

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE
COCOA INDUSTRY BOARD
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The matter for tabling in the houses of Parliament is the Annual Report and Audited Financial Statements of the Cocoa Industry Board for the year ended September 30, 2012. This report will be tabled in accordance with the provisions of Section 16 of the Cocoa Industry Board Act.

2. **ROLE OF THE COCOA INDUSTRY BOARD**

The core function of the Board is the marketing of Jamaica's fine flavoured cocoa internationally. This involves:

- The promotion of cocoa growing among farmers;
- The provision of technical support;
- The purchase and processing of wet beans; and
- The sale of dried fermented beans.

Processing of the beans took place at the Board's two operating fermentaries which are strategically located in the parishes of Clarendon and St. Mary. However, the beans were warehoused at the Board's head-office in Kingston.

3. **COCOA FARMING POPULATION**

It was estimated that 6,000 farmers grew cocoa commercially on 12,000 hectares in the parishes of Clarendon, St. Mary, Portland, St. Catherine and St. Thomas.

4. **DEMAND FOR JAMAICA'S FINE FLAVOURED COCOA**

During the year, based on international requests, the demand for Jamaica's fine flavoured cocoa internationally was estimated between 1,500 tonnes and 2,000 tonnes.

5. **PRODUCTION**

It should be noted that for the 2011/12 crop year, a total of 557 tonnes of cocoa beans were produced. This figure represented a 159% (342 tonnes) increase from the previous year's figure of 215 tonnes.

COCOA PRODUCTION FOR THE LAST FOUR YEARS

Crop Year	Production of Dried Beans (tonnes)
2011/2012	557
2010/2011	215
2009/2010	544
2008/2009	463

Production for the 2011/12 crop year was affected mainly by:

- The increasing average age of farmers
- High costs of inputs (labour, fertiliser, etc.)
- Poor cultural practices
- Inadequate support to cocoa farmers from affiliated organisations
- Inadequate extension personnel to serve the five major producing parishes
- Reduction in the effective acreage under cocoa cultivation;

6. SUPPORT SERVICES

The Board continued to support the industry through meetings with farmers, collectors and secretaries. Extension service was also provided, delivering technical advice to farmers on how to improve their production.

7. COCOA REHABILITATION PROJECTS

The sector presently receives assistance from the European Union (EU) and The United States Agency for International Development (USAID). The USAID assistance is routed through the Jamaica Cocoa Farmers' Association; while the EU projects deal directly with fundings for rehabilitation of cocoa lands and also to provide affordable seedlings to be distributed to cocoa farmers.

The EU completed a two year project in November 2011 which rehabilitated 2,000 acres of cocoa, at a cost of JMD\$66 Million, in the parishes of Portland, St. Thomas and St. Mary, resulting in increased production.

The EU has initiated a second project (RECREATE), at a cost of JMD\$40 Million, with a fifteen (15) month duration, ending March 2013. The main objective of this project is to produce 250,000 seedlings to be distributed to cocoa farmers at a subsidized cost.

8. FARM-GATE PRICE FOR WET COCOA

For the year under review the farm-gate price was increased to \$2,000.00 per box which represented an increase of 36.98% or \$539.94 over the previous year. The payments were scheduled as follows:

- The first payment to farmers per box represented 90% \$ 1,800.00
- The second payment represented 10% \$ 200.00

\$ 2,000.00

It should be noted that a total of \$89,103,802.00 was paid to farmers during the crop year with \$21,602,600.00 accruing as a final payment at the end of the year.

9. FINANCES

The Board incurred a loss of \$96.5 million during the review period. This represents a deterioration in the financial performance of the Board from the \$77 million loss incurred in the previous year. The major decline in the financial performance can be attributed to the significant increase in the cost of sales, particularly, the cost of producing dried fermented beans, which increased by 114.77% or by \$79,564,672 more than the previous year to \$148,890,041

10. SALARY AND EMOLUMENTS

The salaries and emoluments of the directors and senior executives are set out at appendices I and II respectively.

11. AUDITOR'S REPORT

The financial statements for the period under review were audited by Ian Walters & Company Chartered Accountants. They have stated the following with respect to the Board's financial statements for the year ended September 30, 2012:

The financial statements were in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Cocoa Industry Board Act.

Opinion

Concerns were highlighted on the accumulated loss of \$ 96,466,755 that was incurred during the year ended September 30, 2012 and the Cocoa Board's ability to continue as a going concern. They have stated that the Cocoa Board's ability to continue as a going concern will depend on the following factors:

- Future profitability of operations
- Continued support from the Government
- Obtaining necessary funding to maintain its operation.

12. The Annual Report of the Cocoa Industry Board for the year ended September 30, 2012 is hereby submitted to be tabled in the Houses of Parliament in accordance with Section 16 of the Cocoa Industry Board Act.


Derrick Kellier, CD

Minister of Agriculture, Labour and Social Security

January 21, 2015

Appendix I

DIRECTORS' COMPENSATION 2011/2012

Directors	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Chairman 1	15,000.00	-	-	14,023.93	29,023.93
Chairman 2	82,500.00	-	-	14,023.93	96,523.93
Chairman 3	-	-	-	14,023.93	14,023.93
Director 1	49,500.00	-	-	14,023.93	63,523.93
Director 2	49,500.00	61,551.00	-	14,023.93	125,074.93
Director 3	60,500.00	54,500.00	-	14,023.93	129,023.93
Director 4	49,500.00	90,500.00	-	14,023.93	154,023.93
Director 5	16,500.00	-	-	14,023.93	30,523.93
Director 6	11,000.00	9,782.00	-	14,023.93	34,805.93
Director 7	11,000.00	-	-	14,023.93	25,023.93
Director 8	5,500.00	4,189.00	-	14,023.93	23,712.93
Director 9	5,500.00	-	-	14,023.93	19,523.93
Director 10	5,500.00	-	-	14,023.92	19,523.92
MOAF Observer	38,500.00	-	-	14,023.92	52,523.92
Total (\$)	400,000.00	220,522.00	-	196,335.00	816,857.00

Notes

1. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be qualified and stated in the appropriate column above.

Appendix II

SENIOR EXECUTIVES' COMPENSATION 2011/2012

Position of Senior Executive	Salary (\$)	Gratuity or Performance Incentive (\$)	Traveling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Secretary/Manager	3,125,848.00	-	856,000.00	-	-	-	3,981,848.00
Human Resource Manager	1,631,718.00	-	451,500.00	-	-	-	2,083,218.00
Senior Accounting Officer	929,939.00	-	280,000.00	-	-	-	1,209,939.00
Technical Consultant (Cocoa)	1,800,000.00	-	451,500.00	-	-	-	2,251,500.00
Fermentary Manager 1	919,354.00	-	451,500.00	-	-	-	1,370,854.00
Fermentary Manager 2	919,354.00	-	451,000.00	-	-	-	1,370,354.00
Total (\$)	9,326,213.00	-	2,941,500.00	-	-	-	12,267,713.00

Notes

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaica equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above