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AGRICULTURAL CREDIT BANK OF JAMAICA LIMITED

AGRO-INDUSTRY PROJECT

(GOJ/USAID - 532 - 0081)

JAMAICA

CHECCHI AND COMPANY

PROGRESS REPORT NO. 4

DECEMBER 1, 1983

A. INTRODUCTION

The following report is presented by the Resident Consultants from Checchi and Company assigned to the Agricultural Credit Bank (ACB). The report describes the Consultants' major activities and Project's Progress during the month of November 1983.

B. PROJECT IMPLEMENTATION STATUS

The Project's regular operations has not started up yet. The Implementation Plan (proposed on August 5, 1983) estimated that the start-up date would be between the end of October and November 15, 1983. At present, the ACB is waiting for the National Commercial Bank's (NCB) response to the Credit Policy proposed by the ACB. The Credit Policy's draft was provided to the NCB on November 9, 1983.

The ACB continued appraising sub-loan inquiries during the month. The ACB management's initiative to carry out the appraisal of sub-loan application was based on the assumption that it would expedite the process for booking the first few loans. The sub-loan inquiries being analyzed were received by the ACB throughout the course of the year. Some of the inquiries were forwarded to the ACB by the Commercial Banks and the others by the potential sub-borrowers themselves.

C. CREDIT MANUAL

The Credit Manual's final version will be printed after the NCB provides its formal comments with regard to the proposed Policy Framework. On the other hand, Mr. Sam Motta, ADU Projects Manager, is presently reviewing the manual's draft that was presented on October 28, 1983 to the former Manager of the ADU.

The Credit Procedures were revised after obtaining the NCB's (Mr. D. Menzies and Mrs. B. Cuthbert) views with regard to the coordination arrangements for appraising sub-loan applications. The NCB proposed that the ACB participates in the sub-loan appraisal of all the applications, providing backstop services in the analysis of

the following aspects:

Marketing

Production/Processing

Procurement

D. SUB-LOAN APPROVAL

The NCB requested the ACB a copy of the Project's Policies during a meeting (November 4, 1983) held to discuss a possible sub-loan for Grays Pepper Products, and indicated that the sub-loan approval could be considered after the NCB discusses the proposed policy.

Mr. J. Eckford, consultant from Checchi and Company, initiated and/or continued the analysis of sub-loan inquiries jointly with ADU staff and Mr. S. Morgan. At the end of the second week of Mr. Eckford's assignment, the ACB suggested (the consultants agreed) that the ADU's staff take the responsibility to lead the appraisal (and/or follow up) activities rather than Mr. Eckford.

Upon Mr. Eckford's arrival, the ACB requested him to find five good sub-loan projects which could merit the ACB's approval. At the end of his mission, the consultant prepared a report recommending the approval of the J.A.I.D.A.M.'s sub-loan application.

Mr. Eckford made the following estimate (at the end of his mission) with regard to the merits of approximately 15 inquiries that he became acquainted with during his two consultancy missions:

<u>Merits</u>	<u>Number of Inquiries</u>	<u>Percentage</u>
Expected approval	2	13
Excellent chance of approval	1	7
Possible approval but problems	4	27

<u>Merits</u>	<u>Number of Inquiries</u>	<u>Percentage</u>
Insufficient information	<u>8</u>	<u>53</u>
	15	100

The consultant indicated that the Agro-industry Development Project needs more sub-loan applications with merit in order to book more loans. He also stated that the present group (of applications) has relative few good prospect.

Mr. Eckford also presented to the ACB's consideration a loan appraisal format and a report on employment. He initiated his second assignment on November 14, 1983 and departed on December 3, 1983.

E. DISBURSEMENTS

1. Letters of Commitment

The ACB and USAID discussed a disbursement mechanism by which USAID would provide a letter of commitment to a bank in the USA. The mechanism is described in the Credit Manual, and has been accepted by all the parties (USAID, ACB, and the NCB). The ACB has now to work out the details related to the flow and the breakdown of the information that it needs to obtain with regard to the payments that will be made by USA Bank. The C.O.P. is planning to discuss this matter with ACB Officers and USAID.

The ACB's Director of Operation took the initiative to request USAID to issue a letter of commitment for US\$2.5 million to the Barclays Bank in New York. This fund will be used for paying letters of credit issued by the NCB.

2. Regulations

The C.O.P. provided to Mrs. Dapne Brown, a copy of the USAID's

Procurement regulations applicable to Intermediate Credit Institutions. The C.O.P. suggested that the ADU prepares a summary of the Regulations' aspects which are relevant for the Project, and provides a copy of the summary to the Commercial Banks that participate in the Project.

F. ORGANIZATION

The ACE established a Project Committee at the beginning of the month. The Committee is presided by Mr. Vivian Chin, Director of Operations. The other members are Mr. Sam Motta, Manager of Financial Institutions and Technical Services; and the ADU's staff. The long-term consultants have been invited to the Committee Meetings. The Committee has been meeting regularly on a weekly basis.

The establishment of this Committee is a very positive step for enhancing coordination.

The ACB has also indicated that it is studying a plan for providing the necessary leadership at the Project level. At present (November 30, 1983), the organization is lacking a Manager at the Project level, and there is an urgent need for a sound, dedicated and formal leadership at this organizational level.

G. POLICY ISSUE

The Policy with regard to the term of the sub-loans was discussed during a meeting between USAID and the ACB on November 15, 1983. The issue discussed, is the policy which establishes that the minimum term for sub-loan is 6 years. It appears desirable to be able to provide sub-loans for a period as short as one year. Even though there could be enough liquidity in the banking system for

providing short term loans, the shortage of foreign exchange could be limiting the agro-industries' possibilities to purchase inventory materials that have to be imported.

Following Mr. Vivian Rochester's (USAID) suggestion, the ACB wrote a letter to USAID asking them to approve a change in the term policy for sub-loans. The ACB would like to establish a term policy of 1 to 10 years instead of the present policy of $\frac{1}{2}$ to $\frac{1}{6}$ years.

H. TECHNICAL ASSISTANCE

1. Production/Processing

Mr. S. Morgan (refer to attached report) analyzed the production/processing aspect of sub-projects presented to the ACB, and provided assistance to 5 industries in the identification of equipment suppliers.

2. Local Consultants

The C.O.P. presented to the ACB's consideration, a paper for inviting consultants to present information for establishing a Consultants' Roster. Also, a methodology for ranking consultants was developed.

3. Promotion

An outline describing possible Project promotion activities was presented to the ACB.

I. PLAN FOR DECEMBER

1. The ACB and the Commercial Banks reach an agreement with regard to the Project's Credit Policies, and the first Project Participation Agreement is signed between the ACB and one of the Commercial Banks (originally scheduled for the month of September),

2. The Credit Manual is officially approved (from previous month)
3. Provide assistance to the ADU in the implementation of the Credit Manual.
4. Provide backstop service in all matters related to lending, and provide on the job training.
5. Design a strategy for enhancing the effectiveness of the Project's technical assistance component.

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MEMORANDUM

AGRICULTURAL CREDIT BANK OF JAMAICA LIMITED

11A-15 Oxford Road, Kingston 5. Telephone: 929-4000

TO: Mr. Gustavo Gomez - COP USAID/Checchi/ACB	SUBJECT: Activities for month of November, 1983
FROM: S.R. Morgan - Production Specialist	DATE: December 7, 1983

- 1. Provided technical assistance and assessment inputs relative to loan requests (continuing basis).

Potential loan clients included:

- Stanford Foods Ltd.
- North Clarendon Processing Company
- Scientific Sales Ltd.
- Scott's Preserves Co.
- Fletcher-Bowman
- Tujule
- Cojacks
- Gray's Pepper Sauces
- Makonde
- JAIDAM
- Jamaica Aqua Farms
- Pioneer Enterprises

One or more field trips, and/or meetings were required to develop pertinent information in order to provide an interpretation of status, needs and limitation in the assessment of individual loan requests.

The above activity has been time consuming in that requested support information has been slow in movement from client to the ADU Unit.

Immediate positive prospects are JAIDAM, Gray's Pepper Sauce. With a little concentrated effort Scott's Preserves, North Clarendon Processing Company should follow as positive clients.

Mr. Eckford suggests that Scotts Preserves fails within the criteria easily, and a more liberal interpretation is needed to include such companies for loan qualification; as they have:

- (a) an ongoing organization,
- (b) have a good product,
- (c) have a factory updating program, geared to the export market.

Tijule Company and Fletcher-Bowman have special problems that must be addressed.

Tijule Company:

- better business and management organization
- operating capital

Fletcher-Bowman:

- operating capital
- identification of profitable product lines. Reduction of current list of product lines.

Six or more organizations have considerable "home work" that must be completed prior to further assessment.

2. Assistance in Identifying Equipment and Source

- (a) Contact has been made in identifying steam generation unit(s) source.

We have received two pro forma letters from manufacturers for JAIDAM.

- (b) Closing machine units source and detail has been turned over to JAIDAM.
- (c) Communication re filling machines for Stanford Foods, other has been initiated as to unit, cost, utilization.
- (d) Scott's Preserves has requested a complete examination re new equipment and plant layout.
- (e) North Clarendon Processing Company has requested assistance in updating plant layout and equipment.
- improve the washing system
 - improve the trim and slice system
 - improve the syruring fuction
 - add packaging unit for candied fruit.

For canned vegetables:

- brining operation
- weighing
- retorting.

- (f) "Makonde" - Mr. McClymont presented his proposal for the development of herbal teas and essential oils. We have requested building, equipment, operational, marketing plans as a first step. Intention of export.

- lemon grass, pouch and bulk
- sorrel
- extraction of oil.

[Guatemala a leader in production of lemon grass and citronilla oils. There are about 60 small distilling plants along the Pacific coastal Plains. Production at 1.5 - 1.75 million pounds of essential oils. (Selem, elome, noral, gepur, milac, etc.)]

(g) Initial water treatment system source and cost for JAIDAM.

3. Provided technical assistance throughout Mr. Eckford's three weeks consulting assignment. Example: Reworked and updated plant machinery requirement for Tijule Company for appraisal report. (Lease, in position, need to purchase.)
 - Encouraging counterpart to assume more active role in equipment need and source communciation.
 - Meeting with Agro 21 leadership representative to subscribe to mutual endeavor and technical information communication.
4. The outlook for December is to provide assistance to organizations who are close to qualifying, with the objective to determine loan request status.

.....*Steve Morgan*.....
 STEVE MORGAN
 PRODUCTION SPECIALIST

Attachment: Initial Plant Visitation Report
 Purpose: to provide an insight for the overview of the company, output, limitations, need and assistance. The writer has performed this task for each factory visit.

Plant Visitation

North Clarendon Processing Company

(J.A.S) 1972 Ltd.

51% of shares owned by J.A.S.

44% of shares owned by Farmers

5% of shares owned by Workers

Managing Director (Voluntary)

Plant Management Accountant/Company Secretary 3 Administrative clerks.

30 permanent factory workers

60 seasonal factory workers

Mr. Tomlinson, I.H.

Miss Simpson Q.C. (Juliette) 73609

Location:

Morgans Pass, Clarendon. 56 miles North-West of Kingston.

Products:

Mixed, candied fruit and peel. (wet sugar).

Canned ackees. (approximately 2,000 cases.

Raw Materials: Seville orange, paw paw, cho-cho, ackees

NOTE:

The writer first visited this plant in December 1981. Essentially, working conditions, the factory, sanitation was extremely poor.

Since that date, conditions and product is on the upswing. New additions have been put in place and the factory operation represents a great improvement.

Product is monitored by a respectable Q.C. facility and Miss Simpson is

currently developing new product potentials.

1. Exploring a Passion Fruit drink or product. Mr. Tomlinson indicated a very strong market exists for Passion Fruit. N.C.P.C. is planting a small number of Passiflora vines, (yellow passion fruit). (Hawaii and Australia have had considerable experience in culture and marketing passiflora).

Usually, two crops a year can be expected under favorable conditions.

2. Fruit "leathers". Made from guava, banana and guava, mangoes. A partially dehydrated product appearing somewhat like a flattened meat jerky product.

The mango had a good appearance, and taste. (Promising). The banana and guava combination is bland.

Miss Simpson is anxious to contact a manufacturer producing packaging for "fruit leathers".

NCP Company appears to be financially sound and has made good production output growth.

For mixed candied peel and fruit; output has increased from 9,100 lbs. during the start-up year to a current output of approximately 290,000 lbs. and a target of some 500,000 lbs. of candied fruit.

Canned ackees are produced as a fill in during slack fruit product periods.

For candied fruit, product selling price (March 1983) is indicated at J\$3.00 lb. = J\$708,000.

N.C.P. Company is interested in :

- a) Upgrading facilities
- b) Obtain more efficient and productive equipment.
- c) Increase product output.

- d) Realign plant outlet.
- e) Model for making wet sugar.

Process Flow for making candied fruit.

1. Non ripe paw paw unloaded at plant warehouse.
2. Fruit moved to preparation area.
3. Fruit washed to remove dirt and milky liquid.

Currently the wash system relies on fruits placed in barrels and soaked to remove milky latex and dirt.

* A Wash system need be developed if a target of 500,000 lbs (finished product is programmed in the near future.

4. Fruit culled out. Peeling manually.

* Better knives for peeling must be utilized.

5. Removal of seeds manually. A canning coring knife should work better than the straight "butcher" weapon now used. (check, Robins - Smiley knives)

6. Fruit cut into slices, manually.

* The company should consider the purchase of a slicing unit for greater uniformity of product (Chisholm - Ryder, FMC, Urschel)

7. Sliced paw paw is now placed in "brine tubs". A 4% brine is used to which fruit is placed.

Following this procedure, a fermentation medium is prepared in heated H₂O is joined with sugar, ammonium sulphate, plus Bi AS, plus yeast. PH check.

8. Fermentation is maintained for 2 to 3 days.
9. The product is rinsed for 4 to 6 hours.
10. Diverted to a dicing unit (cut to 1 cm squares) .: PH check out.
11. Product transferred to a steam kettle, where heating water and

Sodium Bi-carbonate is added. During heating, citric acid is added, and the fruit undergoes boiling.

12. The fruit is transferred to a large open metal bin for about 24 hours to set up the dye which is added. Red and green food dyes (geranium red, from Bush Boake Allen Inc.) coupled with sodium benzoate is used.

13. The product is rinsed and moved to portable syruping bins. A syrup and citric acid solution is made up and heated - to which potassium sorbate is added.

Brix and PH is monitored. Fruit is held approximately 24 hours in the syrup medium.

14. The syrup is drained off.

Seven syruping cycles are used in which the syrup brix is built up from 30° to 75° brix.

* The use of the portable syruping bins is causing considerable damage to the floor. The syruping stage is unwieldy and a change in layout is desireable.

15. Following with the last syruping, the product is allowed to stand for 1 to 3 days. Brix and PH monitored.

16. The syrup is drained off and recycled.

17. Product is transferred to storage in Stainless Steel tanks.

Eight storage tanks can hold approximately 2,000 lbs. of finished product in each tank.

Between the Easter and Christmas seasons, some 80,000 - 90,000 lbs. of product is held in storage.

Raw produce recovery estimated at 78% for paw paw, and 45% for seville orange.

Container sizes to consumers as follows:

1. Poly pouches in 0.5 and 1.0 pound of product.
 2. A 25 pound bucket type carton.
 3. A drum holding 600 pounds.
- * NCP company has requested a source and costing for a packaging unit for the 0.5 and 1.0 lb. pouches.
18. Product removed from storage to the mixing machine, to the packaging table . Fruit is weighed and packaged and sealed, then packed in cartons to the warehouse.

General corrective procedure required: Candied Fruits

1. Improving slicing operation.
2. Improving syruping operation
3. Packaging

Canned Ackee LIME

The raw material is purchased from growers in the area. NCP Company packs out approximately 100 cases per day and currently does not anticipate any pack budget increase.

Mr. Tomlinson stated the price received from ackee has dropped from J\$90.00 to 60 - 65.00 per case.

1. The raw produce is prepared in a separate room and carried to the prep and canning line in pans.
2. Cans are hand filled and weighed.
3. Filled cans are hand transferred to a point prior to the exhaust line, and hand filled with brine.
4. Following exhausting, cans are hand placed to a "MB" closing machine, closing cans at a rate of about 10 cans per minute.
5. Closed cans placed in retort basket. Two baskets per retort load.

Approximately 16 cases/basket.

*NCP Company has requested assistance in the canning line layout. Also,

- Improving brining operation.
- Improving weight checking
- Check out possibility of continuous retorting.

S.R. Morgan

S.R. MORGAN
Production Specialist

Addendum:

North Clarendon Processing Company

Steam for processing generated by one "Eclipse" stand-up vertical boiler. Rated at 10 H.P. and 100 psi. One "volcano" 30 H.P. boiler with 200 psi. The "volcano" was purchased for J\$10,000 four years ago; and is probably some 10 years old.

A water treatment system is in place and operating.

Marketing: Bakeries Islandwide Markets