

STATES OF JERSEY



PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024): TWENTY- FOURTH AMENDMENT

AGRICULTURAL LOAN RESTRICTION

Lodged au Greffe on 12th November 2024
by Deputy P.F.C. Ozouf of St. Saviour
Earliest date for debate: 26th November 2024

STATES GREFFE

PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024):
TWENTY-FOURTH AMENDMENT

1 PAGE 2, PARAGRAPH (e) –

After the words “identified before 31st December 2025” insert the words –

“, subject also to restrictions on the provision of Agricultural Loans to exclude provision of such loans for any purposes relating to the cultivation of cannabis in Jersey.”.

2 PAGE 4, PARAGRAPH (o) –

After the words “as set out in the Appendix to the accompanying Report” insert the words –

“, except that that on page 75, after the bullet points, there should be inserted a new paragraph as follows –

“The utilisation of funds from the Agricultural Loans Fund will be subject to restrictions and exclude the provision of such Loans for any purposes relating to the cultivation of cannabis in Jersey.”

DEPUTY P.F.C. OZOUF OF ST. SAVIOUR

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2025 – 2028 (entitled “Budget 2025-2028”) specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2025 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law.
- (b) to approve the proposed Changes to Approval for financing/borrowing for 2025, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approval amounts.
- (c) to approve the transfers from one States fund to another for 2025 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law.
- (d) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2025 of up to £25 million, subject to a decision of the Minister for Treasury and

Resources based on the availability of funds in the Consolidated Fund as at 31st December 2024 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31st December 2025.

- (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, subject also to restrictions on the provision of Agricultural Loans to exclude provision for any purposes relating to the cultivation of cannabis in Jersey.
- (f) to approve each major project that is to be started or continued in 2025 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 – Summary Table 4 to the Report.
- (g) to approve the proposed amount to be appropriated from the Consolidated Fund for 2025, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report.
- (h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2025 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report.
- (i) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2025 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report.
- (j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2025 as set out in Appendix 2 – Summary Table 8 to the Report.
- (k) to approve an updated and consolidated policy of the Strategic Reserve Fund as follows:

“The Strategic Reserve Fund, established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005, is a permanent reserve only to be used:

- i. in exceptional circumstances to insulate the Island’s economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.
- ii. if necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.

- iii. to support the development of future healthcare facilities and the borrowing costs for such work, in line with a financing strategy agreed by the Assembly;
 - iv. as a holding fund for any or all monies raised through external financing until required, and for any monies related to the repayment of debt raised through external financing used to offset the repayment of debt, as and when required; and
 - v. in accordance with Article 24 of the Public Finances (Jersey) Law 2019, where the Minister for Treasury and Resources is satisfied that there exists an immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment, for which no other suitable funding is available.”
- (l) to approve the transfer to the Strategic Reserve of the amounts due as a result of the move from prior-year basis taxation after 31st December 2025, as and when these payments are received (estimated at £280 million).
- (m) in relation to the new Government Headquarters (office), to approve;
- i. the exercising of the option to acquire the new Government Headquarters (estimated at £91 million), by the Public of the Island, in line with the pre-agreed terms; and
 - ii. the acquisition of the new Government Headquarters as an investment of the Social Security (Reserve) Fund (including authorising the meeting of expenses incurred in connection with the acquisition); and
 - iii. the subsequent leasing of the new Government Headquarters by the Public of the Island from the Social Security (Reserve) Fund, with commercial terms to be agreed between the Minister for Infrastructure (on behalf of the Public) and Minister for Social Security and the Minister for Treasury and Resources (both on behalf of the Fund); and
- (n) in relation to the new Government Headquarters, to authorise H.M. Attorney General, the Greffier of the States, the Ministers for Infrastructure, Social Security and Treasury and Resources, and the Public of the Island, to enter into such arrangements, including financing, and pass any contracts as are necessary to put into effect paragraph (m).
- (o) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2025-2028, as set out in the Appendix to the accompanying Report, **except that that on page 75, after the bullet points, there should be inserted a new paragraph as follows –**
- “The utilisation of funds from the Agricultural Loans Fund will be subject to restrictions and exclude the provision of such Loans for any purposes relating to the cultivation of cannabis in Jersey.”**

REPORT

The recent re-establishment of the Agricultural Loans Scheme, funded by an additional £2 million in this Budget which will form part of a total of £10 million as part of Jersey's £30 million business support package, offers significant opportunities to enhance the productivity and sustainability of traditional agricultural and horticultural sectors.

However, it is essential to maintain a clear distinction between traditional agriculture and the cultivation of medicinal cannabis, which primarily serves as a pharmaceutical export industry.

1. Defining Agriculture vs. Medicinal Cannabis Production

- **Traditional Agriculture and Horticulture:** Jersey's agricultural sector has long been associated with the cultivation of food crops, flowers, and other horticultural products that serve local and international markets.
- **Medicinal Cannabis Production:** In contrast, the cultivation of medicinal cannabis, despite involving plant growth, is primarily geared towards the production of pharmaceutical products. This industry operates more as a medical and commercial export sector rather than an agricultural one, and thus warrants different regulatory and support considerations.

2. Current Concerns Regarding Cannabis Regulation and Market Stability

- **Unregulated and Inconsistent Regulatory Framework:** The cannabis sector in Jersey remains under a complex and often inconsistent regulatory regime, creating uncertainties for producers, investors, and policymakers. Unlike traditional agricultural enterprises, cannabis cultivation operates without sufficient clarity regarding compliance, safety, and market access.
- **Imported Medicinal Cannabis Prescriptions:** It is noteworthy that all medicinal cannabis prescribed in Jersey continues to be imported, highlighting the disconnect between local cultivation and domestic medical use. This fact further underscores the misalignment between cannabis production and traditional agricultural goals.
- **The Northern Leaf Case Study:** The case of Northern Leaf and the reported financial losses experienced by original shareholders illustrate the sector's volatility and risks. The initial promise of a thriving cannabis market in Jersey has, in some cases, resulted in significant financial challenges, raising doubts about the prudence of directing public funds into this sector.

3. Rationale for Excluding Cannabis Cultivation from Agricultural Loans

- **Focus on Productivity for Traditional Sectors:** The intention of the Agricultural Loans Scheme is to support projects that improve the productivity of Jersey's traditional agricultural and horticultural sectors.

Directing funds to cannabis production, which falls outside the scope of traditional agriculture, dilutes the effectiveness of public support intended for established, community-focused sectors.

- **Public Accountability and Prudence:** Investing public funds into a nascent, high-risk, and inconsistently regulated industry raises accountability and sustainability concerns. Public money should be used to support sectors with a demonstrated record of stability, economic contribution, and community benefit.

4. Recommendations

1. Exclude Cannabis Producers from Agricultural Loans:

A Policy shall be introduced to ensure that medicinal cannabis producers are excluded from accessing loans intended for traditional agricultural and horticultural productivity improvements.

2. Enhanced Regulation and Oversight:

A clear and consistent regulatory framework for cannabis production should be established to protect investors, ensure market stability, and maintain public trust.

3. Support for Traditional Sectors:

Resources should be concentrated on enhancing the productivity, competitiveness, and sustainability of Jersey's traditional agricultural and horticultural sectors.

Conclusion

While the economic potential of medicinal cannabis cannot be overlooked, it is essential to maintain a clear boundary between agriculture and medicinal cannabis production.

The Agricultural Loans Scheme and the Productivity Fund should remain focused on supporting Jersey's traditional agricultural and horticultural sectors, which continue to play a crucial role in the island's economy and heritage.

Given the challenges faced by cannabis businesses and the risks of public investment in this sector, a cautious and well-defined approach is necessary.

Financial and staffing implications

Processing loans for the purposes of cannabis cultivation, which is clearly been advanced as a medicinal export would be better directed towards efforts to ensure sustainability and competitiveness of our existing agricultural and horticultural sector.

Staffing implications would be limited to existing work undertaken to review loan applications and respond accordingly.

Children's Rights Impact Assessment

A Children's Rights Impact Assessment (CRIA) has been prepared in relation to this proposition and is available to read on the States Assembly website.