

The Jamaica Livestock Association Limited 1998

Management Report

THE ECONOMY

During the calendar year 1998, the performance of the macro-economy was mixed. The inflation rate at 7.6 percent was the lowest since 1982. The average exchange rate of J\$36.69 was relatively stable, declining by only 3.0% compared with 1997. The NIR increased by US\$41.5 million to US 582 million, and the weighted average loan rates fell from 34.96% to 32.98%. However, Gross Domestic Product in constant prices fell by 0.7%, the third decline in as many years.

The trade deficit fell by US\$70.2 million to US\$1.670 billion reflecting a US\$167.2 million reduction in imports, which was cushioned by the effect of a US\$97.0 million fall in export earnings. During the nine month period April to December the fiscal deficit declined by 7.5% in 1998 compared with 1997. The total debt (external) rose in 1998 over 1997 by 8.8% to J\$246 billion.

THE LIVESTOCK SUB-SECTOR

The performance of the macro-economy had a mainly negative effect on the livestock industry, however modest gains were made in this sub-sector. The index of meat and poultry production rose by 2.8%. Beef production has continued the decline which began in 1996, falling by 2% in 1998 to 14,254,000 kilograms.

The difficulties facing the beef industry include a decline in consumer demand, an increasing share of the declining market being supplied by cheaper imports, and rising inventories of beef in storage.

In the face of these difficulties, discussions were held with a major fast food chain that agreed to purchase local beef for use in their operations. In addition, legislation will shortly be enacted which will enable local beef to be certified for export to the European Union. Should this initiative prove successful, the prospects for the beef industry would be improved.

In the poultry industry, meat output grew by 6.2% in 1998 to 63,000,000 kilograms. However, the viability of the industry is being threatened by the continued increase in imports of leg quarters. As a result, large stocks of locally produced broiler meat had to be placed in cold storage.

The dairy industry also had a difficult year. Milk production of 25 million litres in 1998 was the same as in 1997. However, the demand for fresh milk has continued to decline as a result of change in consumer preference, the availability of a cheaper substitute in the form of imported whole milk powder, and alternatives in soya products. Milk producers were therefore forced to dump significant quantities of fresh milk. The Dairy Farmers Federation was established during 1998 on a recommendation from the Commonwealth Secretariat with a mandate to formulate strategies which will ensure the preservation and growth of the local industry as well as reduce losses.

OPERATING RESULTS

The adverse economic environment had a negative effect on the operations of the Association. The company suffered a significant operating loss in 1998. Gross Operating revenue fell by 2.8% or \$14.8 million to \$503.9 million whilst total costs rose by 1.4% or \$7.1 million to \$521 million resulting in a deficit of \$17.3 million. The loss per stock unit was 29.69 cents compared with earnings of 17.27 cents in 1997. Notwithstanding the operating loss, your company was able to pay the usual dividend to the 7^{1/2}% preference shareholders from retained profits.

COMPUTERISATION

The modernisation of our computer systems to make them Y2K compliant has proceeded apace, and all twelve of our branches will be on-line by the end of 1999. The completion of this project will have the added effect of providing better management information which will enhance efficiency .

OUTLOOK

As your company anticipates the continuation of the prevailing adverse trading conditions, our efforts will be redoubled in 1999 to reduce operating expenses, increase market share, and return to sustainable profitability. In addition, the JLA will also continue to play a leadership role in advocacy in support of the interests of the livestock sector in particular and the agricultural economy in general.

ACKNOWLEDGEMENT

The Board of Directors takes this opportunity of expressing its appreciation to the Staff, the Breed Societies and Committees, and last, but by no means least, the customers of the company for their continued support during this challenging period.

Dr. John Masterton
Chairman

Henry J. Rainford
Managing Director and
Chief Executive Officer
