

Ministry Paper /2015

Jamaica Dairy Development Board

1.0 Purpose

The matter for tabling is the report on the operations of the Jamaica Dairy Development Board for the year ended March 31, 2015.

2.0 Background

In 2012 the livestock sector contributed JMD10.346 billion to the economy or 1% to GDP. Local dairy products, primarily processed fresh milk, accounted for approximately 10% of local dairy products consumption, with the balance of 90% (fluid milk equivalent) satisfied by imports.

Local milk production peaked at 38.8 million litres in 1992 and has been consistently declining since, except for the period 1996-1999, to 12 million litres in 2013. Production has varied between 12 and 13 million litres since 2010.

As an indicator of nutritional status, Jamaicans are not drinking enough milk for a normal healthy life. Per capita consumption of milk remains at 105 ml/day. This is one-third of the average for Latin America and the Caribbean; one-fifth of the average for developed countries; slightly less than the average of other developing countries; and half of The World Health Organisation minimum requirement.

The Jamaica Dairy Development Board in its effort to provide current and reliable information to fulfill its mandate funded a national cattle census in 2014. The Draft Report is completed and will be finalized in the first quarter of 2015/2016. The outcome of the census will provide knowledge transfer and exchange of experiences that will result in the development of programmes for capacity building.

The dairy industry has many challenges, all of which are being systematically addressed through targeted interventions of the Jamaica Dairy Development Board (JDDDB). Main challenges comprise: market distorted by subsidies in countries of origin for imported dairy products despite

GATT and WTO rulings; high energy costs; high incidence of cattle larceny; low levels of technological adaptation; and over-reliance on imported inputs that are becoming increasingly expensive.

Relying on imported milk powder continues to be a risky food security and food safety strategy for Jamaica given that the prices of milk powder fluctuate on the international market.

International dairy products prices have declined from their April 2014 peak, but still remain at historically high levels. Although milk production continues to increase steadily in many countries, particularly those found in the Asian continent; output in some of the main exporting countries has been constrained. World imports of milk and milk products increased from the 2010/2011 average of 46.5 million tonnes milk equivalent to 52.9 million tonnes, or 14 % (FAO, 2013). This increase is led by Asia, principally China. Figures from FAO confirmed that aggregate prices for dairy products rose by over 50 percent in 2013, by far the largest price increase for commodities globally. Milk consumption in China is growing at over ten percent annually, a key driving force for the price increase of this commodity. FAO forecasts that within the next five years, milk powder prices could rise to, and remain at, over USD 7,000 per tonne CIF. The food safety risks and high costs associated with milk powder importation provide a clear justification for Jamaica to promote new investments in dairying over the medium to long term.

The retail price of processed liquid milk in Jamaica is close to the highest in the world. Dairy farmers receive a range of 20-25 percent of this retail price. Among the contributing factors are: (i) relatively high retail margins (35-40 percent); (ii) high milk processing costs (around 40 percent); and (iii) high farm-gate milk prices. Jamaican milk producers also get close to the highest price (farm gate) in the world for their milk, but this does not compensate for the current cost structure, thwarted by high production costs, in particular electricity costs. Jamaica must therefore continue to develop strategies to correct market anomalies and improve efficiencies.

3.0 The Jamaica Dairy Development Board

The Jamaica Dairy Development Board was established under Act No.4 of 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. The Board's main functions as stated in The Jamaica Dairy Development Board Act are to:

- Formulate and monitor appropriate policy for growth of the dairy sector
- Supervise and arbitrate milk contractual agreements
- Regulate the trade in dairy products
- Disseminate information and reliable statistics on all aspects of the dairy sector
- Advise the Minister on matters of general policy
- Mobilize resources relating to dairying for and on behalf of the dairy industry
- Perform other functions as assigned by the Minister

The Dairy Sector Revitalization Programme (DSRP) of the JDDB, which commenced in fiscal year 2008 provides the platform for direct intervention by the Board in rebuilding of capacity within the local milk producing sector. The major components of this programme consist of a concessionary working capital loan facility available through the Development Bank of Jamaica/ National People's Co-operative Bank (DBJ/NPCB) at an interest rate of 5 percent per annum.

As a strategy for financing the interventions of the Board, Cabinet, in May 2010, approved the implementation of a Dairy Industry Cess to yield revenues dedicated to funding various capacity building initiatives agreed by stakeholders. A Cess regime was adopted based upon the average farm gate price of fresh milk during the preceding calendar year as reference price and assessing a rate of one (1) percent of this reference price per litre fluid equivalent of either imported solids

or locally produced milk. Cess collections commenced on January 01, 2011 with farmers and processors making their contributions monthly.

The Board earns approximately J\$65-\$70 million annually by way of cess collections (75% of its annual budget), toward the funding of capacity building initiatives identified in its Strategic Plan.

4.0 Achievements of the Jamaica Dairy Development Board 2014/ 2015

The following represents the major interventions of the JDDDB to revitalize the dairy sub-sector:

4.1 Concessionary Loan Facility (Dairy and Beef)

The Dairy Sector Revitalisation Programme (DSRP) is operated under the aegis of the Jamaica Dairy Development Board (JDDDB) with the major components being a concessionary working capital support loan facility made available through the Development Bank of Jamaica/ National People's Co-operative Bank of Jamaica (DBJ/NPCB) network, at a concessionary rate of 5% per year. To date, loans totalling approximately \$71.7 million have been made available to 54 dairy and beef farmers, to assist in the development of pastures, acquisition of breeding stock, as well as, upgrading of farm equipment and general infrastructure improvement.

4.2 Upgrade and revamp the dairy programme in select agricultural education institutions - College of Agriculture Science and Education (CASE); Ebony Park HEART Academy; Knockalva Agricultural School; and Sydney Pagan Agricultural School

Dairy Development Plans are being developed and synchronised with the curriculum for each of the selected agricultural education institutions, as well as the overall objectives of the JDDDB and MOAF to increase milk production and to have the dairy units at the respective institutions function as centres of best practices. The first of the institutions to receive assistance is CASE, which will benefit from a \$12.2 million transformation of its existing Dairy Tutorial Farm into an all-inclusive vertically integrated activity to include animal care, reproduction, feeding management, milking and value-added processing and has sought the assistance of the Dairy Board. CASE has also benefitted scholarships and grants valued at an additional \$0.82 million.

The needs of the dairy units at the remaining institutions will be addressed over the period 2015/2016 – 2017/2018.

Each agricultural education institution will benefit from an allocation of heifers from the JDDB Heifer Redeployment Programme. A total of 100 heifers will be distributed to these institutions under this programme.

4.3 Heifer Redeployment Programme J\$22M

The JDDB approved Phase 1 of a Heifer Redeployment Programme to reduce the number of dairy heifers entering the meat trade as a corollary; increase the size of the national dairy herd and thereby increasing milk production; and revive and/or revitalise institutional herds. Approximately 300 heifers are being procured under Phase 1.

The animals will be distributed to small and medium sized farmers and agricultural education institutions during the first half of the fiscal year 2015/2016.

4.4 Review of the Jamaica Dairy Development Board Act of 2009

The MoAF is exploring broadening of the Powers under the JDDB Act to include beef, small ruminants and other livestock. The consultancy supports analysis of policy, institutional, legal and regulatory aspects. Work commenced August 18, 2014 and the Final Report is scheduled for completion in financial year 2015/2016.

4.5 Cattle Census

A cattle census (beef, dairy and dual purpose animals) was recently conducted in collaboration with the Agricultural Marketing Information Division (formerly Databank Division). The Final Report will be completed in the first quarter of 2015/2016.

4.6 Fodder Programme

The programme primarily consists of:

- Project \$25 m - Hay production for increased dairy production at Bodles and Hounslow
- Fodder Banks of king grass and sugarcane for 23 small scale dairy farmers \$3m (JDDB/RADA)
- Forage harvesting/chaffing equipment leased to dairy farmers \$20.5m. Introduce equipment/expand on the use of machinery for the efficient delivery and use of forages.

E.g. forage choppers, hay equipment. Increased mechanization in feeding systems, Improved herd nutrition; Reduced feed costs

- Distribution of Mulato II grass seeds to 30 dairy/beef farmers \$1.95 m
- Technical assistance to clusters of dairy farmers'

4.7 Other

The complementarity of the above programmes resulted in major crises being averted during the recent extensive drought. The interventions essentially prevented milk production in 2014 from declining below the 10 million litres.

The JDDDB continues to support its earlier initiatives including The Embryo Transplant Programme; Dairy Herd Milk Recording Scheme; Milk Laboratory (Bodles); Cryogenic Equipment (Bodles); the Forage Laboratory (Bodles) and Training Programmes.

5.0 Strategic Plan for the Dairy Sub-Sector

The main tenets of the strategic direction for the dairy sub-sector comprise enhancements to production and marketing, and improvements to the enabling environment. This is to be achieved by the following:

- **Herd Expansion, Enhanced Productivity, Market Interventions and Training**

The JDDDB has approved a \$21.5 million for Phase 1 of a Heifer Redeployment Programme to reduce the number of dairy heifers entering the meat trade as a corollary; increase the size of the national dairy herd and thereby increasing milk production; and revive and/or revitalise institutional herds. Distribution of the heifers is pending bovine tuberculosis and brucellosis testing, and should take place in the 2015/2016 budget year.

The main aspects of the productivity enhancements in the short to medium term include continuation of programmes for mechanisation of feeding systems and improved herd nutrition. Longer term initiatives are being designed to reduced feed costs, manage energy costs and improve the genetic merits of the Jamaica Hope breed of cattle.

Marketing interventions will emphasise strategies to increase local milk consumption from the current low average of 105 ml/day, which is one-half of the WHO minimum requirement. The targeting of youth continues with support to the MoAF and MoE to include milk and milk products in the school feeding programme.

A main tenet of the school feeding programme include the

- **Enabling environment for improved investments in dairy sector enhanced**

The MoAF and the JDDB is in the process of reviewing the institutional, policy, legal, and regulatory framework of the JDDB. Preliminary reports suggest that the recommended course of action is the expansion of the remit of the Board to encompass all livestock.

The work of the JDDB is complemented by collaboration with other agencies of MoAF, other Government of Jamaica agencies and departments and international agencies, principally The Inter-American Institute for Cooperation on Agriculture.

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Minister of Agriculture, Labour and Social Security
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