



DAIRY INDUSTRY DEVELOPMENT CESS

Outline of Proposed Mechanism
For Discussion at Inaugural Meeting of
Dairy Advisory Committee
Jamaica Dairy Development Board
January 20, 2010



Vision Statement - JDDDB

The creation of an internationally competitive domestic milk producing sector which contributes significantly to wealth creation by reducing dependence on food imports while providing opportunities for a sustainable livelihood for the broad mass of small farmers who constitute the rural sector



Mission Statement

Ensuring the achievement of the measurable targets established by the Minister of Agriculture through policy formulation, capacity building and the creation of a regulatory framework to drive the attainment of international competitiveness

Role of JDDDB

1. Policy Formulation

- Creating enabling environment to stimulate industry expansion
- Promoting intra-sectorial harmony
- Facilitating market development
- Contributing to overarching food and nutrition policy

Role of JDDDB...contd.

2. Capacity Building

- Information gathering, analysis and dissemination for decision making
- Identifying, attracting and channeling financial and technical support to sector
- Strengthening farmers assns. for more cost-effective service delivery;
- Identifying tech. gaps; supporting and coordinating requisite interventions

Role of JDDDB...contd.

3. Industry Regulation

- Creating growth space for the primary producer
- Promoting enhanced value chain alignment
- Protecting the interest of the consumer

Financing JDDB Functions/ Rationale for Industry Cess

- Policy and regulatory functions are unarguably a charge on the state within a policy framework of de-regulation;
- The state retains a role in contributing to the attainment of international competitiveness;
- Current realities limit this to enhancing the HR capacity and a modicum of R&D;
- Imposition of an industry cess provides an equitable means by which the sector contributes to ensuring equity to all sector participants.

Capacity Building Projects 2010/11

Proposed Intervention	Est. cost (J\$M)	Expected Benefits
Initiate cow-lease assistance programme	5.0	Reduce cost of entry to 20 small farmers
Initiate capital leasing programme	10.0	Facilitate retooling by 3-5 medium scale farmers
Support to Farmers Orgs	5.0	Establish milking complex at Enfield, St. Mary; Support to BDPAJ
Commission on-farm research on use of Total –Mixed - Rations	5.0	Increased carrying capacity and improved nutritional mgt
Venture capital for Specialized Fodder Farms	5.0	Reduced dependence on concentrate feeds/ improved dry season perf.
Grant/Loan mix for “Grass as Crop”	5.0	Improved pasture management
Grant fund for Biogas as alternate electricity supply	5.0	Reduced energy costs on farm – energy > 20% direct costs
Extend pasture/herd improvement loan	20.0	Access to funding for improved productivity
Total	60.0	8% inc. in national milk output

How Will the Cess Work?

- Contributors: Importers, Local producers/processors
- Cess on all milk solids collectible at Customs – remitted to account of JDDB*
- Cess on local production shared equally between producer and processor (deducted and remitted by processor to account of JDDB)

*Recent GOJ liquidity mgt. policy – paid over to MOFP?

How Will the Cess be Calculated?

- Reference price: average FGP previous calendar year.
- All dairy imports - assessed on basis of fluid equivalence.
- JDDDB to supply Customs and all *licensed dealers* with a Fluid equivalence Conversion Chart;
- Chart will help to determine fluid equivalence of all milk products/components and cess payable.
- Cess payable shall be at an agreed percentage of the fluid equivalent value of the import applying the FMG as reference price.

Example of Calculation

Milk Product	Import Vol. (2006-08) MT	Fl. Equiv Conversion Factor	Fluid Equiv Volume (L'ooo)	Projected Cess Revenue* (J\$M)	
				@2% (A)	@3% (B)
SMP	4,584	11	50,424	45.71	68.57
WMP	1,483	8	11,864	10.76	16.13
Cheese/curd	3,907	10	39,070	35.42	53.13
Butter oil/fat	2,132	8	17,056	15.46	23.19
Ice Cream	2,871	0.6	1,723	1.56	2.34
Cond/evap	85.0	2.2	187	.170	.254
Yoghurt	179	11	1969	1.79	2.68
Dried Whey	385	0.5	192	.174	.261
Fresh Milk	13.8 (L.M)	1.0	13,800	12.51	18.77

* = [(Ave Farm gate price 2009 = \$45.33/L) x Fl. Equiv Vol. x (A) or (B)]

Summary

- Major Challenge to Sector: Attainment of international competitiveness ;
- Traditional methods and level of state intervention inadequate to meet challenge;
- Cess offers an option for long-term sustainable development;
- Cess @ 2% = \$0.91/L; @ 3% = \$1.36/L (Fl. Equiv.)
- Endorsement of Advisory Committee – prelude to broad stakeholder consensus