



JAMPRO
TRADE & INVESTMENT JAMAICA

INVESTMENT OPPORTUNITY PROFILE

FROZEN FRENCH FRIES



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EXECUTIVE SUMMARY

As part of its mandate to promote trade and investments for Jamaica, Jamaica Promotions Corporation (JAMPRO) has directed its attention to developing packaged investment opportunities for ventures in key growth areas. These opportunities will also creatively reduce Jamaica's import bill as they will rely on locally produced inputs that will replace key import products. These packages detail the strategies required to transform select products with a high import value into lucrative domestic business ventures.

The first phase of the packaging process involved undertaking an extensive assessment of Jamaica's Trade Statistics with a view to identifying products best suited for competitive import replacement and further, with the potential to expand into viable products for the export market. This Investment Opportunity Profile (IOP) is for Frozen French Fries and provides a holistic approach geared towards maximizing the returns for the economy, in addition to those of the investor.

The global frozen French fries product has an estimated value of US\$13B and given the simplicity of the production process and limited product differentiation it is highly competitive. They are made either from white or sweet potatoes and differences within the sub-categories are largely a function of size and design. Of the different types, thin strips made from white potatoes product is the most popular and is featured in this IOP. Critical success factors for this business venture include:

1. Product differentiation through uniquely delicious tastes, achieved through the incorporation of local ingredients.
2. Extensive and intensive marketing and promotion, particularly within the first three years of the business.
3. Producing frozen French fries of a consistent quality and ensuring reliable supply at competitive prices.
4. Keeping abreast of industry developments and consumer feedback in order to capitalize on emerging opportunities.

There is solid international (12%), regional (8%) and local (10%) demand for frozen French fries, averaged for the period 2010 to 2014. Local Quick Service Restaurants have indicated a willingness to purchase differentiated fries with good price points. Additionally, the GoJ is investing significant time, effort and finances into facilitating the cultivation of white and sweet potatoes suitable for processing as well as the development of seed farms and the use of tissue culture to further localize the potato value chain.

The conservative and scalable 12-year financial model projects initial capital expenditure of J\$28M and year 1 operating expenses and operating income at J\$65M and J\$9M, respectively. Profit after tax averages J\$7M over the life of the model. The NPV discounted at a rate of 15% is \$29M.

PRODUCT

The making of French Fries is a fairly simple process. It involves cutting potatoes into strips, frying them in hot oil until golden brown; draining them and adding salt. It is a snack and a side dish of billions worldwide and that market has been growing at a rate of 8% per annum over the last 5 years and valued at over US\$13B, in 2014. Given the simplicity of the process and the large market size, this industry is highly competitive. With that said there is significant scope for new entrants to serve fairly untapped markets and supply to large consumers who do not have long-term contracts with suppliers.



The Frozen French Fries is an intermediary good designed to extend the life, quality and appearance of the fries and thereby facilitates wide scale exports and improved business efficiencies in creating the end product. The J. R. Simplot Company is credited with successfully commercializing French fries in frozen form during the 1940s. According to the Agricultural Marketing Resource Centre, nearly 60% of potato sales are to processors for French fries, chips, dehydrated potatoes and other potato products. According to the International Potato Center, approximately 7 million tonnes of fries are consumed per annum.

Traditionally, French fries are made from white potatoes. However, the prospective business owner may explore the use of sweet potato as the base ingredient, an increasingly popular health and taste trend. Additionally, within the broad categories, various product types are created through the incorporation of spices, herbs, batter and the like – such as, seasoned fries.

The process to create frozen French fries is well known and is detailed later in the Profile. This IOP will focus on the traditional French fries, cognizant that processes and business approach would not differ significantly should the investor choose to produce variations on the main product. Successful manufacturers will often produce a diversified product line to satisfy the varied needs of their consumers, expand their reach in the industry and mitigate against adverse revenue risks.

The final decision as to the type(s) of frozen French fries should be the outcome of expansive research into the different local flavours that work best with the white and sweet potatoes. The sample fries should be served to select groupings for comprehensive feedback as to the products' strengths and weaknesses. There is a wealth of online information to assist in this research and development exercise. The Scientific Research Council (SRC) can offer support and information regarding local fruits, herbs and spices and how best to incorporate them in the production process.

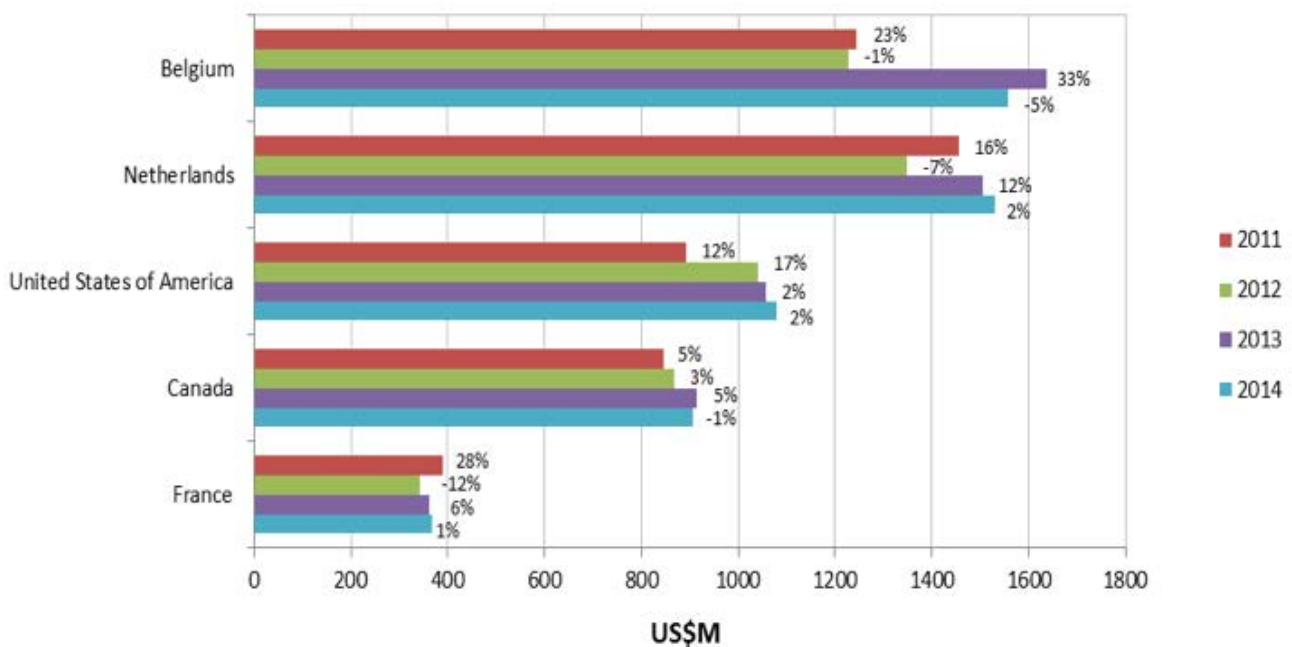


MARKET DEMAND

International

According to the International Trade Centre (Intracen), the top 5 exporters of frozen French fries, in 2014, were Belgium, Netherlands, United States of America, Canada and France. Together, they accounted for 85% of world exports. The US dollar value exported and the respective annual growth rates over the past 4 years are depicted in Chart 1. Belgium is the largest exporter since 2013 (when it overtook the Netherlands) and its average growth rate over the 5-year period was 12% per annum. Of the 5, the fastest growing exporter is also Belgium, followed by the United States of America (8%) and then by France (6%). The continued market dominance of these countries is largely attributable to the maturity of the industry. Many of the successful companies have been in existence since the beginning of the 20th century and have established a strong presence and reputation. Notwithstanding the forgoing, there are relatively younger firms that are performing well, using the knowledge acquired from the industry and adding some innovation. The Map below provides greater details on global exporters of frozen French fries.

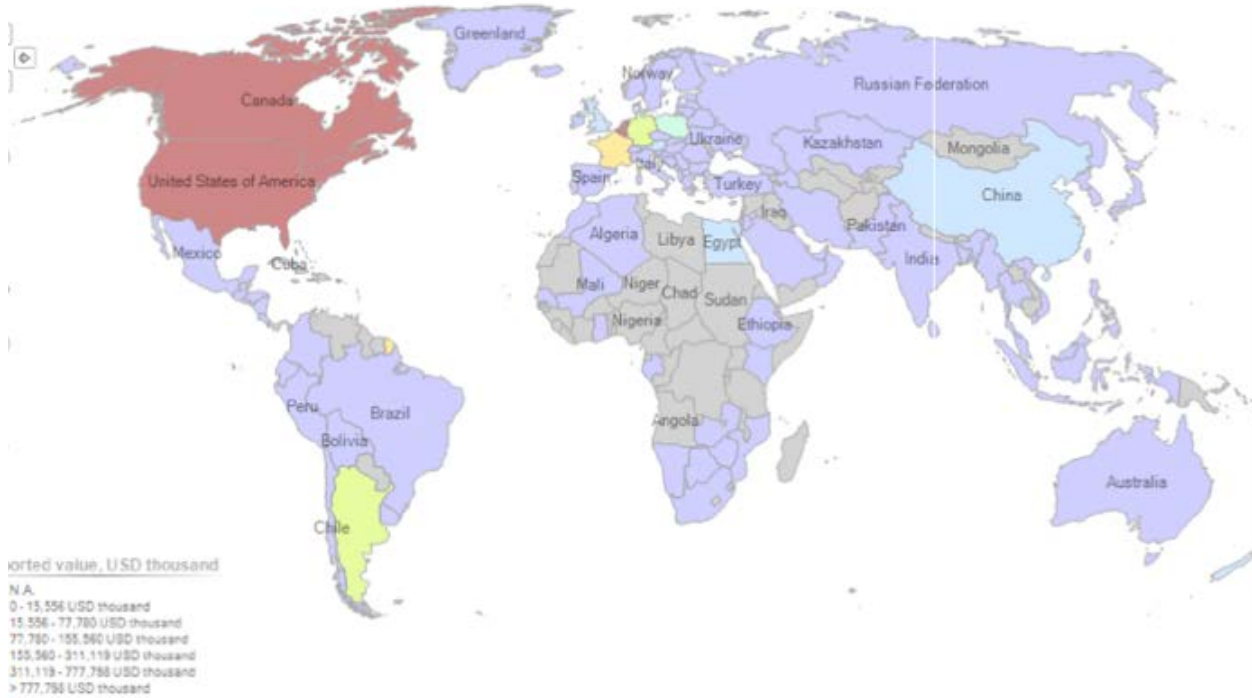
Chart 1: Top 5 Global Exporters of Frozen French Fries



MARKET DEMAND

List of exporters for the selected product in 2014

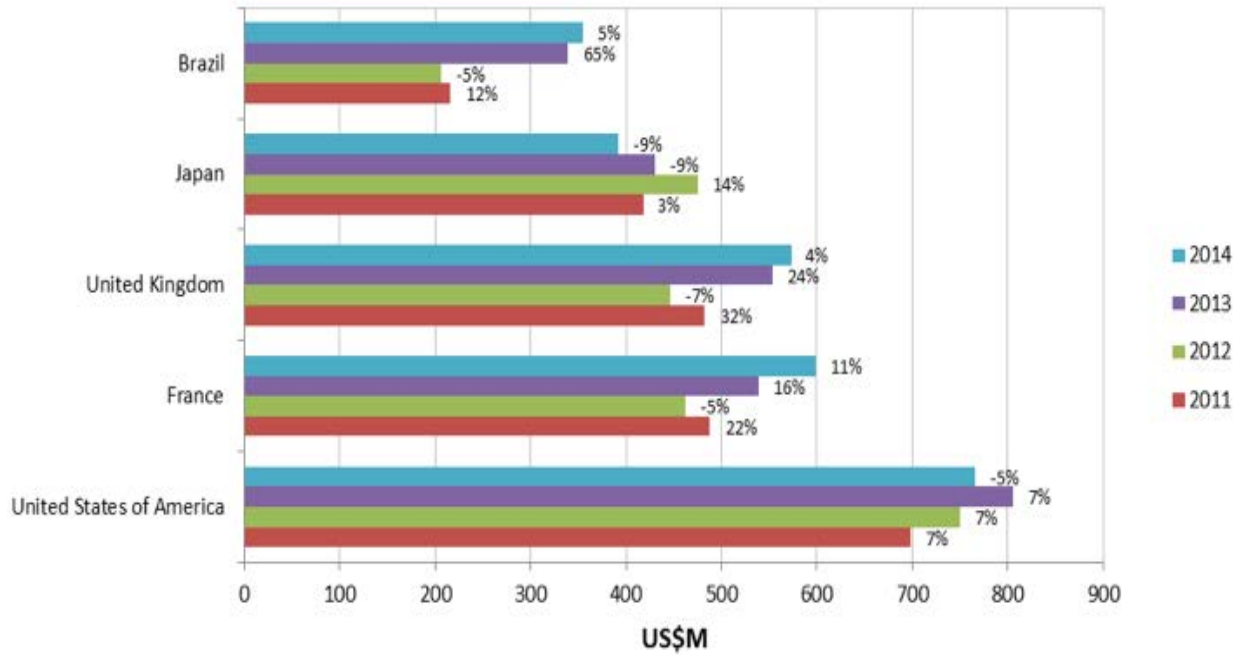
Product : 200410 Potatoes prepared or preserved other than by vinegar or acetic acid, frozen



As it relates to the top 5 countries that import frozen French fries, 2014 data from Intracen lists, in order of dominance: United States, France, United Kingdom, Japan and Brazil. Together, they account for 42% of World imports for the commodity. The US dollar value imported and the corresponding annual growth rates over the past 4 years are depicted in Chart 2. The top 5 remained consistent in their rankings over the period, with the exception of the United Kingdom and France, which switched places in 2012. The fastest emergent importer in the lot is Brazil which averaged 19% growth per annum, eclipsing (in 2013) hitherto fore strong contenders such as Germany and the Netherlands. The Map below provides greater details on global importers of frozen French fries.

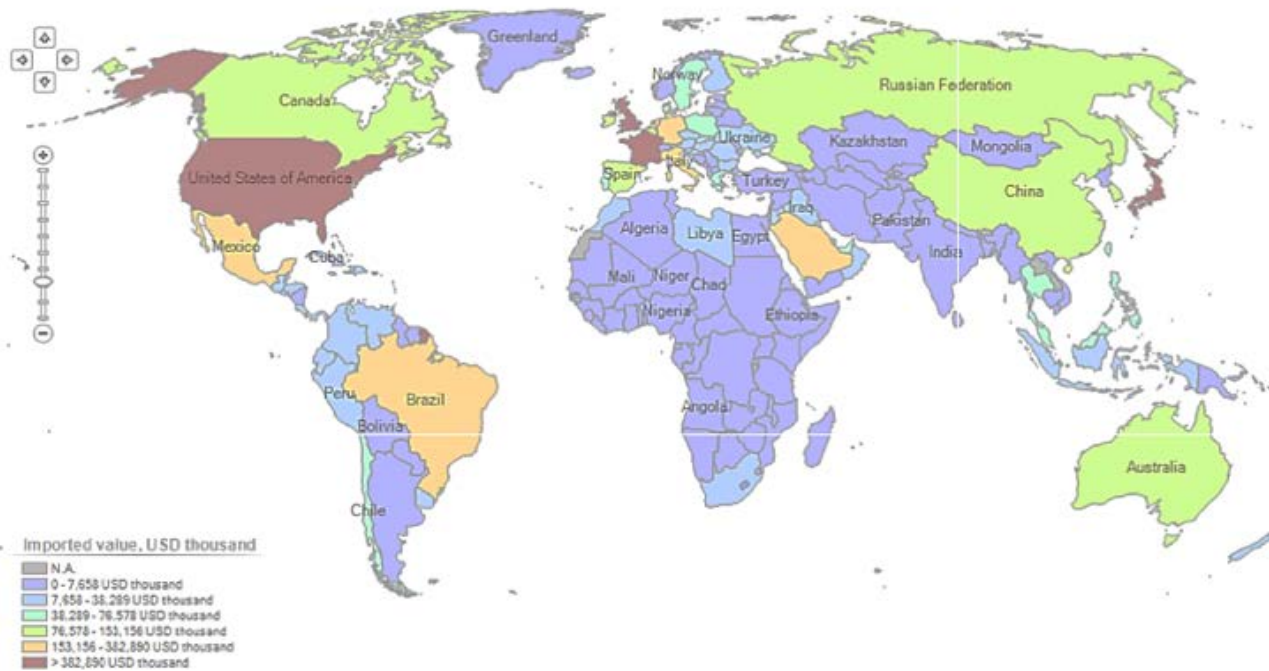
MARKET DEMAND

Chart 2: Top 5 Global Importers of Frozen French Fries



List of importers for the selected product in 2014

Product : 200410 Potatoes prepared or preserved other than by vinegar or acetic acid, frozen



MARKET DEMAND

While the top 5 importers represent potential export markets for the investor, attention should also be given to the faster growing and emerging markets with increasing numbers of medium to high income earners. Table 1 shows countries with high demand for frozen French fries and relatively large GDP growth rates (a proxy for wealth). It also shows the effective Ad Valorem Tariff a Jamaican manufacturer would encounter should he wish to export frozen French fries to the respective country. The Asian countries featured prominently: reflecting 11 of the 21 top countries identified and accounting for 53% or US\$565M of the total value imported in Table 1. Of note, is the Dominican Republic because of its proximity; 11% growth in average demand and relative freedom of access to the market (as indicated by 0% Ad Valorem Equivalents Tariff).

Table 1: Wealthy Consumers with a High Demand for Frozen French Fries

Importers	Avg Imported Value in 2010-2014 (US\$'000)	Avg Growth in Imported Value	GDP Growth 2014	Ad Valorem Equivalents Tariff
China	124,127	21%	7%	13%
Panama	16,905	11%	7%	10%
Qatar	7,995	42%	7%	10%
Philippines	42,927	15%	6%	10%
Dominican Republic	11,188	11%	5%	0%
Indonesia	25,217	39%	5%	5%
Colombia	20,817	26%	5%	20%
United Arab Emirates	46,029	17%	4%	5%
Bahrain	8,131	17%	4%	5%
Saudi Arabia	161,228	15%	4%	5%
Ireland	67,028	11%	4%	0%
Costa Rica	20,354	12%	4%	40%
Korea, Republic of	87,659	18%	4%	18%
Morocco	10,767	18%	4%	22%
Guatemala	191,196	11%	3%	15%
Oman	10,251	22%	3%	5%
Poland	39,144	23%	3%	0%
Peru	15,201	31%	3%	6%
Singapore	31,234	11%	3%	0%
Jordan	20,341	23%	3%	20%
Australia	104,058	19%	3%	4%

MARKET DEMAND

Regional

The CARICOM region did not register any noteworthy exports of frozen French fries. However, imports over the 2010 to 2014 period advanced at an average of 8%, consistent with World growth of 8%. This was largely the result of 4 of the top 5 CARICOM importers recording strong growth rates, ranging from 10% to 25%. Jamaica was the exception with an average per annum increase of 6%. CARICOM’s performance signals a ready market for the consideration of the Jamaican investor. See Table 2.

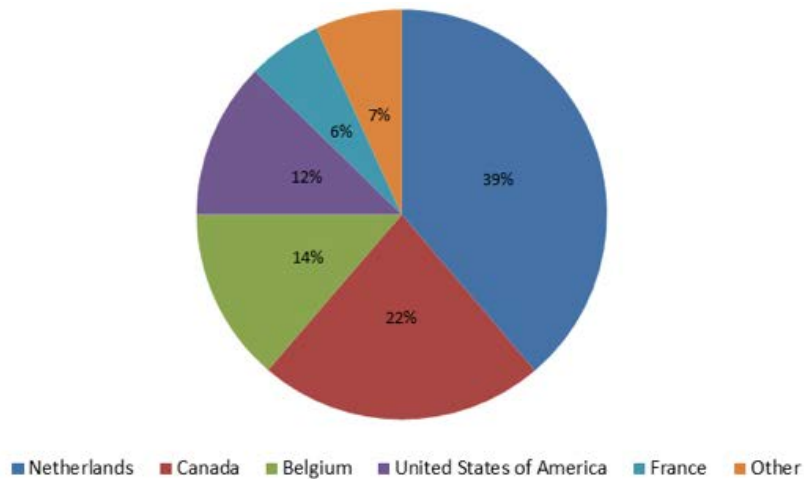
Table 2: Major CARICOM Importers of Frozen French Fries (US\$'000)

Importers	2010	2011	2012	2013	2014	Avg Growth 2010-2014
World	4,685,242	5,570,666	5,587,197	6,248,964	6,344,089	8%
CARICOM	26,963	32,716	35,480	35,451	36,338	8%
Trinidad and Tobago	9,994	11,875	14,167	12,671	14,380	10%
Jamaica	8,370	9,954	10,171	11,312	10,195	6%
Barbados	2,831	3,831	4,100	4,167	4,167	11%
Suriname	1,227	1,762	1,620	1,873	1,862	13%
Guyana	564	849	1,168	1,283	1,302	25%

Local

Data suggests that Jamaica has had little or no history of commercially producing frozen French fries. Intra-cen recorded an annual average export value of US\$37,000 during the period 2009 to 2013. There has, however, been a long and rich history of importing frozen French fries. Over the same period, Jamaica imported US\$9.8M in value and at a mean steady growth rate of 6% per annum. Chart 3 below shows the major import partners and the respective size of their average contribution in 2013. Here, the Netherlands and Canada account for 61% of total imports to the island.

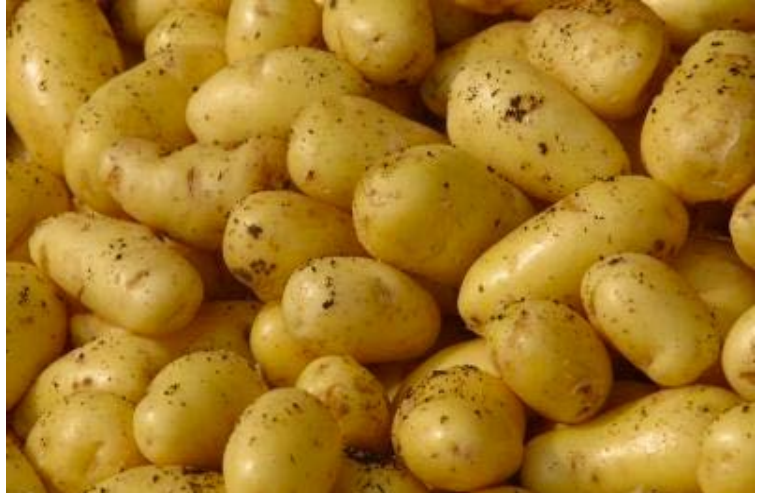
Chart 3: Jamaica’s Major Import Partners 2013



INDUSTRY ANALYSIS

Current Local Production – ‘Waxy’ Potatoes

Jamaica has had a long history in the production of potatoes and output currently consists of ‘waxy’ potatoes, such as Red Bliss, Spunta, Bellini, Ajiba, Sylvana and Red Pontiac. The Government of Jamaica (GoJ) through the Ministry of Agriculture has continually improved the sector largely driven by initiatives of with respect to ongoing training, capacity-building, facilitating cheaper access to financing, drought mitigating strategies, creating market opportunities inter alia. As a result, Jamaica is on track to be self-sufficient in the production of white ‘waxy’ potatoes in 2015 with firm plans to export to the CARICOM region and the world.

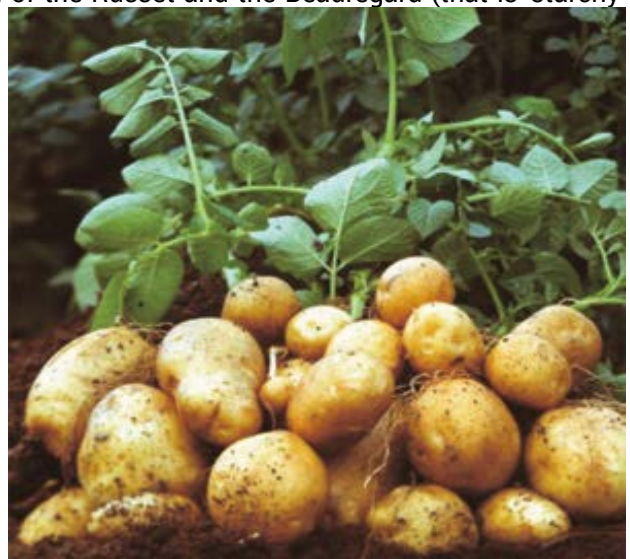


However, the best potatoes suited for French fries are those with 20-22% starch content and are usually also good for baking, such as the Russet and Bintje (for white potatoes) and the Beauregard (for sweet potatoes). ‘Waxy’ potatoes will not withstand the rigours of the French fry process.

Sourcing the appropriate raw material, at a competitive price and on a consistent basis, is vital to the success of any manufacturing business. There are further benefits to the manufacturer and Jamaica, when the supply can be met by local providers. However, at present there is no consistent local supply of the ‘starchy’ potatoes required for the production of frozen French fries.

Planned Production of ‘Starchy’ Potatoes

Plans are afoot to commence the large-scale cultivation of the Russet and the Beauregard (that is ‘starchy’ potatoes). The existing local infrastructure and technology should contribute significantly to increase the speed of implementation. The GoJ further plans to facilitate and encourage the value-added processing of potatoes towards the manufacturing of derivative products such as fries, chips, flour, binding agent, wine, glue; animal feed and bio-fuel (ethanol). Effectively, the frozen French fries industry is about to start in Jamaica and it is an opportune time to invest in the business. Furthermore, the fact that the GoJ has invested hundreds of millions in ensuring the success of the primary industry is a strong positive signal to investors. Given this opportunity, an Investor may consider the benefits of farming his/her own potatoes for processing and well as sell to other processors (locally and overseas). The investor, here, would benefit from first mover advantage.



INDUSTRY ANALYSIS

Test pilots for the cultivation of the Russet and the Beauregard began as early as 2012. The results have shown that these varieties thrive in local soil. There are firm plans in place to expand production in the short-term, given their importance to value-added production and to meet the demands of the overseas markets, such as the Beauregard for the UK. The crops have a 4-month turnover cultivation cycle and in view of the maturity of the local industry it should not be difficult to ramp up production, as needed. It is expected that the value chain linkage will be further deepened through the use of and continued development of potato seed farms and tissue culture agronomy. This will assist in minimizing the country's reliance on external source material for planting, supply of which has been known to be intermittent - adversely affecting output and price stability levels.

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INDUSTRY ANALYSIS

Raw Material Supply Options

As there are, at most, impending plans for the domestic cultivation of 'starchy' potatoes, an investor seeking to produce frozen French fries may utilize one or a combination of the following options to source raw materials.

1. **Source from Local Suppliers:** This option becomes available once the GoJ plans are effected and/or local suppliers commence farming in commercial quantities.
2. **Cultivate Potatoes.** In lieu of waiting on supplies from other potato farmers, the investor could consider cultivating his/her own supply of potatoes. The value chain could be further extended to include the use and development of tissue culture laboratories and seed farms. Details are provided in the Section titled: Complementary Business Opportunities.
3. **Import Potatoes:** This is the only immediate option for 'starchy' potatoes. The top 3 suppliers to Jamaica are the Netherlands, Canada and the United States. This represents an intermediary option until the local value chain support linkages are developed.

The Financial Model assumes the potatoes will be imported, initially, until the local industry develops to the point where cost and quality differences are negligible across the two sources.

MARKET POSITIONING STRATEGY

Niche Marketing

The limited economies of scale available to a local manufacturer advocate a niche market penetrating strategy with emphasis on product differentiation charging the lowest feasible price. Competitive pricing allows for easier access to the market and eventually, customer loyalty and output expansion.

Choosing the final product(s) will involve targeted market research, product development and testing same on intended markets. Further, successful manufacturers often produce a diversified product line to satisfy the varied needs to consumers, expand their reach in the industry and mitigate against adverse revenue risks. The investor should study and analyze the research findings to better understand and meet the needs of its customers.



Targeted and substantial marketing and promotion will be required to ensure a critical mass of business and individual consumers are aware of and know where to purchase the frozen French fries. The first few years will involve intense marketing and promotion through “Business-to-Business” (B2B) meetings; radio and TV shows; social media promotions/competitions; coupons; discounted prices at popular events. A survey organized by Chadwick Martin Bailey and iModerate, showed that businesses are more likely to buy from companies they track through social media. Social media and overall presence in the market place will enhance the likelihood of sale to all class of consumers.

A complementary strategy employed by celebrated businesses is to promote the non-traditional uses of French fries for deeper market penetration. French fries are a versatile food and can be consumed at Breakfast, as a replacement for pizza dough and served with a broad variety of dips. Promoting creativity in the use of French fries through uniquely delicious recipes should encourage growth. The investor should ensure to follow-up with product availability thereafter in order to capitalize on the momentum generated. Marketing and promotional efforts must remain an ongoing practice to ensure the products remain front of mind to existing customers while, at the same time, courting potential consumers. It behooves the investor to take a long-term perspective on the business. Most successful frozen French fries companies have been in existence upwards of 60 years. While a new investor may now benefit from the lessons learnt from mature manufacturing companies, there is still a learning curve and establishing relationships with intermediary and final clients/consumers takes time. The investor should also keep abreast of industry trends, as well as complementary industries (such herbs and spices, food processing technology, health, fitness and organic foods industries).



MARKET POSITIONING STRATEGY

Distribution Channels

Locally, the avenues for product distribution are many and readily accessible. There are scores of restaurants and hotels; over 500 supermarkets/retail outlets and 2,500 schools where frozen French fries can be promoted and sold.

The major categories of purchasers for frozen French fries are Quick Service Restaurants (such as Burger King, Wendy's, KFC, Mother's, Tastees, Juicibeef inter alia); hotel resorts and large importers (such as Spanish Grain, Grace Kennedy and DFL Importers). Most of the international franchises have long-term contracts with overseas suppliers with specific product requirements. However, there are significant selling opportunities for the investor through one or a combination of offering lower price points and or a differentiated product (such as specially seasoned, fat-reducing battered or uniquely shaped French fries). Whichever the option, all potential buyers require their suppliers to have proper health certifications, permits and licences along with compliance with their respective internal (and often times, stringent) requirements. These requirements include specific size and designs of fries; high quality assurance; reliable and consistent supply and health and safety regulatory requirements. In addition, and particularly for the large franchises, the investor may need to build a strong reputation and brand in order to effectively compete with existing and widely known suppliers.

Competitiveness

To effectively compete in any market a company must have a clear identity (a brand) that is consistently communicated to all. A brand represents a promise to the customer. In developing that brand, there should be a strong understanding of the:

1. Direct and indirect competitors. How are they performing? What are their respective brands? That is, the investor ought to appreciate the 'lay of the land'; determine how best to capitalize on untapped opportunities and create an identity consistent with meeting those goals.
2. Target customers. Will they consist of Quick Service Restaurants, large hotels or individual consumers? If a combination of the 3, what are the projected target proportions to be served? What are their taste preferences? In Jamaica, a wide cross-section of individuals (local and international tourists) and business entities purchase frozen French fries.
3. Product. Will it be low-priced, high-quality, health-focused? Which channels will be used to distribute and advertise the product?
4. Having developed an identity, branding should be integrated in every aspect of the business. Such as in how the phones are answered, in marketing, packaging and advertising. A good product and consistent delivery, underpinned by solid research based branding is the recommended way to compete.

MARKET POSITIONING STRATEGY

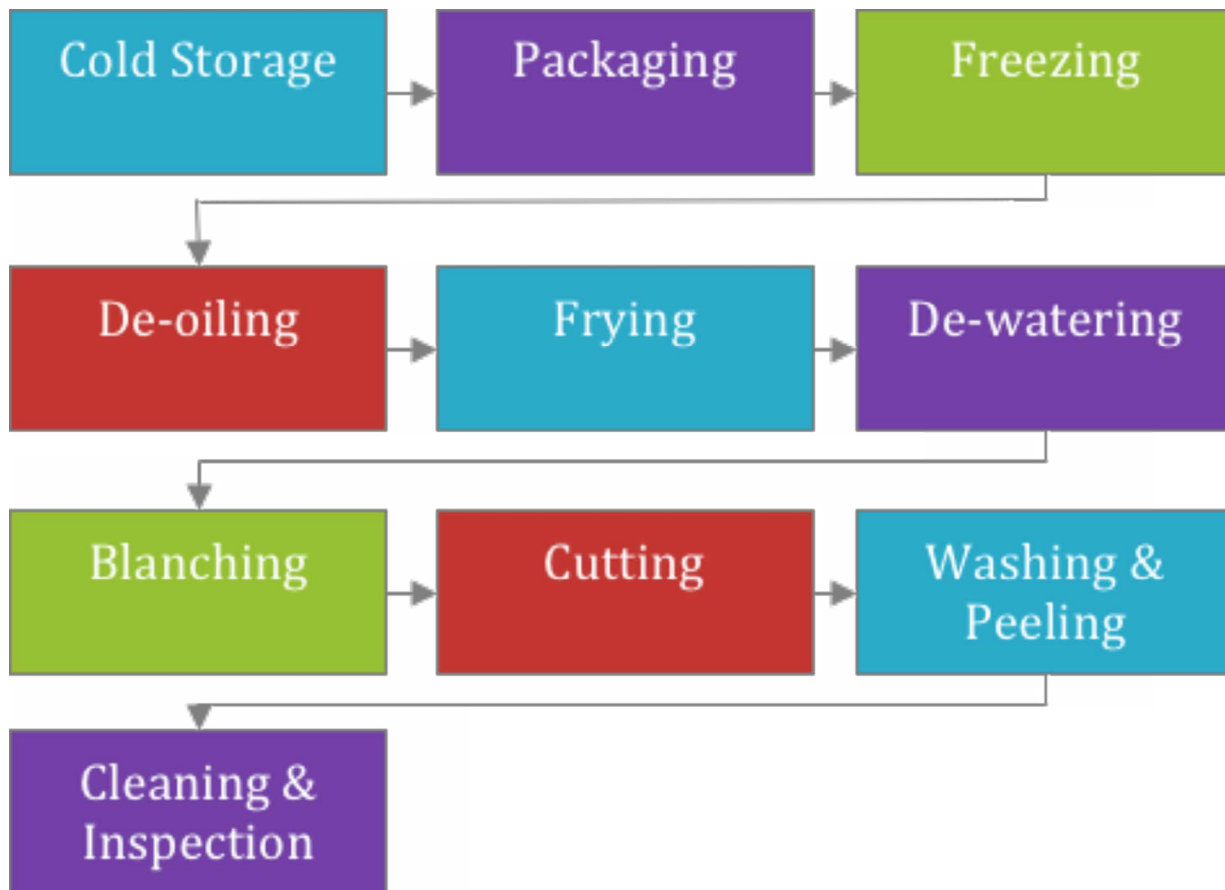
There is a relatively young Jamaican company that has grown leaps and bounds in the more competitive segment of the local bakery industry. While they do not produce frozen French fries, their competitive strategy is directly applicable to this industry. They attribute their success to a uniquely delicious taste that has captured the interest of local and international consumers. The other major contributing brand features include: consistent product quality and reliability of supply as stipulated in their respective contracts. These 3 tools are crucial to the success of any new entrant (and existing player) in the industry.

Jamaica is rich with flavours. There is a deep variety of local fruits, spices and herbs which can be employed as the base for uniquely delicious French fries. This differentiation will allow for successful competition in local and international markets.

SWOT

<p>Strengths:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Long shelf life: 9-12 months. <input type="checkbox"/> Wide assortment of locally available herbs and spices <input type="checkbox"/> Low product price <input type="checkbox"/> Production Plant's ease of scalability and multi-product output <input type="checkbox"/> Affordable research costs 	<p>S</p>	<p>Weaknesses:</p> <ul style="list-style-type: none"> <input type="checkbox"/> High initial cost outlay <input type="checkbox"/> Extensive and ongoing product marketing and promotions <input type="checkbox"/> High operating expenses 	<p>W</p>
<p>Opportunities:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Complementary business opportunities <input type="checkbox"/> Enabling business environment <input type="checkbox"/> Depth of marketing & promotional opportunities <input type="checkbox"/> Strong market demand 	<p>O</p>	<p>Threats:</p> <ul style="list-style-type: none"> <input type="checkbox"/> taxes via Customs and TAAD on the manufacturing sector and GoJ shifting policy stances. <input type="checkbox"/> Risk to raw material supplies. <input type="checkbox"/> Competition from direct imports <input type="checkbox"/> Crime 	<p>T</p>

PRODUCTION PROCESS



The making of Frozen French fries involves 10 processes, which for commercial purposes, are largely carried out by machines as part of a semi-automated process. They include:

1. Initial cleaning and inspection: The potatoes are first harvested, weighed and inspected for quality. They are then cleaned of excess dirt, rocks and plant stubs.
2. Washing & Peeling: The potatoes are washed and conveyed into a high pressure steam peelers. Next, the brusher, (a series of long round brushes) removes the loosened peel. The loosened peel can then collected and sold for animal feed. At this stage, the potatoes are inspected and trimmed for dark spots, bruises and unpeeled portions. Potatoes with serious defects are removed from the processing line.
3. Cutting: The potatoes are conveyed through the cutting machine and pushed through a cross hatch of knives, which determines the final shape of the fries. Strips that do not meet the required size dimensions are removed from the processing line and may be utilized in the making of other products such as hash browns.
4. Blanching: The strips are blanched in a large vessel of 170 degree water for 15 minutes.

PRODUCTION PROCESS

5. De-watering: After the fries leave the blancher, they are dried off or de-watered.
6. Frying: In the fryer the vegetable oil is heated to 365°F and the fries are par fried for 30 seconds to 5 minutes, depending on the type of potato.
7. De-oiling: The vibration of the de-oiling machine removes the excess oil from the fries.
8. Freezing: The strips are conveyed to blast freezers where they remain for 20 minutes.
9. Packaging: The fries are then parceled by a packing machine, which weigh out specific fixed batches; drops them in a poly bag and affix batch codes and expiry dates to the external package. The machine then cuts, rolls and then seals the bag. The bags of fries are packed into cardboard boxes and stored in refrigerated rooms at -23°C.
10. Cold Storage: It is important to keep the fries in a frozen state until cooking because enzyme systems are destroyed during par-frying, and the tissues therefore remain stable until thawed. Thin strips can be stored up to 12 months at approximately 0°F (-18°C) without significant risk of dehydration or loss of quality. The recommended practice is 9 months. Every attempt should be made to use reliable refrigeration facilities at all stages of storage and transport.



COMPLEMENTARY BUSINESS OPPORTUNITIES

The investor may consider vertical and horizontal integration as spin-offs or complementary business opportunities for further consideration. These include:

1. Tissue Culture Laboratories: In 2013, Jamaica imported potato seeds valued at J\$124M and the 9 years prior averaged J\$58M. Plant tissue culture is a collection of techniques used to maintain or grow plant under sterile conditions on a nutrient culture medium of known composition. Plant tissue culture is widely used to produce clones of a plant in a method known as micro propagation. The benefits include:
 - a. Providing healthy and a variety of planting stocks to the investor and other potato farmers.
 - b. Consistent supply, as seed imports are often irregular.
 - c. Compliance with local and international seed potato certification standards, through pathogen testing on grower samples.

As a complementary business, a full-fledged Tissue Culture Lab may prove prohibitively expensive to establish and operate in Jamaica. However, the SRC has the largest Lab in the island and promotes low-cost alternatives through extensive training (twice per year, subject to demand), consultation and advice. The SRC also has the capacity to scale up the micro propagation process to meet the plant material needs for this IOP. It should be noted that the white potato plants (sold from the tissue culture procedure) require approximately 3 months to be 'hardened' in a cool greenhouse environment before it can be planted. The sweet potato plants may be planted, immediately.

2. Certified Seed Farms are needed locally to safeguard the availability of clean planting material and minimize the adverse effects of poor yields and crop diseases. Local seed farms are preferred to continued reliance on overseas suppliers to both: strengthen food security and maintain consistent supply of raw materials for the manufacturer. The investor should have captive markets locally; within the CARICOM region and the world.
3. Potato Cultivation: Major frozen French fries producers cultivate their own potatoes for use in the production process. This contributes to better product quality and consistency; cheaper input costs and the option to sell the excess output to other manufacturers and on the fresh food market. In addition, it mitigates against international market supply turbulences. Should the investor opt to farm the requisite 'starchy' potatoes, the above-mentioned and other GoJ initiatives are accessible through the Ministry of Agriculture and Fisheries. The following micro-model estimates that cost of producing 'starchy' potatoes at J\$68 per kg – a significant price reduction compared to the prevailing price of J\$124 per kg, reflected in the model. It should be noted that the cheaper price comes with the farming risks of drought, disease, praedial larceny inter alia. As such, the reduced price was not used in the Financial Model but was created to show the potential upside of this complementary business.
4. Storage and Packaging Facilities are somewhat limited on the island but represent a very important critical support to the potato industry and more specifically, to the frozen French fries business. It may prove cost-effective to build a larger facility with excess capacity to meet the storage and packaging needs of other manufacturers and suppliers while the revenues earned should offset the cost of operations.

COMPLEMENTARY BUSINESS OPPORTUNITIES

5. Other Potato Processing Options include: flour, chips, wedges, wine, hash browns, frozen baked potatoes, flakes inter alia. The current machinery proposed in the Financial Model can also, with minor adjustments, produce potato chips and wedges. Additionally, potato by-products and waste may be sold for animal feed and plant fertilizer.

Crop	Potatoes		
Crop Maturity		4 months	
Reaping Period		1 month	
Crop Cycle		2 p.a	
Planting Distance in cm (l x w)	30cm x 90cm		
Terrain	Relatively Flat Land Farm		
Land Preparation	Mechanical		
Irrigated/Rain fed	Irrigated		
Area	20 Acre		
Man-day Charge (excluding lunch)		\$1,200	
Projected Marketable Yield (Kg)	136,364 per cycle		
Cost of Production J\$/Kg	\$68		
OPERATING EXPENDITURE:			
Labour Operations:	Unit	No. of Units	Cost/Unit Total Cost (J\$)
Land Cleaning	MD	160	1,200 192,000
Ploughing	tractor	160	2,500 400,000
Furrowing	tractor	80	1,200 96,000
Maintain Trench	MD	100	1,200 120,000
Planting	MD	160	1,200 192,000
Pest Management	MD	120	1,200 144,000
Weeding	MD	160	1,200 192,000
Fertilising	MD	40	1,200 48,000
Harvesting	MD	600	1,200 720,000
Lining Irrigation Hose	MD	40	1,200 48,000
Lunch		1,340	300 402,000
SubTotal			\$2,554,000
Material Inputs:			
Planting Material			2,000,000
Fertiliser			1,100,000
Insecticide			200,000
Fungicide			244,000
Herbicide			70,000
Water			160,000
SubTotal			\$3,774,000
Other Costs:			
Transportation (30 percent of material)			1,132,200
Contingencies (10 percent of labour and material)			632,800
Tools (discounted for 5 years)			140,000
Land Charges per crop cycle			50,000
Supervision			949,200
SubTotal			\$2,904,200
TOTAL OPERATING EXPENDITURE PER CROP CYCLE			\$9,232,200
TOTAL OPERATING EXPENDITURE PER ANNUM			\$18,464,400
NB : Initial land clearing cost are not included given the wide variations present			
ESTABLISHMENT COSTS:			
Capital Expenditure			9,920,928
Working Capital			5,739,071
			\$15,659,999

Derived from: Ministry of Agriculture & Fisheries and Agro-Investment Corporation

FINANCIAL MODEL

The key assumptions underlying the financial model (see Annex A for details) include:

1. General Assumptions:
 - a. The investor is either an approved manufacturer or is provisionally approved by the MIIC and therefore qualifies for the incentives available under the Omnibus Legislation. Consequently, Stamp Duty is calculated at 0% on all capital equipment and imported raw materials used in the production process.
 - b. A planning horizon of 12 years where production commences January 2017 and pre-production preparations begin 12 months prior to opening.
 - c. Purchasing Power Parity in estimating the exchange rate between the US and Jamaican dollars. The forecasted inflation rates are 2.5% and 6%, for the respective countries.
 - d. The model is dual purpose and can show separate 12-year financial models for white and sweet potatoes, by employing an electronic switch in Microsoft. The financial model presented relates to white potatoes.
2. The Plant and Capital Expenditure:
 - a. The Plant size deemed feasible will have an installed capacity to produce 100kg of frozen French fries per hour. Average annual capacity is assumed to be 100% and will yield daily output 1,000kg, for a single shift of 10 hours per day and for 264 days each year. Wastage/Conversion is estimated at 1% of output per annum over the life of the model. The Plant will employ 7 factory workers both skilled and semi-skilled and 3 administrative staff. The factory space is 10,000 square feet leased at cost of J\$500,000 per month or J\$6M per annum.
 - b. The initial Capital Outlay is projected at J\$27M (or US\$230,270). The required equipment and works; their costs and percentage cost allocations are outlined in the Sources and Uses section of the financial model. The production unit can also be used for the production of frozen sweet potatoes fries.
 - c. Capital expenditure will be financed by a loan (81%) and equity (19%). The loan attracts an interest rate of 15%, with a term of 8 years (no moratorium) and monthly repayments. The Average Debt Service Ratio is 2.2%.



3. Revenues:

- a. Revenues in year 1 is J\$70M and increases annually at an average rate of 6% to J\$133M in the 12th and final year. The model assumes a product weight of 1kg at an initial price of J\$268 (or US\$2.2) which is increased annually by projected inflation of 6%.

4. Operating Expenses:

- a. Subdivided into Direct and Indirect Costs of 65% and 35%, respectively. Year 1 expenses are J\$65M and grow each year by inflation of 6% to J\$122M in Year 12. The major cost drivers are: Potatoes (52%); Staff (19%); Facility Lease (10%) and Utilities (9%). It should be noted that the cost of potatoes (J\$124 per kg) is based on average local farmgate prices over recent years. Landed imported potatoes from the Netherlands, estimated from Intracen's 2013 data and the exchange rate for 2017, is approximately J\$92 per kg and, if incorporated into the model, would favourably impact the financials. For completeness, the price of local sweet potatoes is estimated at J\$88 per kg.

5. Financial Statements:

- a. The model generates positive annual profit after tax for the planning horizon – averaging \$5M and ranging between J\$1M and J\$9M.
- b. Net Cash Flows from Operations are healthy averaging J\$9.5M and ranging from –J\$2.4M in year 2 to J\$14.6M in the final year.

6. Return on Equity:

- a. The model generates an Internal Rate of Return (IRR) of 41% and Net Present Value (NPV) of \$19M at a discounted rate of 15%.

7. Scalability:

- a. There are four general models available for scaling: (a) increased production hours; (b) duplication of plant machinery; (c) introduction of new machinery with higher output levels; and finally (d) some combination of the previous three.
- b. Initial scaling would apply Scale Model A through the addition of a work shift, doubling the resources necessary to support the additional work shift. Holding all other assumptions fixed – this leads to a doubling in revenues and key areas of operating expenses. This initial scaling generates positive annual profit after tax for years 1 through 12 – averaging \$35M and ranging between \$22M (year 1) and \$50M (year 12).

ANNEX A – FINANCIAL MODEL

INVESTMENT OPPORTUNITY PROFILE FROZEN FRENCH FRIES FINANCIAL MODEL

- I COVER PAGE
- II ASSUMPTIONS
- III SOURCES & USERS
- IV REVENUE
- V EXPENSE
- VI FINANCIAL STATEMENTS
- VII RETURN ON EQUITY

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES

Assumptions

<i>Project General Assumptions</i>		Ops. Start Date
Project Operating Commencement Date		1-Jan-17
FINANCING		
<i>Initial Financing</i>		
Equity	6,495	23%
Loan Facilities		
One	22,000	77%
Two	-	0%
Total	28,495	100%
Ownership		
1 Sponsors	6,495	100%
2 Owner 2	-	0%
3 Owner 3	-	0%
4 Owner 4	-	0%
OTHER FINANCIAL ASSUMPTIONS/CONSIDERATIONS		
Construction Starts On: (Column 1 = No. of Months after Proj. Com.)		
Interest Rate	12.0	1-Jan-16
- Treasury	n.a.	
- Spread	n.a.	
Commitment fee	3/8 of 1%	
Lip - Front Fees	2%	
Interest Rate:		
Basis	n.a.	
Spread	n.a.	
Annual Rate of Interest	15.00%	
Loan Term Years	8	
Payments Per Year	12	
Moratorium (months)	-	
Average DSC Ratio:	2.82	
Minimum	1.56	
Maximum	4.75	
Average Loan Life	4.50	

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES

Assumptions

<i>Revenue Assumptions</i>		DIRECT COSTS	
<i>Production Plant</i>	1.00	Potatoes	
<i>Capacity</i>		Quantity (Kg)	264,000 Kg
1 Production per Hour	1000.0 Kg	Price per Kg (White Potatoes)	124 J\$
2 No of Production Hours per Day	10.0 Hrs	Price per Kg (Sweet Potatoes)	88 J\$
3 No of Production Days per Month	22.0 Days	<i>White Potatoes=1; Sweet Potatoes=2</i>	1
4 No of Production Months in the Year	12.0 Mths	Vegetable Oil	240 J\$000
5 Wastage (Kg)	1.00%	Seasonings	60 J\$000
		Direct Labour Cost:	
<i>Price per Kg</i>		No. of Workers per Shift	6.0
Irish Potatoes	2.2 US\$	No. of Supervisors/Technician per Shift	1.0
Sweet Potatoes	2 US\$	Shifts per Day	1.0
1 Year 1	282.34	Shifts per Month	22.0
2 Year 2	299.28	Gross monthly remuneration per Worker	75 J\$000
3 Year 3	317.23	Gross monthly remuneration per Supervisor/Technician	150 J\$000
4 Year 4+	336.27	Packaging Material	900 J\$000
<i>Growth Rate Thereafter</i>	6.00%	Transportation of Raw Materials	1,080 J\$000

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES

Assumptions

INDIRECT COSTS		ECONOMICS	Exchange Rate (J\$:\$US\$)	J\$:CPI	US\$:CPI	
Indirect Labour Cost - Gross monthly remuneration		-1	2015	120.00	6%	2.50%
General Manager (1)	280 J\$000	0	2016	124.10	6%	2.50%
Assistant (1)	100 J\$000	1	2017	128.34	6%	2.50%
Security (1)	60 J\$000	2	2018	132.72	6%	2.50%
Marketing & Promotions	1,800 J\$000	3	2019	137.25	6%	2.50%
Licences and Permits	400 J\$000	4	2020	141.94	6%	2.50%
Maintenance	800 J\$000	5	2021	146.78	6%	2.50%
Transportation (distribution)	2,500 J\$000	6	2022	151.79	6%	2.50%
Facility Lease	6,000 J\$000	7	2023	156.98	6%	2.50%
Utilities	5,840 J\$000	8	2024	162.34	6%	2.50%
Other Contracted Services	1,500 J\$000	9	2025	167.88	6%	2.50%
Contingency @ 5%	852 J\$000	10	2026	173.61	6%	2.50%
Minimum Cash Balance	500 J\$000	11	2027	179.54	6%	2.50%
Tax Rate	25.00%	12	2028	185.67	6%	2.50%
		13	2029	192.01	6%	2.50%
		14	2030	198.57	6%	2.50%
		15	2031	205.35	6%	2.50%
		16	2032	212.36	6%	2.50%
		17	2033	219.61	6%	2.50%
		18	2034	227.11	6%	2.50%

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES

Source and Uses

Phase One EQUIPMENT COSTS	Total Cost		%age of Total Cost
	J\$000 Amount	US\$000 Amount	
1 Washing & Peeling Machine	56	0.450	0.20%
2 Cutting Machine	149	1.200	0.52%
3 Blanching Machine	223	1.800	0.78%
4 Dewatering Machine	168	1.350	0.59%
5 Frying Machine	236	1.900	0.83%
6 Deoiling Machine	168	1.350	0.59%
7 Freezing Machine	422	3.400	1.48%
8 Packaging Machine	180	1.450	0.63%
9 Cold Storage Unit	683	5.500	2.40%
10 Cool Storage Conversion Costs	211	1.700	0.74%
11 Renovation (incl Fixtures & Fittings, Customization etc)	4,343	35.000	15.24%
12 Office Furniture & Equipment	745	6.000	2.61%
13 Shipping, Customs, Transportation Costs	1,034	8.332	3.63%
14 AC Units	1,100	8.864	3.86%
15 Air Extractor Fans	2,482	20.000	8.71%
16 Installation	839	6.760	2.94%
17	-	-	0.00%
18 Contingency	1,137	9.17	3.99%
Total Equipment Cost	14,175	114.221	49.74%
Other Capital Cost			
Work Vehicle (3)	13,030	105.000	45.73%
Pre-Development Cost: R&D, Initial Certification, Training etc	521	4.200	1.83%
Legal Fees & Other Fees	112	0.900	0.39%
Organisational Costs	-	-	0.00%
	13,663	110.100	47.95%
Financing Cost			
Upfront Closing Fees	440	3.667	1.54%
Financing & Legal Cost	-	-	0.00%
Interest During Construction	-	-	0.00%
Initial Working Capital	217	1.750	0.76%
Total	28,495	229.738	100.00%
FINANCING			
Equity	6,495	52.337	22.79%
Loan Amount	22,000	177.280	77.21%
Total Amount	28,495	229.617	100.00%

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES

Revenue

(\$ '000)

	1	2	3	4	5	6	7	8	9	10	11	12
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028

Fraction of Year	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
US\$ CPI	n.a.	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
£ CPI	n.a.	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
£ GDP Deflator	n.a.	106.0%	112.4%	119.1%	126.2%	133.8%	141.9%	150.4%	159.4%	168.9%	179.1%	189.8%

Revenues:

Frozen French Fries Production

Production (Kgs)	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000
Wastage (Kg)	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640
Price per Kg - White Potatoes	282.3	299.3	317.2	336.3	356.4	377.8	400.5	424.5	450.0	477.0	505.6	536.0
Total Annual Revenue	73,792	78,219	82,912	87,887	93,160	98,750	104,675	110,955	117,613	124,669	132,150	140,079

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES

Revenue

(\$'000)

	1	2	3	4	5	6	7	8	9	10	11	12
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028

Fraction of Year	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
US\$ CPI	n.a.	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
£ CPI	n.a.	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
£ GDP Deflator	n.a.	106.0%	112.4%	119.1%	126.2%	133.8%	141.9%	150.4%	159.4%	168.9%	179.1%	189.8%

Revenues:

Frozen French Fries Production

Production (Kgs)	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000	264,000
Wastage (Kg)	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640
Price per Kg - White Potatoes	282.3	299.3	317.2	336.3	356.4	377.8	400.5	424.5	450.0	477.0	505.6	536.0
Total Annual Revenue	73,792	78,219	82,912	87,887	93,160	98,750	104,675	110,955	117,613	124,669	132,150	140,079

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES
BOOK FINANCIAL STATEMENTS
J\$000 UNLESS INDICATED

	0	1	2	3	4	5	6	7	8	9	10	11	12
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028

INCOME STATEMENT

Revenues													
Frozen French Fries Production	-	73,792	78,219	82,912	87,887	93,160	98,750	104,675	110,955	117,613	124,669	132,150	140,079
Net Revenue	-	73,792	78,219	82,912	87,887	93,160	98,750	104,675	110,955	117,613	124,669	132,150	140,079
Expenses:													
Direct Costs													
Potatoes	-	32,736	34,700	36,782	38,989	41,328	43,808	46,437	49,223	52,176	55,307	58,625	62,143
Staff Cost	-	7,200	7,632	8,090	8,575	9,090	9,635	10,213	10,826	11,476	12,164	12,894	13,668
Transportation of Raw Materials	-	1,080	1,145	1,213	1,286	1,363	1,445	1,532	1,624	1,721	1,825	1,934	2,050
Other Direct Costs	-	1,200	1,272	1,348	1,429	1,515	1,606	1,702	1,804	1,913	2,027	2,149	2,278
Indirect Costs													
Indirect Labour Cost - Gross monthly remuneration	-	5,280	5,597	5,933	6,289	6,666	7,066	7,490	7,939	8,416	8,920	9,456	10,023
Marketing & Promotions	-	1,800	1,908	2,022	2,144	2,272	2,409	2,553	2,707	2,869	3,041	3,224	3,417
Licences and Permits	-	400	424	449	476	505	535	567	601	638	676	716	759
Maintenance	-	800	848	899	953	1,010	1,071	1,135	1,203	1,275	1,352	1,433	1,519
Facility Lease	-	6,000	6,360	6,742	7,146	7,575	8,029	8,511	9,022	9,563	10,137	10,745	11,390
Utilities	-	5,840	6,190	6,562	6,956	7,373	7,815	8,284	8,781	9,308	9,867	10,459	11,086



INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES
BOOK FINANCIAL STATEMENTS
J\$800 UNLESS INDICATED

	0	1	2	3	4	5	6	7	8	9	10	11	12
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Other Contracted Services	-	1,500	1,590	1,685	1,787	1,894	2,007	2,128	2,255	2,391	2,534	2,686	2,847
Contingency @ 5%	-	852	852	852	852	852	852	852	852	852	852	852	852
Total Operating Expenses	-	64,688	68,518	72,578	76,882	81,443	86,279	91,405	96,838	102,597	108,702	115,173	122,032
Operating Income	-	9,104	9,701	10,334	11,005	11,717	12,471	13,270	14,118	15,016	15,968	16,977	18,047
Depreciation - Book	-	3,697	3,697	3,697	3,697	3,697	3,697	3,697	3,697	-	-	-	-
Amortization - Fin./Org Cost	-	231	231	231	231	231	-	-	-	-	-	-	-
Interest (Income)/Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	3,093	2,683	2,272	1,868	1,452	1,042	632	222	(0)	(0)	(0)	(0)
Profit Before Taxes (PBT)	-	2,083	3,090	4,133	5,209	6,336	7,732	8,942	10,198	15,016	15,968	16,977	18,047
Tax Provision	-	(521)	(773)	(1,033)	(1,302)	(1,584)	(1,933)	(2,235)	(2,549)	(3,754)	(3,992)	(4,244)	(4,512)
Profit After tax	-	1,562	2,317	3,100	3,907	4,752	5,799	6,707	7,649	11,262	11,976	12,733	13,535
Partner's Share of Book Income													
Sponsors	-	1,562	2,317	3,100	3,907	4,752	5,799	6,707	7,649	11,262	11,976	12,733	13,535
Owner 2	-	-	-	-	-	-	-	-	-	-	-	-	-
Owner 3	-	-	-	-	-	-	-	-	-	-	-	-	-

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES
 BOOK FINANCIAL STATEMENTS
 J\$000 UNLESS INDICATED

	0	1	2	3	4	5	6	7	8	9	10	11	12
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028

STATEMENT OF CASH FLOWS

Cash flows from operating activities:													
Net Income	-	2,083	3,090	4,133	5,209	6,336	7,732	8,942	10,198	15,016	15,968	16,977	18,047
Depreciation / Amortization	-	3,928	3,928	3,928	3,928	3,928	3,697	3,697	3,697	-	-	-	-
Changes in assets and liabilities:													
Accounts Receivable	-	(6,088)	(365)	(387)	(410)	(435)	(461)	(489)	(518)	(549)	(582)	(617)	(654)
Accrued expenses	-	6,301	372	394	418	443	469	497	527	559	592	628	666
Accounts Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	-	(1,802)	160	287	392	479	551	611	660	(223)	(189)	(159)	(136)
Net Cash Provided by Oper. Activities	-	4,422	7,185	8,356	9,537	10,751	11,988	13,258	14,564	14,802	15,789	16,829	17,922
Cash Flow from Investing Activities:													
Capital Expenditures	(30,400)	(275)	-	-	-	-	-	-	-	-	-	-	-
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Used in Investing Activities	(30,400)	(275)	-	-	-	-	-	-	-	-	-	-	-
Cash Flows from Financing Activities:													
Initial Investment	8,400	275	-	-	-	-	-	-	-	-	-	-	-
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital (Distribution)	-	(698)	(4,435)	(5,606)	(6,787)	(8,001)	(9,238)	(10,508)	(11,814)	(14,802)	(15,789)	(16,829)	(17,922)

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES
BOOK FINANCIAL STATEMENTS
J\$000 UNLESS INDICATED

	0	1	2	3	4	5	6	7	8	9	10	11	12
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Borrowing under Construction Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing under Term Loan	22,000	-	-	-	-	-	-	-	-	-	-	-	-
Principle Repayment	-	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	(2,750)	-	-	-	-
Debt Issuance Cost	-	(474)	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Fin. Activities	30,400	(3,647)	(7,185)	(8,356)	(9,537)	(10,751)	(11,988)	(13,258)	(14,564)	(14,802)	(15,789)	(16,829)	(17,922)
Net Inc. / (Dec.) In Cash and Equivalents	-	500	-	-	-	-	-	-	-	-	-	-	-
Cash & Equivalents at Beginning of Year	-	-	500	500	500	500	500	500	500	500	500	500	500
Cash & Equivalents at End of Year	-	500	500	500	500	500	500	500	500	500	500	500	500
Equity Contribution (Distribution)	-	(698)	(4,435)	(5,606)	(6,787)	(8,001)	(9,238)	(10,508)	(11,814)	(14,802)	(15,789)	(16,829)	(17,922)

BALANCE SHEET

Fixed Assets

Property, Plant and Equipment	30,400	29,993	29,993	29,993	29,993	29,993	29,993	29,993	29,993	29,993	29,993	29,993	29,993
Accumulated Depreciation	-	(3,697)	(7,394)	(11,092)	(14,789)	(18,486)	(22,183)	(25,880)	(29,577)	(29,577)	(29,577)	(29,577)	(29,577)
Net PP & E	30,400	26,296	22,599	18,902	15,205	11,507	7,810	4,113	416	416	416	416	416

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES
 BOOK FINANCIAL STATEMENTS
 J\$'000 UNLESS INDICATED

	0	1	2	3	4	5	6	7	8	9	10	11	12
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Deferred Debt Issue Costs net of													
Accumulated amortization	-	379	284	190	95	-	-	-	-	-	-	-	-
Deferred Organization Costs net of													
Accumulated amortization	-	545	409	273	136	(0)	-	-	-	-	-	-	-
Current Assets													
Accounts Receivable	30,400	27,221	23,292	19,364	15,436	11,507	7,810	4,113	416	416	416	416	416
Deferred Tax Asset	-	1,802	1,642	1,355	963	484	-	-	-	-	-	-	-
Cash	-	500	500	500	500	500	500	500	500	500	500	500	500
Less Current Liability													
Current Portion of Notes Payable	-	8,390	8,595	8,695	8,714	8,670	8,647	9,136	9,654	10,203	10,785	11,402	12,056
Deferred Tax Liability	-	2,750	2,750	2,750	2,750	2,750	2,750	2,750	-	-	-	-	-
Accounts payable and accrued liabilities	-	6,301	6,673	7,067	7,484	7,927	8,396	8,894	9,421	9,980	10,572	11,200	11,866
Total Current Liabilities	-	9,051	9,423	9,817	10,234	10,677	11,213	12,322	10,759	11,095	11,498	11,967	12,497
Net Assets	30,400	26,559	22,465	18,243	13,915	9,500	5,244	927	(689)	(476)	(297)	(149)	(24)
Financed By:													
Senior Note Payable Less Current Portion	22,000	16,500	13,750	11,000	8,250	5,500	2,750	(0)	(0)	(0)	(0)	(0)	(0)

INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES
 BOOK FINANCIAL STATEMENTS
 J\$'000 UNLESS INDICATED

	0	1	2	3	4	5	6	7	8	9	10	11	12
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Initial Equity Investment	8,400	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675	8,675
Accumulated Earnings	-	1,384	40	(1,432)	(3,010)	(4,675)	(6,181)	(7,748)	(9,364)	(9,151)	(8,972)	(8,824)	(8,699)
Total Partner's Capital	8,400	10,060	8,715	7,243	5,665	4,000	2,494	927	(689)	(475)	(297)	(148)	(24)
Total	30,400	26,560	22,465	18,243	13,915	9,500	5,244	927	(689)	(475)	(297)	(148)	(24)
Balance Check	-	-	-	-	-	-	-	-	-	-	-	-	-



INVESTMENT OPPORTUNITY PROFILE: FROZEN FRENCH FRIES

Return on Equity

	1	2	3	4	5	6	7	8	9	10	11	12		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Initial Investment	(8,400)	(275)	-	-	-	-	-	-	-	-	-	-	-	-
1 Equity Distribution (Contribution)	-	698	4,435	5,606	6,787	8,001	9,238	10,508	11,814	14,802	15,789	16,829	17,922	122,430
Net Cashflow	(8,400)	423	4,435	5,606	6,787	8,001	9,238	10,508	11,814	14,802	15,789	16,829	17,922	113,754
Pre-tax Cumulative Cashflow	(8,400)	(7,977)	(3,542)	2,063	8,850	16,851	26,089	36,598	48,412	63,214	79,003	95,832	113,754	
Running IRR	0%	-95%	-25%	9%	27%	37%	43%	47%	49%	51%	52%	53%	53%	
Running NPV @ 10%	(7,637)	(7,287)	(3,955)	(126)	4,088	8,604	13,345	18,247	23,257	28,964	34,498	39,861	45,052	

Financial Result	
IRR	5.3%
NPV	\$29,347
	NPV @ 15%

ANNEX B – SELECT LOAN OPTIONS

Institution	Loan	Interest Rate p.a.	Payback Period	Offer/ Conditions	Requirements
EXIM Bank	SME Growth Initiative	8.5%-11% on US\$ loans 10%-13% on J\$ loans.	Up to 4 years (with a 6-month moratorium on principal payments.		*Annual Sales cannot exceed J\$360M and business net worth should J\$1M or less. *Companies must be operating in Jamaica and be apart of the Productive Sector. Details: http://www.eximbankja.com/sites/default/files/re-sources/Documents/required.pdf
Development Bank of Jamaica (DBJ)	Up to J\$100,000	10%	Up 8 years, with a 2 year moratorium	Energy Loans, 9% up J\$2M	*Get Approval from an AfI. *Submit a Business Plan, Financial Statements and Corporate Documentation.
DBJ	Minimum of J\$50M to maximum of J\$500M	10%	Public sector loans and large infrastructure projects have up to 15 years for repayment with moratoria on interest and/or principal payments of up to 5 years.	DBJ's commitment fees range between: 0.5% - 2% - Public Sector	*Where projects are co-financed or DBJ participates in a syndication the DBJ will lend a maximum of 65% of the project cost not financed by other financial institutions. *Stakeholder's equity must be no less than 30% of the total project cost.
			Private sector loan repayments are up to 7 years with moratoria on interest and/or principal payments for up 3 years.	1% - 2% - Private Sector. The size of the transaction and risk profile of the project will determine fees.	* DBJ will not accept sweat equity as part of a company's contribution to the cost of the project. * Stakeholder's equity must be no less than 30% of the total project cost. Details: http://dbankim.com/direct-loans
National Commercial Bank (NCB)	Access up to J\$30M	*12.7% to 14% for Energy Loans. *15% - 16% Otherwise. *Rates are negotiable.	6 months moratorium on Principal payments. 10 years to repay	For working capital, restructuring, capital expenditure of expanding your business.	Details: https://www.incb.com/business/sme/businessloa-requirements
NCB	Access up to J\$5M	*14% to 15%, with 2:1 ratio pledge. *19% to 20% otherwise. *Rates are negotiable.	Up to 36 months to repay for loans with a payment holiday feature available, if needed.	As an NCB business customer for at least 1 year, can access funds for short-term needs with no collateral required	Details: https://www.incb.com/business/sme/businessloa-requirements

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