

Jamaica Dairy Development Board

Medium Term Strategic Plan 2010 – 2014

1. Overview

The Jamaica Dairy Development Board was established under Act No.4 -2009, for the purpose of promoting and fostering the development of the dairy sector with particular emphasis on promoting local milk production and achieving efficiencies in the production, processing, marketing and other trade in dairy products.

The revitalization of the dairy sector forms a major plank of the Government's policy of enhanced national food security. In this regard, the Jamaica Dairy Development Board is assigned the **Mission of 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.**

In his charge to the Directors of the Jamaica Dairy Development Board the Honourable Minister of Agriculture in essence outlined a **vision of an internationally competitive domestic milk producing sector which contributes significantly to wealth creation in Jamaica by reducing national dependence on food imports while providing opportunities for a sustainable livelihood for the broad mass of small farmers who constitute the rural sector.**

2. Situational Analysis

The local milk producing sector has functioned well below its established capacity over much of the past two decades evidenced by a current 64 percent decline in output relative to peak milk production of 38.8 million litres in 1992. The key factors pinpointed in the under-performance of the sector are:

- a) Negative response to a Trade Liberalization policy which provided little cushion against the ingress into the local market by substitutes which continue to enjoy massive subsidies at origin.
- b) Erosion of competitiveness of the domestic sector as a result of low adoption of available technologies and heavy dependence on imported inputs *inter alia*.

The following **SWOT analysis** provides a summary of the current status of the local dairy sector and a framework for action over the next three to five years.

<p style="text-align: center;"><u>Strengths</u></p> <ol style="list-style-type: none"> 1. Adequacy and suitability of land resources 2. Jamaica Hope provides a solid genetic base 3. Available knowledge resources 4. Available processing capacity 	<p style="text-align: center;"><u>Weaknesses</u></p> <ol style="list-style-type: none"> 1. Policy environment unfavourable to new investments in dairying 2. Market distorted by unfair subsidies 3. Industry structure increase national vulnerability to external environment 4. Absence of a value-added focus 5. Low labour productivity 6. Over-reliance on imported inputs 7. High cost and limited access to capital 8. Inadequate value chain alignment 9. Inadequate and poorly coordinated delivery of technical services 10. Historical land fragmentation policies limit competitive potential
<p style="text-align: center;"><u>Opportunities</u></p> <ol style="list-style-type: none"> 1. Rationalized National School feeding programme provides platform for sector revitalization 2. CSME and commitment to 'Jagdeo Initiative' offers scope for attracting substantial new investments 3. CARIFORUM/EPA offers opportunity and planning horizon for medium to long term development of local sector 4. Development financing available through MFIs e.g. CFC, EPA 5. Increasing consumer sophistication provides scope for greater product diversification 	<p style="text-align: center;"><u>Threats</u></p> <ol style="list-style-type: none"> 1. Re-imposition of export rebates within EU and widespread retreat to market protection reduces scope for improving local competitiveness 2. Dominican Republic better equipped to exploit regional market 3. Overdependence on liquid milk market forecloses competitive strategy 4. Praedial larceny poses major deterrent to investment

3. Medium-Term Demand Forecast and Potential Output of Dairy Sector

In the absence of industry-wide adoption of product diversification or export to regional neighbours, the local demand for fresh milk will remain the major determinant of growth in domestic milk production.

On the basis of historical market behaviour and the circumscriptions on public policy, it is postulated that the local demand for fresh milk, through the traditional distribution channels, is unlikely to exceed 30 million litres within the medium term.

A forecast of aggregate demand for milk solids to 2020 (Table 1) suggests a 32 percent increase in fluid equivalent consumption, compared to current levels. Based solely on natural expansion of the existing national herd, output of milk could potentially double to 30 million litres within five years and by a further 86 percent by the end of the decade.

Table 1. Forecast of the demand and supply of milk and dairy products to 2020

	2009	2010	2011	2014	2020
Population (million)	2.76	2.78	2.80	2.86	2.90
Consumption					
Daily per capita(ml)	150	159	170	180	192
Aggregate (L. M)	152	161	174	189	200
Production					
Fresh Milk Prodn (L. M)	13.8	16.4	19.4	30.0	56.5
Self-sufficiency (%)	9.5	10.4	11.2	16.1	28.4

Adapted from JDDDB/BDPAJ 2009

Both medium- and long-term forecasts speak to the need for a twin strategy of market expansion and product diversification to confer sustainability to any recovery of the local dairy sector. With respect to market expansion, the National School Feeding Programme offers not only a short term buffer against expected instability in the traditional market, but also presents an avenue for creating sustainable long-term demand by promoting a local culture of milk drinking. The sustainability of any School Milk initiative will require the parallel development of value-added products as a buffer against truncated demand during the 13 weeks of school holidays.

In the short, medium and long terms, the regional market with aggregate import volumes above 530 kilotons annually needs to be carefully cultivated as a driver for fully exploiting Jamaica's unique strategic advantages for competitive production of milk.

4. Key Strategic Objectives and Major Functional Areas for JDDDB

The legislative mandate of the Jamaica Dairy Development Board defines its major strategic role as that of promoting expansion in the local production of milk and driving increasing efficiencies throughout the dairy chain. The foregoing situational analysis confirms the continuing appropriateness and relevance of this mandate and leads to a definition of the Board's key medium term strategic objectives as:

A) Expansion of Production to match projected demand;

B) Increased international competitiveness to sustain market expansion

The following framework summarizes the constraints to achieving these objectives and required remedial action (functional areas).

Strategic Objective	Challenge /Constraint	Required Remedial Action
Expanded Production	Vulnerability to policy shifts	Promulgate medium/long term policy on food sovereignty
	EU reinstatement of export rebates	Tariff reform – TRQ to promote greater use of local milk
	Weaknesses of oligopolistic structure	Support for small farmer clusters to broaden ownership base
		Attract investment in large-scale dairying on state lands
	Limitations of domestic Market size	Policy on rationalization of school feeding programme
Collaborate with Agri-Invest Corp to promote coordinated regional investment in local dairy sector on underutilized state lands		
Increased Competitiveness	High trade margins	Promote value chain alignment through strengthening of farmer organizations and improved access to financing
		Promote trust and harmony throughout chain
		Establish legislative framework for farmer/processor contracts
		Empower consumer through information
	Low labour productivity	Develop modular ongoing competency certification programme
		Promote entry of tertiary trained youth in dairying
	Vulnerability to spiraling costs of imported inputs	Support R&D in endogenous feeding systems
		Establish coordinating mechanism for technology dissemination
		Promote the management of 'grass as a crop'
		Promote use of sustainable energy on farm/in plant
	Heavy dependence on fluid milk	Promote R&D and investment in product diversification
		Develop payment systems based upon quality and composition
	Comparatively high costs and low access to financing	Expand on DSRP concessional loan programme.
		Promote non-traditional financing mechanisms
		Promote micro-financing through farmer associations
Exploit funding opportunities under the EPA.		

The required remedial action provides a framework for defining the key functional areas for and prioritizing the areas for intervention by the JDDB over the next three to five years. The primary success indicator is achievement of a national output of 30 million litres of milk by 2014.

The matrix below delineates the specific interventions and the resources required for achievement of this target.

Jamaica Dairy Development Board

Indicated Remedial Action	Specific Intervention Required by JDDB	Priority Ranking? (1 -5)	Functional Area	Resources Required	
				HR	5-year Funding (JS M)
Medium/long-term policy On Food Sovereignty	Draft green paper on Food Sovereignty for National consensus		PPU	Industry & Strategic planner	
Reform of tariff regime	Develop (1) TRQ for milk powder imports (2) standardized tariff for other milk solids				
Support for small farmer clusters	Initiate Cow-lease Assistance programme through Farmer Assns.		TED (BDU)		
	Provide seed capital for capital leasing through DBJ-NPCB				
	Take minority equity position in clusters				
Attract investments in large-scale dairying on state lands	Develop investment profiles for potential local & regional investors		TED(BDU)/ PPU		
	Seek multi-lateral funding for technology enhancement and small farmer participation				
Promote rationalization of national school feeding programme	Develop and monitor policy position on School milk programme				
Promote coordinated regional investment strategy	Develop investment profiles for potential local & regional investors		TED/BDU		
	Collaborate with Agro invest Corp in supporting new investments				
Strengthen farmers associations to align value chain	Provide technical and financial support				
	Assist in identifying investment opportunities and business planning				
	Mobilize MFI support to Farmers Assns		PPU/BDU		
Promote chain harmony/trust	Arbitrate disputes		LSU		
	Establish framework for producer/processor contracts				
	Develop and monitor GAP and GMP standards for producers and processors respectively		TED(ICU)		

Empower consumer	Disseminate and provide easy access to information		C A (Doc)		
Promote entry of tertiary trained youth	Develop and support share-milking programmes		TED (BDU)		
	Promote replacement and veal rearing to reduce barriers to entry				
Promote development of modular competency certification programmes	Mobilize technical and financial support to HEART/NTA and RADA		TED		
	Assist in curriculum development				
Promote R&D in endogenous feeding systems	Commission on-farm research on Total Mixed Ration feeding system		TED (BDU)		
	Support initiatives for specialized fodder production farms				
Promote the management of 'grass as a crop'	Provide financial and technical support through loan and grant funding		TED		
	Initiate capital leasing programme through DBJ/NPCB				
	Disseminate info and support RADA training on efficient feeding management		TED/Doc.		
Promote use of sustainable energy on farm in collaboration with SRC	Broaden scope of concessional loan to provide partial financing (in combination with DBJ energy fund) for Biogas generators/ solar energy		TED (BDU)		
	Develop and disseminate info on alternative energy on farms		Doc.		
Promote R&D and investment in product diversification	Commission R&D by SRC on value-added products for branding		TED/LSU		
	Develop strategies for utilizing School feeding programme for market development of value added products		TED(BDU)		
	Provide business development support to JDFF in commissioning of milk drying plant				

Develop payment systems based upon milk quality and composition	Develop payment systems based upon quality and composition		TED/LSU		
	Establish Milk Testing Laboratory at Bodles as reference laboratory				
Expand on DSRP concessional loan programme	Widen remit and increase loan ceiling of loan programme to include alternative energy		TED/LSU		
Promote non-traditional financing mechanisms	Provide seed capital to DBJ for capital leasing				
	Establish Cow-lease assistance programme to enable small farmer participation in clusters		TED/LSU		
Mobilize funding for dairy development	Establish dairy cess as project financing mechanism		PPU/LSU/TE D(BDU)		
	Prepare funding proposals to MFIs for financing small farmer initiatives		PPU/TED(BDU)		

Key:

BDU – Business Development Unit

CA – Central Administration

Doc. – Documentalist

LSU – Legal Services Unit

PPU – Planning and Policy Unit

TED – Technology Enhancement Division

Indicative Annual Cost of Intervention Programmes – Capacity Building Initiatives

Strategic Objective	Specific Intervention	Projected Cost (\$ million)					Source
		2010	2011	2012	2013	2014	
Expanded Production	1. Green Paper – Food Sovereignty	Core					
	2. Tariff reform proposal	Core					
	3. Cow-lease assistance programme	5.0	10.0	10.0	5.0	5.0	Cess/MFI
	4. Fund Capital Leasing programme	10.0	10.0	10.0	5.0	5.0	Cess
	5. Equity investment in clusters	5.0	10.0	10.0	10.0	10.0	Cess
	6. Develop investment profiles	Core					
	7. Mobilize Multilateral funding	Core					
	8. Develop policy on school feeding	Core					
	9. Tech support to new investments	3.0	5.0	5.0	5.0	5.0	Cess
Increased Competitiveness	1. Support to Farmers Assns	5.0	5.0	5.0	5.0	5.0	Cess
	2. Arbitrate Disputes	Core					
	3. Develop contractual frameworks	Core					
	4. Develop/monitor GAP, GMP stds.	Core					
	5. Disseminate consumer info	Core					
	6. Develop/support share-milking progs	-	5.0	5.0	5.0	5.0	Cess/MFI
	7. Promote specializations	-	3.0	5.0	5.0	3.0	Cess/MFI
	8. Mobilize funding – HEART, RADA	Core					
	9. Curriculum development	Core					
	10. Commission on-farm research	5.0	5.0	5.0	5.0	5.0	Cess
	11. Support to Fodder Farms	5.0	5.0	3.0	-	-	Cess
	12. Pasture Loan/Grant funding	20.0	25.0	20.0	20.0	20.0	Cess
	13. 'Techpacks' on feeding mgt.	Core					
	14. Biogas loan programme	5.0	10.0	10.0	10.0	10.0	Cess/MFI
	15. 'Techpacks' on alternate energy	Core					
	16. Commission value-added R&D	5.0	5.0	2.5	-	-	Cess
	17. Support for milk drying plant	3.0	-	-	-	-	Cess
	18. Develop milk payment schemes	Core					
	19. Establish milk testing lab	5.0	2.0	2.0	2.0	2.0	Cess
Total Cost – Capacity Building Initiatives		76.0	100.0	92.5	77.0	75.0	

Core Budget – Indicative Annual Administrative Costs for Functional Areas (\$million)

Functional Area	Operational Unit	Staff Complement	Projected Costs					Total
			Compensation	Travel	Utilities	Supplies	Equipment	
Central Administration	Executive Directorate	3	9.5	2.0	0.5	1.0	0.8	13.8
	Planning & Policy	2	5.4	1.4				6.8
	Legal Services	2	4.8	0.8				5.6
	Financial Management	6	12.5	2.0	0.3	0.7	1.0	16.5
	Human Resource/ Office Management	5	10.3	2.0	0.3	0.5	1.0	14.1
Technology Enhancement Division	Technical Directorate	1	3.5	0.8	0.2	0.5	0.7	5.7
	Technology Development & Coordination	2	5.0	1.2				6.2
	Business Development	2	5.4	1.4				6.8
	Inspection/ Compliance	2	4.0	1.4				5.4
Total		25	60.4	13.0	1.3	2.7	3.5	80.9