

AGRICULTURE AND FISHERIES: POLICY REPORT 2001 (P.115/2002) - COMMENTS

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



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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situation facing the industry and the restructuring that has taken place, or is in train, since the original report was withdrawn.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 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.