



# 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
<b>Total</b>	<b>60.0</b>	<b>8% inc. in national milk output</b>

# 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