

Members must agree to abide by the articles of association and other policy decisions made on their behalf by the BOD.

Members must maintain manufacturing and administrative controls capable of consistently meeting product standards regarding both uniformity and quality, and order delivery.

Members must be financially stable.

Members must abide by the Jamaican Better Business Bureau (?) ethical standards and not be subject to legal inquiry of any description.

Members must be current in paying their annual, initial and other service fees owed to JFPA.

New members must fill out and submit an application to join the JFPA, and put the initial fee in an escrow account. All applications for membership will be decided at the next meeting of the BOD.

Should any member fail in its responsibilities to JFPA the BOD have the right to revoke their membership on a simple majority vote.

2.7 Initial Administration

Kathleen Goldson of JAMPRO has the primary responsibility for this plan preparation with the full support of the members of the marketing, manufacturing and administration teams established on 7/1/93. The members of these teams are listed in the relevant parts of section three. The timetable agreed for plan production, dissemination and review is:

Skeleton and initial draft plan due from Robert Hopley to members by 12/1/93.

Marketing committee initial information distributed by 19/1/93. (which products)

All three committees develop work plans to meet the deadline of plan completion by 26/2/93. These work plans to be prepared by 22/1/93 and provided to Kathleen Goldson.

Second committee meetings to review progress to be held by 5/2/93.

Drafts of plans to be distributed from each committee to the others by 19/2/93.

Full meeting of all members on 26/2/93 to finalize plan to be available for presentation to CANEXPORT, UNIDO, and other potential funding agencies, as well as to a commercial bank.

3. FIRST YEAR OBJECTIVES

3.1 International Marketing

For a full description of the Marketing plan, refer to section 4. JFPA will begin an international marketing program in year one with the following features:

3.1.1 Mango.

Marketing 15,000 24 x 19 oz cases of Mango slices and 18,000 24 x 19 oz cases of Mango nectar in cooperation with with the CANEXPORT program currently funded by the Canadian Industrial Development Agency (CIDA). Marketing similar products in the U.S.A. with the assistance of the CARICOM program.

3.1.2 Brand

Identifying and developing a Jamaican brand to develop individual labels under.

3.1.3 Other Products

Identifying up to four other products available from the founding companies to be marketed under a Jamaican label also. Current targets to be investigated first are:

guava jelly and orange marmalade from Plantation Pride formulation;

tropical fruit salad from Caribbean Exotic formulation;

banana jam from Canco formulation

3.1.4 Market Research

Market research for Europe in conjunction with JAMPRO and the Target Europe programme. Also product research in North America to identify year two and three products and future demand for year one products.

3.1.5 Distribution

Create consolidation, documentation and shipping capabilities from Jamaica to necessary markets.

3.1.6 Product Formulation

Cooperate with the CANEXPORT programme to formulate suitable products for Canadian market, and, if possible, the U.S.A. market also.

3.1.7 Market team

The following persons have agreed to serve on the marketing

committee for plan preparation and first year implementation:

Team coordinator: Lesiane Royner JAMPRO marketing
 Ira Ashman Caribbean Exotic
 Dudley Chase CANEXPORT
 Marie Cassidy JAMPRO Design

3.2 Manufacturing

3.2.1. Product Formulation

The manufacturing team must immediately establish exact formulations for the Mango slices and Mango nectar products so that there will be uniformity of product no matter which member of JFPA is the producer. They will then proceed to do the same for the other products identified by the marketing group as first year items.

3.2.2. Process Capability

The first year products are based upon a principle of no new production equipment being necessary, however it may be necessary to recommission and debug processes and members are expected to support each other as needed to enable plans to be met.

3.2.3. Product Assurance

The manufacturing team will work with the BOS to ensure that members are capable of meeting product specifications, and do so. A set of quality guidelines to meet the JFPA supplier standards will be published. (ed: like Grace ?)

3.2.4. Capital Improvements

The JFPA manufacturing team will create a list of capital improvements and equipment investments that could be made by members in year two and three that would improve the breadth and quality of JFPA's product offerings. The goals for JFPA suppliers must be to meet recognized international standards in quality (ISO 9000), packaging and service.

3.2.5 Procurement

It is not anticipated that JFPA will begin centralised procurement in year one. Members are expected to confer with each other around the buying of cans, jars and fruit to ensure that JFPA plans are met.

3.2.6. Order division

In the first year it is expected that orders will be split evenly between the members with the theoretical capability to supply the product. This is both a right and a responsibility of the members. In the event that any member does not wish to produce their part of the order they still have the responsibility to supply. First they must offer the extra production to other members of JFPA, but if there are no takers then they must sub-contract to ensure JFPA is able to meet the order. In other words members cannot walk away from an order and remain in good standing. The manufacturing team is expected to develop fuller guidelines for the JFPA contracting process.

3.2.7. Manufacturing Team

The following persons have agreed to serve on the manufacturing committee for plan preparation and first year implementation:

Team coordinator: Kathleen Goldson, JAMPRO
 Basil Bernard, Plantation Pride
 Mrs. Williams, Production Manager, Canco
 Beverley Miller, BOS

3.3 Administration

Administration includes responsibility for the articles of association, human resources, facilities and equipment and financial planning.

3.3.1. Articles of Association

A brief draft of the articles of association is attached as Appendix A. (ed. It is strongly recommended that these be revised and given to a lawyer as soon as possible as I have no knowledge of Jamaican law).

3.3.2. Human Resources

In year one it will be essential to hire a Director for JFPA, and a supporting secretary. Valerie Veira, Senior Director of the Productivity unit at JAMPRO also thought it may be possible to find a resident consultant for three months and facilities should be planned. The Director would be hired when the first orders received exceed J\$3M revenue. Marketing in Canada will be requested from the CANEXPORT programme.

3.3.3. Facilities and equipment

The three year plan envisions up to 6 people being hired by JFPA, so an estimated 800 sq. ft. of office space could be needed. This should be located in a modern office building to project the needed marketing image to prospective customers. A versatile computer system should be immediately installed, along with telephone, facsimile and copying equipment.

3.3.4. Finances

A financial projection for the first three years of JFPA has been prepared and is attached as Appendix B. The administration committee should check the assumptions upon which it is based and revise as needed. The administration section 6 has most of those assumptions.

3.3.5. Administration Team

The following persons have agreed to serve on the administration committee for plan preparation and first year implementation:

Team coordinator: Lennox Picart
 Norman MacDonald
 Claudia Wynter
 Valerie Veira

4. MARKETING PLAN

This plan is organized into five sub topics, products, markets, promotion, price and supply(distribution). It is intended to cover what is anticipated in the first three years of the JFPA. It will be amended over time as experience dictates. It has been prepared by the marketing sub-committee, whose members are listed in section 3.1.7. (ed. this is an outline of the topics that occurred to me, but should be considered by the sub-committee and modified freely in the light of your knowledge. Please use this as a document to assist you rather than a straightjacket you have to fit into).

4.1. Products

4.1.1 Brand Positioning

The Jamaican brand is intended to be positioned as a premium product differentiated by the use of tropical foods and formulations that are traditional or accentuate the characteristics of the raw materials. It is not intended to be the high volume commodity product that competes on the basis of low price. Labeling, promotion and pricing must all be done with this in mind. The manufacturing process has also to meet the quality and consistency standards required by this product strategy.

4.1.2 Initial Products

15000 cases (19oz x 24) canned Mango slices.

18000 cases (19oz x 24) canned Mango nectar.

possibly banana jam, guava jelly, tropical fruit salad, orange marmalade also. The exact formulations of the products chosen will be discussed with the Canadian food technologist planned to visit Jamaica in the first quarter 1993 under the CANEXPORT programme.

The marketing sub-committee needs to develop a process to approve a product forecast to be established to guide JFPA and member activities. A partial forecast based upon the goal of becoming self-sustaining during year 3 follows:

	Year 1	Year 2	Year 3
Sales Revenue	J\$11M	J\$25M	J\$50M
Products Vol			
Mango slices	15,000	20,000	25,000

Mango Nectar	18,000	30,000	40,000
Guava jelly	5,000	10,000	15,000
Trop Fruit Sal	3,000	6,000	10,000
Orange Marmal	5,000	10,000	15,000
Banana jam	1,000	8,000	15,000
Prods 7-12	0	1 to 5K	5 to 10K
Prods 13-20	0	0	1 to 5K

Clearly the task is to introduce enough products to reach the break even point and establish an active Jamaican brand image. The cost of developing a new label for each product/market combination has to be weighed against the cost of promoting existing brands to reach the same revenue goal.

4.1.3 Product Research

The CANEXPORT contacts in Canada will seek additional opportunities that the Canadian distributors identify. These will be considered first for product formulation by the food technologist hired by JFPA in the second year. The intention is to try to establish 6 products in year one and expand the brand line to 12 in year two and 20 in year three.

The U.S.A. market is the second one to be entered in year one, and product research information would also be sought there by attending the Fine foods trade show.

4.1.4 Members Products

JFPA member companies may submit a product formulation to the marketing sub-committee at any time with a request that it be accepted for JFPA labeling and marketing. The formulation will be tested by the food technologist, and issues such as pricing, projected markets and volumes all need to be discussed and agreed between the member and JFPA before the product is formally added to the JFPA catalogue.

It is then available to other members of JFPA who demonstrate they are able to produce it also.

4.1.5 Other Market Tasks

The marketing sub committee will work with the Director to identify other topics to be researched for the year two and three plans. Such items as European market approaches, forecasted volumes, market

priorities, trade shows to be visited, design of promotional material, etc.

4.2 Markets

4.2.1. Canada

The first market to be tackled is Canada where there exists significant support under the CANEXPORT programme. Dudley Chase is the CANEXPORT programme coordinator in Jamaica, and Claudia Wynter the JAMPRO counterpart. The following assistance is being requested:

direct sales and market research support in Canada through CANEXPORT - CIDA, JAMPRO's office and two distributor companies;

food technologist support during first quarter and possibly beyond;

marketing sub-committee support from Dudley Chase;

financial assistance for JFPA representative(s) to attend October Grocery show in Toronto;

4.2.2. U.S.A.

Products suitable for the Canadian market may also sell in the U.S.A. in the first year also. The fine foods show may be attended by a JFPA representative(s) with CARICOM support.

4.2.3. Europe

The traditional Jamaican way to enter Europe has been through the UK. It has to be explored whether the UK option really is potentially European-wide. There is a Target Europe programme to be understood and participated in, and also a Dutch initiative around finding products for Europe. This is expected to be a major JFPA initiative in year two and needs to be planned in detail by the marketing sub-committee and the Director.

4.2.4. Middle East

The market in the United Emirates in the Middle East may be significant for tropical fruit juices. This should be explored on an opportunistic basis or the whole Middle East examined more thoroughly in year two.

4.2.5. Eastern Europe

The joining of the East and West German markets resulted in a 32% first year increase in total German citrus imports in 1991. The Eastern European economies of Russia, Latvia, Lithuania, Estonia, Poland, The

Czech republic, Hungary, Belarussia, and Kazakhstan are critically short of tropical fruit products. As their economies improve they will represent significant opportunities, and various European retail and wholesale distributors are waiting for the right time to move in. This should be researched for the third year.

4.3. Pricing

The marketing sub-committee sets the target pricing for products that are approved for marketing under the JFPA label, with input from the Director, sales representatives and member companies. The basic promotional literature should include a price list insertion. (catalogue? and what else?). When fully operational the Director will discuss with the head of the marketing sub-committee and the supplying member companies before any discounting is done from the pricing. The questions I have is whether to publish prices above the target in the literature to allow some local discounting initiative, or is this undesirable in a premium product? (ed. this section needs lots of rewriting after you really decide how prices are to be initially set, routinely revised, and day-to-day managed.

4.4. Distribution

4.4.1 Make to stock

JFPA classifies items as either make to stock or make to order depending upon such factors as anticipated demand, seasonality of fruit supply and seasonality of markets. Make to stock items are held, unlabeled at the members factories until shipment time arrives. It is suggested that the mango products be made to stock for the first year.

4.4.2 Make to order items

JFPA should decide the acceptable lead-time for any items that are made to order, and members who are approved for that product must guarantee production in that lead time. The Director needs to maintain a list of all products their order type and qualified member companies.

4.4.3 Jamaica Brand and Labels

All Jamaica brand labels must conform to the best practice in the market they are being sold in.

5. MANUFACTURING PLAN

The manufacturing plan is considered under five sub-headings. They are material, labor, capital, quality, and new products. This plan has been prepared by the manufacturing sub-committee named in section 4.2.7.

(ed. this is an outline of the topics that occurred to me, but should be considered by the sub-committee and modified freely in the light of your knowledge. Please use this as a document to assist you rather than a straightjacket you have to fit into).

As a general preamble it is noted that the basic business of manufacturing is to increase product availability, lower costs and improve quality over time, continuous efforts are required to off-set general trends towards higher material, labor and other costs and the wearing out of equipment. Growth manufacturing businesses are always based on improvements in at least one

5.1. Material

5.1.1. Raw materials

Raw materials should be purchased in such a way that members are not competing against each other for the same supply. Normally all materials must be in agreement with the product specification, and all substitutes must be agreed with the JFPA food technologist before processing. Before the hiring of the JFPA food technologist the manufacturing sub-committee must agree.

First year production is to be based upon raw material that the members believe they are able to buy in the current market. For the second and third years, based on the marketing committee's forecast, the manufacturing committee should review what they think will be available and identify crops that may need to be supplemented by long-term contracts with farmers or growers. These are to be reviewed with JAMPRO and possible advantages sought under the USAID seven-year investment programme currently in force.

Seasonal crops must be purchased and processed in the first year as available in the season. The JFPA may establish cold storage from the second year onwards, either alone or in conjunction with any member. This issue needs careful consideration by the manufacturing committee.

5.1.2. Packaging

First year production should be in 19 oz cans and the possibility of sourcing outside of Jamaica has to be examined. A decision about a jar for any jams or marmalades has to be made by the manufacturing committee as soon as the forecast is received. This information will be needed before label design.

For second and third year products it may be determined by the JFPA that growth depends upon some alternative or new form of packaging. The manufacturing committee needs to investigate this prior to JFPA hiring a process specialist. This is currently planned for the third year.

If additional equipment is needed by JFPA members to meet second or third year quantities, processes or packaging, then it should be investigated whether such equipment can be procured by JFPA without the payment of GCT and subsequent assignment to the selected supplier member.

5.1.3 Finished Goods

In the first year finished goods for all make to stock items will be held, unlabeled, at the members plant until needed for shipment consolidation. After JFPA becomes confident of the demand in any particular market, the finished goods supply may be moved closer to the market. This step needs to be carefully considered as it makes JFPA an inventory holder and requires investment by them.

5.2 Labour

5.2.1. Technical

Until such time as the JFPA has hired a food technologist and/or a process specialist the marketing committee needs to organize needed support between members to meet JFPA requirements. The final hiring of such JFPA employees depends upon the variety of products and markets tackled. Unless there is sufficient work for full-time employees, this work could be done on a consultant basis.

5.2.2. Skilled

A major goal of JFPA is to support each member in developing a stable year-round base for their full-time skilled employees. It is anticipated that the need for temporary employees to process seasonal crops will remain, but JFPA product mix should try to address this point also.

5.3 Capital

5.3.1. Buildings

Caribbean Exotic has just installed a reworked canning line in their factory in Mandeville. Canco is implementing a 25% expansion currently in their factory in Seaforth. Sapce is available also in the Plantation Pride factory in May Pen. The building issue to be considered relates to cold storage.

5.3.2. Equipment

There is no equipment needed to produce the first year planned products. After that time, products may be introduced requiring additional investment in equipment by members. JFPA may assist members in the purchase and installation, debug of such equipment if needed. This would be approved by the BOD after such a recommendation from the technical staff. Such assistance would be on a cost recovery fee for services basis.

5.4. Quality

5.4.1. Product Specifications

For each product on the JFPA marketing list the manufacturing committee must ensure that a standard product formulation and specification exists. Each member who wishes to supply the product must submit samples to the Bureau of Standards to demonstrate they are able to meet the specification.

5.4.2. Quality Standards

Each JFPA member must develop and implement a quality assurance plan that meets the BOS requirements for self-certification. This would cover internal and external sanitation plans, product testing procedures and product tracking capabilities, etc. The founding members will share their present expertise as necessary.

Product quality must be tested and certified before shipment. This includes labeling and packaging standards also.

5.4.3. Other Performance Measures

For members to remain in good standing they must also deliver product to schedule consistently. In the event that insurmountable problems affecting delivery are encountered they must be communicated

clearly to JFPA and alternative ways that JFPA may be able to deliver must be supported. Members must maintain communication with JFPA at all times, and attend 75% of scheduled committee and board meetings.

5.5 New Products

5.5.1. JFPA initiated

When JFPA identifies a new product possibility for a market they should establish a general description of product and packaging and distribute to all members. If any member submits a detailed product specification, that is to be evaluated first. On approval the specification may be requested by any other member who wishes to supply the product.

5.5.2 Member initiated

When a member submits a proposal for a product to JFPA then the formulation will be evaluated and then the market demand researched. A second member may only seek to become approved for supplying the product after the original member can no longer support forecasted volumes.

6. ADMINISTRATION PLAN

This administration plan covers JFPA human resources, facilities, finances, and liaison responsibilities with Jamaican and international public bodies. This plan has been prepared by the committee named in section 3.3.5. It should be read in conjunction with the overview in section 2. (ed. this is an outline of the topics that occured to me, but should be considered by the sub-committee and modified freely in the light of your knowledge. Please use this as a document to assist you rather than a straightjacket you have to fit into).

6.1 Human Resources

JFPA must be initially supported on a volunteer basis by the members of the committees. JAMPRO and the founding companies have additional resources that they are able to call upon, and the CANEXPORT programme. RADA and BOS are also expected to assist. This must suffice for the preparation of the plan, design and production of the original labels, and formulation of the first year products.

However everyone concerned recognizes that the success of the JFPA depends upon hiring a Director as soon as possible. The Directors responsibilities will be to run the day-to-day activities of the JFPA and include objectives in marketing, technical assistance, raising financial support, hiring and supervision of other personnel, acting as secretary to the Board, and general administration. The Director will be hired as soon as JFPA orders received exceed J\$2M. or a hiring grant is received from any public agency, whichever should occur first. Total annual salary package is to be budgeted at J\$400K.

First year hiring will also include a secretary, salary package J\$100K. Second year hiring begins with a food technologist (J\$300K), and also includes a sales person (J\$350). Third year hiring brings on a process specialist (J\$300K).

6.2 Facilities

JFPA will need a 1,000 sq. ft. office fitted out for five staff and including a conference room that is a fitting head-quarters for a premium brand organization. Furniture, fittings, telephones, a copy machine, fax, and a suitable small office computer system to allow for all employees to do word processing, document preparation, accounts

receivable, sales order processing, accounts payable and payroll, etc. (Possible on 486 machine with Windows, Word Perfect, Lotus 1-2-3 and Quicken software packages). Until such space is needed and located it may be possible to borrow office space from (downsized) JAMPRO?

6.3 Finances

JFPA revenue will come from the following five sources:

Member initiation fee	J\$50,000
Member annual fee	J\$20,000
Fees for services	rates established for food technologist and process spec
Sales Commission	8% declining to 5%
Grants	These may be both outright and in kind

The goal of JFPA is to become self-financing in the third year of operation at a sales level of J\$50M.

6.3.1. Member Initiation Fee

The J\$50,000 member initiation fee is to accompany a new members application and would be placed in escrow until the Board votes on acceptance or rejection. On acceptance the money is moved into the general JFPA account. The fee is designed to ensure that the small to medium companies that apply to join are serious in intent and will support the goals of the JFPA. Initially it will allow work to proceed on establishing JFPA documentation and labels for the Mango products. The Board members must decide whether any portion of this fee can be supplied in kind by such things as the provision of office space, management services, etc.

6.3.2. Member Annual Fee

This J\$20,000 annual fee again evidences the continued good faith and seriousness of the JFPA members and the performance of the JFPA. If a company either has not participated significantly in any year then they would likely drop out, or if the failure was on the part of the JFPA to service this member, the issue would be highlighted by this mechanism.

6.3.3. Fees for Services

In the event that a member requests to become certified on any JFPA

product and needs technical assistance to do so, they would be charged on a cost-recovery fee basis to cover the time required of the food technologist or process specialist.

This applies also if any member should develop problems in meeting specification or delivery on JFPA orders.

6.3.4. Commission

There are two rates established for commission, 8% on the first J\$5M sold by JFPA on behalf of any one member and 6% thereafter. This recognizes the extra time and effort required by JFPA to bring on each new company, and is designed to make the JFPA self-financing at the J\$50M annual sales rate.

6.3.5. Grants and other aid

JFPA will seek grants and funding from national and international sources that have interests in supporting small company cooperatives, agricultural development, Caribbean economic development, increased international trade, or any other sources. Initially assistance from CANEXPORT, JAMPRO, USAID, TARGET EUROPE, and a Dutch trade programme have all been considered.

6.4. Liaison

JFPA must first maintain consistent contact with its members and a monthly board meeting is to be held. As the membership grows the edited minutes of the board meeting should be distributed in a brief newsletter. Such a newsletter should give publicity to such things as:

- educational and work-force training available
- reports on trade shows attended
- product trends
- packaging trends
- industry news, etc

JFPA has the responsibility to understand which of the many public initiatives have relevance to the membership and arrange for representation. The Director will not be able to do all of this, and the board must consider how this is to be covered. It is expected that each member will have some JFPA liaison responsibility.

7. SECOND AND THIRD YEAR OBJECTIVES

Most, if not all, of these objectives have been covered in previous sections, but they are gathered here for convenience.

7.1. Marketing second year

Sell J\$25M. from a total of up to 12 products from up to six companies.

Grow the Canadian and U.S.A. sales programmes.

Initiate a European marketing programme.

Research the Middle East, Caribbean and Eastern European markets.

Do product research as needed to identify the specific products desired in the year three sales forecast.

7.2. Marketing third year

Sell J\$50M. from a total of 20 products from up to ten companies.

Grow the Canadian, U.S.A. and European markets.

Initiate a Middle East and Eastern European market programme.

Research selected Asian and South American markets.

Develop year four forecast for revenue, products and companies.

Do sufficient product research to support the year four forecast.

7.3. Manufacturing second year

Ensure new members conform to JFPA quality guidelines for product uniformity and quality, and process standards (eg sanitation plans)

Have programmes at all existing members to reach ISO 9000 certification.

Plan raw material supplies for future several years to identify those needing long-term contracts.

Investigate common cold storage facility.

Investigate common JFPA purchasing of raw material, packaging, insurance, employee medical benefits, etc.

7.4. Manufacturing third year

All members must achieve ISO 9000 certification.

Introduction of a prestige line of high technology packaging in some area.

Qualify four new members.

Introduce "best practice" processing in some product to preserve freshness and flavor in super-premium product.

7.5. Administration second year

Occupy new office space.

Introduce office computer system.

Publish monthly newsletter.

Standardize preparation and dissemination of annual three year plan, including products, human resources, sales revenues, other revenues and promotion plans.

Systematize the representation of JFPA on appropriate public entities.

Develop JFPA public relations plan.

7.6. Administration third year

Consider non-Jamaican office and staff, possibly in largest market or that with greatest growth potential.

Consider non food products participation.

Take developmental loans based on revenue projections to potentially fund needed joint member facilities. (eg Cold storage, or trucks)

Consider local marketing.

APPENDIX AARTICLES OF ASSOCIATIONArticle 1. Jamaica Food Processors Association Charter

The JFPA is a not-for-profit organization that exists to develop its members through the provision of central services not commonly available to small and medium sized companies. The services originally intended are international marketing, product development, technical assistance, and business services. This list may be revised at any time with the approval of the board of directors.

Article 2. Members

The three founding company members and their representatives are: Canco LTD. of Seaforth, St. Thomas Managing Director Norman MacDonald; Caribbean Exotic Food Processing Co. LTD. of Mandeville, Managing Director Ira Ashman; and Plantation Pride LTD. of Palmer's Cross, May Pen, Managing Director Basil Bernard. Article 3. New members

Membership is open to all small and medium sized Jamaican food processing companies, who have between 10 and 200 permanent employees and/or sales between J\$5M and J\$100M. Companies wishing to join must apply for membership and will be voted upon by the Board at the monthly meeting after application is received. Applicants must agree to abide by the articles of association and other policy decisions made on their behalf by the BOD. Applicants must maintain manufacturing and administrative controls capable of consistently meeting product standards regarding both uniformity and quality, and order delivery. Applicants must be financially stable. Applicants must abide by the Jamaican Better Business Bureau (?) ethical standards and not be subject to legal inquiry of any description.

Article 4. JFPA Board of Directors

The initial Board of Directors of JFPA will consist of seven members. Three members from the food processing member companies, one from JAMPRO, one from the Bureau of Standards(BOS), one from the Rural Agricultural Development Authority (RADA) and one from the XXXXX financial institution. All board members serve for one year, those from the private sector are elected from among members, and those from the public sector are appointed annually. There are monthly board meetings

and board members must attend nine meetings per year to remain in good standing.

JAMPRO, through its Agri-business unit, has the responsibility to promote the earning of foreign currency through the encouragement of exports. Their Board representative will be appointed annually by the President of JAMPRO.

The Bureau of Standards (BOS) is the control and advisory body for Jamaican products in both the national and international marketplaces. They are able to provide guidance in meeting international quality and uniformity levels. They also must approve the facilities and products of Jamaican food processors and are therefore in an ideal position to assist the JFPA in ensuring that present members meet specifications. Also they can appraise the suitability of new applicants from a process and quality assurance perspective. The board member will be appointed annually by the President of the Bureau of Standards.

The Rural Agricultural Development Authority (RADA) oversees the development and maintenance of Jamaican agriculture which is the primary supplier to the food processing industry. A frequently noted problem for Jamaican food processors is the availability and pricing of suitable crops for processing. It is anticipated that the JFPA activities will need to be supported by increased orchard planting of particular crops, and long-term contracting between growers and JFPA will be needed. It is anticipated that the RADA board member will be able to liaise between JFPA and various activities aimed at the stimulation of Jamaican agriculture. The board member will be appointed by the President of RADA.

The Board member from the XXXXX financial institution advises JFPA on their financial plans and general financial condition, and acts as liaison between JFPA and their bank. This member is also expected to consider the financial stability of all new applicants, and of existing members should the need arise.

The Director of JFPA is a non-voting secretary to the Board, and is responsible for the agenda, minutes, scheduling meetings, and communicating decisions of the board to the general membership and the executive branch.

Article 5. JFPA Formation

The JFPA was first incorporated as a Not-for-Profit institution on April 1st 1993. JFPA's fiscal year runs from April 1st through March 31st of the following year.

Article 6. Members Responsibilities

Members must be current in paying their annual, initial and other service fees owed to JFPA. Members must be available for extraordinary meetings where changes in the fee and commission structure are discussed and approved.

Members are responsible for supporting the JFPA in it's aims, including solvency.

Should any member fail to abide by the commitments made in its application to join the JFPA the BOD have the right to revoke their membership on a simple majority vote.

Article 7. JFPA Revenue

The JFPA is intended to be a self-financing not-for-profit organization that gains it's revenue from member initial joining fees, annual membership fees, fees for services provided to members, and commission on sales for members. Grant monies will also be sought. In the event that revenues do not cover expenses, the board must decide on a plan to correct this by changing the fee structure and putting the plan to a vote of all members. This solution must be supported by all company members.

APPENDIX BFINANCIAL PLAN ALL NUMBERS IN J\$000

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>
<u>SALES</u>	11,000	25,000	50,000

(Only prices suggested have been J\$350 case for mango slices and J\$325 case for nectar. The product potential list from the marketing forecast needs to be the true basis - the figures here are ball-park to establish some level of credibility only)

SALARIES	500	1100	1500
OVERHEAD (120%)	600	1320	1800
TOTAL EXPENSES	1100	2420	3300

JFPA INCOME

NEW MEMBER FEES	150	150	200
ANNUAL FEES	60	120	200
FEES FOR SERVICES	0	150	300
COMMISSIONS	880	1700	3500
TOTAL INCOME	1090	2120	4200
PROFIT (LOSS)	(10)	(300)	900

NOTES:

The 120% overhead rate was chosen as it seemed to approximate what expenses might be for the following items:

- employee benefits: car in J\$400 directors package
- payroll taxes
- office rental: 1000 sq ft @ J\$150 per sq ft annually
- trade show attendance: 4 per year, two supported by grants
- travel: 4 international trips of 10 day average
- daily allowance: 40 days @ US\$200 day
- telephone: J\$12,000 year
- promotional materials:
- office equipment:

- interest charges:
- computer equipment: GCT revoked?
- customs and shipping fees are not included in this budget, but this needs to be discussed, if JFPA sells as a not-for-profit do they take ownership of the goods, or only act as broker?
- office supplies:
- meeting expenses:
- entertainmaent expenses:
- legal fees
- business consultancy fees
- accounting fees
- vehicle expenses

The revenue was based primarily upon the growth of the mango business, but needs to be fully developed from the marketing forecast. The 8% rate was computed on the first year, on J\$10M in the scond year, and J\$25M in the third year, with the balance being at 6%. These rates are not final, of course, but need to be set by the administration committee.

Annex Three - CGA letter
 Ivan Tomlinson
 Chairman,
 Citrus Growers Association
 JA North Avenue
 P.O. Box 159
 Kingston, Jamaica

Friday 15th Jan 1992

Dear Mr. Tomlinson.

It was a great pleasure to be back with the CGA this week and to see that many of the things discussed in our strategic planning meetings have been acted upon. I have been able to talk to several board members and managers of CGA, JCG and CDC and have developed a few observations that I would like to offer for the consideration of yourself and the board. As always these are to be placed in a context of appreciation for the basically successful course of CGA and are intended to provide a point of view that may assist with future actions.

1. The activities we considered under the general umbrella of Field Outreach seem to have gone well. Hiring Dr. Percy Miller and two UWI Trinidad graduates is a good move and the work on the Tristeza virus and blight is encouraging. The request for research money to Canada and the general direction of this research unit by Mr Bent are to be commended. The addition of field officers is also good, but it appears that communication with the branches and the involvement of more of the appropriate members in local affairs still needs attention.

2. The acquisition of farm lands to provide some guaranteed crops to Bog Walk is being actively pursued also. The 135 acres within 5 miles of Bog Walk and the St. Mary's negotiations are in line with that policy as is the application for USAID assistance in a passion fruit orchard. I recommend continuing to move towards larger core farming operations.

3. The annual general meeting appears to have been very successful, with a good final price for fruit having been paid. The J\$1 per box cess for research was an excellent decision. Also the 15 cent dividend paid on shares should make the buying of such shares by the members a more attractive proposition over time. A plan to renew the offer of stock to members is probably under consideration, and should be carefully timed. Perhaps equity investment from a public offering is not too far away?

4. The approval given to the formation of a purchasing cooperative and its rapid formation with the Cane and Banana Associations is another great move. You need to start the mixing plant and marketing as soon as possible as you pointed out.

5. The investment committee has had a great start and now moving to an investment company looks to be a very logical next step. As long as the philosophy remains to have the financial unit as a basic service of productive operations at the factory and farm levels, it will fit in well. I am not sure how the potential conflict between working capital overdrafts and the financial investments should be handled. What might work is that the hurdle rate for any projected financial investment profits has to be the current interest rate on overdrafts. Naturally, when interest rates are at 6% then it would be very hard to argue that

any financial investment has better potential than that.

6. The decision to build on at the North Ave HQ and expand higher level financial activities is also in line with recommendations. If the last seven year down-trend of the US \$ is now reversed, and we see a five or more year up-trend against European currencies, then CGA has to consider that much of it's products are being sold in Europe and how much of your costs are in US\$ and the related J\$. This may mean either hedging currencies or buying more supplies in Europe also, but this is an area for detailed work by financial specialists. I also endorse the idea of having a central marketing group at North Avenue.

7. Regarding the process that the committees started last year I recommend that they reconvene and set up any new directions needed for 1993/4 after assessing progress. As we agreed I will now be submitting the report from last year by the end of February, along with a brief description of the process steps, and observations connected with my visit this week. Kathleen Goldson of JAMPRO has volunteered to head up this effort. I further recommend that you invite Mike Wood of the Commonwealth Development Corp. to join the finance and administration committees.

8. I would point out here that the organization has lost two senior officers in general and factory operations this year and effectively another in moving Mr. Duval to his new role. Unless you strengthen the operational management once more, you will end up with the Executive Boards becoming too involved in the day-to-day minutiae of the operations and this will demotivate good employees who wish to demonstrate their own capabilities. I urge CGA most strongly to hire two critical new people for your operations. One is a senior manager for the milk business, and the second a senior replacement for Mr. Duval in Marketing.

9. Regarding operations the obvious comment concerns finished goods. It has been a severe problem in 1992 in at least three areas, non export grade orange juice, lime juice in barrels at May Pen, and grapefruit segments. One suggestion about how to prevent this is from reoccurring is an organizational and control mechanism. The best way to keep marketing group's eye on selling what is in inventory and what seasonal crops are coming through production is to transfer all finished goods into their account at standard cost and charge them the overdraft interest. The only profitable thing to be done with finished goods in a high interest rate environment is to sell them. For productive efficiency the factory goal should be maximum throughput of citrus and transferring all citrus operations from May Pen to Bog Walk should be seriously considered. (All, that is, except sectioning, which I address later.) Marketing should then be set the task of selling everything the factory can produce, and suggesting new markets and products to be entered.

10. The organisation has failed in the goal to turnaround the milk business, but it has to be observed that there is no one on the board or employed by CDC who has what it takes to run a milk business, and possibly a dairy business. I strongly recommend you hire a senior manager to be totally responsible for milk and let them do the job. There is a need to review the whole milk business from retail handling back to the farm, and an outside consultant may be best. I would not

transfer this unproven business to Bog Walk. Wait until you have it running well before further considering what to do with it. Newport West is inevitably involved in compromises between what is good for juices and for milk, and a total objective look at where quality problems arise is needed. Ultimately you can downsize CDC facility to 1 acre dairy and have decent development site, but the issue now is to show improvement in the milk business, and then you have some decent alternatives rather than facing the loss you would have in trying to sell it while it is failing.

I would isolate the milk business from the total May Pen costs and expenses and only charge to milk the direct production and management and support personnel who would be needed if no other activities were going on there. Don't burden milk with the whole plant, mothball all beyond what is strictly needed for milk.

11. Regarding the grapefruit segment business, the relationship between the producer CGA and brand owner and marketer Trout Hall is distrustful and a poor basis for the success of the business that you both depend upon. I suggest you appoint a board member to mend the relationship and be prepared to develop a total business plan with Trout Hall and the major outlets in the UK to plan the success of the total business. A seasonal crop needs an equitable inventory stocking plan that should be discussed frequently to keep total costs for Trout Hall, Trout Hall's customers and CDC at the lowest level possible. In total you are facing a difficult business environment with the weakening of the pound against the dollar, and you should be prepared to plan where is the least cost location to stock inventory in the pipeline and deal with each other to share profitability fairly. Top class financial support is needed for these negotiations. A long term business success will be difficult to achieve with the present level of conflict. If you are unable to repair this relationship then the alternative brand avenues should be explored, but it is becoming more and more expensive to establish separate brands nowadays. Until the future is clear, keep sectionizing in CDC right now. Obviously you have until June before a transfer decision is needed, but looking at the impressive installation at May Pen for sectionizing, and bearing in mind that you produce the best premium segment product there, I would be in no hurry to move or abandon it.

12. Finally, regarding lime juice and oil operations, I would be inclined to leave them where they are right now until the milk business decision is made and a site decision for May Pen is clearer. This is not a major decision either way, but ultimately lime belongs in Bog Walk with the rest of the fruit juice business. Selected equipment transfer and some equipment upgrading would probably pay off in other citrus oil extracting.

As I said a couple of pages back, I am very happy to have been back with CGA for a short period, and hope that next time it will be a little longer.

I wish both you, sir, and CGA every success in the following year.

Yours sincerely,

ANNEX 4 - MEETINGS ATTENDED BY ROBERT HOPLEY BETWEEN JAN 4 & 15 1993.

<u>DATE</u>	<u>TIME</u>	<u>ACTIVITY</u>
4/1/93	9:00am	JAMPRO briefing
4/1/93	1:00pm	CIDA-CANEXPORT briefing, Dudley Chase
4/1/93	2:00pm	UNIDO briefing
5/1/93	10:00am	PP factory visit, May Pen, Basil Bernard
5/1/93	2:00pm	CE factory visit, Mandeville, Ira Ashman
6/1/93	10:00am	Canco factory visit, Seaforth, Norman Macdonald and Mrs Williams
6/1/93	4:00pm	JAMPRO Canning proposal discussion
7/1/93	9:00am	Jamaica Food Processors Association (JFPA) foundation meeting
7/1/93	2:00pm	Update meeting for Marie Cassidy
11/1/93	10:00am	CGA meeting with Ivan Tomlinson, Frank Weir, Lennox Picart
11/1/93	2:00pm	JCG factory visit, Bog Walk, Desmond Duval
12/1/93	10:00am	CDCL factory visit, May Pen, Michael Powell
12/1/93	3:00pm	CGA discussion, Hotel Pegasus, Ken Newman
13/1/93	12:00am	CGA executive board meeting, Bog Walk
14/1/93	10:00am	CDC meeting, Mike Wood
15/1/93	8:30am	Solar Dryer's coop group meeting
15/1/93	3:00pm	JAMPRO/UNIDO debriefing

Annex 4 Cannery Association MeetingsAnnex 4.1 Dudley Chase Meeting

Time: 1:00pm 4/1/93

Attendance: Dudley Chase, Coordinator CIDA - CANEXPORT project, Kathleen Goldson, JAMPRO Agro-Business Specialist

Chase outlined the goals of the three year CANEXPORT project and gave a copy of the two page document attached. Goldson then introduced the possibility of the three JAMPRO project companies qualifying for the programme to become exporters under a new label developed and owned as the property of a marketing cooperative that could be joined by other companies in the future.

Chase thought this could be timely and additional information was shared from all was:

1. A food technologist was coming from Canada for four weeks in the second quarter and could possibly work with these companies
2. There is still money left from a \$10M US USAID grant to promote research and growing in Ackee, Passion Fruit, Guava, and Soursop and this might be a way of establishing long-term supply relationships under contracts between processors and growers.
3. Grocery show in October in Canada could be a target.
4. A lead on mango slices came from Canada after the end of the fruit acquisition period for 1992 and samples could have been supplied but no production. This lead could be followed up.

Concluded that Chase would come to Thursday meeting if companies were agreeable to considering a joint marketing initiative.

JAMAICA EXPORT PROMOTION

JAMAICAN

Project Objectives

- To develop a project which would enable Jamaican companies with export potential in the agricultural sector to establish trading opportunities in the Canadian market.
- This project will focus on expanding trade relations with Canada as well as to promote non-traditional agricultural products.

What is Offered by the Project to Jamaican Firms

- Identification of potential Canadian importers/distributors with the capacity to provide a sustainable trade relationship.
- Information packages evaluating the requirements of the Canadian market in terms of quality control, import regulations, duties and tariffs.
- Evaluation, assessment and introduction of the potential Canadian trading partners and assistance, as required, in the establishment of initial negotiations.
- Support network and assistance during Jamaican trade missions and market orientation trips to Canada.

Countries

- The selected export companies will be from Jamaica, whereas the potential partners must be from Canada.

Selected Firms

- There will be no limitations on the number of Jamaican companies selected but the project will identify approximately 12 - 15 companies. Other companies would then be introduced as earlier clients were fully functional.
- Any Jamaican company that has an interest in developing sustainable trade relations with Canadian counterparts may be possible for inclusion in the project.

- The companies would be divided into three categories, as follows:

Category I:	Largely export ready, facing minor problems in exporting to Canada.
Category II:	Could generate exports within 12 - 18 months, with appropriate assistance.
Category III:	Longer term potential but unlikely to develop significant exports within next 2 years.

Products

The project will focus on promoting non-traditional Jamaican exports with promising market potential such as fresh produce, processed foods and cut flowers.

Types of Opportunities

This project will promote ventures in the following areas:

- agricultural import/export trade development
- production development
- marketing & distribution in Canada
- venture capital investment

Funds

The consulting services are funded by the Canadian International Development Agency (CIDA) and contracted by the Government of Jamaica, requesting agricultural assistance to strengthen the trading relationship between the two countries.

JAMPRO Jamaica is providing support facilities from headquarters in Jamaica and offices in Canada.

Consultants

The project is managed by Deloitte & Touche Management Consultants, Guelph, Canada with specialists in several locations throughout Canada and Jamaica.

Annex four Cannery Association MeetingsAnnex 4.2 Plantation Pride Meeting

5/1/93 at 10:00am in May Pen factory

Met with Basil Bernard, Managing Director and Kathleen Goldson, JAMPRO. Toured facility first. outside area had 40 drying trays for ackee and six were in use, but ackee quality was clearly low. Bernard said in his experience this was the most erratic season he had ever encountered due to the unusual rain patterns of the 1992 season. Into retort and canning area where very old equipment was observed. No production in progress, two operational retorts with Foxboro controls and three cooling containers. Three vacuum lines and canners, all old. Capable of 10 and 19 oz cans and of making jams and jellies and marmalade. All done recently on contract packing basis. In food preparation area there were approximately 20 people preparing callaloo.

Told that main problem for Plantation was finance, particularly cash flow. Learned Florida mango devastated by recent hurricane so opportunity for Jamaica probably exists for several years.

Went on to discuss the idea of a joint cooperative marketing effort aimed at Canada. Suggested 5,000 cases of 24X19oz Mango slices and 6,000 cases of similar sized Mango nectar, with assistance of CANEXPORT programme. This was accepted and Bernard then suggested he could also provide Marmalade and Guava Jelly as first year products that require no machinery or unusual product formulation. Price per case estimated at J\$350 per slices case and J\$325 per nectar. Concept of second year involving new product formulation, possible cold storage of raw material, expansion to Europe, addition of new companies to association, technical services, contract raw material purchasing and USAID potential on four crops, ackee, soursop, passion fruit and guava. Bernard believes no process is available for safe soursop processing. Packaging problems will need solving because of level of problems with West Indies Glass and Metal Box both monopoly island suppliers.

Annex four Cannery Association meetingsAnnex 4.3 Caribbean Exotics Meeting Notes

Present: Ira Ashman, Managing Director, Kathleen Goldson, Bob Hopley, Gregg (son-in-law)

Time: 12:00 -3:30pm at Mandeville Factory and over lunch

Toured factory which was not operating because of lack of ackee. Confirmed that ackee product extremely erratic this year. Factory newly relaid out and fresh screens put up, looked clean and well, and retorts again Foxboro controlled but automated recently by local mechanics and electricians from Alcan.. This cut down on labor needs, which were stated to be a problem in this region. Management expected to be strengthened by Ashman's civil engineering son returning from Canada to the business. Would need equipment for jams and jellies. Has equipment for nectar production but not commissioned yet, would need support to get it running. Is going into confectionery and has successfully test marketed some products. Has supplied canned tropical fruit salad to Canada market. Has four items in it, mango, papaya, pineapple and orange. Sampled a six month old can where orange slices still not deteriorated in condition.

Also wants more factory utilization year round and smoother cash flow. Needs more technical assistance than Plantation.

Went on to outline the Mango/Canada plan. Ashman accepts the 5,000 slices/6000 nectar plan as long as he gets some assistance to get nectar equipment operational. Suggests 5,000 cases of tropical fruit salad possible also. Ashman raised issue of contract packaging for Canadians as alternative to Jamaica label. Could be interested in vegetables in second or third years. Sourcing packaging materials identified as problem again. Canadian sourcing could be explored. Interested in joint purchasing, as own contacts with raw material sources are fairly scant. Began a discussion of the association control board and Bureau of Standards membership thought to be a good idea. Discussion of different mango types underlined the need for uniformity and product standardisation.

Annex four Cannery Association MeetingsAnnex 4.4 Canco meeting notes

Attendance: Norman MacDonald, Managing Director, Kathleen Goldson, Bob Hopley in car to Seaforth, St. Thomas factory. Mrs. Williams.

Time: 8:45 pick up, 10:30 to 12:15 factory, 1:30 return.

Norman MacDonald has been the most enthusiastic private supporter of the association idea. Plant has efficiency problem because of level of core staff that MacDonald does not wish to lay off during the off-season for Ackee. He accepts the 5000/6000 Mango slices and nectar plan and Canadian target market. He is particularly concerned about Director as he believes nothing will be followed up without this person being on board. This requires a financial commitment from someone prior to sales and MacDonald's idea is to seek assistance from some grant giving agency. MacDonald's preferred solution would be to have Kathleen Goldson seconded for next two years.

Canco has a banana jam that has been test marketed and would be suitable for European tastes and could go under label at up to 30,000 cases annually.

Has an expansion plan to be done this year. Covers extra 1200 sq ft of floor space the replacement of a boiler, acquisition of a jam kettle and 2000 gallon back-up water tank. Cold room also in plan. Basically puts in jam line as well as canning line. Plant well cared for and food preparation area well screened and cooler than average. Does glaze papaya and mango products for bakers, also sun drying. Confirmed ackee problems. 5000 vs 12,600 cases 1991. Ackee being processed and 60 plus trays drying.

Mrs Williams could take charge of Mango Nectar formulation based on available varieties of mango. Has food technology background. Additional management available and general capability of work-force thought to be high. Has sanitation plan and quality person. Lab included in expansion. Leased facility being bought prior to expansion. In process of acquiring a local 25 acres for crop production depending on soil testing.

Confirms problems with island packaging alternatives. Needs to expand his own marketing capability but is enthusiastic still about international marketing in cooperation with others.

Annex four - Canning Association MeetingsAnnex 4.5 First JAMPRO update

Attendance: Valerie Veira. Lennox Picart. Aaron Parke. Lesiane Royer.
Kathleen Goldson. Bob Hopley

Time: 3:15 - 4:30 pm 6/1/93

Agenda:**1. REVIEW COOPERATIVE IDEA**

3 companies, 3 years. 3 functions
Initial Market Development Program
Mixed funding initially to self-funding

2. UPDATE ON MEETINGS TO DATE

CANEXPORT - CIDA
UNIDO
PLANTATION PRIDE
CARIBBEAN EXOTIC
CANCO

3. SUPPORT ROLE POSSIBILITIES

JAMPRO	BUREAU OF STANDARDS
UNIDO	CANEXPORT
USAID	TARGET EUROPE
DUTCH PROGRAM	OTHER?

4. GOALS OF THURSDAY MEETING

Plan outline
Roles and Responsibilities
Company commitments
JAMPRO commitments
Expansion Methodology

5. JAMPRO COMMITMENTS

Jamaican label support
Technical support
Administration support
Marketing support

Meeting began with explanation of the conceptual plan for the association, explored the present levels of private company commitments and their limits. The perceived range of support possibilities from government and quasi government organisations was discussed. The next steps for Thursday were outlined and then a more detailed discussion of the resources that JAMPRO has available for assistance to the planning and execution phases of the cooperative formation and operation.

Annex Four - CGA related meetingsAnnex 4.6 Tomlinson Meeting

10:00 am on 11/1/93

Attendees: Ivan Tomlinson, Chair CGA, Lennox Picart, JAMPRO, Frank Weir, CGA board

Meeting was to gain update on what had transpired since the strategic planning intervention conducted in Jan/Feb 1992. The Jan strategic planning meetings was under the JAMPRO/UNIDO project no DP/JAM/88/009/11-57 J13103. While the three day Feb visit was partly JAMPRO and partly CGA funded.

Tomlinson explained that many things were progressing very well since the planning meetings and that CGA had had a banner year in most respects.

The research expansion recommendation had been followed and Dr. Percy Miller, a soil scientist, had been hired under CV Bent's chairmanship, along with two graduates from the UWI agricultural school in Trinidad. Work was progressing on the elimination of the propagation of the citrus Tristeza virus, and a specialist from the Univ. of Florida had been to train the staff in analytical methodology.

Additional extension service staffing had also occurred in line with recommendations.

Another recommendation acted upon was the starting of a core farm, in that 135 acres situated about 5 miles from the Bog Walk factory was in process of being acquired and would be planted in citrus. Discussion continues on acquiring 4 to 500 acres in St. Mary's. The target of 5,000 acres remains the official objective.

Also as recommended a Farmer's Corporation had been set up to provide agricultural supplies to farmers. This had been done in conjunction with the Cane Grower's and Banana Associations, and the Coffee Grower's Association had applied to join also. This would cover potentially 98% of the fertilizer needs of Jamaica. A mixing plant was now being considered and I agreed to put Frank Weir into contact with Ameropa, a Swiss agricultural commodities trader with access to Russian supplies.

Mr. Frank Weir has not only been a leader in the cooperative, but

also in a JCG investment committee that invested J\$12M in Life of Jamaica and saw it increase to J\$17.5M in five months. The next step is to form a separate investment company as a part of OGA and use the profits to subsidize crop prices, support agricultural research, and ultimately supply farmer's loans.

The headquarters on North Avenue is to be expanded to a second storey to accommodate another of the recommendations, the expansion of high level financial capabilities.

The annual general meeting had gone much better and a 15 cent dividend was declared and good crop prices had been paid. The chief 1992 problem had been that too much fruit was taken early and the lack of ripeness resulted in a lower than average quality juice. This was not expected to happen in 1993 as the field extension group would be more involved in the setting of picking dates by district.

The 1993 market price is lower due to aggressive downward pricing pressure from Brasil. The plan is to produce higher quality by later picking and move above the lowest quality fray again.

As partially anticipated the CDC operation is still unsatisfactory and the board last week took a decision to close down to the greatest extent possible. The overdraft associated with May Pen had continued to grow and it was decided to stop producing grapefruit segments for the Trout Hall label and move the excess stock to Bog Walk to be sold. The owner of the Trout Hall label for Grapefruit segments and canned orange juice was close to the factory, as a former owner, and "played a game of placing late orders and pushing down prices". Instead of US\$17.50 per case he had offered only US\$16.04 for the stock balance. It is thought he has been in Swaziland recently, and this may be related to supply issues. At this time the Trout Hall label is thought to be primarily UK but some Europe, U.S. and Canada are not thought to have been actuated. It is not thought that he has much stock to insulate himself from a supply stoppage. He has wanted 80,000 cases in 1992, but only 40,000 have been supplied, at the price he is prepared to offer and citrus has been diverted to Bog Walk as processing capacity there is now 40% greater as a result of the Commonwealth Dev. Corp financed expansion. Marketing of grapefruit segments could occur under contract packaging

for Safeway label, Maple Leaf, or Pride of Jamaica. The POJ label is owned by JCG. Some coordination with the CANEXPORT programme may be possible.

Mr. Garfield has left CDC and Mr. Powell transferred from Bog Walk to run the factory. Mr. Nugent has also left JCG and Mr. Duval has been transferred there to take over. This has left a marketing hole behind and the pulling together of a cooperative marketing approach for the Farmers Corporation is missing his potential direction.

The CDC milk operation continues to have operational problems and expert staff are needed. Assistance is being sought from the machinery producer in Chicago. Some discussion of contacting Mr. Wilson was had and this depends upon Tomlinson contacting Picart.

Arrangements were confirmed for visits to the Bog Walk and May Pen facilities and discussions with various board and management members. A presentation to the CGA board on Wednesday afternoon, 13/1/93 was scheduled.

Annex four - CGA related meetingsAnnex 4.7 Bog Walk Meeting 11/1/93 @ 2:30 pm

Attendees: Ken Newman, Desmond Duval, Kathleen Goldson, Bob Hopley

Aim was to get status on the changes made since the JAMPRO/UNIDO initiated strategic planning intervention in Jan/Feb 1992. Mr. Newman sent regrets and is trying to rearrange to meet tomorrow in Kingston. Informed Duval that it could be arranged after 2:00pm at JAMPRO or the hotel.

1. Told previous Managing Director left to concentrate upon his own transport business about the time that the underripe fruit from the early take in 1992 was shown to be lower quality than usual and needed cold storage expenses before it could be moved. Nevertheless 1992 was a good year and high world prices meant the farmers were satisfied.
 2. This year all fruit is to come in on specific written orders and there will be field extension cooperation. United Estates has still not begun to process. Mr. Duval took over Sept 1st and has instituted a group bonus payment scheme as I recommended last year. The bonus begins if over 17K cases per week are processed, up to 25K, and the average now is 4K to 4.2k per day. Efficiency increases are 20% and the overdraft is down by 30%. Four profit centers have been set up at Bog Walk, chilled juice, concentrate, oils, and dry pulp (feed).
 3. On Aug 15th Mr. John Powell, an engineer from Bog Walk replaced the Managing Director at May Pen (CDC) and when Mr. Duval came on board he investigated for three days and then fired up to 20 folks in half an hour to clear the bad management and other problems at May Pen. Duval would now like to see all production moved to Bog Walk, even the milk, but the present known decisions are by 18/1/93 to move all citrus juice and concentrate to Bog Walk and packaging and inventory associated with those products is to be moved now.
 4. CDCL Grapefruit segmenting has finished for this season, and is currently still planned to restart at May Pen in June, but Duval would like to see it happen at Bog Walk. Arguments for are utilization of facility and management and ease of control.
- The concentrate business was more profitable this year than the grapefruit segment so the requested 80,000 cases for Trout Hall was only

committed to at 40,000 level. Even so, Trout Hall took split shipments and used May Pen as storage and banker. This means that Maple Leaf in UK (Emblem label) and Safeway became direct sales outlets and the Pride of Jamaica label may be revived.

Have shipped 20x40ft containers of concentrate direct and avoided cold storage charges.

Milk business at CDC continues to be plagued with poor quality even since the Sept management clear out. Without a consistent product the existing distribution system will not be able to move the JSSOM possible. This would be 15% of Island usage and only 5% held now with 70% of the milk that goes to May Pen ending up at the Nestle condensing plant next door to Bog Walk.

Duval believes management is the issue and would like to see the equipment manufacturer help with an assessment and either advise moving to Bog Walk or replacing. JSSM may cover the move of milk business to Bog Walk and then May Pen could potentially be sold as it is in a prime site in the centre of the fastest growing town in Jamaica.

There are only 8 to 9 people needed for the milk business and a QC person has taken over production and a new quality person has been hired. I will be visiting the CDCL facility and meeting Mr. Powell tomorrow.

Annex four - CGA related meetingsAnnex 4.S CDCL and Michael Powell Meeting

10:13am on 12/1/93 at the Citrus Development Corp plant at May Pen

Attendees: Michael Powell, Kathleen Goldson, Bob Hopley

Mr. Powell has been the acting plant manager at May Pen since the end of August and has been with JCG for three years. He is a mechanical engineer and manager. Has done Mgmt studies at UWI and is in the Exec MBA programme there and will graduate in 1993. He says the course is a lot of work and akin to being in training for a sport.

It was decided in December not to restart the segment section unit after the Xmas break because of the very large inventory and the 61% interest charge on the factory overdraft. There are currently 36,000 cases of grapefruit segments in stock, and Trout Hall has agreed to take them for US\$16.28 before the end of February. There is also lime juice in barrels in open air in storage from the three month season that finished in November.

The milk and pure pak installation is a fairly small operation and employs 12 direct personnel, and a supervisor and qualified QC person. Ms Veronica Pomell has been promoted from QC to production manager. The factory personnel are not convinced that marketing and distribution have done everything possible to sell and maintain the increased market share they establish in milk from time to time. Quality process for milk is long trail and spoilage can occur anywhere from the farm to the retailer's location. There is no real objective agreement on what causes the sporadic problems and everyone involved seems to be defensive.

Quality problems include:

sanitation, housekeeping, storage or mixer operation at the farm or refrigeration :

print on box not making clear the date to be drunk by:

inconsistent FiFo process at Newport West distribution center:

Sealing wax problems and leakage;

carton thickness differences and machine adjustments:

machine sealing temperature adjustments:

many handling problems out to field with the maintenance of company refrigeration units at customer sites being a concern:

Sub-standard milk on arrival is paid for at JS1 per quart less and forwarded to the Nestle condenser factory at Bog Walk. Approx 70% of milk goes to the condenser. Supply for fresh not a problem therefore. Powell believes the worker's are consistent and quality conscious and solve the packaging problems as they arrive. The profit center idea is not fully carried out to the factory level because of inadequate financial data tracking and analysis.

Currently on-board CDCL personnel are 30 maintenance, 5 sectionizing, 7 shipping/receiving, 3 laundry, 9 juicing, 1 barrels, 12 Pure pak, 16 office to total 84 persons. This could be severely pruned if only milk packaging business was decided upon.

Toured 10 acre facility with many buildings and very impressed by the size, complexity of sectionizing lay out which seems to be a phenomenon that excites the watchers.

Underfoot not good in many places and equipment old but operational and no problem. On milk the pure pak machine was set for 115 cartons per minute but would operate at 200 and workers appeared to have decided to run it slower. Still only running 4 days a week on one shift and have ample capacity.

The issue with grapefruit sections appears to be that the dominant Trout Hall label customer only takes inventory on a JIT basis and the seasonal stock issue causes a lot of money to be spent on cold storage and inventory charges by the manufacturer. Relationship between CGA and Trout Hall is distrustful and conversations on the best way to run the business have not been held. Mr. Powell believes that these relationships could be improved, but a carefully negotiated settlement that would consider the inventory carrying cost arguments for all parties involved could not be supported well by the present CGA financial staff.

Annex four - CGA related meetingsAnnex 4.9 Newman Meeting at 3:00pm on 12/1/93 @ Pegasus

Attendees: Ken Newman, Bob Hopley

Quickly reviewed the success of CGA in 1992 and its apparent link to the planning process. Decided best use of time was to discuss continuing issues and began with focus on milk.

Newman believes:

1. Cremo, a Jamaican Dairy competitor have succeeded with the juice/milk combination, but began with milk and then added juice. CDCL has always tried the opposite route and stable milk quality has not been achieved and therefore sales are not able to grow.

Supply of milk not thought to be major issue, sees lack of total management of milk by an experienced person as the problem. Mr. Powell thought to be doing quite well but perhaps still with too much to learn.

2. Thinks the shifting of all juice packaging to Bog Walk may help. Mr. Duval has a cost approach and has cut down on storage charges by more just-in-time sales/production approach.

3. Weir is helping on finances and cash situation. Problem his last year at Bog Walk stemmed from producing too much sub-standard juice due to jitteriness about United that caused them to pull in underripe fruit. Large inventories had to be financed by overdraft for finished juice, which was expensive. This year JCG is now insisting that fruit taken be export quality on pound solids ratio, or penalty be suffered by supplier/grower.

Some of the recommendations I was considering making were discussed:

1. Discussed shifting inventory charges for finished goods to marketing.

2. Appointing Board member to address poor relationship to Trout Hall grapefruit section customer.

3. Putting one experienced person in total charge of milk business, dropping back to milk only at May Pen and getting that to work.

4. Doing all citrus for this season at Bog Walk except preserving the sectionizing capability in May Pen.

5. The long term potential of the May Pen site may be mixed commercial, residential and industrial use as it is on the edge of an expanding town.

Annex FiveDEBRIEFING FOR JAMPRO/UNIDO

JAN 15 1993

ACTIVITY ONE: CANNER'S COOPERATION

CANCO, CARIBBEAN EXOTIC, PLANTATION PRIDE HAVE AGREED WITH JAMPRO AND CANEXPORT SUPPORT TO FORM AN ASSOCIATION.

FIRST YEAR OBJECTIVES:BEGIN JOINT MARKETING:

EITHER ESTABLISH A GENERIC JAMAICA LABEL IN CANADA, OR BEGIN CONTRACT CANNING FOR CANADA WITH 15,000 CASES OF MANGO SLICES, AND 18,000 CASES OF MANGO NECTAR AND UP TO FOUR OTHER PRODUCTS IN U.S.A. AND CANADA.

HIRE A DIRECTOR:

SUGGEST HIRING BEGINS WHEN J\$2M SOLD. WORK IN TANDEM WITH JAMPRO CONSULTANT.

TARGET THIRD YEAR SELF-SUSTAINING:

	YEAR 1	YEAR 2	YEAR 3
SALES J\$M	11	25	50
COMPANIES	3	6	10
PRODUCTS	6	12	20
EMPLOYEES	2	4	5

REVENUE FROM JOINING FEES, ANNUAL FEES, FEES FOR SERVICES, AND COMMISSIONS (6% TO 8%).

SKELETON PLAN DELIVERED, THREE COMMITTEES FORMED AROUND MARKETING, MANUFACTURING AND ADMINISTRATION. FINAL PLAN TO BE DONE BY FEB 26TH.

ACTIVITY TWO: CITRUS GROWER'S ASSOCIATION FOLLOW UP

RESULTS:

LETTER SUMMARIZING PRESENT OPINIONS GIVEN TO CGA 15/1/93.
MANY OF LAST JANUARY/FEBRUARY RECOMMENDATIONS ACTED UPON.

RESEARCH & DEVELOPMENT

FIELD EXTENSION

FARMERS CORPORATION

DIVIDEND PAID

BOG WALK THROUGHPUT

135 ACRE FARM ACQUIRED, PASSION FRUIT APPLICATION

INVESTMENT COMMITTEE, TOWARDS FARMER'S BANK?

HQ EXPANSION, FINANCE, & MARKETING?

FAILURES

MANAGEMENT TURNOVER

INVENTORY CONTROL

MILK BUSINESS

TROUT HALL/CGA RELATIONSHIP

NEXT STEPS:

REACTIVATE THE COMMITTEES

EXAMINE IMPLEMENTATION

WORK WITH COMMONWEALTH DEVELOPMENT CORP

TURNAROUND MILK

DOCUMENT PLAN AND PROCESS

COMMENTS BY THE PROJECT BACKSTOPPING OFFICER

The two-week mission of Mr. R. Hopley (3 to 16 January 1993) is a follow-up mission to a previous one undertaken by the expert together with Mr. E. Ennen in January and February 1992.

Mr. Hopley was recruited to follow-up on the progress made following his 1992 mission and to assist a selected group of food canning companies with a view to increased cooperation within the framework of an association.

Resulting from Mr. Hopley's work three processing companies and JAMPRO's Business Unit agreed to create the Jamaican Food Products Association (JFPA). A plan with detailed recommendations on the formation of the association and its operation is attached to the report.

Concerning C.G.A., upon assessment of the progress made after Messrs. Hopley's and Ennen's mission, revised recommendations were elaborated on field services, administration and finance, JCG and Bog Walk operation and CDGL and May Pen operations.

The achievements of Mr. Hopley's mission have contributed positively to the fulfilment of the project's objectives. The report is acceptable to the Agro-based Industries Branch and will be used as an important tool for restructuring of the Jamaican food industry and increasing its level of competitiveness.