

JAMAICA PRODUCERS GROUP LIMITED

CHAIRMAN'S REPORT

Your Group recorded another year of solid performance in 1995. This solid performance must be set against the difficulties being experienced in the Jamaican economy of high interest rates, inflation above 20% and a devaluation of the Jamaican dollar by some 16 per cent.

The U.K. banana market also came under severe pressure as major supermarkets, in their bid to maintain or increase market share, slashed their retail price of bananas by more than 50% and maintained them at that level for over two months.

The trading profit before tax was \$532.7 million compared with \$446.7 million in 1994. Profits after tax were \$241.9 million as contrasted with \$1,131.8 million in 1994; these profits are not comparable as the Group had a gain from the sale of shares of \$848.6 million in 1994.

It should also be noted that our taxable income resulted in our tax liability increasing from \$83.8 million in 1994 to \$139.2 million in 1995. Non-recurring losses were significant and arose from the rationalisation of our U.K. business which resulted in the closure of the Tamworth ripening depot, Sunsatons, Simply Citrus and the writing down of our investment in the Mann companies to the sale price achieved in 1996.

The company has also continued to vigorously pursue its programme of consolidating its position in bananas while diversifying and expanding into other areas. The diversification programme is focussing on agro-processing and to that end, we acquired 100% of Trinjam - the Neal & Massy agricultural processing subsidiary.

DIVISIONAL REPORT

Bananas - The banana protocol announced by the European Union remained in place in 1995 despite continued attacks against it by the United States. All indications are that the protocol will be maintained until its renewal period in the year 2002, although the United States is taking its complaint to the World Trade Organization.

Jamaica needs to continue, therefore, to improve its production in order to achieve the announced quota of 105,000 tonnes. In 1995, our exports totalled 85,200 up from 78,000 tonnes of the previous year. Farms controlled by Jamaica Producers accounted for approximately 75% of that 85,200 tonnes. Our goal is to increase the yield per acre on the farms we control so as to allow them to be more competitive with farms in Central America where yields are much higher.

In the United Kingdom, our banana ripening modernization programme is now complete and ripening is concentrated in three locations - Dartford serving the south-east of the United Kingdom; Bolton, in the northern United Kingdom and Bridgewater in the west. These ripening rooms were all designed for easy expansion and we will construct additional ripening rooms in these complexes as we strive to build our market share. We are particularly proud of these depots as they are among the best pressurized ripening depots in the world.

At the very end of 1995, we realized that Geest, our largest competitor in the United Kingdom, would be acquired by a joint venture between Fyffes, our other large competitor, and the Windward Islands Banana Development Company. The acquisition was finalized in early 1996 and it is still too early to assess the impact that it will have on the banana market. In the meantime, we are ourselves striving to increase our access to Jamaican and other ACP bananas so as to improve our market share. In this regard, we are expanding the acreages on our own farms so that Jamaica can be exporting bananas at an annual average rate of 105,000 tonnes by the fourth quarter of 1996.

As part of our ongoing drive for efficiency and to increase production, we have centralized and streamlined the management of the three banana farms without sacrificing the benefits that flow from localized hands-on management.

A FAO Study has identified Jamaica as the country in the Caribbean whose material input costs are the highest per tonne. As we strive to ensure the permanent viability of the Jamaican banana industry, we are making deliberate efforts to reduce our material costs through a programme of bulk purchasing.

General Produce

The general produce business in the U.K. emphasizes ethnic tropical produce - yams, dasheens, mangoes, papayas, as well as the more traditional temperate and tropical produce. We also handle some specialized vegetable items in the pea and bean family.

Our general produce business in the United Kingdom, (JPFD) bolstered by produce from Dole, this year recorded profits that were the highest ever for this line of business. We anticipate that 1996 should again see a strong showing for our United Kingdom subsidiary. Our U.S.A company, on the other hand, again experienced another difficult year with losses increasing over the previous year. Management in this entity was changed at the start of 1996 and while we do not anticipate a complete turnaround in this year, we would expect losses to be significantly lower with an outside possibility of a break-even position.

In Jamaica, our joint venture with Jamaica Flour Mills at Belvedere is substantially complete, and shipments of mangoes/pawpaws to the United Kingdom, Europe and the U.S.A. have already commenced.

Agro-processing-

There were mixed feelings when we took the decision to close both Simply Citrus and Sunsations (subsidiaries of Sunjuice), the fresh fruit salad and frozen fruit bar diversification we had undertaken in Wales. The supermarkets all expressed satisfaction with the quality of our products, but sales simply did not materialize and reluctantly we had to conclude that perhaps the United Kingdom market was not yet ready for these products.

Our focus now is on deepening and widening our commitment to fresh and pasteurized juices in the United Kingdom and in Continental Europe as a whole. Currently, the juices are being sold in the United Kingdom, France and Switzerland. Competition in the juice market-place is all about quality and shelf life. We are satisfied that our plant in Wales continues to give us the tools to meet the competition.

The closure of Simply Citrus and Sunsations moreover, will allow the Sunjuice management once again to focus exclusively on developing our fresh and pasteurized juice business. A new packaging plant has been installed in Llantrisant, Wales, and all signs point to continued growth in this business in 1996.

In Jamaica, our agro-processing thrust was expanded with the acquisition of 100% of Trinjam. This operation will be known as JP Foods and will produce much of our bottled sauces, seasonings and syrups. Our Jamaica Best line is now well launched and currently handles sixteen different products. These products are marketed in the United Kingdom and the United States of America with our subsidiaries there leading the marketing in both areas. These Jamaica Best products will be on the shelves in Jamaican stores in 1996.

We are especially excited about the 1996 launch of our Jamaica Best banana chips. This product will also be made at JP Foods where we have installed a state-of-the-art continuous fryer line which will allow us to produce a full range of chips based on Jamaican food stuff - bananas, plantains, breadfruit, yams, dasheens, etc. This banana chip processing will allow us to use productively virtually every banana that the farms produce.

Shipping-

Jamaica Producers Shipping Company now operates five vessels which allows it to call at Kingston and Port Antonio in Jamaica; Newport in Wales; Zeebrugge in Belgium and Limon in Costa Rica, each week.

This five-port call allows us to transport cargo between Jamaica and Europe, our traditional return routes. The Costa Rica/Jamaica run has been beneficial to the Jamaican banana industry as it allows us to source key banana input items in Costa Rica at competitive prices. The shipping line operates a ten-day service between Jamaica and the United Kingdom giving it a real advantage over its competitors in speed and delivery. This has allowed the general cargo business between the United Kingdom/Europe and Jamaica to provide additional revenue. The line traded profitably in 1995 which was an improvement over 1994 where the outturn was a moderate loss.

Imports-

Our Import Division trades under the name Jamaica Producers Trading and operates at our new warehouse and showroom complex at 14 Retirement Road. Jamaica Producers Trading has already developed a name in the Jamaican construction circle for high quality floor tiles and a range of other hardware items.

The complex was formally opened in January of 1996.

Training-

JPG employs approximately 5,000 people in its operations throughout the world. Our staff is therefore vital to the success of the Group and in 1995 we increased our expenditure on training, both in Jamaica and the United Kingdom. We are expecting by late 1996 to have completed the upgrading of our computer facilities in both Jamaica and the United Kingdom and will be on line with E-Mail between both countries before the end of 1996.

The company continues to encourage agricultural education at all levels. JPG sponsors a "Youth in Agriculture" programme for primary, all-age, secondary and high schools in St. Mary. The participating schools are given tools, planting materials and professional advice to establish school gardens. The "Jamaica Producers Trophy" is competed for each year at the St. Mary Agricultural Society Agri-Expo which takes place at Eastertime. The farms are judged on areas such as efficiency in land use, environmental impact, cultural practices, pest management, field sanitation and record keeping. Many of the schools have become self-sufficient in chickens, vegetables, orchard crops and ground provisions, some even being able to sell their excess produce. The discipline, pride and enthusiasm among the students has been extremely encouraging.

At the tertiary level, we continue to support the College of Agriculture and in 1995 established a much needed Chair in Agricultural Management for final year students. The courses expose students to such topics as industrial relations and labour laws, manpower planning, budgeting, inventory control and quality control. The students develop skills in directing and utilizing farm resources effectively and profitably preparing them for employment not only on farms but in banking institutions, developmental organizations, agricultural marketing and export organizations.

In 1995 also, we began awarding two bursaries annually to Jamaican students in the Faculty of Agriculture at the University of the West Indies, St. Augustine Campus. These have been donated by the company in memory of Ernest Johnston, who had been a longstanding member of our Board.

We are aware that the plastic sleeves used to protect our bananas during the growing period have given rise to environmental concerns. It is a matter which we are studying carefully and extensively with the assistance of the best expertise available, so that we can implement appropriate solutions at the earliest possible time.

It is with regret that we mention the passing of two long serving members of the Jamaica Producers family - Mr. R.G.S. Jackson and Mrs. Lucille Cover. Mr. R.G.S. Jackson served as a director of the Board from 1967 and member of the Executive from 1986. Mrs. Cover, who died in early 1996, served as our telephone operator for 50 years. She was famous for remembering voices and telephone numbers after only one call.

On behalf of the Board of Directors, I would like to congratulate the management and staff for their performance in 1995.

C.H. Johnston
Chairman

April 4, 1996

DIRECTORS ' REPORT

GROUP ACCOUNTS

In 1995 the profit attributable to the Group amounted to \$241.9 million which was \$41.3 million lower than the \$283.2 million achieved in 1994. The 1994 figure was arrived at after adjusting for gains on sale of shares in subsidiary and associated companies in that year. High non-recurring losses as well as increases in material input costs and later, the onset of black sigatoka affected the profitability of the Group. Stockholders' funds at year end, amounted to \$18.30 per unit after accounting for bonus shares issued.

DIVIDENDS AND BONUSES

An interim dividend by way of capital distribution less transfer tax, was paid on the 25th May, 1995 at a cost of \$18.1 million. A second interim dividend out of incentive profits (agricultural income) was paid on 15th November, 1995 at a cost of \$32.6 million. No final dividend in respect of 1995 is recommended.

The Annual General Meeting held on the 22nd June, 1995 approved the capitalization of \$4,987,559 of non-agricultural income at 11th July, 1995 and this was applied to making full payment at par for 49,875,591 ordinary shares of 10 cents each (a one for two bonus) and distributed to members of record on 11th July, 1995.

AUDITORS

The auditors, KPMG Peat Marwick, have expressed their willingness to continue in office.

DIRECTORS

We advise that Mr. R.G.S. Jackson who served as a member of the Board since 1967, died on the 25th November, 1995. We miss the dedication and wise counsel of this esteemed colleague.

Mr. R.D. Honiball and Mrs. M.T.A. Payne retire by rotation in accordance with the Articles of Association and being eligible, offer themselves for re-election.

MANAGEMENT AND STAFF

We express our thanks to our management and staff for their dedicated service and support throughout the year.

C.H. Johnston

Chairman

April 4, 1996