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BUSINESS PLAN FOR THE
AGRICULTURAL MARKETING CORPORATION (AMC):
FINDINGS AND RECOMMENDATIONS

March 25, 1983

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Submitted to:

Board of Directors
AMC
Kingston, Jamaica

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INTRODUCTION

Purpose of This Report

The purpose of this report is to present the findings of Phase One of a study commissioned by the Board of Directors of the Agricultural Marketing Corporation (AMC) of Jamaica.

Purpose of the Study

The purpose of the study, as established by the Board of Directors, in consultation with others, is to help determine the future of the AMC. The study has been conducted by Mr. Thomas Craig and Ms. Alice Howard of Agribusiness Associates, Inc. The study is funded by USAID.

In determining the future role of the AMC, the study team is mindful of the mandate by the Prime Minister for the AMC to

become financially self-sufficient. In this context, the consultants focused on three specific action alternatives:

- * Participating in a joint venture with a private company or group of private companies.
- * Continuing to operate on an "as is" basis, with necessary adjustments to become profitable.
- * Closing down the organization and disposing of its assets.

Study Outline

The study is divided into two phases. The purpose of Phase One is to help determine the best course of action for the AMC. In Phase Two, the study team will support the implementation of whatever decision is made by the Board of Directors and the Government of Jamaica. Much of the work conducted in Phase One will be used to support the implementation plan.

In Phase One, the consultants have coordinated their activities closely with the management, staff and directors of the AMC. The consultants would like to express their deep appreciation for the support provided to them by the AMC, with special thanks to the Managing Director, Mrs. Fay Sylvester. In the course of the study, the consultants also worked closely with members of the Jamaican private sector while examining the possibilities for a joint venture.

This report has been kept as brief as possible to increase its usefulness as a decision tool. Most of the worksheets and original analyses are not included. These documents are available to authorized individuals who wish to understand the analyses in greater detail.

Organization of Phase One

The presentation of this document marks the end of Phase One. The research effort during this phase has been divided into five stages:

Stage One. The goal of the first stage was to understand the perspectives and objectives of various organizations and interest groups concerned with the AMC.

Stage Two. In stage two the consultants worked within the AMC, in close cooperation with its management and staff to understand the organization's financial performance, operations and attitudes of staff members. The consultants met or interviewed most of the AMC's employees in the course of this stage. The consultants visited all the branches except one and spent much time observing actual business operations.

Stage Three. Given the understanding of the organization gained in stage two, in stage three the consultants explored various joint venture alternatives with the private sector. Only ventures involving produce distribution were considered.

Stage Four. In this stage, the data collected in stages two and three were analyzed and used to formulate various action alternatives.

Stage Five. During stage five, the consultants presented their preliminary findings to various decision makers - including the management of the AMC, the Board of Directors of the AMC, and Ministerial Officials - and invited discussion on these findings.

* * *

SUMMARY OF MAJOR FINDINGS

The major findings from Phase One of the Study are summarized below:

General Findings

- * The AMC is a very different organization today than in the past. Admittedly a simplistic observation, it is an important one to make because many decision-makers within Jamaica are forming opinions and decisions with an outdated concept of what the AMC does. The organization has undergone several major changes - many in the past two years. This applies to the lines of business in which it competes, the relative importance of different business lines, the volume of business, its procurement system and its financial performance.

- * The AMC competes in three major lines of business: imports (largely of onions, potatoes, and red peas), exports (mostly yams, dasheen, cocos, sweet potato, pumpkins and sugar cane), and domestic distribution of produce.

Financial Findings

- * The AMC will lose about J\$ 1.9 million in FY 1982-83, if one adjusts for actual expenses incurred (interest paid on the AMC's overdraft is not included in financial statements). This figure compares with official estimates of losses for the year of about J\$ 1.3 million.

- * Of the three lines of business, imports is the only line of business in which the AMC makes a significant economic contribution. Contribution is defined as revenues minus the variable costs necessary to produce those revenues. It is a critical indicator of whether a company should be in business since a company with a negative contribution can save money by going out of business.
- * The domestic line of business barely covers its variable costs while exports have a negative contribution. If the fixed costs of operating the branch offices are allocated to these lines of business, both show losses.
- * The AMC has reduced significantly its losses in the past two fiscal years. In FY 1981-82, the AMC lost about J\$ 4.5 million. Losses on an annualized basis for FY 1982-83 will be about J\$ 1.9 million, a reduction in one year of about J\$ 2.6 million.
- * Analysis reveals that this cut in losses is largely due to major changes in business mix. The AMC has closed down several unprofitable lines of business, e.g., retailing. Also, the AMC has moved away from distribution of local produce towards distribution of more profitable imported produce.
- * The ability of the AMC to import these products is by virtue of its monopoly sole-importer status. Without the ability to import these goods, the AMC's losses would increase by J\$ 471,000.
- * The recent reduction in operating losses also reflects applied efforts by management to control costs in traditional lines of business.
- * The largest cost savings has come from a drastic reduction in the full time labor force from about 550 to about 100. This reduction comes both from divestment and reductions of excess manpower. However, even though the permanent staff was cut by more than 80%, total personnel expenses fell by

only 40%, reflecting the substitution of "casual" for "permanent" employees.

- * Future reductions in expenses will be more difficult to achieve since the organization is relatively lean when compared to the past. The obvious cost savings already have been made. Further reduction of expenses will require strict management control.
- * Export revenues are overstated and should probably be written down by at least J\$ 360,000 to reflect what the AMC will actually be paid (Note that the income statement in this report does not reflect reduced export revenues).
- * The AMC has been unable to take advantage of the benefits from earning hard currency that many private sector exporters have had, e.g., using the hard currency to import goods which are sold at a handsome profit.

Procurement and Marketing

- * The Agricultural Marketing Corporation is not a major market for the farm sector. The AMC procures from a relatively small base of farmers (about 2,000 on a regular basis out of an estimated 150,000 farmers in Jamaica). Three different analyses support this finding. (These are discussed in greater detail later in the report).
- * The AMC has a high fixed-cost procurement system based on branch offices at seven locations (Kingston, Christiana, Brownstown, Montego Bay, Port Antonio, Bull Savannah, and May Pen.) However, its variable costs of procurement are competitive and are lower than those of some private produce traders.
- * The AMC has largely relinquished its procurement activities to independent truckers, and has thus

lost much of its ability to target specific farmer groups as suppliers.

- * The AMC is an important exporter, representing about 12% of all exports of ground provisions in 1982.
- * In 1982, the AMC's market share of national exports appears to have fallen.
- * The AMC faces increased competition in exports from the private sector, a trend which has accelerated since the change in Jamaica's currency regulations. There are currently about twenty organizations exporting fresh produce from Jamaica, many of them emphasizing roots and tubers, the AMC's main export line.
- * The AMC is not a major supplier of produce to any segment of the domestic market. The AMC's major customers are government institutions such as prisons and hospitals.
- * Within the domestic produce trade, the AMC has a poor reputation. Most observers (including higglers, supermarkets and large buyers) view the AMC as an unpredictable and high cost supplier of inferior produce.

Joint Venture

- * The private business community in Jamaica is generally not interested in the AMC as an operating entity. The private sector places little value on the AMC's experience in exporting, procurement or domestic distribution.
- * In considering a joint venture, the physical assets of the AMC are the most attractive feature to the private sector.

- * The AMC's sole importer status of fruits and vegetables is the other aspect of the AMC which interests the private sector in a joint venture with the AMC.
- * Private companies are generally willing to consider a venture with the AMC only on their terms.
- * The new United Agricultural Produce Traders (UAPT) is the most promising candidate for a joint venture. They are the only participant with the size, market sophistication and financial backing required to make a venture succeed.
- * The AMC controls valuable assets which are not being used efficiently. Many assets are completely idle. The opportunity cost of not using the AMC's assets is great (perhaps as high as J\$ 1 million per year).

* * *

CONCLUSIONS

The important conclusions of this study are summarized below:

- * The AMC currently has no formal responsibility for implementing Government policy.
- * The unofficial role of the AMC as a participant in the food system is the most commonly cited justification for the AMC's existence.
- * The AMC is not currently an important market outlet for farmers.
- * The AMC is not a major supplier to any buying segment of the domestic food economy.
- * The AMC is a significant exporter of produce from Jamaica as judged by its volume of exports. However, the AMC faces increasing competition from private companies in this business line.
- * The AMC is not economically viable as a distributor of domestic or export produce, as determined by an analysis of financial contribution.
- * Imports is the only viable business line of the AMC. This business line, however, must be regarded as a special case since the AMC is a monopoly importer in a low risk, high margin business.

- * The AMC has high overhead costs for the level of business it conducts.
- * The AMC, by virtue of its history and Governmental status, lacks many of the organizational and managerial characteristics necessary to succeed in produce trading, e.g., flexibility, speed and ability to control its own activities.
- * Given the unattractive financial combination of negative contribution and high overhead costs, and given the organizational limitations of the AMC to resolve these problems, it is unlikely the AMC can become economically viable on its own.
- * The private sector is generally not interested in a joint venture with the AMC.
- * UAPT is the most promising (and perhaps only) candidate for a joint venture.
- * The AMC controls valuable assets worth about J\$ 10 million. Most of these are underused, creating a significant opportunity cost for Jamaica.

RECOMMENDATIONS

Action Plan for the AMC Without a Clearly Defined Policy Role

Based on the preceding findings and analysis, the consultants make the following recommendations in the absence of a clear policy role for the AMC:

- * Actively pursue a joint venture with the UAPT to its logical conclusion.
- * If a joint venture is not feasible, close the AMC as an operating entity.
- * Dispose of the AMC's assets.

Action Plan for the AMC With a Clearly Defined Policy Role

In the event that the Government defines a clear policy role for the AMC which requires that the AMC remain as an operating entity, the consultants recommend the following action:

- * Fully recognize the implications and constraints of the policy objective on the AMC, i.e., don't hold the AMC accountable to performing by commercial criteria.
- * Focus the AMC's business activities to directly address the stated policy objective.

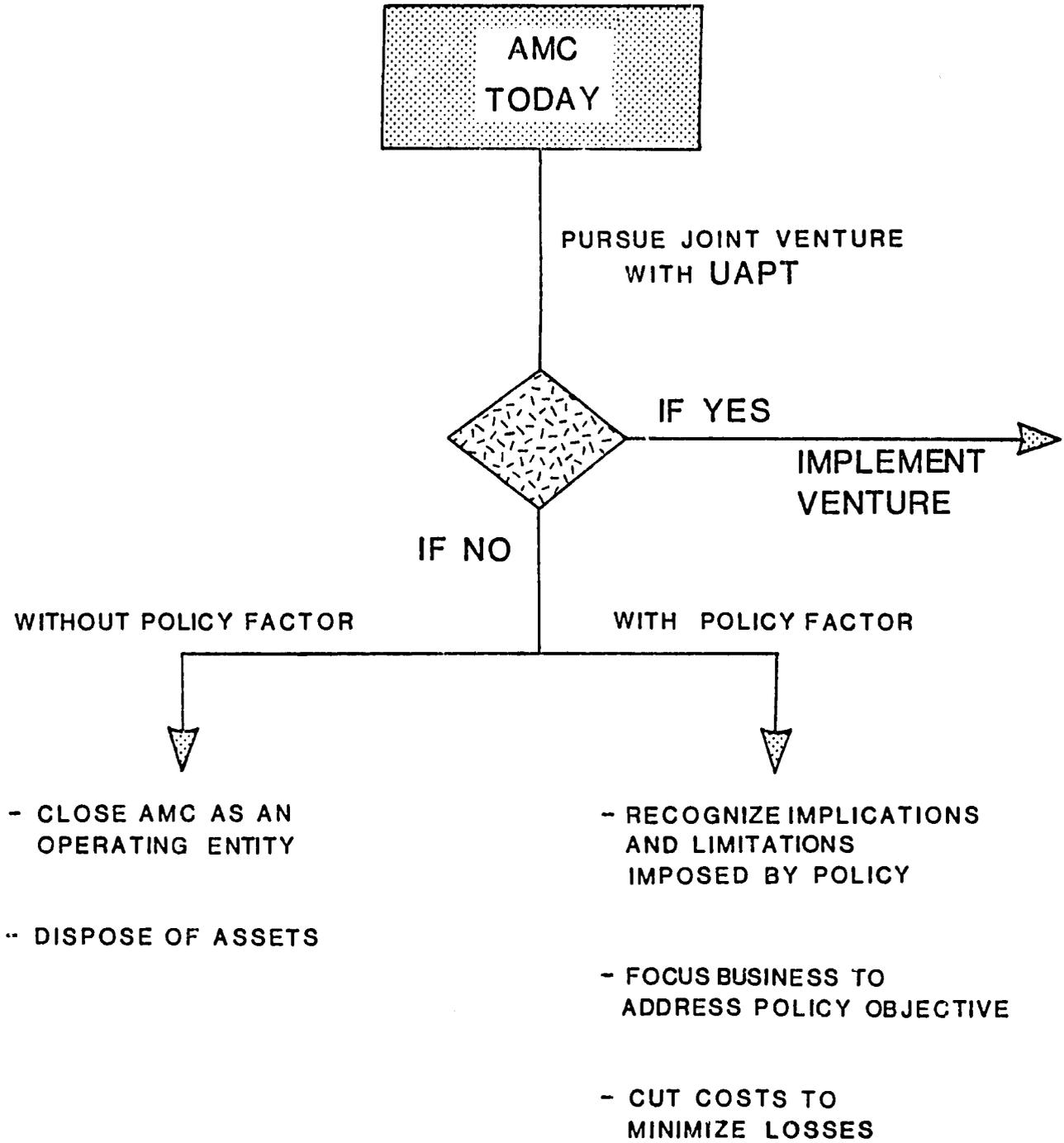
- * Undertake an aggressive cost cutting program to minimize losses.

Exhibit 1 shows a schematic diagram of the recommended course of action for the AMC.

* * *

Exhibit 1

RECOMMENDED ACTION PLAN
FOR THE AMC



GOVERNMENT POLICY AS A CONSIDERATION
IN DETERMINING THE FUTURE OF THE AMC

Introduction

Considerations of Government policy have recurred throughout the study. Central to the policy issue is to what degree the Agricultural Marketing Corporation does and should support Government policy objectives and to what degree it should be regarded strictly as a commercial entity, free to operate as it chooses in order to become profitable.

The Important Policy Issues

The policy roles which are commonly cited in the debate over the AMC are summarized below:

- * The role of the AMC in supporting the small farmer, by providing him with a secure market and/or firm price for his product.

- * The role of the AMC as an exporter of produce with the objective of earning foreign exchange for Jamaica, even though it means exporting at a financial loss (using either the official or parallel market rate of exchange for foreign currency).

- * The role of the AMC as an exporter of Jamaican produce with the purpose of keeping the largest market share possible in target markets (again, even though it means exporting at a financial loss)

The role of the AMC as a symbolic organization to emphasize that the Government cares about farming.

Confusion About Policy

All of these policy roles are frequently cited as appropriate ones for the AMC. Many still view the AMC, either implicitly or explicitly, as having the mission of supporting these policies. This is true for employees, outside observers, and government officials alike.

Policy considerations are important when structuring a business plan for the AMC. Although policy objectives and a mandate to become commercially viable can theoretically coexist, in practice, they are usually in conflict. This clearly has been the case in the past when the AMC was caught between a mandate to operate efficiently and profitably and a mandate to support policy objectives by buying from the small farmer and keeping retail food prices low.

Today, there is still conflict and confusion within the AMC over what objectives the organization is trying to support and to what extent the AMC plays a public policy role in the agricultural sector. This conflict exists despite pronouncements by GOJ that AMC is free to operate as it need in order to become profitable. This has created a feeling throughout the organization that things are "on hold" until its mandate is clarified by either the Board of Directors or the Government. One should note that most managers in the organization are operating with an assumption that the AMC's primary purpose is supporting the small farmer, while operating as a profitable commercial company is a secondary objective.

How Policy is Handled in this Study

The policy issue is a complicating issue, one which the study team has considered from the beginning. In adopting a strategy on how to treat policy, the consultants acknowledge that many people think AMC should be an instrument of policy and that the study should directly address how this role should be defined. However, since the current mandate of the AMC is to function as a commercial entity, and since the terms of reference for the study explicitly state that the

AMC should be evaluated as a commercial entity, policy is handled in the following manner:

- * First, the AMC is analyzed and evaluated as a commercial entity without consideration to real or imagined policy issues.
- * Second, the study team gathered information about the importance of the AMC as a buyer from farmers, as a supplier to various buyer segments, and as an exporter. It is hoped that this information will help decision makers decide what role, if any, the AMC should have in implementing agricultural policy.

The consultants believe that resolution of the policy issue must occur at the highest levels of Government, i.e., at the Ministerial and Prime Ministerial levels.

* * *

ANALYSIS OF BUSINESS LINES

Three Lines of Business

The AMC competes in three lines of business. These lines are as follow:

Imports: The importation and distribution of produce, mostly onions, potatoes and red peas (beans). In 1982, the AMC was designated by the Government as the sole importer of fresh produce.

Exports: The procurement, preparation, packing and export of produce - notably negro yams, yellow yams, lucea yams, dasheen, coco, sweet potato, pumpkins and sugar cane.

Domestic: The procurement and distribution of produce to the domestic market. This includes ground provisions as well as vegetables and fruits.

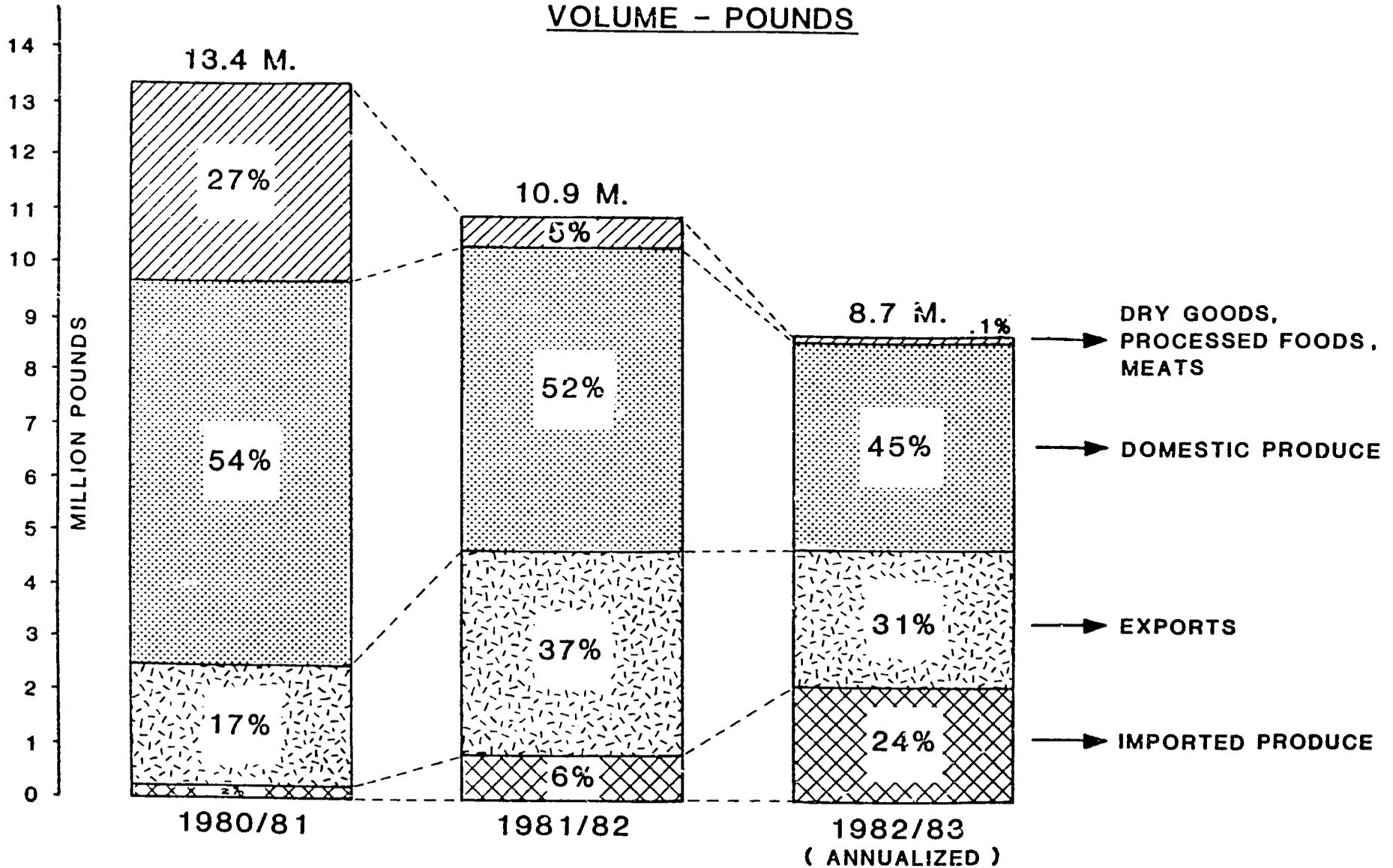
Shifts in Lines of Business

There has been a significant shift in the AMC's lines of business over the past three years. Exhibits 2 and 3 show trends in the relative importance of the three current lines of business since FY 1981. A fourth line of business, sales of dry goods, processed foods, and meats is included in the Exhibits since this line once accounted for a significant portion of sales.

Exhibit 2

AMC SALES, BY LINE OF BUSINESS

VOLUME - POUNDS

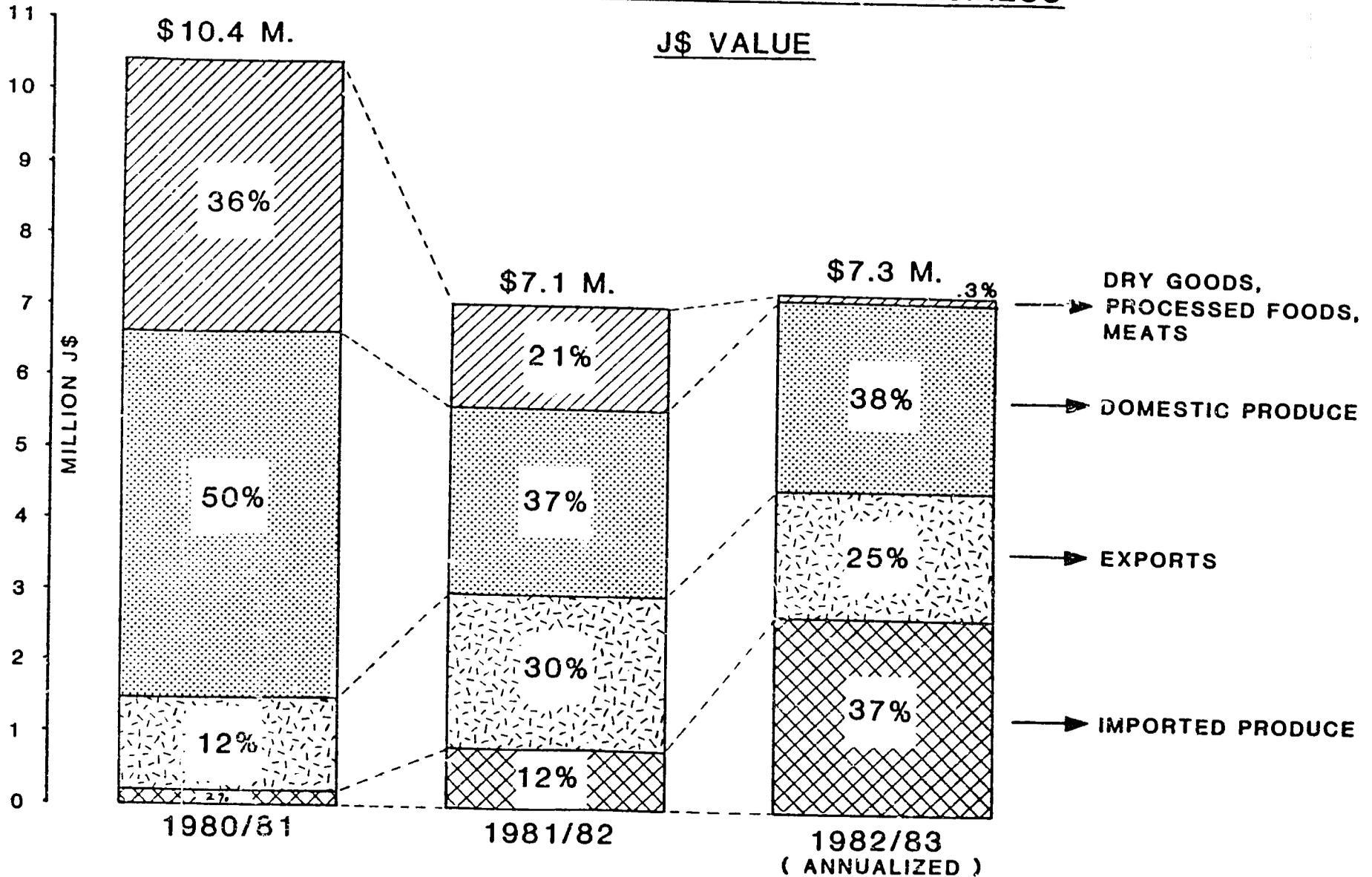


SOURCE: AMC PURCHASE & SALES RECORDS

Exhibit 3

AMC SALES, BY LINE OF BUSINESS

J\$ VALUE



SOURCE: AMC PURCHASE & SALES RECORDS

Analyzing the Change

The decline in the AMC's total volume is evident in Exhibit 2. Total pounds sold has fallen from 13.4 million pounds in FY 1981 to 8.7 million pounds (annualized) in 1983. This decline is a continuation of a trend which started in the late 1970's. The FY 1983 volume of sales will be only one half of what it was in FY 1980.

- * Dry goods, processed foods, and meats accounted for a substantial portion of AMC volume two years ago when the AMC operated retail stores and basic shops. With the closing of retail outlets, sales of these products have dropped to less than 1% of total volume.
- * The closing of retail outlets has also affected AMC's domestic business. Volume of domestically distributed products has declined both on an absolute basis (from 7.2 to 3.9 million pounds) and on a relative basis (from 54% to 45% of sales). At the beginning of this fiscal year management expected to be able to replace lost retail sales with sales to franchise stores, but these orders have not materialized. AMC franchise stores have tended to procure produce largely from sources other than the AMC.
- * AMC's exports have trended upward since the mid-1970's. In 1978, exports were only 2% of total sales. By 1982, exports increased to almost one-third of sales. Export sales will decline for the first time this year with volume dropping from last year's high of 4.0 million pounds to a level of 2.7 million pounds.
- * Volume of imported produce has risen dramatically over the past three years. AMC sales of imported produce were less than 300,000 lbs in FY 1981, only 2% of total volume. This year, they are expected to top 2 million pounds, almost one-quarter of total volume.
- * The importance of imported produce in the AMC's total mix of business is seen again in Exhibit 3. This exhibit shows sales by line of business on a

dollar basis. Total sales in FY 1983 are projected to be only marginally higher than last year's sales of J\$ 7.1 million, but substantially less than FY 1981 sales of J\$ 10.4 million. This year, four imported commodities will account for 37% of AMC's sales.

Summary of Shifts

In summary, the businesses in which the AMC competes have shifted notably over the past three years:

- * The AMC has moved almost entirely out of dry good/processed foods following the closing of its retail stores.
- * With the absence of an assured outlet for fresh products, i.e., captive retail stores, the AMC's domestic line of business has declined substantially, both in terms of the volume and value of sales.
- * Exports have shown strong growth up until this year. Sales this year are expected to fall by at least 17% compared with last year.
- * Imported produce has become a large part of the AMC's total business. Turnover would be only J\$ 5.1 million this year, compared with the projected level of J\$ 7.3 million, if the AMC had not been able to capture additional revenue from imported produce by virtue of its sole importer status.

* * *

FINANCIAL ANALYSIS

Importance of a Detailed Financial Analysis

This section presents a detailed analysis of the AMC's financial performance. This analysis builds a critical foundation for determining the future of the AMC for the following reasons:

- * The analysis provides an understanding of what lines of business the AMC competes in.
- * The analysis shows in which lines of business the AMC is viable.
- * The analysis gives insights into aspects of the AMC which might be attractive to joint venture partners.
- * The analysis gives insight into where the AMC loses money and what costs can be controlled in the event that the AMC continues to operate in its current form.

Approach for the Financial Analysis

The approach used in the financial analysis was to evaluate the AMC as a commercial business. During the analysis, the consultants worked closely with the financial and accounting departments of the AMC.

The financial analysis was conducted in several steps, summarized below:

- * The first step was to determine which years should be used in the analysis. Since the AMC has undergone radical changes in its business in the recent past, only the last three years were studied. Any prior operating data would not be internally consistent. Where appropriate, longer time periods were used for comparative purposes.
- * The second step was to evaluate the overall financial performance of the company. Costs were adjusted where necessary to reflect actual financial performance.
- * The third step was to allocate costs, both fixed and variable, to different business lines. Line managers and financial personnel were interviewed to determine the correct allocation. The consultants also observed actual operations to confirm cost allocations in certain important areas, e.g., variable labor costs.
- * The fourth step was to conduct a contribution analysis for the three major lines of business to determine where the AMC is competitive.
- * The fifth step was to conduct a detailed cost accounting of the major export orders to the UK (the destination market for almost all the AMC's exports).

Sources of Financial Data

Several sources of data were used in preparing the financial analyses:

- * Management Accounts (prepared monthly);
- * The AMC's General Ledger, cumulative through 29/1/83;

- * Purchase and Sales records for 1980 - January, 1983;
- * Invoices and records for export shipments;
- * Monthly marketing reports from JETCO, U.K.;
- * Interviews with AMC employees.

In general, financial data on the AMC are plentiful and appear to be well kept. However, all sources of financial information used in this report were unaudited. (The most recent audit of the AMC's financial operations was completed for the fiscal year ended March 31, 1980.) While the following analysis is based on management's financial records, the consultants do not purport to offer an auditor's opinion on the fairness of the Corporation's statements or the accuracy of management's records.

Outline of the Financial Analysis

This financial analysis is organized as follows:

- * Analysis of overall financial performance.
- * Analysis of revenues.
- * Analysis of costs.
- * Analysis of contribution, by business line.

Recent Overall Financial Performance

This section examines the overall financial performance of the AMC.

According to AMC records, cumulative operating losses for FY 1978 through FY 1982 exceeded J\$ 24 million, an average annual loss of J\$ 4.8 million. Operating losses have resulted from high operating expenses relative to the volume of sales. This year's net loss is projected to be approximately J\$ 1.9 million, a 60% reduction from last year's loss of J\$ 4.5 million.

Exhibit 4 and Exhibit 5 show graphically the overall performance of the AMC.

- * This loss does not reflect a probable write-down in export revenues (calculations of contribution in a later section do, however, account for a write-down of revenue) Revenue from export sales is recognized when the product is shipped, and generally reflects the invoice value of the shipment, as calculated using standard costings. However, actual receipts from export sales in FY 1983 were, on average, only 80% of the estimated value of shipments following deduction of "foreign costs" such as JETCO-U.K. commissions, distributor commissions, bank charges, value-added tax, etc. A write-down in export revenues would increase the net loss for FY 1983 by an estimated J\$ 360,000 resulting in a total deficit of J\$ 2.26 million.

- * Interest on the AMC's bank overdraft, amounting to over J\$ 500,000, is included in total expenses in this report. Interest charges are shown "below the line" - or not at all - in the AMC's Management Accounts. The rationale for omitting interest expense from management reporting has been that interest reflects a non-controllable cost paid for the AMC by the Government of Jamaica.

- * However, interest on short-term bank debt is an actual operating cost of the business and therefore should be reflected in the analysis of operations.

- * The reduction of net losses from J\$ 4.5 million in FY 1982 to J\$ 1.9 million this year reflects:
 - An improvement in the gross margin which increased to 26% of sales - up from 14% last year. This increase is partly due to increased sales of imported fresh produce.

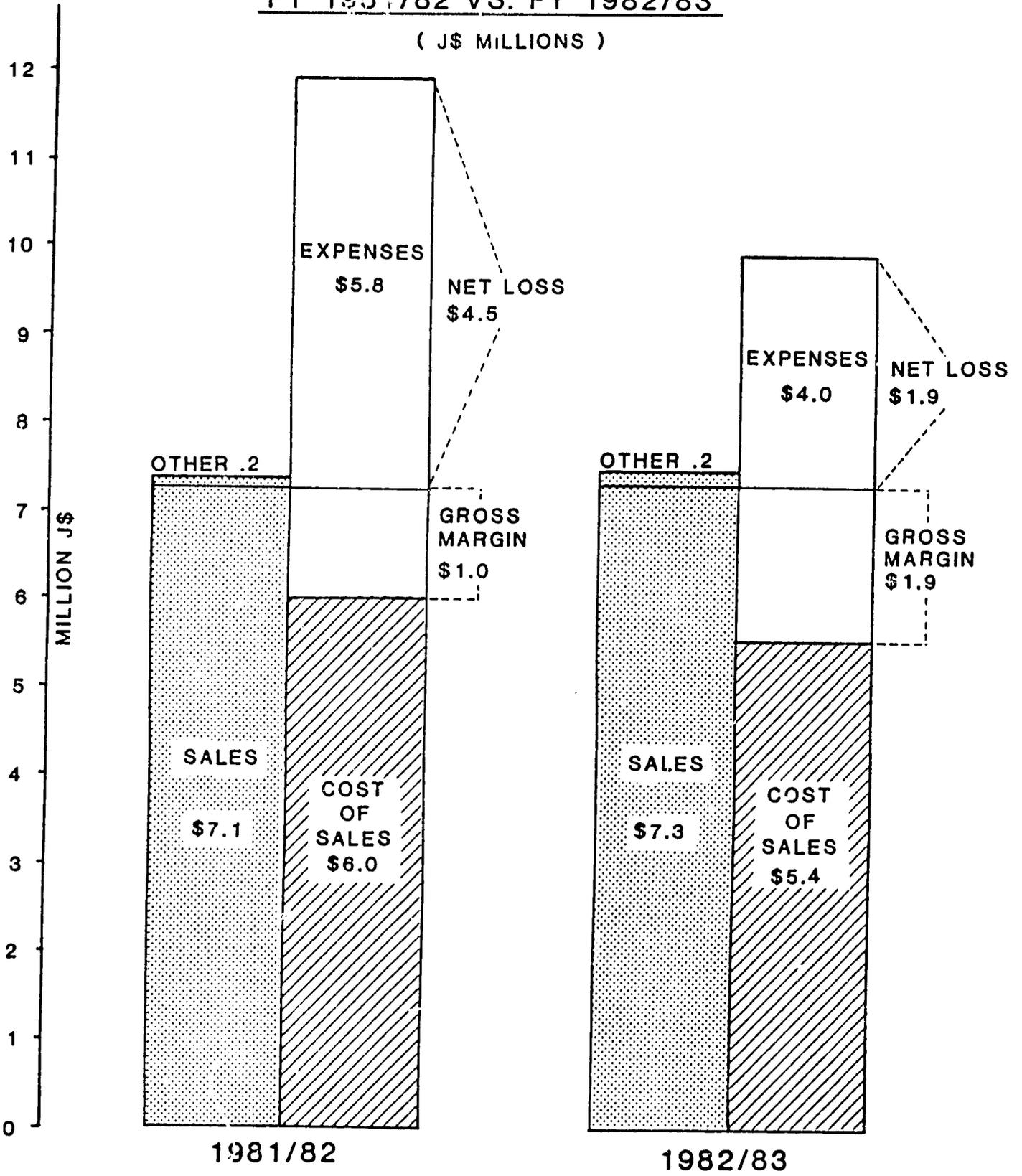
 - A decline in expenses, which fell from J\$ 5.8 million in 1982 to J\$ 4.0 million this year following the closing (or franchising) of AMC basic shops and retail outlets.

Exhibit 4

COMPARISON OF FINANCIAL PERFORMANCE

FY 1981/82 VS. FY 1982/83

(J\$ MILLIONS)



1981/82

1982/83

SOURCE: AMC MANAGEMENT ACCTS
(UNAUDITED)

(ANNUALIZED)

Exhibit 5

AMC FINANCIAL PERFORMANCE
(J\$000)

	FY 1981/82 (12 mos.)	FY 1982/83 (10 mos.)	FY 1982/83 Annualized
	-----	-----	-----
Sales	\$ 7108	\$ 6076	\$ 7291
Cost of Sales	6044	4491	5389
Gross Margin	----- 1064	----- 1585	----- 1902
Expenses			
Salaries & Wages	2588	850	1020
Casual & OT		400	480
Fringe	420	216	259
Transport/Freight	313	456	547
Utilities	629	222	266
Insurance	176	95	114
Travel & Sub.	138	94	113
Repairs & Main.	204	66	79
Security	86	66	79
Packaging	149	56	67
Commissions	3	46	55
Computer/Audit	38	32	38
Advertise/Promo	57	19	23
Rental	93	12	14
Misc.	359	148	178
Total Expenses	-----	-----	-----
Before Int. & Dep.	5253	2778	3334
Interest	376	480	576
Depreciation	200	168	202
Total Expenses	----- 5829	----- 3426	----- 4110
Other Income	245	189	227
Net Operating Loss	----- \$ -4520	----- \$ -1652	----- \$ -1982

Source: AMC Management Accounts

- * Of the J\$ 2.6 million reduction in the deficit, J\$ 1.8 million in savings was achieved through cost-cutting measures. The remainder was primarily attributable to improvement in the gross margin.
- * Sales of produce in FY 1983 are projected to increase only marginally, reaching J\$ 7.3 million this year, up 3% from 1982. Revenue from other sources, totalling J\$ 227,000, is essentially unchanged from last year.
- * While sales remained flat on a value basis, tonnage is actually projected to decline 20%, from 10.9 million pounds in FY 1982 to 8.7 million pounds this year. Thus, on a volume basis, AMC's business has declined notably, with sales remaining level because of price increases and a changing product mix which reflects a greater proportion of higher value products such as imports.

Analysis of AMC Expenses

This section looks at expenses, a key area to understand as part of an effort to minimize operating losses.

- * Exhibit 6 shows a breakdown of the PMC's projected expenses estimated at J\$ 4 million for FY 1983. Expenses are almost evenly divided between the corporate head office and the branches, each at about J\$ 2 million. (The operating expenses of the Kingston "branch" are included in branch expenses).
- * Personnel costs, including salaries, wages, casual and overtime, and fringe benefits are high, accounting for 43% of total expenses. Despite the cut-back in permanent staff from 500 to 100 - an 80% cut - personnel expenses fell by only 40%, from J\$ 3 million in FY 1982 to about J\$ 1.8 million this year. This is partly due to the fact that some positions formerly classified as permanent staff are now treated as "casual" positions, even

Exhibit 6

BREAKDOWN OF AMC EXPENSES
FY 1982 & FY 1983 (Annualized)
(J\$000)

Expense Category	FY 1982		FY 1983		% of Total
	Total Corporate	Branches	Total Corporate	Branches	
Salaries & Wages	\$ 2588	\$ 522	\$ 498	\$ 1020	24.8 %
Casual & OT			480	480	11.7
Fringe	420	159	100	259	6.3
Transport & Freight	313	83	464	547	13.3
Utilities	629	124	142	266	6.5
Insurance	176	114		114	2.8
Travel & Subsist.	138	43	70	113	2.8
Repairs & Main.	204	58	21	79	1.9
Security	86	41	38	79	1.9
Packaging	149		67	67	1.6
Commissions	3		55	55	1.3
Computer & Audit	38	38		38	0.9
Advertising	57	23		23	0.6
Rental	93		14	14	0.3
Miscellaneous	359	102	76	178	4.3
Total Exp. Before Int. &	5253	1307	2025	3332	81.1
Interest	376	576		576	14.0
Depreciation	200	201		201	4.9
Total Expenses	\$ 5829	\$ 2084	\$ 2025	\$ 4110	100.0 %

Source: AMC Management Accounts

though the people occupying the jobs work regularly. The organization is still overstaffed for its current level of activity.

- * Interest Expenses, the second largest expense category, has risen to 14% of total expenses. Transport and Freight amounting to J\$ 547,000 is the third largest expense of the AMC. A substantial portion of this is overseas freight which is difficult to control.
- * Utility expenses equal J\$ 266,000, roughly 6.5% of total expenses.
- * The remaining expense categories comprise less than 3% of total expenses.

Three Approaches to Breaking Even

It is clear that unless future operating performance can be turned around to the point where the AMC can break even, continued subsidies will be needed from the Government of Jamaica.

In order to break even, one of three scenarios must be considered:

- Assuming a gross margin of 26%, sales must more than double, from J\$ 7.3 to J\$ 15.4 million in order to cover current operating expenses of J\$ 4.0 million.
- Alternatively, expenses must be reduced by at least J\$ 1.9 million to roughly half of current levels.
- Some combination of the above two changes could be used.

Contribution Analysis

This section examines in greater detail the contribution from the major lines of business.

The AMC's three lines of business - Imports, Exports, and Domestic sales - have shown very different trends over time. A key question examined here is "How profitable, or unprofitable, are each of these lines of business?"

The approach taken to answer this question was to determine contribution to fixed costs for each line of business. "Contribution" is defined as revenue minus the variable costs associated with producing that stream of revenue. It is a useful guide for management decision-making on separate products or lines of business, since a negative contribution indicates that a company should exit that line of business.

Methodology

The methodology for the contribution analysis was as follows:

1. Sales were broken down by line of business.
2. Gross export sales were adjusted downward to reflect actual revenue received, which is 80% of gross sales, on average.
3. The gross margin for export sales was based on the actual gross margin for all U.K. export sales, adjusted for loss due to waste.
4. The gross margins for imports and domestic sales were based on average unit sales prices less average unit purchase prices for typical items, adjusted for loss due to waste.
5. Branch operating expenses were identified as fixed or variable and allocated to lines of

business according to activity levels. Interviews were held with branch staff in order to allocate expenses as accurately as possible.

6. Corporate overhead expenses were not allocated to separate lines of business since this would pose major difficulties in classifying costs.

Analysis of the Data

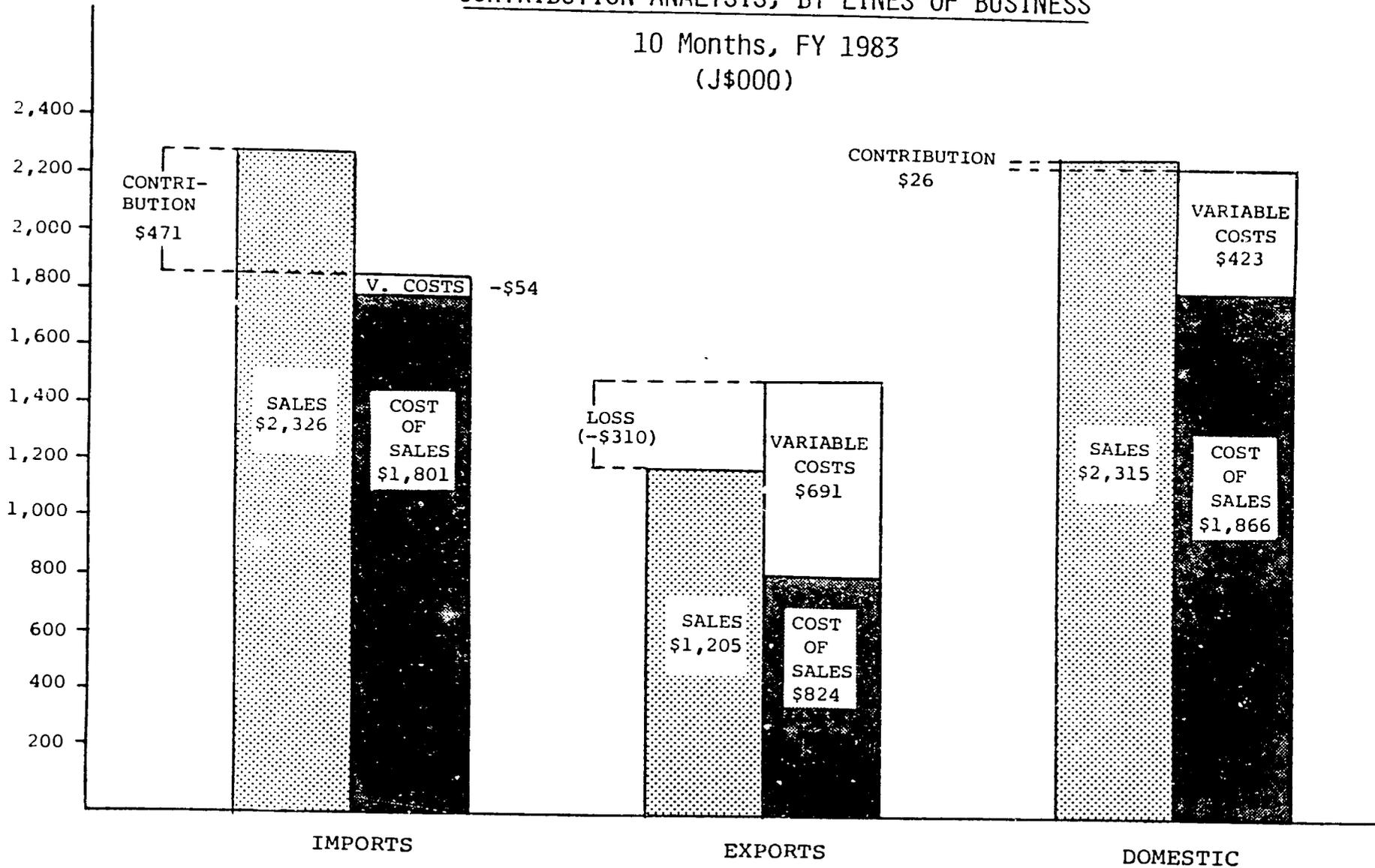
Exhibits 7 and 8 summarize the results of this analysis. Of the three lines of business, only imports make a contribution towards covering overhead expenses. The domestic business barely breaks even (if one does not count branch procurement costs) while exports show a negative contribution.

- * Export sales have very low fixed and variable costs relative to the other lines of business. The basic business consists largely of receiving shipments, storing commodities for a short period of time and filling orders from customers. Since the AMC is a monopoly seller of imported fresh produce, only contraband products compete with their sales.
- * Sales of imports in the first ten months totaled J\$ 2.3 million. The gross margin amounted to about 23% of sales, or J\$ 525,000. Variable plus fixed costs total J\$ 153,000 resulting in a net contribution to corporate overhead of \$372,000.
- * Activities involved in the sale of domestic produce in the domestic market include procurement through branch offices, selling at branches, transportation, storage, and delivery. Variable costs are high relative to imports, but much lower than exports since domestically distributed produce is not washed, graded, and packed to the same extent as export produce. Fixed costs associated with domestic sales are high, partly due to the branch structure of the organization.
- * Domestic sales in the first ten months stood at J\$ 2.3 million. The gross margin is estimated at

Exhibit 7

CONTRIBUTION ANALYSIS, BY LINES OF BUSINESS

10 Months, FY 1983
(J\$000)



Source: AMC Records and AAI Estimates

Exhibit 8

CONTRIBUTION ANALYSIS
BY LINE OF BUSINESS
10 months, FY 1983
(J\$ 000)

	<u>IMPORTS</u>	<u>EXPORTS</u>	<u>DOMESTIC</u>	<u>TOTAL</u>
Gross Sales	\$ 2326	\$ 1506	\$ 2315	\$ 6147
Adjustment of Export Sales		-301		-301
	-----	-----	-----	-----
Net sales	2326	1205	2315	5846
Cost of Sales	1801	824	1866	4491
	-----	-----	-----	-----
Gross Margin	525	381	449	1355
Variable Costs:				
Kingston	43	584	120	747
Rural Branches	11	107	303	421
	-----	-----	-----	-----
Contribution to Fixed Costs	471	-310	26	187
Fixed Costs of Branches	99	261	360	720
	-----	-----	-----	-----
Contribution to Corporate OH	\$ 372	\$ -571	\$ -334	\$ -533
Corporate Overhead				1100

Net loss, 10 months				\$ -1633

Source: AMC Management Accounts and AAI estimates

roughly 19% of sales, or J\$ 449,000. Total variable costs equal J\$ 423,000 leaving only J\$ 26,000 as contribution to cover both branch and corporate overhead expenses. Deducting branch fixed costs results in a negative contribution to corporate overhead of J\$ 334,000.

- * Finally, the export line of business shows the highest loss due to very high variable costs relative to revenues. Adjusted export revenue is estimated at \$1.2 million for the first ten months. The gross margin equals 32% of sales, or J\$ 381,000. Total variable costs are J\$ 691,000, resulting in a negative contribution to branch and corporate overhead of J\$ 310,000. After deducting the fixed costs of the branches, the loss amounts to over J\$ 500,000.

- * The profit earned from imports - roughly J\$ 370,000 - is not large enough to offset the losses in the export and domestic lines of business, which total J\$ 900,000. Combining the three businesses results in a loss of J\$ 530,000.

- * With the addition of over J\$ 1 million in corporate overhead, losses for the first ten months of this fiscal year exceed J\$ 1.6 million.

* * *

ANALYSIS OF EXPORTS

The Importance of Exports

Understanding exports in depth is important to the study of the future of the AMC for several reasons:

- * Exports account for a significant portion of the AMC's business.
- * Exporting in Jamaica has taken on greater importance recently as a centerpiece to the Government's program to revitalize the economy.
- * Most potential venture partners are interested in exports as a source of foreign exchange.

This report analyzes in detail the AMC's exports, both from a national perspective and from a narrower financial perspective.

The AMC's Exports in the National Context

The following paragraphs analyze the overall export market for non-traditional fresh produce and the AMC's role in that market:

- * The export market for non-traditional fresh produce has grown rapidly over the past five years. In 1978, Jamaica's exports of yams, dasheens, sweet

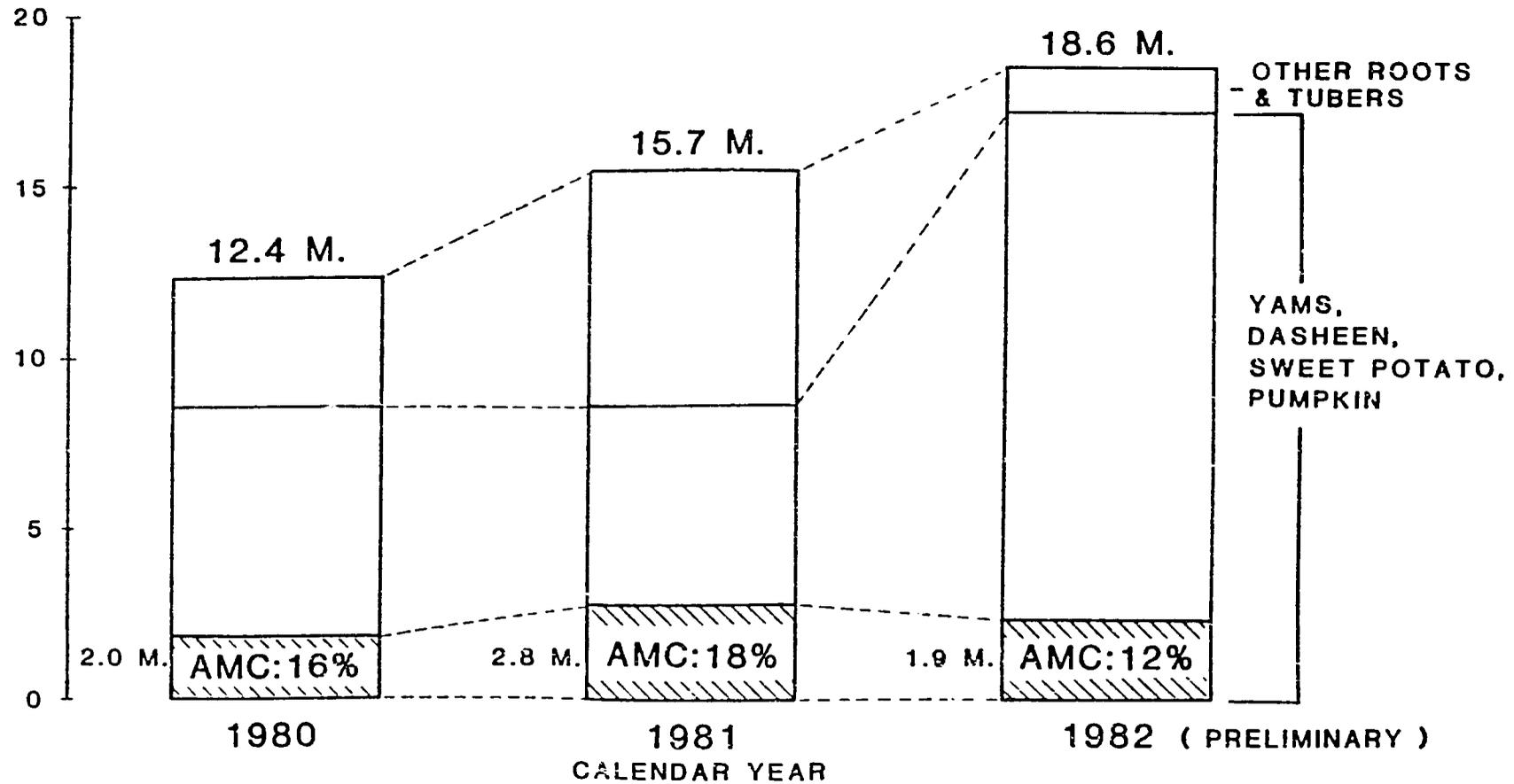
potatoes, other roots and tubers, and pumpkins totalled 8.8 million pounds. These exports had a value of J\$ 3.7 million. In 1982, preliminary export figures show that exports of these items reached 18.6 million pounds, valued at J\$ 10.8 million. This implies average yearly increases of 20% in volume and 30% in value.

- * Currently, approximately 20 private exporters ship non-traditional produce to overseas markets in the United Kingdom, Canada, and the United States.
- * A comparison of exports of AMC's principal crops with total Jamaican exports of these crops shows that the AMC share of the export market reached a high of 18% in 1981. In that calendar year, AMC shipments of yams, dasheens, sweet potatoes, and pumpkins totaled 2.8 million pounds, out of total Jamaican exports of 15.7 million pounds. (See Exhibit 9.)
- * Preliminary figures for exports of these same products in 1982 indicate that the AMC's share of the market fell to 12%. While total Jamaican exports increased from 15.7 to 18.6 million pounds, AMC shipments of these products dropped from 2.8 to 2.2 million pounds, a 21% decline.
- * The AMC's market share of all exports may be slightly understated for each of these years due to the fact that the country's exports of "Other Roots and Tubers" are included in the base used to compute market share. As can be seen in Exhibit 9, this category comprises a substantial portion of exports in 1980 and 1981, but appears to drop notably in 1982. This may reflect changes in classification for 1982.
- * An analysis of AMC market share for individual products is difficult because of problems in crop classification. Thus, no attempt is made here to determine AMC's export share for individual products over time.

Exhibit 9

AMC SHARE OF EXPORT MARKET
FOR SELECTED CROPS, 1980-1982

(VOLUME - MILLION POUNDS)



SOURCE: AMC EXPORT RECORDS.

TOTAL EXPORTS FROM EXTERNAL TRADE, DEPT. OF STATISTICS.

- * The drop in the AMC's export volume and market share in 1982 appears to be caused by several factors. First, competition from private exporters seeking foreign exchange has increased - a trend which appears to have accelerated since the change in currency regulations. Several private exporters are comparable in size (in terms of volume shipped) to the AMC.

- * A second reason for the drop in export volume is probably related to lower availability of product. Preliminary estimates from the Ministry of Agriculture indicate that domestic production of food crops fell by as much as 18% in 1982. While the accuracy of these estimates is debatable, the figures probably do reflect, at very least, a general downward trend in output.

Summary of the AMC as an Exporter

In summary, the analysis shows that the AMC, while a significant exporter, does not dominate the market.

It is estimated that five exporters (the AMC, McNair, Pottinger, Manchester Packers, and Minott) together handle about 80% of the exports of ground provisions. The presence of other large exporters indicates that if the AMC were to stop exporting, other purveyors would be able to absorb former sales to the AMC.

This hypothesis is supported by interviews with existing private exporters who believe that the private sector could take over current AMC sales - subject to verifying the profitability of the exports. Most observers agree that were the AMC to leave the export market, there is likely to be a period of adjustment for former sellers to the AMC as they seek new market outlets.

Detailed Export Contribution Analysis

To better understand exports, the study team closely analyzed the profitability of individual export orders. With the assistance of the AMC's financial staff, a detailed cost accounting of every export order to the U.K. was prepared for which legible documentation was available (the UK is the only major export market for the AMC). The data used in the analysis gives an informative insight into the potential of the AMC as an exporter.

The basis for evaluating exports in this analysis is economic contribution to fixed overhead.

Exhibits on Exports

Several exhibits give insight into the viability of exports. These are summarized below:

- * Exhibit 10 shows the standard costs used to evaluate AMC exports.
- * Exhibit 11 summarizes the financial contribution of seventeen export orders, using two rates of exchange on foreign exchange revenues.
- * Exhibits in Appendix A detail the contributions shown in Exhibit 10.

Relationship to the Aggregate Data

The order-specific export data are related to the data in the overall summary of contribution by business line presented earlier. However, it is difficult to completely resolve differences in the numbers since the method for calculating the contribution of specific orders is not strictly comparable to the techniques used to derive the aggregate data. These discrepancies are small, however, and do not affect the conclusions drawn from the data.

Exhibit 10

STANDARD COSTS FOR EXPORT ORDERS

Cost Item	Per Unit						
	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin
Packaging	2.46	2.46	2.46	2.46	2.46	3.18	1.20
Box/Bag	1.90	1.90	1.90	1.90	1.90	0.00	1.20
Coir	0.18	0.18	0.18	0.18	0.18	0.00	0.00
Staples	0.18	0.18	0.18	0.18	0.18	0.00	0.00
Benlate	0.20	0.20	0.20	0.20	0.20	0.00	0.00
Labor per Unit	4.95	4.95	4.95	4.95	4.95	0.00	6.60
Transport in	1.05	1.05	1.05	1.05	1.05	1.40	1.40
Commission	0.94	0.94	0.94	0.94	0.94	0.94	0.94
Insurance	0.20	0.20	0.20	0.20	0.20	0.20	0.20
TOTAL COST/UNIT	9.60	9.60	9.60	9.60	9.60	5.72	10.34

Unit for yam, dasheen coco, sweet potato is 45 - lb. case.
 Unit for pumpking is 60 - lb bag.
 Unit for sugar cane averages 62 lb.

Exhibit 11

SUMMARY OF ORDER CONTRIBUTIONS

OFFICIAL RATE OF EXCHANGE

ORDER #	Contribution	ORDER #	Contribution
Order 1	-7414.74	Order 13	-11098.05
Order 2	-12841.1	Order 16	-13509
Order 3	-10372.89	Order 17	-18666.07
Order 4	-4105.35	Order 18	-13281.09
Order 9	-4394.2	Order 19	-16671.55
Order 10	-4668.55	Order 20	-22822.39
Order 11	-10351.85	Order 21	-20332.77
Order 12	-7336.1	Order 22	-21442.26
Subtotal:	-61484.78	Subtotal:	-137823.2

TOTAL: -199308

SUMMARY OF ORDER CONTRIBUTIONS

PARALLEL MKT. RATE OF EXCHANGE

ORDER #	Contribution	ORDER #	Contribution
Order 1	-3174.84	Order 13	-6853.6
Order 2	-8722.3	Order 16	-11175.9
Order 3	-7362.54	Order 17	-16387.92
Order 4	640.3	Order 18	-10657.84
Order 9	741	Order 19	-11420.85
Order 10	-454.2	Order 20	-18798.44
Order 11	-6068.55	Order 21	-15646.27
Order 12	-1539.75	Order 22	-17067.96
Subtotal:	-25940.88	Subtotal:	-108008.8

TOTAL: -133949.7

Method for Deriving Export Cost Data

Most costs are based on realistic input utilization rates for preparing export orders. The consultants started with standard costs developed by the AMC and made minor changes where appropriate. Export cost data from three other exporters of similar products were used to check the reasonableness of the AMC's standard costs.

The standard costing method gives the AMC the benefit of the doubt since waste, inefficiency, and losses are not reflected.

Labor costs a notable exception to the costing methodology. The AMC's actual labor costs are used, allocated to export orders on a per pound basis. It is interesting to note that actual labor costs are about 300% of standard export labor costs established by time/motion tests in Christiana. Whereas the theoretical labor cost for packing a 45 lb. carton of ground provisions is J\$ 1.60, the AMC's actual expenditure in FY 1982-83 was about J\$ 5.00.

Treatment of Revenues

Revenues present a methodological problem: determining the correct rate of exchange for converting foreign currency into Jamaican dollars - the currency in which exports are evaluated.

The problem is caused by the different possible uses of the analysis. The consultants used the export data for two purposes:

- * Evaluating the company historically as an exporter.
- * Gaining insight as to whether the AMC should continue to export in the future, given changes in currency regulations.

Each of these purposes requires using a different exchange rate. With the recent change in currency and export regulations, it is now possible for exporters like the AMC to

convert half the foreign exchange they earn at the parallel market rate (or to use the foreign exchange for other approved reasons). This factor must be considered when evaluating the AMC as a future exporter.

The study team therefore used two revenue assumptions:

- * The first - intended to provide insights on how effective the AMC has been in the past - uses an average historical exchange rate of UK L 3.00 to J\$ 1.00.
- * The second - intended to indicate the viability of the AMC as an exporter in the future - assumes the AMC is able to exchange 50% of its earnings at the parallel market rate. The parallel market conversion rate used in this analysis is UK L 3.35 to J\$ 1.00.

Evaluation of the AMC as an Exporter

The analysis reveals that without any allocation of fixed costs or overhead, the AMC is not a profitable exporter either at the official rate of exchange or at the parallel market rate of exchange. Several specific observations follow:

- * For the seventeen export order studied, the AMC had a negative contribution of J\$ 137,823 at an average official rate of exchange of 3 to 1.
- * This loss was made on revenues of J\$ 560,214, representing a contribution loss on revenues of 25%.
- * No orders earned a positive contribution at the official rate of exchange.
- * Losses have increased for more recent orders.

- * At the parallel market rate of exchange, with current variable costs, the AMC also loses money. The contribution loss for the seventeen orders equals J\$ 108,008 on sales of J\$ 625,835. This represents a contribution loss on revenues of 17%.
- * At the parallel market rate, only two orders make a positive contribution.
- * If the AMC were allowed to convert all its revenues at the existing parallel market rate, the contribution would still be negative.

Product Analysis

Analysis of individual export crops provides further insight into the nature of the AMC's export operations.

- * Exhibits 12 through 15 show the purchase price of selected commodities (in circles) and the net receipts (in triangles) for individual orders.
- * Net receipts per pound are equal to the price received for the product in the U.K. market less any foreign costs. Net receipts will be lower if there is any product waste since they are measured against the volume shipped rather than the volume actually sold.
- * On shipments of yam and pumpkin, the AMC rarely had enough of a gross margin to cover its variable costs, which average 38.4 cents a pound for yam and 34.3 cents a pound for pumpkin.
- * In the case of yam, the margin was squeezed by both the high cost of yam purchased in the domestic market (orders 17 and 18) as well as low net receipts due to product loss from mold (orders 2, 21, and 22). The last two orders show that net receipts per pound were actually lower than the purchase price per pound.

AMC EXPORT SALES TO THE U.K.

YELLOW YAMS

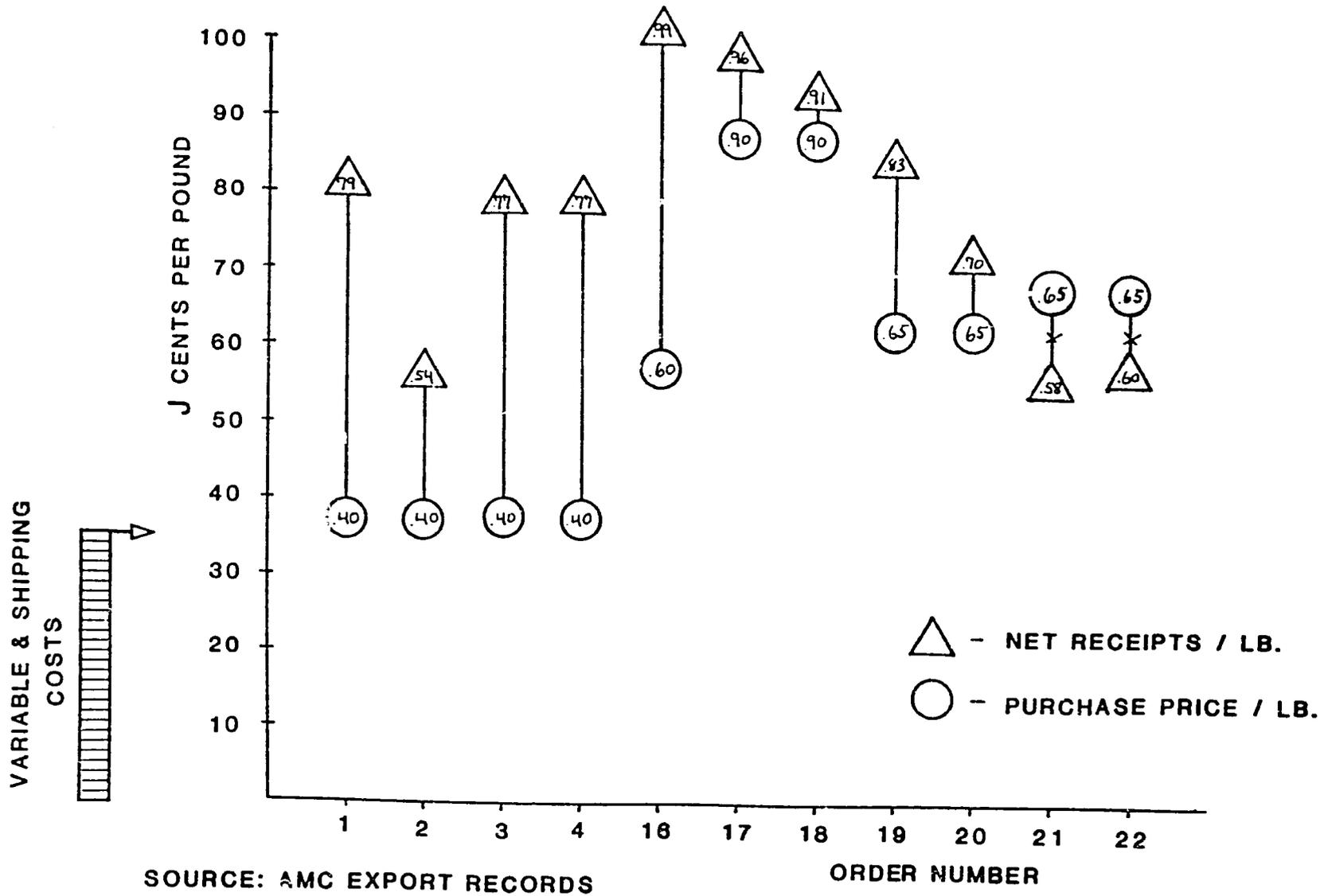
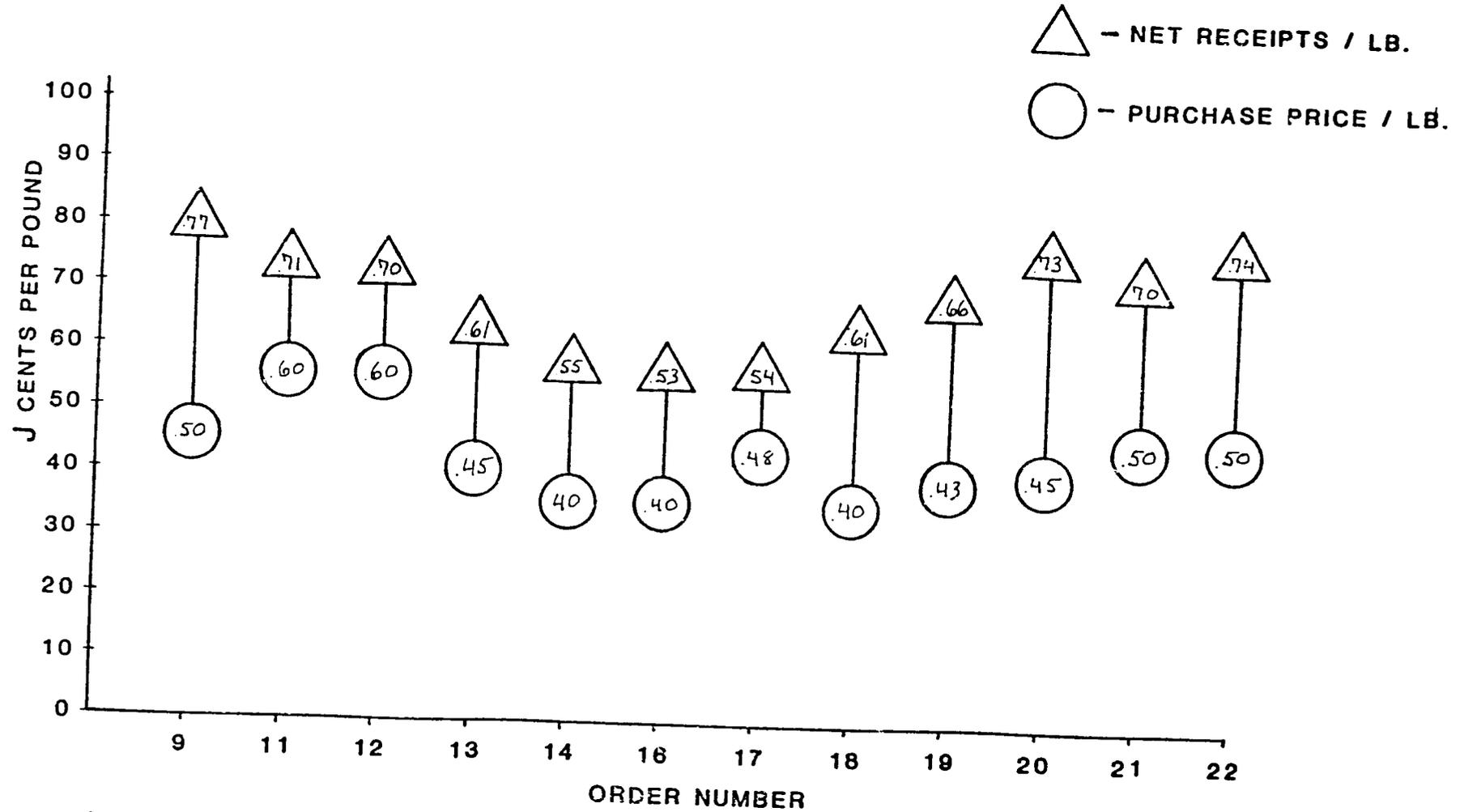


Exhibit 13

AMC EXPORT SALES TO THE U.K.

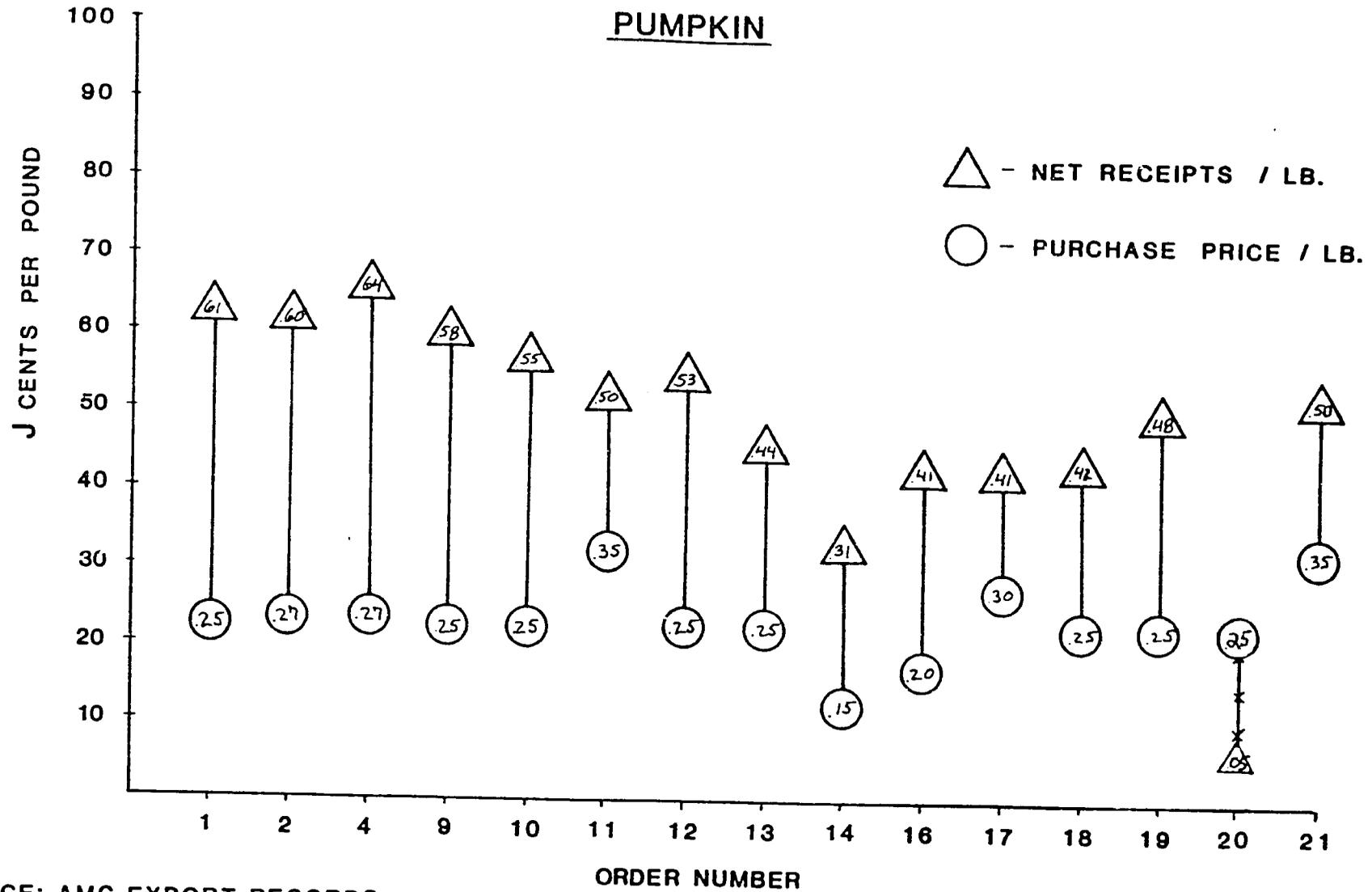
NEGRO AND LUCEA YAMS



SOURCE: AMC EXPORT RECORDS

Exhibit 14

AMC EXPORT SALES TO THE U.K.

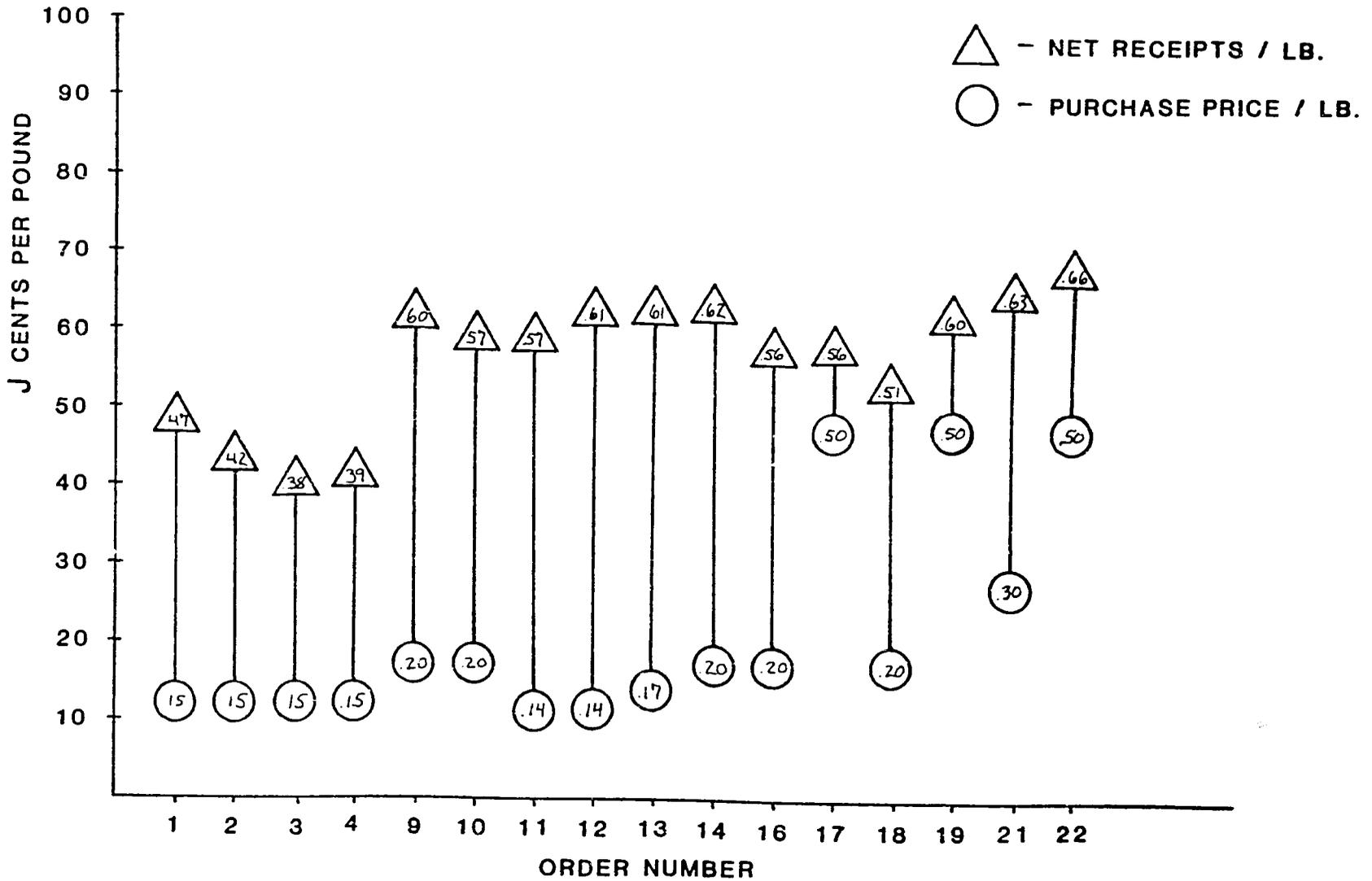


SOURCE: AMC EXPORT RECORDS

Exhibit 15

AMC EXPORT SALES TO THE U.K.

DASHEENS



SOURCE: AMC EXPORT RECORDS

- * The gross margin for negro and lucea yam ranged between a low of 6 cents/lb. and a high of 28 cents/lb., about 10 cents/lb. less than what would be needed to cover variable costs.
- * About one-third of the dasheen shipments had a margin sufficient to cover variable costs, but the remainder were unprofitable due to high domestic prices relative to foreign market prices as well as waste problems.

Summary of Individual AMC Exports

In summary, over the past nine months, the prices which the AMC has received in the U.K. market have been inadequate to cover the cost of the product in the Jamaican market and the variable costs of packing, shipping, and selling.

Other Perspectives on Exports

Several other large exporters of ground provisions were interviewed for their opinions on developments in export markets. Each confirmed that the U.K. market has been unprofitable for the past year, partly as a result of the devaluation of the pound. Two of these exporters have recently withdrawn from the market because of its poor profitability.

The trade-off between selling produce at prices below variable costs and earning incremental foreign exchange for the country should be carefully evaluated. If the AMC continues its export business, it should be with a plan for improving the profitability of shipments. Better control of variable costs, particularly the cost of the raw product and labor, is needed.

* * *

AMC'S IMPORTANCE IN PROCUREMENT AND MARKETING

AMC's Importance in the Food Distribution System

A central and recurrent issue throughout this study is determining the importance of the AMC in the Jamaican food distribution system. This applies both to the AMC as a buyer from farmers and as a supplier to end users. Although the study team has avoided conducting a general analysis of the food distribution system - an already well researched topic - it is critical to address the AMC's role in distribution for the following reasons:

- * It provides insights on what the AMC could contribute to a joint venture with the private sector.
- * It provides policy makers insights into whether it is desirable to continue to operate based on the justification that the AMC is important in supporting the agribusiness system.

AMC's Importance as a Buyer

This section analyzes the importance of the AMC as a buyer from farmers. The consultants appreciate that this issue is perhaps the most controversial issue related to the AMC. Determining the importance of the AMC as a buyer goes to the heart of the justification for the AMC's existence. In the opinion of many, the primary justification for the AMC's existence is to provide a market for the small farmer.

Whether the AMC should be a predictable market for the small farmer raises subjective policy questions which cannot be resolved by facts alone.

The study team has limited itself to understanding what the AMC actually does now, leaving the resolution of what the AMC should do to the Government.

Many opinions about the importance of the AMC in the food system have been formed on emotional arguments, wishful thinking and speculation. It is therefore useful to apply some analytic rigor to understanding what the AMC actually does. Insights into the role of the AMC will help policy makers make a more rational choice with an input of facts.

The following analyses address the simple question: How important is the AMC as a buyer of fresh produce?

Three Approaches

Three approaches were taken to help answer this question. They are as follow:

1. Examining AMC purchases as a percentage of farm production based on official figures.
2. Estimating the number of farmers who sell to the AMC on a regular basis.
3. Looking at the number of truckloads of produce the AMC accounts for as a percent of estimated total trucking for produce.

1. AMC Purchases as a Percent of Production

In analyzing AMC purchases as a percent of farm production, only high volume items which account for most of the AMC's purchases were considered. A small number of products account for a majority of the AMC's purchases. For example, in 1981-82, 8 items accounted for almost one

half of total sales dollars (yellow yam, negro yam, pumpkin, cocos, sweet potatoes, Irish potatoes, cabbages, and dasheen.)

Exhibit 16 on the next page shows AMC purchases of selected crops as a percentage of island-wide production. This shows that the AMC is not a major buyer of any crop. AMC's purchases range from a low of .5% of fruit production (not including citrus), to a high of 2.0% for ground crops.

Problems With the Analysis

The consultants appreciate that this analytic approach has been used previously and disputed openly. It is generally recognized that the numbers are probably inaccurate. However, even if one halves production levels, the AMC still accounts for a small proportion of purchases.

Other critics further argue that these estimates understate the importance of the AMC as a buyer of marketed volumes of certain high-volume crops, notably yams and other ground provisions.

To address this criticism, the consultants conducted another sensitivity analysis by estimating the volume of produce actually marketed and calculating the percentage of this purchased by AMC.

- * Exhibit 17 summarizes estimates of the importance of the AMC as a buyer of marketed quantities of major crops. This includes four types of yam, sweet potato, dasheen, and pumpkin.

- * Ministry of Agriculture estimates show that island-wide production of these 7 major crops from April, 1981 to March 1982 (FY 1982 for the AMC) was about 343 million pounds. If post-harvest loss amounted to 30% (an assumption which favors the AMC in this analysis), consumable production would be about 240 million pounds.

Exhibit 16

AMC PURCHASES OF SELECTED CROPS AS A % OF ISLAND WIDE PRODUCTION

VEGETABLES

Chocho	1.7 %
Cabbage	1.3 %
Lettuce	1.2 %
Pumpkin	1.7 %

ROOTS & TUBERS

Dasheen	2.1 %
Negro Yam	3.1 %
Yellow Yam	1.4 %
Irish Potato	3.6 %

FRUITS & PULSES

Paw Paw	1.1 %
Watermelon	1.6 %
Red Peas	1.7 %

SHARE OF PRODUCTION, BY GROUP

Vegetables	.9 %
Roots & Tubers	2.0 %
Fruits	.5 %
Pulses	1.0 %

TOTAL, SELECTED COMMODITIES = 1.4 %

Source: Production estimates from the Ministry of Agriculture Data Bank and Evaluation Section. Production corresponds to the AMC FY 1982, from April, 1981 to March, 1982.

Exhibit 17

AMC PURCHASES OF SELECTED CROPS
AS A % OF ESTIMATED MARKETED PRODUCTION

	<u>(000 LBS)</u>																
▶ ISLAND-WIDE PRODUCTION OF MAJOR CROPS, FROM APRIL 1981 TO MARCH 1982	<table border="0"> <tr> <td>YELLOW YAM</td> <td align="right">101,700</td> </tr> <tr> <td>SWEET POTATO</td> <td align="right">60,900</td> </tr> <tr> <td>NEGRO YAM</td> <td align="right">51,600</td> </tr> <tr> <td>LUCEA YAM</td> <td align="right">31,200</td> </tr> <tr> <td>SWEET YAM</td> <td align="right">13,900</td> </tr> <tr> <td>PUMPKIN</td> <td align="right">51,300</td> </tr> <tr> <td>DASHEEN</td> <td align="right"><u>32,600</u></td> </tr> <tr> <td>TOTAL</td> <td align="right">343,200</td> </tr> </table>	YELLOW YAM	101,700	SWEET POTATO	60,900	NEGRO YAM	51,600	LUCEA YAM	31,200	SWEET YAM	13,900	PUMPKIN	51,300	DASHEEN	<u>32,600</u>	TOTAL	343,200
YELLOW YAM	101,700																
SWEET POTATO	60,900																
NEGRO YAM	51,600																
LUCEA YAM	31,200																
SWEET YAM	13,900																
PUMPKIN	51,300																
DASHEEN	<u>32,600</u>																
TOTAL	343,200																
▶ ASSUME 30% POST-HARVEST LOSS	<u>(102,960)</u>																
▶ CONSUMABLE PRODUCTION	240,240																
▶ ASSUME ONE-HALF OF THE REMAINING PRODUCTION IS CONSUMED ON-FARM	<u>(120,120)</u>																
▶ MARKETED PRODUCE	120,120																
▶ AMC PURCHASES OF THESE CROPS FROM APRIL 1981 TO MARCH 1982	6,560																
▶ AMC PURCHASES, AS A % OF MARKETED PRODUCTION	5.5%																

- * Assuming that 50% of this remaining production is consumed on farm, approximately 120 million pounds would be marketed through the domestic distribution system, either through higglers, wholesalers, the AMC, or other intermediaries.
- * AMC purchases of these products during this period totalled 6.6 million pounds, or roughly 5.5% of estimated marketed production. This again suggests that the AMC is not a major buyer.
- * Recall that both the high estimate of post-harvest loss and high proportion of the crop assumed retained on farm would overestimate the importance of the AMC.

2. Analysis of How Many Farmers Supply the AMC

A second approach to understanding the importance of the AMC is to determine the number of farmers who sell to the AMC on a regular basis. Interviews with branch managers reveal that the AMC currently buys from about 2,000 farmers on a regular basis.

If one assumes that there are 150,000 farmers in Jamaica, the AMC purchases from only 1.3% of all farmers on a regular basis. As a sensitivity test, if one doubles the number of farmers from which the AMC buys, only 2.6% of all farmers regularly benefit from the AMC.

The AMC does buy at least once during the year from a larger number of farmers. The farmers from which the AMC procures change according to season and demand. As an illustration, while one branch manager stated his branch bought from about 200-300 farmers on a regular basis, he estimated that the number of farmers from which he buys at some point during the year, no matter how small the quantity, may be as high as 2,000.

Another important factor is that the AMC currently has little control over which farmers supply them. Recently, most procurement decisions have been handed over to independent truckers/buyers. They take orders from the AMC for specific

volumes of specific goods and procure them in the most convenient manner. This system has created an incentive for truckers to buy from the larger farmers, thus minimizing the number of stops required to fill an order. Interviews with independent truckers support this observation. Thus, it is likely that the importance of the AMC as a market outlet to the small farmer has declined.

3. Trucking Analysis

The third analysis gauges the importance of the AMC as a buyer by examining how many trucks the AMC operates (either directly or by contract) and comparing this activity to island-wide trucking activity in produce.

Interviews with AMC branches reveal that in an average week, the AMC accounts for about 14 truck loads of produce.

To estimate how many trucks are used to supply total Jamaican produce needs, the consultants referred to a good study conducted by the Ministry of Agriculture. The study is entitled "Urban Market Study for the Ministry of Agriculture Marketing and Credit Division". The study is based on actual field research and is the best of its kind in Jamaica.

This study concludes that the weekly volume of agricultural produce handled in Coronation Market is 1,200 tons. Total tonnage for the Kingston Corporate area is estimated at 1,745 tons per week.

If one assumes that this produce is delivered by trucks carrying an average of 7.5 tons, then it would require 233 truck loads per week to supply Kingston. If one assumes that Kingston accounts for 60% of Jamaica's consumption (a conservatively high figure which favors the AMC in this analysis), it would require 388 truck loads to supply the entire island each week.

This analysis suggests the AMC accounts for 3.6% of all truck deliveries. This, again, argues that the AMC is not a major buyer or supplier of produce.

Conclusion About the Importance of the AMC as a Buyer.

Based on the preceding analysis, the consultants conclude that the AMC is not a major buyer of agricultural produce. The AMC currently provides a market outlet to relatively few farmers and accounts for a relatively small proportion of agricultural marketing. All three analyses indicate that the AMC buys between 1 and 6 % of production. This is true even for high volume products such as yams, dasheens, and pumpkins.

This conclusion does not deny that the AMC is important to those few farmers who sell to it. Neither does it deny that the AMC supports the farm sector insofar as it provides another market outlet - albeit a small one.

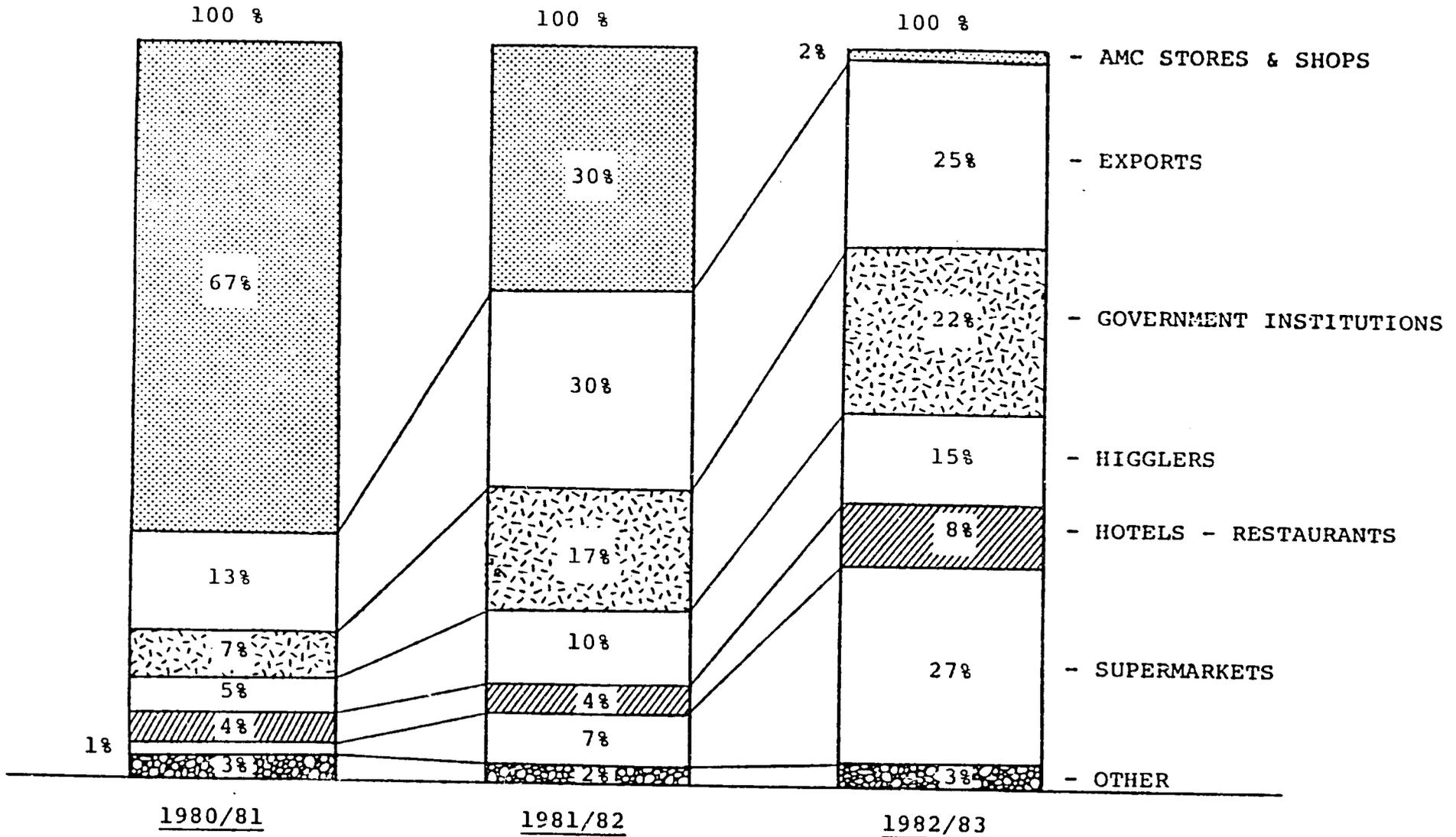
An Analysis of the AMC's Customers

The AMC's customer base has changed over the past few years. Exhibit 18 on the following page shows important trends. Of importance is the decline of AMC stores and shops, the increasing importance of Government institutions (mostly hospitals and prisons who buy ground provisions), and the increasing importance of supermarkets. Supermarket sales have been largely of imported items, items in great demand with high margins.

* * *

Exhibit 18

AMC \$ SALES: BREAKDOWN BY
MARKET SEGMENTS



Source: AMC Purchase and Sales Records

APPROACHING A JOINT VENTURE WITH THE PRIVATE SECTOR

Rationale for Exploring a Joint Venture

Since the Government of Jamaica first stated its desire for the AMC to become financially viable, the possibility of a joint venture has been considered. Recently, however, this alternative has been pursued more rigorously as the Government has become increasingly serious about its intention to get the AMC off the budget. A large portion of this study has been dedicated to exploring this possibility.

Several specific benefits could come from a joint venture:

- * The AMC could gain the operating flexibility necessary to succeed in marketing produce, a business which requires fast response.
- * Private sector management skills would increase efficiency.
- * The new venture could get access to the necessary financial resources to allow it to operate efficiently. (Currently, the manner in which the AMC accesses financing is not suitable for a trading company).
- * A joint venture with the private sector provides a convenient solution for using the assets of the AMC more efficiently.
- * A joint venture supports the general strategy of the Government to get out of running businesses which can be run by the private sector.

Approach to the Venture

The consultants explored possibilities for a joint venture through discussions with various companies and individual investors in the Jamaican private sector. Although it was impossible to meet with every possible candidate, over 25 possible venture candidates representing the most promising venture candidates were contacted.

Only new ventures dealing with production, procurement, distribution, and marketing - both domestic and export - of Jamaican agricultural products were considered. (The most serious interest in a joint venture with the AMC was in areas outside of agriculture, e.g., using the AMC's assets to distribute general merchandise or processed foods).

Assets versus the Operating Entity

It is instructive to make a delineation between assets and operations when studying a joint venture. The AMC has two primary assets it can potentially offer to a joint venture: physical assets and an operating entity (the consultants assume for the purpose of this analysis that the sole importer status would not be available to a joint venture).

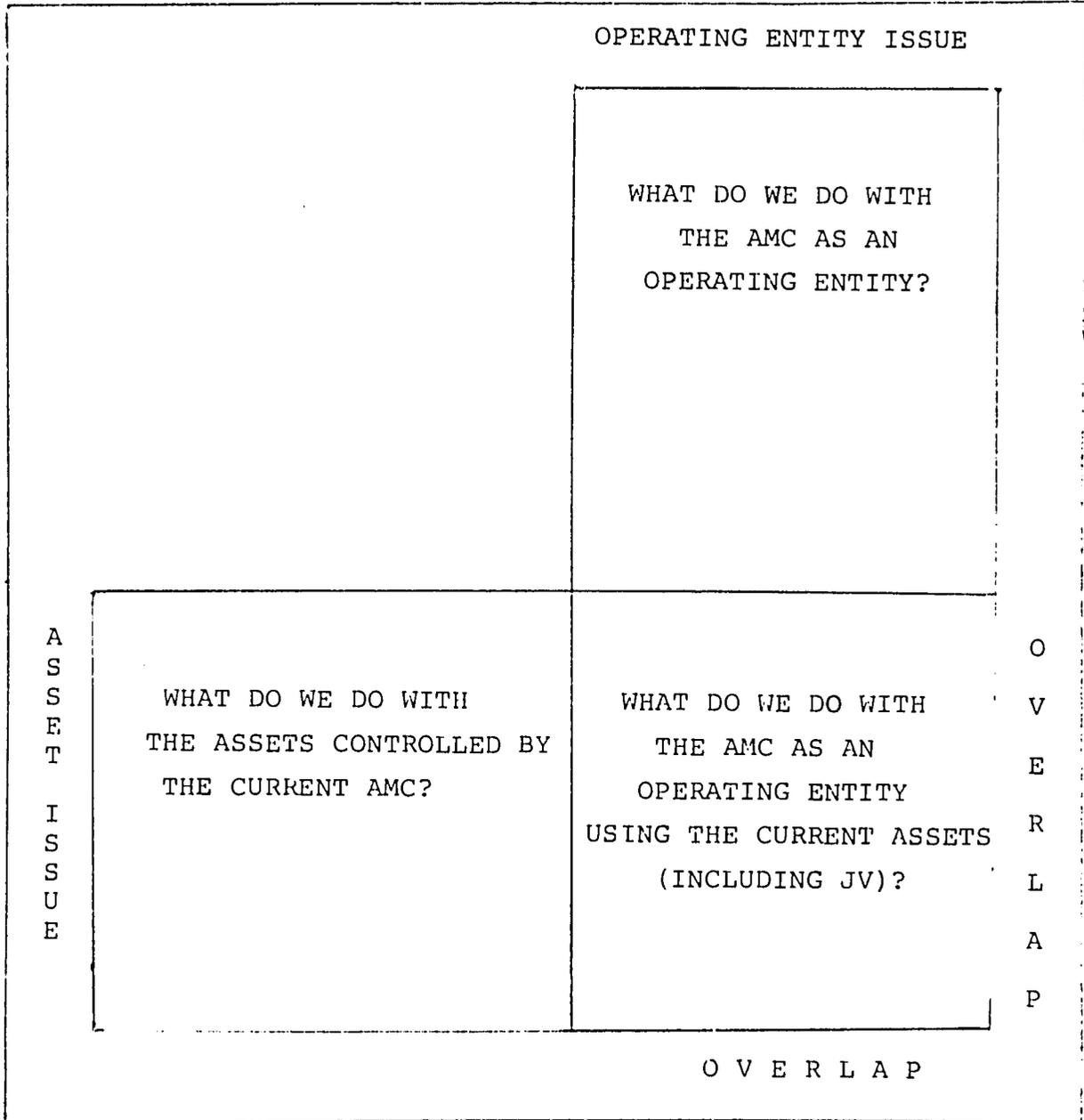
Each of these assets can be considered individually or they can be combined. Exhibit 19 shows schematically this concept.

To elaborate, negotiations for a joint venture with the AMC - here defined in the broadest terms - could focus on trying to take advantage of the AMC's operating experience, the AMC's assets, or both.

From the perspective of the AMC, it is desirable to approach a venture in which it provides both assets and operational strengths, a scenario represented by the intersection of the two blocks. However, it is possible to separate the issues and negotiate a venture based only on a contribution by the AMC of its assets (it is assumed here that there is no

EXHIBIT 19

TWO MAJOR BUSINESS ISSUES (AND THEIR OVERLAP)
IN A POLICY ENVIRONMENT



P O L I C Y E N V I R O N M E N T

interest in a venture with the AMC as an operating entity without the assets - an assumption strongly supported by discussions with the private sector).

Such a configuration could exist if the AMC were to continue operating but moving to another facility (e.g., one of the smaller idle facilities it controls) so the current Spanish Town facility could be used by a private company. One could also separate the two issues if the AMC were to cease operations and participate in a joint venture by contributing its assets as equity to a new venture, thus existing only in name. (Note that the AMC does not technically own the assets it controls.)

Results of the Investigation

Interest in a joint venture with the AMC is limited. The attitudes and conditions of the private sector - shared by virtually all of the companies interviewed - are summarized below.

Many of the reactions below are negative. One must put the negative reactions in the context of general attitudes toward agricultural investment. Most private investors in Jamaica are still reluctant to seriously consider agricultural enterprises. This is especially true for ventures which involve farm production. Trading perishable agricultural produce is one of the most difficult businesses in which to succeed, under any circumstances. Most ventures in this line of business throughout the world fail. In evaluating the following comments, one should understand that some of the attitudes partially reflect general attitudes toward agriculture as well as specific opinions toward the AMC.

The main points and observations follow:

- * The AMC has a poor reputation with the private sector. Its reputation is that of an organization plagued by financial losses, waste, a bureaucratic approach to trading perishable produce, misuse of funds, and poor management.

- * Most private companies are not interested in any form a venture that involves the AMC, no matter what the terms.
- * Interest in the AMC as an operating concern is limited. The operating experience of the AMC in domestic and export businesses was not considered of much value in a joint venture. The private companies felt that they could do a better job in all lines of business.
- * Most interest in the AMC is directed to two specific areas: the assets (especially the Spanish Town Road facility) and the sole importer status for fruits and vegetables.
- * As is true in most parts of the world, the private sector is cautious about taking on the Government as a partner. Private businessmen are wary that the Government will confuse policy objectives with business objectives, and that the Government will slow down decisions - a fatal error for produce trading companies.
- * For those private sector companies who were interested in considering the possibility, a commonly stated precondition was total management control.
- * As a condition for entering into a joint venture, almost all the companies interviewed insisted on full control over selecting employees.
- * No shareholders of the UAPT showed unilateral interest in a joint venture with AMC. Many managers referred the consultants to the steering committee of the UAPT to explore joint venture possibilities with the AMC.

The United Agricultural Produce Traders (UAPT)

The UAPT is the most promising potential joint venture partner for the AMC. The consultants recommend that a venture with the UAPT be actively pursued. (More detail on this recommendation is provided later in the report under "Recommendations")

The UAPT (formerly called UPT) is a new company created with the purpose of trading agricultural produce, both domestically and for export. The company is owned by fifteen companies, including most of Jamaica's largest distributors.

The UAPT is still in a formative stage although it has processed several export orders under its name (the UAPT used the facilities of other organizations to prepare these orders).

The final business focus of the organization has not been determined. Several studies have been undertaken or are in the process of being completed to determine what products the company will handle, what markets the company will approach, how the entity will be organized, what assets are needed to operate, what the procurement system will be and how the financial benefits will be shared by its owners.

Advantages of UAPT as a Partner

The UAPT has several distinct advantages as a joint venture partner for the AMC:

- * They are in the formative stages of their venture and are willing and able to consider new proposals for a joint venture in which the AMC was involved.
- * They are willing to joint venture with a government entity.
- * They have the support of the Government.

- * The shareholders have financial strength. A joint venture between UAPT and AMC would probably have the financial support necessary to succeed in trading.
- * The company is planning to expand to a size where they could eventually utilize the AMC's assets efficiently.
- * UAPT's shareholders are all successful organizations. This increases the chances that the new venture will succeed.
- * The UAPT has access to important markets (e.g., most of the supermarket chains).
- * The UAPT members have experience in international trading.
- * A joint venture with the UAPT may present the only realistic opportunity for a joint venture which gives the AMC the necessary resources to get off the Government budget.

Pursuing a Venture With the UAPT

The consultants have talked with most of the UAPT shareholders and have held several conversations with each member of the steering committee. Based on these discussions, the consultants recommend that the following strategy be undertaken to pursue a venture with the UAPT:

- * Hold further exploratory discussions with the steering committee of the UAPT to determine specific areas of overlapping interest.
- * Wait for the UAPT to complete its business plan to provide a specific context for negotiations.
- * Pursue a venture with the UAPT once the UAPT's business concept has been finalized.

APPENDIX A

Contribution Analysis for Individual

AMC Export Orders

ORDER 1

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Rev. in UK LB.	0	6336	1590	2338	0	482	1368	12114
Number of Lbs.	0	27000	11250	10755	0	6400	7560	62965
Revenue @ Official Rate	0	19008	4770	7014	0	1446	4104	36342
Revenue @ 50% Par. Mkt. Rate	0	21225.6	5326.5	7832.3	0	1614.7	4582.8	40581.9
Cost per Lb.	0.45	0.4	0.15	0.4	0.35	0.07	0.25	
Number Lb.	0	27000	11250	10755	0	6400	7560	62965
Cost of Produce	0	10800	1687.5	4302	0	448	1890	19127.5
Number Units	0	600	250	239	0	100	126	1315
Packaging	0	1476	615	587.94	0	318	151.2	3148.14
Labor	0	2970	1237.5	1183.05	0	0	831.6	6222.15
Transport In	0	630	262.5	250.95	0	140	176.4	1459.85
Insurance	0	120	50	47.8	0	20	25.2	263
Commission	0	564	235	224.66	0	94	118.44	1236.1
Total Var. Cost	0	5760	2400	2294.4	0	572	1302.84	12329.24
Contribution @ Official Rate	0	2448	682.5	417.6	0	426	911.16	4885.26
Contribution @ Par Mkt Rate	0	4665.6	1239	1235.9	0	594.7	1389.96	9125.16
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-7414.74						
FINAL CONTRIBUTION @ P.M.R.:		-3174.84						

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ORDER 2

Rev. in UK LB.	0	4337	1418	2195	283	625	2910	11768
Number of Lbs.	0	27000	11250	9810	1575	6475	16380	72490

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Revenue @ Official Rate	0	13011	4254	6585	849	1875	8730	35304
Revenue @ 50% Par. Mkt. Rate	0	14528.95	4750.3	7353.25	948.05	2093.75	9748.5	39422.8
Cost per Lb.	0	0.4	0.15	0.4	0.35	0.07	0.27	
Number Lb.	0	27000	11250	9810	1575	6475	16380	72490
Cost of Produce	0	10800	1687.5	3924	551.25	453.25	4422.6	21838.6
Number Units	0	600	250	218	35	104	273	1480
Packaging	0	1476	615	536.28	86.1	330.72	327.6	3371.7
Labor	0	2970	1237.5	1079.1	173.25	0	1801.8	7261.65
Transport In	0	630	262.5	228.9	36.75	145.6	382.2	1685.95
Insurance	0	120	50	43.6	7	20.8	54.6	296
Commission	0	564	235	204.92	32.9	97.76	256.62	1391.2
Total Var. Cost	0	5760	2400	2092.8	336	594.88	2822.82	14006.5
Contribution @ Official Rate	0	-3549	166.5	568.2	-38.25	826.87	1484.58	-541.1
Contribution @ Par Mkt Rate	0	-2031.05	662.8	1336.45	60.8	1045.62	2503.08	3577.7
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-12841.1						
FINAL CONTRIBUTION @ P.M.R.:		-8722.3						

ORDER 3

Rev. in UK LB.	0	3884	1476	2129	670	442	0	8601
Number of Lbs.	0	168320	13095	9810	3510	4750	0	199485

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Revenue @ Official Rate	0	11652	4428	6387	2010	1326	0	25803
Revenue @ 50% Par. Mkt. Rate	0	13011.4	4944.6	7132.15	2244.5	1480.7	0	28813.35
Cost per Lb.	0	0.4	0.15	0.4	0.35	0.07	0.27	
Number Lb.	0	16830	13095	9810	3510	4750	0	47995
Cost of Produce	0	6732	1964.25	3924	1228.5	332.5	0	14181.25
Number Units	0	374	291	218	78	82	0	1043
Packaging	0	920.04	715.86	536.28	191.88	260.76	0	2624.82
Labor	0	1851.3	1440.45	1079.1	386.1	0	0	4756.95
Transport In	0	392.7	305.55	228.9	81.9	114.8	0	1123.85
Insurance	0	74.8	58.2	43.6	15.6	16.4	0	208.6
Commission	0	351.56	273.54	204.92	73.32	77.08	0	980.42
Total Var. Cost	0	3590.4	2793.6	2092.8	748.8	469.04	0	9694.64
Contribution @ Official Rate	0	1329.6	-329.85	370.2	32.7	524.46	0	1927.11
Contribution @ Par Mkt Rate	0	2689	186.75	1115.35	267.2	679.16	0	4937.46
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-10372.89						
FINAL CONTRIBUTION @ P.M.R.:		-7362.54						

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ORDER 4

Rev. in UK LB.	0	6232	1079	2341	975	746	2186	13559
Number of Lbs.	0	27000	9315	5760	4635	8275	11400	66385

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Revenue @ Official Rate	0	18696	3237	7023	2925	2238	6558	40677
Revenue @ 50% Par. Mkt. Rate	0	20877.2	3614.65	7842.35	3266.25	2499.1	7323.1	45422.65
Cost per Lb.	0	0.4	0.15	0.4	0.35	0.07	0.27	
Number Lb.	0	27000	9315	5760	4635	8275	11400	66385
Cost of Produce	0	10800	1397.25	2304	1622.25	579.25	3078	19780.75
Number Units	0	600	207	128	103	135	190	1363
Packaging	0	1476	509.22	314.88	253.38	429.3	228	3210.78
Labor	0	2970	1024.65	633.6	509.85	0	1254	6392.1
Transport In	0	630	217.35	134.4	108.15	189	266	1544.9
Insurance	0	120	41.4	25.6	20.6	27	38	272.6
Commission	0	564	194.58	120.32	96.82	126.9	178.6	1281.22
Total Var. Cost	0	5760	1987.2	1228.8	988.8	772.2	1964.6	12701.6
Contribution @ Official Rate	0	2136	-147.45	3490.2	313.95	886.55	1515.4	8194.65
Contribution @ Par Mkt Rate	0	4317.2	230.2	4309.55	655.2	1147.65	2280.5	12940.3

Export Costs:

12300

FINAL CONTRIBUTION @ O.R.: -4105.35
FINAL CONTRIBUTION @ P.M.R.: 640.3

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ORDER 9

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Rev. in UK LB.	517	0	804	3067	4069	990	5225	14672
Number of Lbs.	2250	0	4500	13140	18000	12500	30000	80390
Revenue @ Official Rate	1551	0	2412	9261	12207	2970	15675	44016
Revenue @ 50% Par. Mkt. Rate	1731.95	0	2693.4	10274.45	13631.15	3316.5	17503.75	49151.2
Cost per Lb.	0.5	0.4	0.2	0.45	0.3	0.07	0.25	
Number Lb.	2250	0	4500	13140	18000	12500	30000	80390
Cost of Produce	1125	0	900	5913	5400	875	7500	21713
Number Units	50	0	100	292	400	200	500	1542
Packaging	123	0	246	718.32	984	636	600	3307.32
Labor	247.5	0	495	1445.4	1980	0	3300	7467.9
Transport In	52.5	0	105	306.6	420	280	700	1864.1
Insurance	10	0	20	58.4	80	40	100	308.4
Commission	47	0	94	274.48	376	188	470	1449.48
Total Var. Cost	480	0	960	2803.2	3840	1144	5170	14397.2
Contribution @ Official Rate	-54	0	552	484.8	2967	951	3005	7905.8
Contribution @ Par Mkt Rate	126.95	0	833.4	1558.25	4391.15	1297.5	4833.75	13041
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-4394.2						
FINAL CONTRIBUTION @ P.M.R.:		741						

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ORDER 10

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Rev. in UK LB.	0	0	1065	1109	4066	976	4885	12041
Number of Lbs.	0	0	6210	4500	18000	11225	30000	69935
Revenue @ Official Rate	0	0	3195	3327	12018	2928	14655	36123
Revenue @ 50% Par. Mkt. Rate	0	0	3567.75	3715.15	13420.1	3269.6	16364.75	40337.35
Cost per Lb.	0.45	0.4	0.2	0.45	0.25	0.07	0.25	
Number Lb.	0	0	6210	4500	18000	11225	30000	69935
Cost of Produce	0	0	1242	2025	4500	785.75	7500	16052.75
Number Units	0	0	138	100	400	200	500	1338
Packaging	0	0	339.48	246	984	636	600	2805.48
Labor	0	0	683.1	495	1980	0	3300	6458.1
Transport In	0	0	144.9	105	420	280	700	1649.9
Insurance	0	0	27.6	20	80	40	100	267.6
Commission	0	0	129.72	94	376	188	470	1257.72
Total Var. Cost	0	0	1324.8	960	3840	1144	5170	12438.8
Contribution @ Official Rate	0	0	628.2	342	3678	998.25	1985	7631.45
Contribution @ Par Mkt Rate	0	0	1000.95	730.15	5080.1	1339.85	3694.75	11845.8
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:								-4668.55
FINAL CONTRIBUTION @ P.M.R.:								-454.2

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ORDER 11

ITEM	Negro Yam	Yellow Y	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Rev. in UK LB.	955	0	978	1395	3453	968	4489	12238
Number of Lbs.	4500	0	5715	5535	15750	11325	30000	72825
Revenue @ Official Rate	2865	0	2934	4185	10359	2904	13467	36714
Revenue @ 50% Par. Mkt. Rate	3199.25	0	3276.3	4673.25	11567.55	3242.8	15038.15	40997.3
Cost per Lb.	0.6	0.6	0.14	0.4	0.3	0.07	0.35	
Number Lb.	4500	0	5715	5535	15750	11325	30000	72825
Cost of Produce	2700	0	800.1	2214	4725	792.75	10500	21731.85
Number Units	100	0	127	123	350	200	500	1400
Packaging	246	0	312.42	302.58	861	636	600	2958
Labor	495	0	628.65	608.85	1732.5	0	3300	6765
Transport In	105	0	133.35	129.15	367.5	280	700	1715
Insurance	20	0	25.4	24.6	70	40	100	280
Commission	94	0	119.38	115.62	329	188	470	1316
Total Var. Cost	960	0	1219.2	1180.8	3360	1144	5170	13034
Contribution @ Official Rate	-795	0	914.7	790.2	2274	967.25	-2203	1948.15
Contribution @ Par Mkt Rate	-460.75	0	1257	1278.45	3482.55	1306.05	-631.85	6231.45
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:			-10351.85					
FINAL CONTRIBUTION @ P.M.R.:			-6068.55					

ORDER 12

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Rev. in UK LB.	2829	0	1650	2839	4116	632	4495	16561
Number of Lbs.	13500	0	9000	11700	18000	8575	28650	89425
Revenue @ Official Rate	8487	0	4950	8517	12348	1896	13485	49683
Revenue @ 50% Par. Mkt. Rate	9477.15	0	5527.5	9510.65	13788.6	2117.2	15058.25	55479.35
Cost per Lb.	0.6	0.6	0.14	0.45	0.3	0.07	0.25	
Number Lb.	13500	0	9000	11700	18000	8575	28650	89425
Cost of Produce	8100	0	1260	5265	5400	600.25	7162.5	27787.75
Number Units	300	0	200	260	400	150	477.5	1787.5
Packaging	738	0	492	639.6	984	477	573	3903.6
Labor	1485	0	990	1287	1980	0	3151.5	8893.5
Transport In	315	0	210	273	420	210	668.5	2096.5
Insurance	60	0	40	52	80	30	95.5	357.5
Commission	282	0	188	244.4	376	141	448.85	1680.25
Total Var. Cost	2880	0	1920	2496	3840	858	4937.35	16931.35
Contribution @ Official Rate	-2493	0	1770	756	3108	437.75	1385.15	4963.9
Contribution @ Par Mkt Rate	-1502.85	0	2347.5	1749.65	4548.6	658.95	2958.4	10760.25
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-7336.1						
FINAL CONTRIBUTION @ P.M.R.:		-1539.75						

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ORDER 13

Rev. in UK LB.	2472	0	1223	2218	1469	770	3975	12127
Number of Lbs.	13500	0	6750	9585	6750	8900	30000	75485

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Revenue @ Official Rate	7416	0	3669	6654	4407	2310	11925	36381
Revenue @ 50% Par. Mkt. Rate	8281.2	0	4097.05	7430.3	4921.15	2579.5	13316.25	40625.45
Cost per Lb.	0.45	0	0.17	0.45	0.25	0.07	0.25	
Number Lb.	13500	0	6750	9585	6750	8900	30000	75485
Cost of Produce	6075	0	1147.5	4313.25	1687.5	623	7500	21346.25
Number Units	300	0	150	213	150	150	500	1463
Packaging	738	0	369	523.98	369	477	600	3076.98
Labor	1485	0	742.5	1054.35	742.5	0	3300	7324.35
Transport In	315	0	157.5	223.65	157.5	210	700	1763.65
Insurance	60	0	30	42.6	30	30	100	292.6
Commission	282	0	141	200.22	141	141	470	1375.22
Total Var. Cost	2880	0	1440	2044.8	1440	858	5170	13832.8
Contribution @ Official Rate	-1539	0	1081.5	295.95	1279.5	829	-745	1201.95
Contribution @ Par Mkt Rate	-673.8	0	1509.55	1072.25	1793.65	1098.5	646.25	5446.4

Export Costs:

12300

FINAL CONTRIBUTION @ O.R.: -11098.05
 FINAL CONTRIBUTION @ P.M.R.: -6853.6

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ORDER 16

Rev. in UK LB.	2829	1333	758	382	0	625	739	6666
Number of Lbs.	13500	4500	4500	1710	0	7240	6000	37450
<u>ITEM</u>	<u>Negro Yam</u>	<u>Yellow Yam</u>	<u>Dasheen</u>	<u>Coco</u>	<u>Sweet Potato</u>	<u>Sugar Cane</u>	<u>Pumpkin</u>	<u>Total</u>
Revenue @ Official Rate	8487	3999	2274	1146	0	1875	2217	19998
Revenue @ 50% Par. Mkt. Rate	9477.15	4465.55	2539.3	1279.7	0	2093.75	2475.65	22331.1
Cost per Lb.	0.4	0.6	0.2	0.5	0	0.07	0.2	
Number Lb.	18000	4500	4500	1710	0	7240	6000	41950
Cost of Produce	7200	2700	900	855	0	506.8	1200	13361.8
Number Units	400	100	100	38	0	120	100	858
Packaging	984	246	246	93.48	0	381.6	120	2071.08
Labor	1980	495	495	188.1	0	0	660	3818.1
Transport In	420	105	105	39.9	0	168	140	977.9
Insurance	80	20	20	7.6	0	24	20	171.6
Commission	376	94	94	35.72	0	112.8	94	806.52
Total Var. Cost	3840	960	960	364.8	0	686.4	1034	7845.2
Contribution @ Official Rate	-2553	339	414	-73.8	0	681.8	-17	-1209
Contribution @ Par Mkt Rate	-1562.85	805.55	679.3	59.9	0	900.55	241.65	1124.1
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-13509						
FINAL CONTRIBUTION @ P.M.R.:		-11175.9						

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ORDER 17

Rev. in UK LB. Number of Lbs.	2881 18000	1293 4500	752 4500	192 855	0 0	565 5800	826 6780	6509 40435
ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Revenue @ Official Rate	8643	3879	2256	576	0	1695	2478	19527
Revenue @ 50% Par. Mkt. Rate	9651.35	4331.55	2519.2	643.2	0	1892.75	2767.1	21805.15
Cost per Lb. Number Lb. Cost of Produce Number Units	0.5 18000 9000 400	0.9 4500 4050 100	0.5 4500 2250 100	0.55 855 470.25 19	0 0 0 0	0.07 5800 406 100	0.3 6780 2034 113	40435 18210.25 832
Packaging Labor Transport In Insurance Commission	984 1980 420 80 376	246 495 105 20 94	246 495 105 20 94	46.74 94.05 19.95 3.8 17.86	0 0 0 0 0	318 0 140 20 94	135.6 745.8 158.2 22.6 106.22	1976.34 3809.85 948.15 166.4 782.08
Total Var. Cost	3840	960	960	182.4	0	572	1168.42	7682.82
Contribution @ Official Rate	-4197	-1131	-954	-76.65	0	717	-724.42	-6366.07
Contribution @ Par Mkt Rate	-3188.65	-678.45	-690.8	-9.45	0	914.75	-435.32	-4087.92
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-18666.07						
FINAL CONTRIBUTION @ P.M.R.:		-16387.92						

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ORDER 18

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Rev. in UK LB.	2439	1216	1376	602	1143	450	269	7495
Number of Lbs.	9000	4500	9000	2520	5850	6625	2160	39655
Revenue @ Official Rate	7317	3648	4128	1806	3429	1350	807	22485
Revenue @ 50% Par. Mkt. Rate	8170.65	4073.6	4609.6	2016.7	3829.05	1507.5	901.15	25108.25
Cost per Lb.	0.4	0.9	0.2	0.5	0.25	0.07	0.25	
Number Lb.	13500	4500	9000	2520	5850	6625	2160	44155
Cost of Produce	5400	4050	1800	1260	1462.5	463.75	540	14976.25
Number Units	300	100	200	56	130	100	36	922
Packaging	738	246	492	137.76	319.8	318	43.2	2294.76
Labor	1485	495	990	277.2	643.5	0	237.6	4128.3
Transport In	315	105	210	58.8	136.5	140	50.4	1015.7
Insurance	60	20	40	11.2	26	20	7.2	184.4
Commission	282	94	188	52.64	122.2	94	33.84	866.68
Total Var. Cost	2880	960	1920	537.6	1248	572	372.24	8489.84
Contribution @ Official Rate	-963	-1362	408	8.4	718.5	314.25	-105.24	-981.09
Contribution @ Par Mkt Rate	-109.35	-936.4	889.6	219.1	1118.55	471.75	-11.09	1642.16
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-13281.09						
FINAL CONTRIBUTION @ P.M.R.:		-10657.84						

ORDER 19

Rev. in UK LB.	4400	2239	985	1058	3904	438	1978	15002
Number of Lbs.	22500	9000	5490	4005	18000	6700	13800	79495

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Revenue @ Official Rate	13200	6717	2955	3174	11712	1314	5934	45006
Revenue @ 50% Par. Mkt. Rate	14740	7500.65	3299.75	3544.3	13078.4	1467.3	6626.3	50256.7
Cost per Lb.	0.45	0.65	0.5	0.55	0.5	0.07	0.25	
Number Lb.	22500	9000	5490	4005	18000	6700	13800	79495
Cost of Produce	10125	5850	2745	2202.75	9000	469	3450	33841.75
Number Units	500	200	122	89	400	100	230	1641
Packaging	1230	492	300.12	218.94	984	318	276	3819.06
Labor	2475	990	603.9	440.55	1980	0	1518	8007.45
Transport In	525	210	128.1	93.45	420	140	322	1838.55
Insurance	100	40	24.4	17.8	80	20	46	328.2
Commission	470	188	114.68	83.66	376	94	216.2	1542.54
Total Var. Cost	4800	1920	1171.2	854.4	3840	572	2378.2	15535.8
Contribution @ Official Rate	-1725	-1053	-961.2	116.85	-1128	273	105.8	-4371.55
Contribution @ Par Mkt Rate	-185	-269.35	-616.45	487.15	238.4	426.3	798.1	879.15
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-16671.55						
FINAL CONTRIBUTION @ P.M.R.:		-11420.85						

ORDER 20

ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Rev. in UK LB.	4885	1893	0	362	3694	403	260	11497
Number of Lbs.	22500	9000	0	1350	18000	4975	18000	73825
Revenue @ Official Rate	14655	5679	0	1086	11082	1209	780	34491
Revenue @ 50% Par. Mkt. Rate	16364.75	6341.55	0	1212.7	12374.9	1350.05	871	38514.95
Cost per Lb.	0.45	0.65	0.5	0.55	0.5	0.07	0.25	
Number Lb.	22500	9000	0	1350	18000	4975	18000	73825
Cost of Produce	10125	5850	0	742.5	9000	348.25	4500	30565.75
Number Units	500	200	0	30	400	87	300	1517
Packaging	1230	492	0	73.6	984	276.66	360	3416.46
Labor	2475	990	0	148.5	1980	0	1980	7573.5
Transport In	525	210	0	31.5	420	121.8	420	1728.3
Insurance	100	40	0	6	80	17.4	60	303.4
Commission	470	188	0	28.2	376	61.78	282	1425.98
Total Var. Cost	4800	1920	0	288	3840	497.64	3102	14447.64
Contribution @ Official Rate	-270	-2091	0	55.5	-1758	363.11	-6822	-10522.39
Contribution @ Par Mkt Rate	1439.75	-1428.45	0	182.2	-465.1	504.16	-6731	-6498.44
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-22822.39						
FINAL CONTRIBUTION @ P.M.R.:		-18798.44						

ORDER 22

Rev. in UK LB. Number of Lbs.	2708 12330	1604 9000	1774 9000	272 945	3354 18000	382 6575	2404 17340	12498 73190
ITEM	Negro Yam	Yellow Yam	Dasheen	Coco	Sweet Potato	Sugar Cane	Pumpkin	Total
Revenue @ Official Rate	8124	4812	5322	816	10062	1146	7212	37494
Revenue @ 50% Par. Mkt. Rate	9071.8	5373.4	5942.9	911.2	11235.9	1279.7	8053.4	41868.3
Cost per Lb. Number Lb.	0.5 12330	0.65 9000	0.5 9000	0.55 945	0.5 18000	0.07 6575	0.35 17340	73190
Cost of Produce Number Units	6165 274	5850 200	4500 200	519.75 21	9000 400	460.25 100	6069 289	32564 1484
Packaging	674.04	492	492	51.66	984	318	346.8	3358.5
Labor	1356.3	990	990	103.95	1980	0	1907.4	7327.65
Transport In	287.7	210	210	22.05	420	140	404.6	1694.35
Insurance	54.8	40	40	4.2	80	20	57.8	296.8
Commission	257.56	188	188	19.74	376	94	271.66	1394.96
Total Var. Cost	2630.4	1920	1920	201.6	3840	572	2988.26	14072.26
Contribution @ Official Rate	-671.4	-2958	-1098	94.65	-2778	113.75	-1845.26	-9142.26
Contribution @ Par Mkt Rate	276.4	-2396.6	-477.1	189.85	-1604.1	247.45	-1003.86	-4767.96
Export Costs:								12300
FINAL CONTRIBUTION @ O.R.:		-21442.26						
FINAL CONTRIBUTION @ P.M.R.:		-17067.96						