

ANNUAL REPORT OF THE COFFEE INDUSTRY BOARD FOR THE YEAR

ENDED JULY 31, 2013

The matter for tabling in the Houses of Parliament is the Annual Report and Audited Financial Statements of the Coffee Industry Board for the year ended July 31, 2013. This Report is being tabled in the Houses of Parliament in accordance with Section 13 (2) of the Coffee Industry Regulation Act.

**2. PRODUCTION**

National coffee production for the 2012/13 crop year totalled 256,640 boxes. This represents an increase of 1.6% (3,960 boxes) from the previous year's total production of 252,680 boxes. The 2012/13 national production figure of 256,640 boxes comprised 214,525 boxes (83.6%) of Blue Mountain coffee and 42,115 boxes (16.4%) of Jamaica High Mountain coffee (formerly Lowland coffee). Both Blue Mountain coffee and Jamaica High Mountain coffee experienced increases in production when compared with the previous year. However, High Mountain coffee performed relatively better, increasing by 3.1 % (1,272 boxes) compared with 1.3% (2,688 boxes) for Blue Mountain coffee.

**Cherry Coffee Production for the Five Year Crop Period**

2008/09 – 2012/13 (figures in boxes)

Coffee Variety	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Jamaica High Mt.	90,877	58,382	56,020	40,843	42,115	288,237
Blue Mt.	369,024	282,528	247,117	211,837	214,525	1,325,031
<b>National Production</b>	<b>459,901</b>	<b>340,910</b>	<b>303,137</b>	<b>252,680</b>	<b>256,640</b>	<b>1,613,268</b>

Note: The coffee crop-year spans the period from 1<sup>st</sup> August of one year to 31<sup>st</sup> July of the following year.

**3. MARKETING**

Green bean exports for the 2012/13 review period were 697,215 kg valued at US\$16.9M. This represented improvements in the areas of both volume and value of 6% (39,560 kg) and 9.6 % (US\$1.5M) respectively over the previous year.

Total Green Bean Coffee Exports for the Crop-Years 2008/09 to 2012/13 (KG and US\$ )						
Coffee Variety	2008/09	2009/10	2010/11	2011/12	2012/13	Total
High Mountain	180,750	61,990	26,780	29,220	25,250	323,990
Blue Mountain	1,171,785	725,875	746,645	628,435	668,965	3,941,705
Jamaica Coffee Beans	81,540	61,200		420	3,000	146,160
<b>Total Volume (kg)</b>	<b>1,434,075</b>	<b>849,065</b>	<b>773,425</b>	<b>658,075</b>	<b>697,215</b>	<b>4,411,855</b>
High Mountain	2,840	878	300	399	359	4,776
Blue Mountain	32,822	19,085	17,406	14,968	16,499	100,780
Jamaica Coffee Beans	166	169		2	6.6	343.6
<b>Total Value (US\$, 000)</b>	<b>35,828</b>	<b>20,132</b>	<b>17,706</b>	<b>15,369</b>	<b>16,864.60</b>	<b>105,899.60</b>

### Export Destination

It should be noted, that for the 2012/13 review period Japan remained the major export destination for Jamaica's coffee, absorbing 72.8% of exports; this represented an increase of 6.3% over the previous year. The USA also remained the second most important coffee export destination with 17.1% of the country's total coffee exports, followed by the European Union (EU) with 8.1%.

### 4. BOARD INITIATIVES

A Coffee Development Sub-committee was created by the Board of Directors with a mandate to meet with the stakeholders of the coffee industry and chart a developmental path. Some of the issues discussed and activities generated were:

1. Regulating the coffee industry and the structure and function of the Coffee Industry Board (CIB).
2. Meetings were held with the Coffee Dealers Processors, the Coffee Cooperatives and the employees of the Coffee Industry Board (CIB).
3. The Coffee Development Report was submitted to the Board on November 8, 2012.

### Name Change of Coffee Grades

The Board agreed to the following name changes:

Old Name	New Name
Jamaica Blue Mountain ® Triage	Jamaica Blue Mountain ® Select
Jamaica Blue Mountain ® Triage Peaberry	Jamaica Blue Mountain ® Select Peaberry

## **Brand Protection**

Evidence and reports suggested that, especially in the overseas markets, namely the United States of America, Canada and China, there are coffee purported to be Jamaica Blue Mountain® that are of inferior quality. This counterfeit coffee has created irreparable damage to our flagship brand. As such, the CIB engaged its local and overseas dealers and requested that they also monitor and report what obtains in the market place.

## **Request for Coffee Importation**

It should be noted that as a result of a decline in production of Jamaica Blue Mountain coffee and Jamaica High Mountain Supreme coffee, the CIB has received an increased number of requests for importation of coffee from other regions. In many instances such coffee would be used in the hospitality sector or as a blend.

## **5. FINANCIAL PERFORMANCE**

The Board suffered a deficit of 19,250,451 for the financial year ended July 31, 2013. This deficit was a reversal of the \$24,420,061 surplus recorded in the previous financial year. It should be noted, that the deterioration in the financial performance of the Coffee Industry Board was primarily as a result of an increase in the grant to coffee farmers, which totaled \$46.9M for the review period; up from \$6.8M in the previous year. The deficit for the review period was also influenced by a \$12.9M increase in the administration expenses of the Board.

## **6. SALARY AND EMOLUMENTS**

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

## **7. AUDITOR'S REPORT**

The financial statements for the period under review were audited by KPMG Chartered Accountants. They have stated the following with respect to the Board's financial statements for the year ended July 31, 2013:

### **Basis of Opinions**

- i. The financial statements were not in compliance with International Financial Reporting Standards (IFRS), in the following significant respect:

*IAS 19 – Employee Benefits:* An actuarial valuation was not done at the reporting date, contrary to IAS 19 which requires the Board's defined-benefit pension plan to be actuarially valued. Consequently, there was no recognition in the current or prior years' financial statements of such amount of employee benefit asset or obligation as might have been determined to be necessary had the required actuarial valuation been done.

- ii. In a suit filed against the Board claiming \$601,043,626, the Cabinet had authorized the Ministry of Agriculture and Fisheries, in conjunction with the Attorney General's


Department and the Ministry of Finance and the Public Service to commence negotiation for settlement. The Board expected that if any liability arose it would not be borne by the organization but would be settled by the Government of Jamaica. No provision was therefore made in this regard.

- iii. The trade receivables of the CIB include \$45,615,451 due from Wallenford Coffee Company Limited. However, Wallenford Coffee Company Limited has indicated that the amount it owed to the CIB was \$36,285,497. The auditors were unable to satisfactorily verify, by alternate means, elements comprising the differences and were therefore unable to determine whether any adjustment was necessary in respect of trade receivables. On September 11, 2013, a third party assumed control of Wallenford Coffee Company Limited. The Board subsequently decided to offset both amounts due from and due to Wallenford Coffee Company Limited and sought guidance from the Ministry of Agriculture and Fisheries with regard to the accounting treatment of the resultant net amount due to Wallenford Coffee Company Limited which the Board maintains is not likely to ever be settled.

### Opinion

The auditors have stated that in their opinion, the financial statements give, except for the effects of such adjustments, if any, as might have been determined to be necessary had the matters set out in (i) to (iii) above been resolved, a true and fair view of the financial position of the Board as at July 31, 2013, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

8. The Annual Report and Audited Financial Statement of the Coffee Industry Board for the year ended July 31, 2013, are hereby submitted to be tabled in the Houses of Parliament in accordance with the provisions of Section 13 (2) of the Coffee Industry Regulation Act.



Derrick Keller, C.D.

Ministry of Agriculture, Labour and Social Security

June 16, 2015

## COFFEE INDUSTRY BOARD

## DIRECTORS COMPENSATION 2012/13

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Chairman	133,000.00	-	-	-	133,000.00
Board Member 1	103,000.00	-	-	-	103,000.00
Board Member 2	72,500.00	-	-	-	72,500.00
Board Member 3	99,500.00	-	-	-	99,500.00
Board Member 4	104,125.00	-	-	-	104,125.00
Board Member 5	101,500.00	118,500.00	-	-	220,000.00
Board Member 6	87,000.00	-	-	-	87,000.00
Board Member 7	85,500.00	-	-	-	85,500.00
Total	786,125.00	118,500.00	-	-	904,625.00

Notes

1. 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.

**COFFEE INDUSTRY BOARD  
SENIOR EXECUTIVE COMPENSATION**

Position of Senior Executive	Year	Salary (\$)	Gratuity (\$)	Traveling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Director General	2012/13	7,390,617.86	849,454.50	-	-	238,337.00	-	8,478,409.36
Advisory Manager	2012/13	2,745,292.84	-	1,258,276.52	-	494,512.02	-	4,498,081.38
Quality assurance Manager	2012/13	2,673,465.28	-	1,005,590.00	-	311,481.85	-	3,990,537.13
Legal Officer/Board Secretary	2012/13	3,300,000.00	-	990,655.00	-	-	-	4,290,655.00
<b>Total</b>		<b>16,109,375.98</b>	<b>849,454.50</b>	<b>3,254,521.52</b>	<b>-</b>	<b>1,044,330.87</b>	<b>-</b>	<b>21,257,682.87</b>

Notes

- Figures under the column labelled "Other Allowances" represents end of year incentive, subsistence and mileage and clothing allowances.