

Sue Horne

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From: Jeremy Harris  
Sent: 18 July 2002 18:04  
To: Pierre Horsfall; David Crespel; Len Norman; Nigel Queree; Terry Le Sueur; Maurice Dubras; Frank Walker  
Cc: John Mills; Andrew Mallet; Sue Horne; Mary Newcombe; Michael De La Haye; Peter Monamy; Michael Haden  
Subject: P & R meeting on 19th July

Dear all,

Please find **attached** the following papers for consideration at tomorrow morning's meeting of the Policy and Resources Committee.

- A draft comment on the revised Policy Report of the Agriculture and Fisheries Committee (P.115/2002), together with a covering report from the Chief Executive; and
- A draft comment on the amendment of the Overseas Aid Committee to the report and proposition on the Departmental Structure (P.70/2002)

Jeremy Harris



JFM - A & Fs  
revised Agricultu...



Agriculture and  
Fisheries Comm...



Overseas Aid  
omments 18.7.02...

19 July 2002

Comments on A & F's Revised Agricultural Policy Report (P.115/2002)

Following the Committee's initial consideration of the revised A & F report at its meeting on 27 June, and the decision by the States to take the report next week, I attach draft comments on the revised report for submission to the States.

Committee Members will have seen the paper just circulated to all States Members by the Dairy Industry (copies will be available at the meeting). This strongly buttresses the stance the Committee has taken; and it must be a matter for remark how signally the A & F Committee has failed to carry with it – and by so large a margin – its primary stakeholder.

I enclose the comments submitted in February on the original report. It is probably desirable to reference these in the new comments if only to underline the point that A & F have not really moved forwards at all in the intervening months. I have drafted the new report accordingly.

F & E has now also considered P.115 and has agreed a comment confirming that it does not support the proposals from A & F. The cost of the proposals, it calculates, amount to an additional £6.9 million over three years. No funding is available in 2003. Use of the General Reserve would not be appropriate for something so manifestly not unforeseen. The earliest that funds could come available would be 2004, subject to all the usual caveats, including likely prioritisation of expenditure for that year and the fact that the States have already approved maximum net revenue expenditure of £414 million for that year.

F & E has for the moment, until after the debate, left open whether or not to find another £300,000 or so to support a second round of dairy industry restructuring. I think it would be very desirable for the Committee to indicate to F & E that it would strongly support such assistance, with the aim of getting milk supply and demand into reasonable balance. We have not yet had a response from the European Commission on its view of the legality of the milk import licensing regime, but it ought to be easier to seek exemption from Community rules,

even if for a time-limited period, if we can demonstrate that the industry has already faced, with determination, a demanding and painful restructuring exercise.

JFM

## Agriculture and Fisheries Committee : Policy Report 2001 (P.115/2002)

### Comments by the Policy and Resources Committee

1. The Policy and Resources Committee has given very careful consideration to the Agriculture and Fisheries Committee's revised policy report, in the light of the latest situation facing the industry and the restructuring that has taken place, or is in train, since the original report was withdrawn. It has also had a very useful meeting with Jurat Herbert to go over the report of his review group.
2. The Committee made clear last February that it could not support the Agriculture and Fisheries Committee's proposals. (For ease of reference, a copy of its comments submitted then is appended.) The revised report, and indeed the Herbert Report, do not in the Committee's considered opinion offer any grounds for a change in view, and accordingly the Committee states again that it is unable to support the Committee's proposals.
3. In saying this, the Committee iterates that it fully recognises the important role played by agriculture in Island life, and that it supports the principle of providing appropriate financial aid to the agricultural industry, within a framework of clear policy objectives and in line with available resources. Substantial support is, of course, already provided from within existing budgets.
4. The Committee's reasons remain essentially as stated in its February comments. It would, however, add the following points:
  - the revised report does not address the Committee's earlier concerns as to a lack of clear objectives for the proposed strategy. Nor does it outline the extent to which the proposed way forward is agreed by all relevant stakeholders, including the industry itself. There is no analysis of the different problems and possible remedies sector by sector. There

is no consideration of alternative options, or the alternative scenarios administrated in the OPM Report. It follows from these considerations that it remains wholly uncertain as to what exactly the States would be seeking to achieve by supporting the proposals

- the above concerns are heightened by the financial implications of the proposals. The Committee agrees with the position of the Finance and Economics Committee on this. It would certainly be wrong for the States to approve the proposals in the knowledge that the resources to implement were either unavailable, or at least very uncertain having regard to all other likely spending pressures and revenue constraints. The task must be to seek to use existing resources allocated to agricultural better.
- as for the proposed increase in support for the protected cropping sector, this is perhaps a matter of some surprise given the debate that has taken place on the parlous future of the Island's glasshouse industry, particularly the tomato-growing sector, and the fact that the Agriculture and Fisheries Committee has not yet come forward with an investigation into, nor even commented on the matter in its report, an 'exit strategy' for the industry, reflecting widespread discussion and expectation earlier this year. If the glasshouse industry is unviable, it makes no sense at all to offer it further support from taxpayers as, so to speak, a palliative that merely puts off the day of reckoning
- there is no mention in the Agriculture and Fisheries Committee's report of the recent restructuring plans laid by the dairy industry, the first phase of which has in fact already been supported by the Finance and Economics Committee. The briefing paper issued to States Members on 17 July by the Dairy Industry sets out all the relevant issues, and notes critically that the Agriculture and Fisheries Committee's report is silent

on the need for further restructuring. (The Policy and Resources Committee is of the view that the dairy industry should be assisted in this regard, through a second tranche of restructuring funds to enable the industry to adjust in an orderly manner to a lower level of production in line with demand; this is, the Committee understands, currently being addressed by the Finance and Economics Committee).

- The Dairy Industry briefing paper serves in fact to confirm the concerns outlined in this note. It observes, for example, that the proposed, 'highly prescriptive', agri-environment scheme, funded below cost of delivery, would not bring the improvements claimed, and that 'headage' payments, as proposed, would represent a 'dramatic change in direction' away from encouraging productive efficiency; and concludes by expressing disappointment with the Agriculture and Fisheries Committee's report for failing to address many crucial issues and for want of a clear vision. The Policy and Resources Committee believes that the States must give due weight to these clear and measured observations from such a key stakeholder group.
- In the light of the foregoing the Committee believes that the next steps must be support for the dairy industry's own restructuring efforts with limited once-off assistance to facilitate the reduction in the milking herd size the industry now believes is necessary, and as an early, full investigation of the glasshouse 'exit strategy'. This work must be coupled with a fresh, intense examination of how best to redirect existing resources to ensure their most appropriate use taking the agriculture industry as a whole, and with detained discussions, including with industry and other stakeholders, about the planned transfer of function of the existing Committee, after the election, to the proposed new Economic Development Committee. The Policy and Resources Committee believes that this change offers an excellent opportunity to

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move forwards in the face of the seemingly unprecedented challenges facing much of the industry and the tightening fiscal position.

5. The final but important point needs to be made for the information of States members. It has been argued by the Agriculture and Fisheries Committee, and it was broadly repeated in the Herbert Report, that the level of taxpayer's support to the agriculture industry in Jersey is lower than the E.U. This view was not endorsed by OPM in its thoughtful and objective analysis of the situation. OPM concluded in fact that the value of support received by Jersey farmers is considerably greater. For example, OPM reported that in 2000 U.K. public expenditure on milk support was 2.75 pence per litre (13.5% of the producer price); in Jersey it was 18.4 pence (73% of the border price of imported U.K. raw milk, were such imports to be allowed). OPM also noted that there was no support at all in the E.U. for potatoes, whereas product support in Jersey was about 11 % of producer export prices. The Committee does not wish to over-emphasise such statistics; the real point is that Jersey must decide for itself what level of agricultural support is necessary and desirable for its own purposes, having regard to available resources.

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Presented to the States on 23rd July 2002  
by the Policy and Resources Committee

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**STATES OF JERSEY**

**STATES GREFFE**

150

2002

P.115 Com.(2)

Price code: B

## Comments

1. The Policy and Resources Committee has given very careful consideration to the Agriculture and Fisheries Committee's revised policy report, in the light of the latest situation facing the industry and the restructuring that has taken place, or is in train, since the original report was withdrawn. It has also had a very useful meeting with Jurat Herbert to go over the report of his review group.
2. The Committee made clear last February that it could not support the Agriculture and Fisheries Committee's proposals. (For ease of reference, a copy of its comments submitted then is appended.) The revised report, and indeed the Herbert Report, do not in the Committee's considered opinion offer any grounds for a change in view, and accordingly the Committee states again that it is unable to support the Committee's proposals.
3. In saying this, the Committee repeats that it fully recognises the important role played by agriculture in Island life, and that it supports the principle of providing appropriate financial aid to the agricultural industry, within a framework of clear policy objectives and in line with available resources. Substantial support is, of course, already provided from within existing budgets.
4. The Committee's reasons remain essentially as stated in its February comments. It would, however, add the following points -
  - The revised report does not address the Committee's earlier concerns as to a lack of clear objectives for the proposed strategy. Nor does it outline the extent to which the proposed way forward is agreed by all relevant stakeholders, including the industry itself. There is no analysis of the different problems and possible remedies sector by sector. There is no consideration of alternative options, or the alternative scenarios administered in the OPM Report. It follows from these considerations that it remains wholly uncertain as to what exactly the States would be seeking to achieve by supporting the proposals.
  - The above concerns are heightened by the financial implications of the proposals. The Committee agrees with the position of the Finance and Economics Committee on this. It would certainly be wrong for the States to approve the proposals in the knowledge that the resources to implement were either unavailable, or at least very uncertain having regard to all other likely spending pressures and revenue constraints. The task must be to seek to use existing resources allocated to agricultural better.
  - As for the proposed increase in support for the protected cropping sector, this is perhaps a matter of some surprise given the debate that has taken place on the parlous future of the Island's glasshouse industry, particularly the tomato-growing sector, and the fact that the Agriculture and Fisheries Committee has not yet come forward with an investigation into, nor even commented on the matter in its report, an 'exit strategy' for the industry, reflecting widespread discussion and expectation earlier this year. If the glasshouse industry is unviable, it makes no sense at all to offer it further support from taxpayers as, so to speak, a palliative that merely puts off the day of reckoning.
  - There is no mention in the Agriculture and Fisheries Committee's report of the recent restructuring plans laid by the dairy industry, the first phase of which has in fact already been supported by the Finance and Economics Committee. The briefing paper issued to States Members on 17th July by the Dairy Industry sets out all the relevant issues, and notes critically that the Agriculture and Fisheries Committee's report is silent on the need for further restructuring. (The Policy and Resources Committee is of the view that the dairy industry should be assisted in this regard, through a second tranche of restructuring funds to enable the industry to adjust in an orderly manner to a lower level of production in line with demand; this is, the Committee understands, currently being addressed by the Finance and Economics Committee.)
  - The Dairy Industry briefing paper serves in fact to confirm the concerns outlined in this note. It observes, for example, that the proposed, 'highly prescriptive', agri-environment scheme, funded below cost of delivery, would not bring the improvements claimed, and that 'headage' payments, as proposed, would represent a 'dramatic change in direction' away from encouraging productive efficiency; and concludes by expressing disappointment with the Agriculture and Fisheries Committee's report for failing to address many crucial issues and for want of a clear vision. The Policy and Resources Committee believes that the States must give due weight to these clear and measured observations from such a key stakeholder group.
  - In the light of the foregoing the Committee believes that the next steps must be support for the dairy industry's own restructuring efforts with limited one-off assistance to facilitate the reduction in the milking herd size the industry now believes is necessary, and a full investigation of the glasshouse 'exit strategy'. This work must be coupled with a fresh, intense examination of how best to redirect existing resources to ensure their most appropriate use taking the agriculture industry as a whole.

**Agriculture and Fisheries: policy report 2001 (P.126/2001), and amendments lodged on 18th December 2001 -  
comments of the Policy and Resources Committee  
(February 2002)**

1. The Committee has spent much time giving careful thought to the Agriculture and Fisheries Committee's proposals. There has been a good deal of discussion between all those concerned. Analysis has been undertaken from both economic and environmental perspectives. Questions have been asked of the Agriculture and Fisheries Committee in order to seek clarification of its proposals and their objectives, and the answers have been carefully considered. Very careful note has been taken of the wider debate, in the farming community and elsewhere, about the proposals, a debate which has reflected a wide variety of often quite different perspectives. The Committee has also consulted with the Finance and Economics Committee about the affordability and financial implications of the proposals.
2. In the light of all this consideration, and in particular because the answers to its various questions of the Agriculture and Fisheries Committee have not allayed its concerns, the Policy and Resources Committee has reluctantly come to the view that it cannot support the proposals before the States.
3. In saying this, the Policy and Resources Committee wishes to emphasize that it **fully recognises the important role that agriculture plays in Island life**. The industry is now a smaller part of the economy than it used to be but it still has a vital role to play, economically, culturally and, particularly, environmentally. The task is to ensure that this role can be best sustained over the long term, in the face of inevitable change in the structure of the industry in response to changing markets and international competition.
4. The Committee also emphasizes that it certainly **supports the general principle of providing appropriate financial aid to the agricultural industry**. Support mechanisms for agriculture are common in all developed countries, for a range of well-established reasons. Jersey, of course, already has substantial support arrangements in place, through the Agriculture and Fisheries Department's existing budget of about £8 million. The question on the table for decision now is not whether the quantum of current support that this represents should be reduced but whether it should be increased in the manner proposed, that is by the very substantial sum of about £15 million over a five year period. It is important for the States to be clear that it is the issue of the increase that is before them.
5. The Policy and Resources Committee's main reasons for not being able to support the Agriculture and Fisheries Committee's proposals are as follows -
  - (i) two clear messages emerged from last year's Oxford Policy Management Report on the Agriculture and Fisheries Industry in Jersey, which was jointly commissioned by the Policy and Resources Committee and the Agriculture and Fisheries Committee. The first of these was the need to set clear objectives for policy on agriculture for the medium and longer-term, as well as any short-term requirements. The Policy and Resources Committee is, however, concerned that, in practice, the objectives of the proposed strategy are not clear. Importantly, it is equally uncertain whether there are objectives that have been sufficiently agreed by all stakeholders. In other words, what exactly is it that the States are trying to achieve by these proposals?
  - (ii) the point above about objectives is especially important given that the agricultural industry consists of three or more different sectors - notably dairy, horticulture and Jersey Royals. The Committee is concerned that the Agriculture and Fisheries Committee's strategy does not specifically address the individual challenges and problems facing the different sectors, and does not set specific objectives and targets accordingly. This applies not only to the different economics of the three main sectors, but also, in particular, to the different environmental issues that each sector needs to face.
  - (iii) the second message from the OPM Report was that, once objectives had been agreed, there were three broad financial scenarios that could be contemplated: cutting the current budget for agricultural support, keeping it at the same level or increasing it. The Agriculture and Fisheries Committee's proposals reflect, in essence, the third of these scenarios. Despite much deliberation, there has been no real analysis of the first two options and consequently, why it is that the third has been chosen as the preferred route. It is difficult for the States to take a good decision about providing new resources on such a scale as has been requested without such an analysis having been clearly made.
  - (iv) the Policy and Resources Committee agrees that the framework for future agricultural aid must be based upon environmental objectives and outputs. But the Committee is concerned that, notwithstanding this, the importance of maintaining the environment is not sufficiently reflected in the proposals before the States. Two points in particular might be made here. First, if a move from direct support to environmentally-based support is truly to take place, why is it that in the proposed forward budget, direct support funding

continues virtually at the same levels (albeit 'badged' differently) as now? Secondly, there is very little information about proper evaluation and measurement of environmental targets and how environmental outputs will in fact be measured. The scheme as proposed is about taxpayers purchasing environmental outputs from farmers but such a scheme must by definition have a degree of precision about the value for money that can be secured from it. This lack of information about outputs seems to the Committee to stem from a lack of clear objectives concerning the proposed agri-environmental scheme, on which no detail has been presented on exactly what would be measured in terms of outputs. In the Committee's view, at the very least, such issues require further work before any agri-environment scheme could properly be launched, whether utilising new funds if they were to become available or through a redirection of existing budgets. This work needs to involve fully the Planning and Environment Department and draw upon the expertise of the Environmental Adviser in the Policy and Resources Department.

6. If the States were to agree in principle that additional agricultural support measures should be introduced along the lines proposed, it would be necessary for them to be notified to the European Commission under Article 88 (3) of the Treaty establishing the European Community in sufficient time for the Commission to be able to submit its comments before they were implemented. The notification would have to be made formally by the United Kingdom Government. The Commission's examination would be based on the compatibility of any proposals with the common market in agricultural products. In practice, this probably means a main focus on whether the measures were appropriate and reasonable in terms of Community policy overall on agricultural state aid. This requirement arises pursuant to Protocol 3 to the United Kingdom Act of Accession to the Treaty, which governs Jersey's relationship with the European Community and which puts Jersey 'inside' the European Union for the purposes of trade in agricultural products. It is important that the States are aware of this requirement. The need for this has been discussed extensively with the Agriculture and Fisheries Committee, and indeed the same was done about ten years ago when present arrangements were, broadly speaking, put in place. It is not immediately apparent that there is any particular likelihood of the Commission's commenting adversely, but notification is certainly not a formality and it is one main reason why it is so important to be clear about overall objectives. Case law requires the Commission to comment within two months of having received in its view all the necessary information, so the whole process could well take a while.

7. The Policy and Resources Committee fully recognises that there is real financial hardship within some parts of the agricultural industry and a need to address the increasing difficulties being faced as a result of challenging and changing market conditions. The Committee, however, is concerned that the proposals do not really address the impact of such changes in the medium to longer term. There is a real question mark, the issue of affordability entirely apart, as to whether the interests of the industry as a whole are best served by substantial additional subsidy from taxpayers in the short term, given in the belief that it will simply tide the industry over and that trading conditions can only change for the better as a result, for example, of a substantial spend on marketing of Island products. This does not immediately look like sound strategy. The message from the OPM report about the challenges facing Jersey's agricultural industry was rather less sanguine than that and leads to the view that perhaps substantial additional aid, seen essentially as a temporary palliative might not best meet the industry's long term interests. The Committee believes that such a view is endorsed by some in the industry.

8. Looking forward, the Committee can say that in principle it welcomes the Dairy sector's ten point plan and believes that there is much merit in seeking to pursue many of the initiatives set out in it. But the Committee cannot readily see the precise tie-up between the aspirations of the ten-point plan and the proposed agricultural strategy. In particular, it cannot at present see effective partnership with the industry. In this connection, the Committee welcomes the Dairy industry's idea of an Agricultural Advisory Board so that farmers and growers can become really involved, along with other stakeholders, in the decision making process and in ensuring that there is a good mechanism for consultation and advice to government. This is especially important as work proceeds on the machinery of government reform leading to new departmental structures. It is also especially important if real, long-term progress is going to be made on the environmental side.

In view of the fundamental resource issues to which the proposals give rise, plus the need to notify the European Commission and, in the Committee's view, to do further work on the details of any possible agri-environment scheme, the Committee is not able to support the Agriculture and Fisheries proposals as they stand. Further, given the uncertainty for the way ahead, the Committee believes that it is, in practice, impracticable to contemplate changes in agricultural support arrangements being made before 2003 at the earliest, save to the extent that any immediate reprioritisation takes place within existing budgets. There is therefore the prospect, over the coming months, for further consideration and consultation about the best way forward but, in the meanwhile, the proposals of the Agriculture and Fisheries Committee as they currently stand should not be supported.



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19/1

POLICY AND RESOURCES COMMITTEE

6th April 2000

Agricultural  
industry:  
economic study.  
1331/2(227)

C.E., P&R  
A.F.C.(2)  
I.C. (2)  
P.E.C.(2)

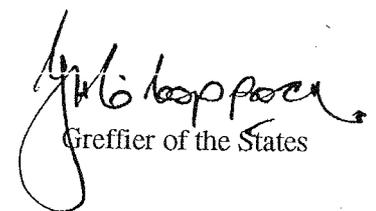
A8. The Committee discussed with the Chief Executive his report concerning a proposed economic study of the Jersey agricultural industry.

The Committee recognised that there was a need for better analysis of Jersey's economy and that the initiative for a study to be undertaken of the agricultural industry had emanated from the recent Service Review of the Agriculture and Fisheries Department. The concept that a 'baseline' analysis was needed before any clear view of the way forward for that Department and for the nature and extent of States financial support for the agricultural industry could be adopted also fitted well with the process, to which the Committee attached importance, of trying to understand the economy better.

The Committee considered draft Terms of Reference for the proposed economic study of Jersey's agricultural, horticultural, dairy and Fisheries industries which, it was noted, had been considered at length by the Agriculture and Fisheries Committee. The Committee agreed that it was appropriate that the emphasis in the Terms of Reference should be on economic aspects, rather than environmental or cultural ones, although the importance of the latter factors and of ensuring the maintenance of an overview of them from the centre was recognised.

The Committee, having noted that its share of the cost of the economic study was likely to be between £10,000 and £15,000, approved the commissioning of the study. The Committee noted the intention for the work to be steered jointly by the Agriculture and Fisheries and Policy and Resources Departments. The Committee further recognised that the Industries Committee had an interest in the matter.

The Chief Executive was directed to take the necessary action, and the Greffier of the States was directed to send a copy of this Act to the Agriculture and Fisheries, Industries and Planning and Environment Committees.

  
Greffier of the States

19. APR. 2000  
FORWARDED

6 April 2000

**ECONOMIC STUDY OF THE JERSEY AGRICULTURE INDUSTRY**

Members will recall my raising in a recent Committee item the need for better analysis of Jersey's economy, and that plans were being laid for a study of the agriculture industry. This particular initiative sprang initially from questions arising from the recent service review of the Agriculture and Fisheries Department and a feeling among all those concerned that a 'baseline' analysis was needed before any clear view of the way forward for the Department could be taken. But the idea of such a study also fitted well with the process of trying to understand the economy better. And from the Finance and Economics Committee's perspective it would also be helpful in preparing the position in the next budget round on the nature and extent of States financial support for the sector.

I have been sorting out terms of reference for the study with my opposite number at Agriculture. The terms of reference as proposed are attached. These have been through several versions over the last several weeks starting from an original draft of mine; and they have also been to the Agriculture & Fisheries Committee several times so far. My aim has been to keep the focus on the economics of the industry and its markets and I have been a little surprised by the relative difficulty of achieving this: the Agriculture & Fisheries Committee has wanted to consult the agricultural industry at some length. I had hoped that Agriculture could by now have agreed the draft and prepared this report on that basis, but I learnt just before this paper was issued that they still had not. But I judged I should put the terms of reference before the Committee anyway for its agreement so we can move ahead.

The intention is to share the cost of the study between Agriculture and ourselves. Our indicative contribution is likely to be about £10,000 to £15,000 and I have included this in the list of priorities that Members will see in my paper (Item A6) on the Department's resource requirements which I shall be circulating on Monday. The work will of course be subject to competitive tender and I envisage that bids may well come from one or two leading university departments of agricultural and food economics.

I invite the Committee to endorse terms of reference along the lines attached and to note the indicative cost to the Policy and Resources budget of £10,000 to £15,000.

**JFM**

**PROPOSED STUDY OF JERSEY'S AGRICULTURAL INDUSTRY**

**TERMS OF REFERENCE**

Tenders are invited from established, expert consultancies and other relevant organisations with a first-class track record in agricultural and food industry advice and analysis, to carry out a study into the current position of Jersey's agriculture, horticulture, dairy and fisheries industries. The precise ambit of the work will depend upon the proposals received, but it will need to include:

- an analysis of the current position and the value of agriculture, horticulture, cattle and fisheries to Jersey's economy, a brief assessment of how matters have evolved over the last 30 years or so and the key factors, both internal and external, including the impact of the European Union, that have shaped developments over that period
- identification and analysis of the key market trends, current and expected, to which the industries in Jersey needs to respond if they are to be able to sell their produce competitively. This needs to focus mainly on the UK market, with particular reference to the position of major food retailers, but also have regard to potential developments and opportunities in other European markets
- Jersey's particular strengths, weaknesses, opportunities and threats faced in the light of the foregoing analysis and, from this, what its agricultural, horticultural, dairy and fisheries industries should or should not do to secure and strengthen their viability

and proposals to carry out the study should accordingly reflect these considerations.

The study needs to be conducted in a concise and timely manner and should actively engage with representatives of the industries concerned and stakeholders in order to ensure that all the significant issues are fully identified.

We are also extremely interested in the impact on, and contribution or otherwise of the industries to the environment, and wish to work towards the development of a credible environmental cost-benefit analysis. We would, therefore, welcome proposals from tenderers for taking forward such work.



POLICY AND RESOURCES COMMITTEE

8th February 2001

Review of  
agricultural  
industry:  
publication of  
report.  
1331(363)

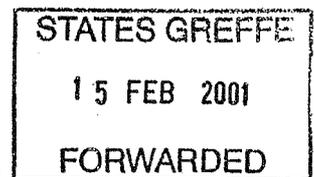
C.E., P&R —  
A.F.C.(2)  
I.C. (2)

A9. The Committee, with reference to its Act No. B5 of 25th January 2001, discussed with the Chief Executive various issues surrounding the publication of the report on the Island's agriculture and fishing industries, which it was recalled would provided a basis for reconsideration of the policies of the Agriculture and Fisheries Committee.

The Committee concluded that it would be preferable for the report to be published on or about 15th February (as opposed to 22nd February 2001 - the date of the next scheduled Policy and Resources Committee meeting), and agreed that it would be desirable for a joint press release to be formulated in conjunction with the Agriculture and Fisheries Committee. The Committee emphasised its view that it would not be appropriate for copies of the report to be provided to representatives of the industry prior to publication, but that it would be preferable for all parties to receive copies upon publication.

The Chief Executive was directed to take the necessary action, and the Greffier of the States was directed to send a copy of this Act to the Agriculture and Fisheries and Industries Committees.

*CM Williams*  
Greffier of the States



31 January 2002

AGRICULTURE FUNDING PROPOSALS

Ahead of the debate in the States on 12 February, I attach some draft comments the Committee may care to submit to the States without however being too negative. These endeavour to reflect the main burden of the discussion that has gone on before. The Finance and Economics Committee will be considering its comments next Wednesday; it will be advised to focus on the key points that there is no additional cash available in 2002 and that any bid for 2003 and beyond should take its place alongside others in the resource allocation exercise kicked off by Presidents a couple of weeks ago. It would make sense for both Committee's comments to be submitted together on a supplementary order paper at the end of next week.

It would be possible to say a lot about the Agriculture Departments proposals, mostly less than wholly favourable. But it perhaps is best not to say too much. If nothing in practice could happen until 2003 there is time for further detailed discussion about what the precise shape of any new support schemes might look like.

An Act from HR has just come round about A&Fs plans to cut the cost and size of the Department. I will table this tomorrow. This proposal appears to be not quite as it seems.

JFM

**Agriculture and Fisheries Committee: Policy Report 2001 (P126/2001), and amendments  
lodged on 18 December 2001**

**COMMENTS BY THE POLICY AND RESOURCES COMMITTEE**

1. The Committee, together with the Finance and Economics Committee, has spent much time lately giving careful thought to the Agriculture and Fisheries Committee's proposals. There has been a good deal of discussion between all those concerned. Analysis has been undertaken from both economic and environmental perspectives. The Committee is very conscious of the overall significance of the issues at stake. The Committee has also noted the comments of the Human Resources Committee and has coordinated issuing these comments with those of the Finance and Economics Committee.
2. The Policy and Resources Committee supports the general principle of providing appropriate financial aid to the agricultural industry. Support mechanisms for agriculture are common in all developed countries, for a range of well established reasons. Jersey, of course, already has substantial support arrangements in place: the Agriculture and Fisheries Department's net revenue budget is about £8 million. This is about 2% of the States net revenue budget in respect of an industry that contributes about 4% to Island employment and 1% to Island GNP, a favourable imbalance that can be seen to reflect the wider importance of the agricultural sector to Jersey. The question on the table for debate is not whether the current support should be reduced or withdrawn, but whether it should be increased in the manner proposed, that is by about £4 million (50%) per annum. The Committee strongly supports the view of the Finance and Economics Committee that a decision on this - and indeed on any proposed increase - can only be taken in the context of the resource prioritisation exercise that the States instructed should be pursued when they approved the current Resource Plan. That exercise has now begun and will culminate in decisions taken on the next Resource Plan, in September 2002, the States having already agreed the maximum figure for net revenue expenditure in 2003 and 2004.
3. The Committee certainly supports the aim of shifting the focus of any agricultural support away from production related subsidies towards environmentally based arrangements. The Committee remains concerned, however, about several aspects of the proposed agri-environment notwithstanding various clarifications provided by the President of the Agriculture and Fisheries Committee in response to various questions and comments having been put. It is not clear, for example, exactly what levels of financial support would be granted to participants and for precisely which activities support would be granted. It is, moreover, not clear what it is proposed should be the source of expert advice on ecological and pollution issues in support of the proposed scheme, and how such expertise should be put in place in the Island. There needs, in the Committee's view, to be greater clarity about the objectives of the proposed scheme in the context of overall policies towards the environment and how the meeting of those objectives would be assessed against expected outputs. A proper system of evaluation is obviously crucial in the context of value for money.
4. In the Committee's view such issues require further work before any scheme could properly be launched, if funds for it become available. It proposes that this should be led by the Environmental Adviser in the Policy and Resources Department, together with the

Economic Adviser, and that the Environment and Planning Department should be fully involved along, of course, with the Agriculture and Fisheries Department. The Committee's view is that the Environment Department should eventually have responsibility for managing whatever agri-environment scheme is eventually agreed.

- 5. If the States agree in principle that a new package of support measures should be introduced along the lines proposed, it will be necessary for them to be notified to the European Commission under Art 88(3) of the Treaty establishing the European Community in sufficient time for the Commission to be able to submit its comments, which would be based on compatibility of any proposals with the common market in agricultural products. This requirement arises pursuant to Protocol 3 to the UK Act of Accession to the Treaty, which governs Jersey's relationship with the European Community. The need for this has been discussed extensively with the Agriculture and Fisheries Committee, and indeed the same was done about ten years ago when present arrangements were, broadly speaking, put in place. It is not apparent that there is any particular likelihood of the Commission's commenting adversely, but it is not a formality and is one main reason why it is so important to be clear about overall objectives. Case law requires the Commission to comment within two months of receiving the necessary information.
- 6. There is a range of other issues arising from the proposals where the Committee continues to have certain concerns. These include:

- **Marketing Support**

This is presented as a key element of the overall proposals, since success in marketing would (according to the strategy) lead to a reduction in States support spending on this and (for example) Headage payments within the first five years

Successful marketing schemes should be expected to raise output in the industry. But the Committee finds it very difficult to form a judgement about whether this would happen since there is very little detail on the marketing schemes which might be put in place and the output then can reasonably be expected of them. The impact on profit and farm viability is therefore unknown

- **Loan-rate Subsidies**

Such subsidies reduce costs of production in agriculture. Output should be expected to increase in the farming industry. There may be longer-term productivity gains through the impact of the subsidised loans on capital investment by farmers. However, the Agriculture and Fisheries Department appears to be proposing to make loans at negative interest rates and there must be a degree of doubt over whether the loans would all find their way into farming activities. The Committee is also mindful in this regard of the view expressed in the OPM study that, given Jersey's strong banking infrastructure, this kind of financial support should no longer be contemplated as a public sector activity.

In view of the fundamental resource issues to which the proposals give rise, plus the need to notify the European Commission and, in the Committee's view, to do further work on the details of an agri-environment scheme, it is in practice, impracticable to contemplate any change in agricultural support arrangements before 2003 save to the extent that the Agriculture and Fisheries Department may choose to reprioritise within its own existing budget for 2002 and indeed beyond. The time that this therefore gives needs to be used to best effect and the Policy and Resources Committee will work closely in that period with the Agriculture and Fisheries Committee, together with the Finance and Economics Committee, to seek to ensure that all relevant questions have been answered so that new arrangements can proceed in 2003 if the States agree them and if resources for them prove to be available.



HUMAN RESOURCES COMMITTEE

24th January 2002

Agriculture and Fisheries:  
Policy Report 2001 (P.126/2001)  
Amendments - comment.  
1331/11(52)

C.E.  
A.F.C.(2)  
T.O.S.  
C.I.Aud.  
C.E., P&R ✓  
P.R.E.O.  
P.R.C.C.

A3. The Committee, with reference to its Act No. B4 of 10th September 2001, considered a report dated January 2002, from the Chief Executive Officer concerning the "Agriculture and Fisheries: Policy Report 2001 (P.126/2001) - Amendments" and a suggestion as to how the Committee might wish to comment thereon.

The Committee, having recalled that its views had not been sought on P.126/2001 as the Agriculture and Fisheries Committee had considered that the original projet had no manpower implications, further recalled the comment it had made. However, it was clear that there were manpower implications arising from the amendments proposed by the Agriculture and Fisheries Committee, by which it undertook to address the "size and cost of the Agriculture and Fisheries Department" and, in particular, "to reduce the manpower of the Department by at least 25 per cent." The Committee further noted that the Report of the Agriculture and Fisheries Committee went on to propose a reduction in the cost of provision of services by at least £0.75 million over three years. This would be achieved through a range of measures including the termination or scaling-down of some services, the transfer of some services to other departments or organisations, and the development of the 'user pays' principle as appropriate.

The Committee decided to comment on the proposition, as follows -

"Whilst the Human Resources Committee would welcome any considered proposal to reduce staff in a States department, and will most certainly lend support to the Agriculture and Fisheries Committee 'to examine all services provided by the Department with regard to efficiency and value for money', the Human Resources Committee is obliged to draw attention to the following -

- (i) there is insufficient detail in the Report concerning the proposal to reduce manpower by at least 25 per cent on which the Committee could comment;
- (ii) transferring some services, with staff, to other States departments does not reduce overall States manpower;
- (iii) it will be difficult to transfer services to non-States organisations until an outsourcing framework had been introduced; and
- (iv) as at the date of publication of the amendment, there had not been any meaningful consultation with the Trade Unions and Staff Associations on the proposals to reduce staff."

The Greffier of the States was directed to make the necessary arrangements for the Committee's comment to be presented to the States, and to send a copy of this Act to the Agriculture and Fisheries, Finance and Economics and Policy and Resources Committees.

STATES GREFFE  
29 JAN 2002  
FORWARDED

*CM Newcombe*

Greffier of the States

(74th Meeting)  
19.07.02

Agriculture and Fisheries Committee:  
revised policy report 2001 - comments.  
1331/11(52)

A2. The Committee, with reference to its Act No. B1 of 11th July 2002, considered draft comments on the Agriculture and Fisheries Committee's revised Policy Report 2001 (P115/2002).

The Committee noted that the States had agreed to consider the report and proposition of the Agriculture and Fisheries Committee on 23rd July 2002 and approved the draft comments subject to minor amendments.

C.E., P&R  
States (2)  
Pub.Ed.

The Greffier of the States was requested to take the necessary action for its comments to be presented to the States on 23rd July 2002.