

# STATES OF JERSEY



## **DRAFT AGRICULTURE (LOANS) (JERSEY) AMENDMENT REGULATIONS 202- (P.41/2024) – COMMENTS**

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**Presented to the States on 5th September 2024  
by the Economic and International Affairs Scrutiny Panel**

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**STATES GREFFE**

## COMMENTS

### Background

The Draft Agriculture (Loans) (Jersey) Amendment Regulations 202- [\[P.41/2024\]](#) (hereafter referred to as “draft Regulations”) were lodged *au Greffe* on 14th June 2024 and are scheduled for debate at the States’ sitting commencing on 10th September 2024.

The Economic and International Affairs Scrutiny Panel (hereafter referred to as “the Panel”) received a briefing from Government of Jersey Officers on 19th June 2024 which included an explanation of the anticipated amendments to the [Agriculture \(Loans\) \(Jersey\) Regulations 1974](#) (hereafter referred to as “the Regulations”) and relevant Agricultural Loans Fund (hereafter referred to as “the Fund”). The Panel has also questioned the Minister for Sustainable Economic Development (hereafter referred to as “the Minister”) during Quarterly Hearings and via written correspondence. The Panel has agreed to form these Comments in order to aid the consideration of the draft Regulations and request further clarification from the Minister during their debate.

### Purpose of the Loans

The Regulations establish that the Minister may make loans to bona fide inhabitants of Jersey who are, or will be, engaged in work of an agricultural nature in Jersey for the purpose of:<sup>1</sup>

- purchasing agricultural land;
- constructing, converting or carrying out improvements to a dwelling-house or permanent farm buildings on agricultural land;
- purchasing or installing agricultural machinery, vehicles and equipment on agricultural land;
- carrying out improvements of a kind which will contribute to the more efficient and economic farming of that land;
- purchasing of livestock;
- purchasing shares in an agricultural company which has a direct interest in agricultural land;
- purchasing flower bulbs, seed potatoes, or seed potato boxes; or
- repaying a loan (other than a bank loan made by way of fluctuating overdraft or a loan under the Agriculture (Loans and Guarantees) (Jersey) Law 1968).<sup>2</sup>

The accompanying report to the draft Regulations identifies the [Economic Framework for the Rural Environment 2022](#) and/or the [Economic Framework for the Marine Environment 2022, which](#) have set out clear policy interventions to support these sectors. Allowing meaningful investment for the sector has been recognised by the Assembly through its approval of Increase in Revenue Expenditure for Agriculture and Fisheries (P.74/2023): Third Amendment [\[P.74/2023 Amd.\(3\)\]](#).

The Panel has been informed that there is a need to aid public consideration and perception of support to change the public conversation from "giving money to farmers" to "paying for public goods." It has been highlighted as essential to define the value of

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<sup>1</sup> [Regulation 4, Agriculture \(Loans\) \(Jersey\) Regulations 1974](#)

<sup>2</sup> This was repealed by the [Agriculture \(Loans and Guarantees\) \(Jersey\) Law, 1974](#)

these public goods and communicate that the investment brings more value than the initial outlay, focusing on improving services rather than just providing financial support.<sup>3</sup> The Panel acknowledges the need for greater communication of the benefits of the rural and marine sectors in maintaining traditional sectors of the Island's economy, providing local produce and safeguarding the Island's environment.

The Panel notes that loans made through the Regulations will go some way in providing additional funding to aid in supporting measures such as the Rural Support Scheme. However, the Panel has questioned the Minister noting that the prescriptive nature of the Regulations may preclude loans to support marine based ventures, noting the identification of the need for the relation of the loans to agricultural land.

The Minister has responded that under the current regulations four marine businesses (fish farms) are able to access the loan scheme, hence it is the intention to revise primary legislation and regulations as part of our legislative programme in 2025 to enable the fisheries sector to access the scheme in the same manner as land based operations – this will add a further potential 40 to 50 ventures (the estimated maximum size of the commercial fishing fleet) which may be supported through loans in the future.<sup>4</sup>

Although it is unfortunate that modification of the primary legislation has not been produced prior to the debate of the draft Regulations, the Panel notes the inclusion of revision has been confirmed as part of the legislative programme for 2025.

### **Interest Rates and Loan Amount**

Adoption of the draft Regulations would alter loan interest rates made through the Regulations from 6% to 3%. The Panel heard that this had been altered previously, with the rate being 15% in 1994, and that lowering the rate would aid in agricultural loan uptake.<sup>5</sup>

The Minister has subsequently identified that the proposed interest rate was calculated on the basis that the Bank Rate currently sits at 5% and the intention of the scheme is to provide loans at a rate of interest which is advantageous to applicants to promote investment in this sector.<sup>6</sup> The Panel, following initial research, would highlight that interest rates of 4% to 8% can be expected in the United Kingdom for secured loans and can be higher for unsecured loans,<sup>7</sup> and that the Bank of England interest rates have fluctuated and may see further change in the coming years.<sup>8</sup>

When questioned on the decrease in the interest rates, the Minister acknowledged that it is a curious law in that it dictates an interest rate that must be paid whilst indicating that he anticipated creating a minimum interest rate, so it will be no lower than 3 per cent.<sup>9</sup> The Minister has subsequently confirmed that the ability to charge interest on agricultural loans at a higher rate is retained.<sup>10</sup> The Minister has also confirmed that the

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<sup>3</sup> [Approved Panel Minutes - Economic and International Affairs Panel - 2024](#)

<sup>4</sup> [Letter - Minister for Sustainable Economic Development to Economic and International Affairs Panel re Agricultural Loans Scheme - 03 September 2023](#)

<sup>5</sup> [Approved Panel Minutes - Economic and International Affairs Panel - 2024](#)

<sup>6</sup> [Letter - Minister for Sustainable Economic Development to Economic and International Affairs Panel re Agricultural Loans Scheme - 03 September 2023](#)

<sup>7</sup> <https://www.cliftonpf.co.uk/agricultural-finance/>

<sup>8</sup> <https://www.bankofengland.co.uk/explainers/why-are-interest-rates-in-the-uk-going-up>

<sup>9</sup> [Transcript - Quarterly Public Hearing with the Minister for Sustainable Economic Development - 11 April 2024](#)

<sup>10</sup> [Letter - Minister for Sustainable Economic Development to Economic and International Affairs Panel re Agricultural Loans Scheme - 03 September 2023](#)

standard rate, proposed at 3%, could be amended further via future Regulations should any substantial change in the Bank Rate prompt a revision of the Agricultural Loan rate in the future.

During the hearing of 11th April 2024 the Minister also highlighted potentially changing the scale for the Minister for Treasury and Resources’ ability to approve loans up to £500,000.<sup>11</sup> It was confirmed during the hearing that this is a rise from £150,000, which is stipulated in the Regulations,<sup>12</sup> with indication that this relates to increased inflation since the Law’s introduction. The Minister has subsequently indicated:<sup>13</sup>

*Current regulations state that borrowing by any enterprise in excess of £150k on the scheme (whether one or more loans) will need the approval of the Minister for Treasury and Resources. This is likely to change and be increased, to a level not yet determined, when primary legislation and regulations are next updated.*

The Panel has also queried financial safeguards and has been assured that strict measurement criteria are in place to ensure loans are used properly and would only be issued following risk analysis. The Panel has been further advised that loans would be issued for specific projects and investments rather than for the purpose of refinancing, although the Panel notes that this would appear to be a possibility under the Regulations.<sup>14</sup>

**Board Members**

The draft Regulations, if passed, will also reduce the membership of the Agricultural Loans and Guarantees Advisory Board (hereafter referred to as “the Board”) from 10 members to 5. The Panel was informed by the Minister that these changes are proposed to make it easier to set up the Board,<sup>15</sup> with the alterations as follows:

<b>Current</b>	<b>Proposed</b>
Chair	Chair
Vice-chair	Vice-chair
3 representatives from commerce or finance	1 representatives from commerce or finance
5 representatives from agriculture	2 representatives from commerce, finance or agriculture

The Panel notes that the Regulations will remain prescriptive as to the membership of the board, requiring the Chair and Vice-chair to have had experience and shown skill in commerce or finance, and that the draft Regulations would not necessitate the inclusion of individuals from the agricultural sector but for representatives from commerce, finance or agriculture.

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<sup>11</sup> [Transcript - Quarterly Public Hearing with the Minister for Sustainable Economic Development - 11 April 2024](#)  
<sup>12</sup> [Regulation 7, Agriculture \(Loans\) \(Jersey\) Regulations 1974](#)  
<sup>13</sup> [Letter - Minister for Sustainable Economic Development to Economic and International Affairs Panel re Agricultural Loans Scheme - 03 September 2023](#)  
<sup>14</sup> [Regulation 4 \(1\)\(f\), Agriculture \(Loans\) \(Jersey\) Regulations 1974](#)  
<sup>15</sup> [Transcript - Quarterly Public Hearing with the Minister for Sustainable Economic Development - 11 April 2024](#)

The Panel notes that the board has not been in existence since 2002 and that the Minister has, since lodging the draft Regulations, reestablished the Board through the appointment of:<sup>16</sup>

Chair: Chief Executive; Jersey Business  
Vice-chair: Head of Industry Development; Jersey Business Board  
Members: Chief Economic Advisor; Government of Jersey  
Head of Local Economy; Government of Jersey  
Sector Lead Rural and Marine Economy; Government of Jersey

Although these appointments will not meet the requirements of Regulation 3(2)(b) of the Regulations, in that 5 other persons with experience in agriculture are appointed, the Panel notes this has been indicated as a temporary measure alongside debate of the draft Regulations to allow for agreement of process of appointment.

The Panel notes that Regulation 3(2A) of the regulations establishes that appointments to the board are made under Article 2 of the States of Jersey (Appointment Procedures) (Jersey) Law 2018, namely that the Minister will give 2 weeks' notice to the States. Accordingly the appointments can take place from 10th September 2024.

The Minister has indicated that once this process has been completed,<sup>17</sup> the three Government members will stand down and be replaced by three independent members to represent the industry in accordance with Regulation 3(2)b of the draft Regulations. The Minister has further indicated that they meet regularly with the sector and host quarterly meetings of the Rural Forum to discuss emerging issues and policy.

Although the Panel accepts of the alteration of the Regulations in regard to the membership of the Board, it would indicate that priority for representation from those who have had experience and shown capacity in the agricultural industry. This is noting that 3 members, including the Chair and Vice-chair, will be required to have all had experience and shown skill in commerce or finance.

### **Recipients and distribution of the Loans**

The Panel has been informed that many of the recipients of the loans would likely already be beneficiaries of the Rural Support Scheme, although this will not be a legal requirement. The Rural Support Scheme and Rural Initiative Scheme deliver grants through a 'credits-based' approach, with these credits awarded to business demonstrating actions that will help to deliver the objectives and outcomes envisioned in the Common Strategic Policy, the Future Economy Programme and the Rural Economic Framework.<sup>18</sup>

The Panel understands that credit metrics include business' membership of relevant accreditation bodies, such as L.E.A.F. (Linking Environment and Farming),<sup>19</sup> land usage, livestock held, staffing and forward planning.<sup>20</sup>

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<sup>16</sup> [R.137/2024](#)

<sup>17</sup> [Letter - Minister for Sustainable Economic Development to Economic and International Affairs Panel re Agricultural Loans Scheme - 03 September 2023](#)

<sup>18</sup> [Rural Economic Framework](#)

<sup>19</sup> [Transcript – Quarterly Public Hearing with the Minister Economic Development, Tourism, Sport and Culture – 01 June 2023](#)

<sup>20</sup> [Transcript - Quarterly Public Hearing with the Minister for Sustainable Economic Development - 11 April 2024](#)

**Deputy K.M. Wilson:** *That is your target, yes, okay. Just coming back to the loans again, could you give us some indication of what considerations will be given to people when you are granting these loans? Specifically, are they going to have to satisfy any particular criteria, for example things like good farming practices, that kind of thing?*

**The Minister for Sustainable Economic Development:** *They will in many ways, but that is also because in order to be a farmer operating in Jersey and accessing our existing support schemes, you have to be adhering to those practices already. The support schemes that we have in place are really strong on environmental practice, on practice with regard to workers and many other areas. By virtue of being farmers in Jersey accessing our support schemes, we know they are good farmers adhering to good practice.*

**Group Director, Department for the Economy:** *It is effectively a 3-tier scheme now where you have got social, economic and environmental. In order to take money from the Government, you have to satisfy actions in some of those areas. It could be soil management planning, it could be staff training, it could be compliance with assurance schemes, for example. Farmers can pick and choose to meet their needs to a certain extent but everybody that gets the payment effectively is expected to be delivering on that.*

The Panel further questioned the types of recipients of loans and was informed by the Minister that these would be looked at on a case-by-case basis with regard to the quality controls,<sup>21</sup> and received confirmation that community interest companies without a farming track record could apply, with it highlighted that the Frameworks included components for private investment and social enterprises.

The Panel agrees that using membership of the Rural Support Scheme as a basis for the application procedure for loans from the Regulations is sensible, as this will demonstrate previous actions undertaken by the business to meet environmental, social and economic objectives. However, non-membership should not preclude distribution of a loan should an application demonstrate that the purpose was financially viable and would sufficiently meet these objectives.

### **Future of the Fund**

The Panel notes that the Fund held £574,000 net assets in 2023,<sup>22</sup> and is due to be recapitalised through the Proposed Budget (Government Plan) 2025-2028:

*(e) to approve a transfer from the Consolidated Fund to the Agricultural Loans Fund in 2025 of up to £2 million, subject to a decision of the Minister for Treasury and Resources based on availability of funds in the Consolidated Fund as at 31st December 2024 in excess of estimates provided in this plan, or from budgeted underspends identified before 31st December 2025;*

The Panel understands that this, following a similar contingent transfer in the Government Plan 2024-2027, seeks to ensure that £10 million in total is transferred across 2024 and 2025 in line with the adopted proposition - Increase in revenue

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<sup>21</sup> [Transcript - Quarterly Public Hearing with the Minister for Sustainable Economic Development - 11 April 2024](#)

<sup>22</sup> [States of Jersey Group 2023 Annual Report and Accounts](#)

expenditure for agriculture and fisheries [P.74/2023].<sup>23</sup> The Panel may consider this further during its examination of the Proposed Budget (Government Plan) 2025-2028.

Previously, the Panel has been informed that agricultural loans made via the Government of Jersey had historically performed well, with only one default in the past.<sup>24</sup> The Panel was further informed that it was anticipated that the initial refinancing of the Agricultural Loan Fund (the Fund) of £10 million would enable loans sufficiently, with repayments of loans allowing replenishment of the Fund over time.

### **Conclusion**

The Panel has provided these Comments to outline additional background to the Draft Agriculture (Loans) (Jersey) Amendment Regulations 202-.

The Panel is broadly supportive of these, whilst noting the following:

- Updates to primary legislation are required to allow loans to be distributed to marine based ventures;
- timely consideration of Bank of England base rates may be required to keep the Regulations up to date;
- update to the Regulations is anticipated to set the largest amount of loan that may be issued without approval of the Minister for Treasury and Resources, although the amount is still under consideration; and
- representation on the Agricultural Loans and Guarantees Advisory Board from persons who have had experience and shown capacity in the agricultural industry should be sought.

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<sup>23</sup> [States Minutes 7th November 2023](#)

<sup>24</sup> [Approved Panel Minutes - Economic and International Affairs Panel - 2024](#)