

## Development of Rural Support Payments 2005 to 2010

### Introduction

The distribution of Rural Support Payments 2005 to 2009 has been governed by two separate States policies and spans the change between Committee and Ministerial Government in Jersey.

The following documents provide the background and reasoning behind the implementation of rural support mechanisms between 2005 - 2009.

- Agricultural and Fisheries Committee – Policy Report 2001
- Economic Development Department & Planning & Environment Department - - Rural Economy Strategy (RES) 2005

### Policy Report 2001

#### **Arable and protected crop payments in 2005**

The Agricultural and Fisheries Report 2001 was approved on 1<sup>st</sup> January 2002 and formed the basis on which the agricultural industry received support until 2005. The Policy Report 2001 proposed an area payment system however funding for this innovation was not forthcoming and the Department reverted to a system of individual crop payments (see Policy Report 2001).

Under the crop payment system the Agricultural and Fisheries Department annually negotiated the level of individual crop payments with the Jersey Farmers Union (JFU). The individual crop payments were then ratified by the Agricultural and Fisheries Committee at the end of each crop year. The annual negotiations were based on the cost of production and the returns of each crop in that year with the overall amount paid out designed to meet the available budget.

<b>Crop</b>	<b>Per vergee</b>	<b>Per metre square</b>
<b>Outdoor crops</b>	<b>£</b>	<b>£</b>
Early Potatoes	30	
Spring planted Courgettes	100	
Autumn planted Courgettes	50	
Cauliflower	50	
Parsley	15	
Tomatoes	200	
Spray Carnations	800	
Daffodils	90	
Pinks, Anemones, Iris & Chinchinchees	250	
<b>Protected crops</b>		
Tomatoes and peppers planted prior to 1 <sup>st</sup> February	4,297	£2.39
Tomatoes and peppers planted after to 1 <sup>st</sup> February	1500	83p
Standard and spray carnations	1250	69.5p
Iris	1000	55.5p
Gypsophila	500	28p

**Note:** Other agricultural crops grown in Jersey did not receive support payments.

The above payments were ring fenced to *bona fide* agriculturalists. Claims were made by forwarding a return to the Ag & Fish Department identifying the areas of each crop grown. Payments were made in January of the following crop year. There were no conditions attached to these payments.

The annual expenditure on crop support payments in 2005 was **£1,056,624.39p**

### **Headage Payments 2005**

Headage Payments were designed to decouple support from the previous production mechanism based on milk output. The new system was ring fenced to the dairy industry and were based on the number of cows in each milking herd as recorded by the Milk Recording Service operated by the RJA&HS involving monthly visits to each dairy herd to record milk production from individual cows.

Payments were made quarterly (Jan, April, June & Sept) with the first 50 cows in each herd receiving an enhanced level of payment in an effort to support small, traditional units. The number of dairy cows recorded in the 34 dairy herds in 2005 was 3298. Payment level for the first 50 cows was £308 per cow with the remaining cows in each herd funded at £258 per cow. There were no conditions attached to these payments and minimal monitoring or analysis of the milk recording data.

The total annual expenditure on Headage Payments to the dairy industry in 2005 amounted to **£915,267**.

Note: Other livestock ventures i.e. sheep, pigs and chickens were not eligible for support payments.

### **Rural Economy Strategy (RES) 2005**

#### **Arable and low value protected crops.**

The RES, implemented in 2006, decoupled agricultural financial support away from crop based payments to a Single Area Payment (SAP). The SAP was designed to simplify the system of support and separate support payments from production. The new system also removed any bias in Government support leaving the industry free to respond to market demands with payments designed to underpin commercial agricultural activity.

*Bona fide* agriculturalists and Smallholders claim the SAP by completing an annual return (see example) detailing the fields being managed commercially, the field area and the crop grown (including grass and crops for livestock). The application form also specifies the conditions the applicant has to meet to be eligible for payment. The SAP was £35 per vergee in 2006, £36 in 2007 and £37 in 2008 & 2009.

<b>Year</b>	<b>Applicants</b>	<b>Area (vergees)</b>	<b>£ per vergee</b>	<b>£ per annum</b>
2006	100	25,887	35	906,045
2007	103	26,554	36	955,944
2008	103	26,192	37	969,104
2009	96	27,353	37	1,012,055
2010			Budget	1,000,000

The SAP also included support payments for the high value glasshouse sector (long season tomatoes & peppers). This was a major change as this sector was subject to a Government 'rollup' scheme to allow the industry to restructure as part of the RES 2005 report. (see below)

### **High Value Glasshouse Sector – Crop support rollup scheme**

Following discussions with the representatives of the high value glasshouse sector during the RES 2005 consultation process it was agreed that a mechanism should be found to help the sector restructure. The RES 2005 proposed a 'rollup' scheme for the high value sector involving a one off payment funded by rolling forward 100% of the crop payments for the long season tomato and pepper crops that would have been made in the years 2006, 2007 & 2008. This scheme was implemented in 2006. This approach was designed to help growers to adapt their businesses by either reinvesting, diversifying or by leaving the industry completely. The States of Jersey therefore achieved a net saving in crop support payments as from 2008.

Number of Glasshouse units	Area of crops M <sup>3</sup>	Support payment Per vergee per annum	X 3 years	Total 'rollup' Expenditure
11	169,878	£4,297 (£2.39 per M <sup>3</sup> )	£12,891 (£7.17 per M <sup>3</sup> )	£1,218,025.26 (see note)

Note:- Minor deductions were made to 3 growers making the final payment £1,205,933.93p

The use of high value glass for agricultural/horticultural production is currently eligible for SAP. The majority of the above glass is being used for plug plant production or early potatoes with some used to produce tomatoes and peppers for local consumption.

### **Quality Milk Payment**

The Quality Milk Payment was introduced by the RES 2005 to support the dairy industry during a period of low profitability and whilst the JMMD implemented the Dairy Industry Recovery Plan.

Commercial dairy farmers supplying the JMMD (or selling milk direct to the public) who are registered, and subject to dairy hygiene annual inspections by Environmental Health, are eligible to receive QMP. Payments are based on the number of cows in each milking herd as recorded by the Milk Recording Service operated by the RJA&HS on a monthly basis.

Dairy Farmers sign an annual agreement (see attached example) in which the conditions applying to the receipt of QMP are detailed.

Year	Value £ per cow	Dairy Farmers	Annual Total £
2006	196	33	646,506
2007	196	33	665,053
*2008	185	29	677,196
*2009	180	29	659,502
2010	180	28**	558,000

\* Includes QMP roll up payments (see below)

\*\* Projected figure

In the Autumn of 2007 the JMMD introduced a scheme designed to allow dairy farmers to leave the industry with 'dignity' if they were not committed to the long term future of the industry as outlined in the Dairy Industry Recovery Plan. This scheme involved the purchase of licenced litres by the JMMD and was supported by a 3 year roll up of QMP

payments (paid over 2 years 2008/9) with a view to long term Government savings as from 2010.

In the event 3 farmers opted for the above scheme removing over 540 cows from the national herd and reducing total milk output by approximately 2,000,000 litres. The overall cost of the scheme to the QMP budget was £278,800 paid in two equal amounts of £139,400 in January 2008 and January 2009. In 2010 the QMP budget has been reduced to take account of the expected savings accruing from the rollup scheme. In addition each of the remaining dairy herds has had their eligible QMP cow numbers capped as at October 2007 to avoid Government funding growth in the dairy industry after that date.

### Support Payment Cost Comparison 2005 to 2009

Year	Crop payments or SAP	Headage or QMP	Total spend £	%
2005	£1,056,624	£915,267	£1,971,891	100
2009	£1,012,055	£659,502	£1,671,557	85
2010 (budget)	£1,000,000	£558,000	£1,558,000	79

### Conclusion

The introduction of the RES in 2006 has had the following outcomes through:-

- Giving the agricultural and horticultural industry a clear picture of government support 2006 -2010 and removing annual negotiations with the industry.
- Removing any perceived bias in Government support for individual crops and livestock.
- Providing a solution to the historic problem of the high costs of support for the unviable high value glasshouse sector allowing them to restructure their businesses or leave the industry.
- Ensuring the agricultural/horticultural industry is market focused
- Providing support for the dairy industry during restructuring.
- Introducing conditionality in order to receive Government support payments, measures include farm manure and waste management plans, meeting animal welfare and hygiene standards, providing financial data to enable profitability to be monitored.
- Reducing the total expenditure given to the Crop and Livestock sectors by approximately 20% over the period 2005 to 2010.

**John Jackson**

March 2010

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