

Seprod Limited 1996

Chairman's Statement

Last year, facing a 1995 loss of \$46 million, I could only write about hope for the future. With a net profit of \$467.2 million after tax in 1996, I can write about hope fulfilled and commitments kept.

Seprod remains strong in Manufacturing

Regardless of what one thinks of the proposed "bail out" for the financial sector, I am concerned that there is little or no growth in value added production in Jamaica which is ultimately the only source of real wealth. Seprod remains one of the few companies in the manufacturing sector which, starting from scratch and utilizing modern technology, produces a range of products of highest quality; brands such as Chef Cooking Oil, Chiffon Margarine and Daffodil Cornmeal which over the years have become household names in Jamaica.

Excellent sales in 1996

I need to emphasize again that despite the sale of our soap and detergent brands to Colgate Palmolive and the closure of Jamaica Detergents Limited, Seprod's core businesses achieved sales of about \$2 billion in 1996 and contributed some 58% to the Group's overall earnings including investment income. We continue to be a major player in the manufacturing sector, competing with illegal imports even as we continue to be discriminated against by having to pay duties on

some of our raw materials.

A change in Government Policy needed

I take this opportunity of again appealing to Government to change its policy of allowing those illegal imports which are caught by the Revenue Protection Division to be nevertheless put back into the Jamaican economy by sale at auction. It is estimated that in 1996, some 640,000 kegs of illegal cooking oil poured into Jamaica with an approximate value of \$500 million. If proper duties had been collected, the Government would have had additional customs revenues of about \$200 million which could have been used to upgrade Kingston Public Hospital.

These illegal imports when caught, should be returned to source or destroyed or charged a penalty of three times the CIF value - not three times the unpaid or underpaid duty. This, I believe, is already enshrined in legislation covering breaches of Custom's regulations. To allow illegal cooking oil into the Jamaican economy is subsidizing jobs for American workers and depriving Jamaican workers of the opportunity for additional employment. Not only are custom duties evaded, but the full cost of the imported finished products has to be paid for with foreign exchange. Had those 640,000 kegs been manufactured in Jamaica about half the foreign exchange expenditure would have been saved.

Consumers protected

There is in Jamaica plenty of competition to protect the consumer. Jamaica Soya Products Limited has put up a refinery and its cooking oil competes with Seprod. Government has announced that a group of Columbian investors will be opening another cooking oil factory shortly and this, too, will compete with Seprod. We welcome domestic competition so long as no one enterprise is given special favours or concessions over others. If illegal imports are controlled and Government signals a "no tolerance" policy by destroying them or sending them back to their source, the local market is big enough for the domestic producers. Without such a change in policy, it is likely that one or more of the companies may go to the wall and have to layoff workers.

Investment Climate

Seprod's investment income provides the group with a degree of diversification

which is prudent in the present economic climate. Some of our cash reserves are available to fund future productive ventures but such investment decisions must await a signal from Government that its policies will be more realistic and supportive of entrepreneurial ambitions.

Seprod has battled for over fifty years the vagaries of the Jamaican economy. We deserve and expect full cooperation from Government in removing those obstacles which still impede our efforts to expand our business and thus provide employment for our people.

'Esprit de Corps'

One of Seprod's salient strengths is the wisdom and balance of its Board of Directors, reinforced by the atmosphere of trust and enthusiasm between the Board and senior management. This esprit de corps spreads out also to middle managers as well as to unionized and non-unionized employees and it is this unity that will ensure the future of the new Seprod. I thank my fellow directors for their support, senior management for a sterling performance and all members of the Seprod team for a job well done.

The Future

As of date of writing this report, all the Seprod subsidiaries continue to operate profitably and I expect 1997 to be a reasonable year for our core businesses.

A.D. Blades
Chairman