

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS  
COMMITTEE ON TUESDAY, 1st APRIL 2003 BY THE DEPUTY OF ST. JOHN**

**Question**

- (a) Will the President inform members whether the application for aid in support of the dairy industry exit strategy in 2002 came from the industry directly or through the former Agriculture and Fisheries Committee?
- (b) Will the President inform members whether the Finance and Economics Committee inspected the accounts of the Jersey Milk Marketing Board prior to agreeing to provide aid for the dairy industry exit strategy in 2002, and, if not, explain the reasons why?

**Answer**

- (a) During 2002, the Finance and Economics Committee approved two amounts of funding for the restructuring of the Dairy Industry, the first in March 2002 amounting to £500,000, and the second in July 2002 for £350,000.

Due to the urgent need to commence both restructuring schemes, the Committee worked side by side with the former Agriculture and Fisheries Committee in addressing the request of the Dairy Industry, but the formal requests came from, and the actual funding was given to, the former Agriculture and Fisheries Committee, which administered the schemes.

In both cases, before the Finance and Economics Committee considered the proposals, the former Agriculture and Fisheries Committee had previously met and agreed to support the requests of the Industry.

This information has already been conveyed to Members in a full Statement to the House on 24th July 2002, by the previous President of the Finance and Economics Committee.

- (b) The Finance and Economics Committee was presented with financial information in both instances by the Dairy Industry, however it did not consider it necessary to inspect the accounts of the Jersey Milk Marketing Board, as the restructuring schemes were simply a matter of tackling urgently the uneconomic over-production of milk, in respect of which full background information was provided to the Committee by officers of both the Agriculture and Fisheries Department and the Treasury. The existence of overproduction was beyond doubt.

Two options were proposed for reducing this over-production, through the Jersey Milk Licensing Scheme. The industry believed that the first option, a pro-rata cut in farm output on all producers, would have proved catastrophic to many producers given the existing low levels of profitability in the industry and would have resulted in bankruptcies.

The second option available, and adopted, was that of a restructuring scheme to encourage some producers to retire from the industry and thereby reduce overall production, bringing benefits to both Jersey Milk and the remaining producers. The costs of the schemes were funded jointly between the Finance and Economics Committee, from the General Reserve, and Jersey Milk.

The decision to restructure the Industry has subsequently been borne out by the report for the Economic Development Committee by Dr Donald McQueen "The Dairy Industry in Jersey – A Strategic Review" - which states "... *the beneficial effect of the restructuring schemes on the average returns of the remaining participants will be material and to the extent that this was the purpose of the schemes they are likely to have been successful.*"