

STATES OF JERSEY



RURAL ECONOMY STRATEGY

**Lodged au Greffe on 21st June 2005
by the Economic Development Committee**

STATES GREFFE

PROPOSITION

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

to refer to their Act dated 7th July 2004 in which they approved the Fiscal Strategy and agreed that a target for economic growth of 2% per annum should be set for the period 2005 to 2009, and requested the Economic Development Committee, in conjunction with other Committees as necessary, to bring forward, for approval by the States, a strategy for the delivery of this growth by February 2005; and to refer to the States Strategic Plan Objective 1.2.3 *To develop a strategy which will explore and promote new opportunities for the rural economy*, Objective 4.1.3 *To protect and promote Jersey's environment as one of its most important assets*, and Objective 1.3.1 *To reduce unnecessary regulation and bureaucracy in the Island*, and –

to receive the Rural Economy Strategy entitled “Growing the Rural Economy”, as set out in the report of the Economic Development Committee dated 2nd June 2005, and in order to give effect to the recommendations made in the strategy –

- (i) to agree that, in order to stimulate the rural economy and to encourage innovation and entrepreneurship –
 - (A) the Economic Development Committee should take the necessary steps to establish a Rural Initiative Scheme that is consistent with the approach of the Economic Growth Plan to encouraging enterprise;
 - (B) the Environment and Public Services Committee and the Economic Development Committee should take steps to encourage small-scale entry into the agricultural industry by recognising a new category of agricultural land occupancy, the Smallholder, who would be eligible for area support payments.
- (ii) to agree that the Environment and Public Services Committee should review current planning policies, with the aim of facilitating ‘enabling or linked’ development in the countryside, in order to ensure planning gains, environmental improvements and reinvestment in the rural economy, and bring forward for debate appropriate recommended changes to the countryside policies in the Island Plan.
- (iii) to agree that, in order to reduce bureaucracy, simplify administration and lead to more effective government intervention –
 - (A) the Economic Development Committee should consolidate the present range of agricultural crop subsidies into a Single Area Payment;
 - (B) the Economic Development Committee and the Environment and Public Services Committee should work together to establish a ‘one-stop shop’ approach to rural policy and delivery.
- (iv) to agree that, in order to support the transition of the High Value Glass and the Dairy sectors into more efficient operations that are less dependent on Government intervention –
 - (A) the Economic Development Committee, supported by the Finance and Economics Committee, should roll forward the planned subsidy payments for the High Value glass sector for the period 2006 to 2008 in to a single payment made in 2006 with the level of support thereafter should be reduced to the basic Single Area payment;

- (B) the Economic Development Committee should, in addition to the Single Area Payment make available additional, but transitional, support funding, to be known as the Quality Milk Payment;
- (C) the Environment and Public Services Committee, together with the Economic Development Committee, should work with the dairy industry to identify a mechanism that can operate within the context of a closed herd and still allow very strictly controlled exceptions to the general ban on the importation of cattle semen so as to allow the importation, under licence, of highly selected genetic material of Jersey lineage to increase the efficiency of the Island's milking herd.
- (v) to agree that, in order to protect and promote the environment, the Economic Development Committee, working with the Environment and Public Services Committee, should establish a system of standards for basic environmental performance of the agricultural industry and that the payment of agricultural subsidies should be made conditional upon the achievement of these standards.

ECONOMIC DEVELOPMENT COMMITTEE

Note: The Environment and Public Services Committee has been heavily involved in collaborating with the Economic Development Committee in formulating this strategy and therefore wholeheartedly supports it.

GROWING THE RURAL ECONOMY

Rural Economic Strategy

An Economic Growth Plan Sectoral Strategy

**2 JUNE 2005
ECONOMIC DEVELOPMENT COMMITTEE
ENVIRONMENT AND PUBLIC SERVICES COMMITTEE**

Rural Economic Strategy

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Introduction

Jersey's countryside is a strategic asset. Successive tourism surveys have shown countryside quality to be a principal decision factor in choosing Jersey as a destination. Extensive evidence also exists to show that the appearance and ambience of a location is a significant factor for locating businesses and attracting the quality of staff that they need.

At the same time changes are occurring in the agricultural industry as it responds to a changing marketplace and, in the longer term, to a changing climate. The Governmental framework of control on the Agricultural sector also needs to move on. There is a compelling case for a thorough review of agricultural policy – but carried out as part of a wider review of the countryside and the rural economy.

The States Strategic plan charged the Environment and Public Services and the Economic Development Committees with a range of tasks that collectively amount to a strategic development plan for the rural economy. These tasks are nested within the overall States' Economic Growth Plan that seeks to grow the Island's economy and to nurture and manage its important natural assets.

A balance is needed between economic stimulation and the preservation of the environmental and cultural heritage. We are not in favour of unfettered development but we do want to encourage innovative and diverse activity that strengthens the rural economy whilst respecting the landscape and the environment.

This Strategy has been produced jointly by our Committees as the issues it addresses are cross-cutting and need joined-up solutions. It builds on many of the policy concepts that were agreed in the 2002 Agriculture debate and goes on to address the challenge of developing the rural economy in a way that both recognises external trends and that is realistic about future Government support.

The Strategy has been improved by taking into account the results of an extensive consultation exercise that has involved presentations to and discussions with States' Members, States' Committees, organisations and individuals. In addition, over 300 copies of the consultation document were distributed to interested parties – yielding further written responses.

The consultation process revealed widespread support for the contents of this strategy. It appears that we have found a formula that is right for the Agricultural industry, right for the stakeholders in the broader rural economy and right for the people of Jersey. We have no hesitation in putting the Strategy forward for formal adoption by the States.

**Economic Development Committee
Environment and Public Services Committee**

2 June 2005.

1. Strategy Objective, Key Aims and Desired Outcomes

- 1.0.1 To develop a rural economic strategy which promotes growth, efficiencies and diversification within the countryside and which protects and enhances Jersey's natural environment.

This addresses the following **key aims** in the States Strategic Plan –

- 1.0.2 ***Implement an economic development policy to encourage economic growth.***

(Objective 1.1.1)

Aim –

- Sustained economic growth in real terms.

Achieved by –

- Higher efficiency, market returns and profitability.
- Less reliance on direct government support.

- 1.0.3 ***Develop a strategy which will explore and promote new opportunities for the rural economy.*** *(Objective 1.2.3)*

Aim –

- Withdrawal of production-led subsidies for agriculture.
- A wider range of rural enterprises.
- Less labour-intensive and higher value jobs in the rural economy.

Achieved by –

- Increased diversification, enterprise and innovation within the countryside.
- Market-driven business activity.

- 1.0.4 ***Protect and promote Jersey's environment as one of its most important assets.*** *(Objective 4.1.3)*

Aim –

- A well-kept countryside.
- Development of environmental Improvement and rural enterprise initiatives.
- Diversified land-use which ensures protection of green-land.
- Increase in the proportion of publicly accessible lands.

Achieved by –

- Increased implementation of basic environmental practices and compliance with Codes of Good Agricultural and Environmental Practice.
- Increased implementation of environmental initiatives that enhance the environment and increase public access.
- Environmentally sustainable development that protects and enhances the environment.

- 1.0.5 The desired outcomes above will also meet the States Strategic Aim of ***Reduce unnecessary regulation and bureaucracy in the Island.*** *(Objective 1.3.1)*

The Strategy recognises E.U., U.K. and States of Jersey legislation and will –

- Meet all current legislation.
- Need minimal regulation and control – light touch government.

2. Government Approach

- 2.0.1 The government approach to the rural economy has been characterised by the provision of production-led subsidies to the agricultural industry, a lack (as noted by the Scrutiny Panel) of robust basic information to underpin policies and no adopted environmental initiatives. This has contributed to a decline in the agricultural sector, a piecemeal response by government and increased concern regarding the countryside.

- 2.0.2 To achieve the desired outcomes set out in the preceding section this strategy proposes to encourage appropriate diversification, remove production-based incentives, broaden the distribution of aid within the agricultural sector and implement a Rural Initiative Scheme to support new rural economy initiatives. It

further proposes that direct aid payments will be conditional upon the achievement of basic environmental performance and will complement the Countryside Renewal Scheme to achieve an increased uptake of enhanced environmental initiatives.

2.1 Delivery Mechanisms

The strategy –

- Gives a clear picture to businesses in the rural economy of government support until 2010.
- Replaces the present production-led subsidy system with an all inclusive Single Area Payment which will underpin business activity in the countryside, promote market responsiveness and lead to increased self-reliance.
- Introduces a Rural Initiative Scheme that will stimulate rural economic growth by providing support to innovative developments.
- Makes the receipt of direct aid payments conditional upon achieving basic levels of environmental performance.
- Enhances the environment and increase public access to the countryside through the new Countryside Renewal Scheme.

2.2 Removing the link between aid and production

2.2.1 In order to drive the rural economy forward the strategy proposes to introduce a Single Area Payment to replace the current system which gives variable payments for a narrow range of crops and livestock (only dairy cows). This will remove any intervention between market price and production costs, allowing the Industry to respond directly to market forces and encouraging diversification (decoupling).

2.3 The Single Area Payment

- 2.3.1 The Single Area Payment is designed to underpin a base level of farming activity in the countryside to ensure that its unique character is maintained.
- 2.3.2 The area payment will be made annually to the person responsible for managing the land. The area payment will remain the same irrespective of what type or how many crops are grown. This will remove any notion of the government offering support at different levels for particular crops, leaving the industry free to respond to market demands and opportunities.
- 2.3.3 The introduction of a Single Area Payment will discourage those crops which are only grown because of the subsidy they attract, and encourage market-led diversification into crops and livestock some of which currently receive no subsidy. Therefore the Single Area Payment will include all land used for agricultural activity as long as the land user is either a *bona fide* agriculturalist or a Smallholder (section 3.2).
- 2.3.4 This broader base of support will encourage the industry to be more market driven, increase diversification in the countryside, promote the increased use of agricultural land and give a clear indication of future government support leading to greater self-reliance.
- 2.3.5 Receipt of the Single Area Payment will be conditional on compliance with the basic levels of Good Agricultural and Environmental Practices (e.g. Water Code, Animal Welfare codes, etc.) and the provision of basic financial data relating to production costs, overhead costs and market returns.

2.4 Rural Initiative Scheme

- 2.4.1 The proposed Rural Initiative Scheme (Section 7) will be available to all rural enterprises and provide support to innovative projects with sound business plans. This scheme will be funded by the consolidation of a range of current grants to provide an annual fund worth in the region of £480,000.

2.5 Countryside Renewal Scheme

- 2.5.1 Annual funding of £600,000 for the Countryside Renewal Scheme was allocated in the 2005 budget debate. The scheme is providing part-funding to projects designed to protect and enhance the visual attractiveness of the landscape; provide greater access to the countryside for the public; protect and enhance biodiversity; adopt further measures to reduce diverse pollution and to develop less intensive farming systems. (See Section 8)

2.6 “One-stop Shop”

- 2.6.1 Within Government we will reorganise responsibilities within Departments so as to create a “One-stop Shop” to give clarity to those seeking advice, assistance, and access to support funding in respect of the rural economy.

3. Strategy Definitions

- 3.0.1 The Rural Economic Strategy takes an inclusive view of the rural economy which encompasses all agricultural and land-dependent activities in the countryside. In order to understand the scope of this strategy it is helpful to define the following terms –

3.1 Rural Economy –

- 3.1.1 The cumulative revenues from business activity derived from the use of agricultural land and the countryside (*i.e.* businesses which derive their income from land-dependent activity). This consists of 2 sectors –

3.1.2 Agricultural economy –

Revenues derived from primary agricultural production;

3.1.3 Other land-dependent economic activities –

Revenues derived from other land-dependent activities including soft development businesses with no permanent infrastructure such as camp sites, motor cross, and paint-balling.

3.2 Agriculturalist and agricultural activity

- 3.2.1 There is a need for a new definition of agriculturalist to allow Smallholders (*i.e.* small and part-time farmers) to benefit from Government support and to gain entry into the industry. **Currently an agriculturalist is defined as someone who is mainly or wholly employed in agriculture or horticulture.** New definitions are therefore needed to determine –

- Treatment under Planning legislation
- Eligibility for support payments,
- Agricultural occupancy and land use,

The new definitions are as follows –

- 3.2.2 **A *bona fide* agriculturalist is someone employed in land-dependent primary production, obtaining income from agriculture or horticulture which meets a target level of economic activity as defined by the Strategy (see below).**

- 3.2.3 **A Smallholder (part-time or small-scale agriculturist) is a person actively participating in land-dependent primary production which meets a reduced level of economic activity compared with a *bona fide* agriculturalist.**
- 3.2.4 The measurement of economic activity will be based on the farm's Total Gross Margin which will be calculated using average industry gross margins for each crop/livestock enterprise on the unit. Taking into account the views expressed during consultation the economic activity required to qualify as a *bona fide* agriculturalist is proposed to be £40,000 total gross margin* per annum. This threshold will be met by approximately 35 dairy cows or 57 vergées Jersey Royal potatoes or 90 vergées of courgettes. The low threshold to qualify as a smallholder is proposed to be £5,000 total gross margin* per annum. By introducing the category of Smallholder the Strategy introduces a new entry route into the industry.
- 3.2.5 The difference between the entitlements of a *bona fide* agriculturalist and a Smallholder will be –
- Only *bona fide* agriculturalists using the above definitions will be considered as agriculturalists in respect of the Island Plan and development control considerations.
 - Both *bona fide* agriculturalists and Smallholders can occupy agricultural land under the Agricultural Land (Control of Sales and Leases) (Jersey) Law 1974. However, taking into account the views expressed during consultation, Smallholders will be restricted by only being allowed to occupy up to 20 vergées of land. Beyond this they will be required to occupy any additional land under a temporary licence and this must be linked to a business plan that is designed to move them up to the category of *bona fide* within 3 years.
 - Undertakings below the £5,000 gross margin threshold can only occupy agricultural land covered by the 1974 law under a temporary licence. They will not qualify for the Single Area Payment.
 - If a business or person in either category falls below the appropriate minimum annual threshold they would be given a further 2 years to achieve the appropriate gross margin and retain their status.
- 3.2.6 A Smallholder can become *bona fide* by providing 3 years trading accounts for their business (which show at least one year in profit) with the final year of trading demonstrating they have achieved the required level of economic activity to qualify as a *bona fide* agriculturalist. The clarification of these definitions will –
- Encourage new entrants into the agricultural industry.
 - Enable Smallholders to benefit from subsidy payments.
 - Provide a clear route for a smallholder to become a *bona fide* agriculturalist.
 - Drive the creation of new businesses and diversified activity.
 - Limit area payments to active agricultural businesses.

* *Gross Margin is a measure of the value of the crops and livestock produced less the variable costs involved in producing them. This is an industry-wide measure for which there are standard values which can be applied.*

4. Importance of the Agriculture Industry within the Rural Economy

4.0.1 The agricultural industry has traditionally been at the heart of Jersey society and remains an important part of the economic, social and environmental fabric of the Island.

4.1 Value

4.1.1. Although farming in Jersey has declined in economic importance, today accounting for less than 2% of GVA^[1] (The U.K. GVA is 1.6%^[2]), farming still covers about half of Jersey's land area (48.9% in

2003) whilst employing about 4% of the active workforce.

4.1.2 As well as generating revenue from direct sales, agricultural activity also generates revenue for companies involved in ancillary activities such as supply merchants and export organizations. For example, vegetable exports amounted to 41,340 tonnes in 2003, with harbour dues paid estimated to be in excess of £390,000. The cost of fuel used in 2004 by tomato and pepper growers was in the region of £2 million. The import of animal feedstuffs is estimated at over £1.5 million per annum. These are examples of indirect contributions to economic activity within the Island.

4.2 Pressures on the Industry

4.2.1 The farmers' share of the retail food price has declined significantly because of increased competition selling into centralised markets. There are now more market entrants following E.U. expansion and their lower wage costs are acting to pull down market prices.

4.2.2 The modern consumer demands a wide range of value-added products. People now have higher disposable incomes and are demanding more choice, higher quality and greater convenience. In the U.K. 95% of food is bought from supermarkets and a third of food is consumed outside the home and this proportion is expected to rise in the future.

4.2.3 Competition in the retail sector is increasing and prices are likely to fall, therefore putting even greater pressure on farm incomes. In order to survive in this global economy, farming will need to become even more businesslike, competitive and market/consumer orientated. There will be opportunities for progressive businesses to successfully adapt to these changes, for example by investing in processes which add value to primary production, though it is recognised that this may be easier to achieve for local consumption than for exports due to the nature of the existing supply chain.

4.3 Countryside Character

4.3.1 The Island's countryside character has been shaped by agricultural activity both past and present. This character underpins other areas of economic activity such as tourism, leisure and ancillary businesses as well as contributing to the quality of life for the Island's population.

4.4 Environmental Impact

4.4.1 The wide variety of habitats and the attractiveness of the Jersey countryside historically owes much to the activities of generations of farmers who created the patchwork of fields, hedges, walls and copses which characterise Jersey today. The most cost-effective way of managing the rural landscape in future is by ensuring the active use of agricultural land by viable and sustainable businesses.

4.4.2 Farmers and landowners are seen as the custodians of the countryside and some have taken this responsibility seriously by investing in environmental improvements; however, positive expenditure for the benefit of the environment is generally curtailed by the low profitability within the industry.

4.4.3 Agricultural practices can also have a number of detrimental effects on the environment. Agriculture contributes significantly to the high nitrate levels in our waters though the industry has taken some steps to address environmental concerns in recent years and recent water analyses have shown a downward trend in nitrate levels. In addition pesticides are detected in surface waters as a result of poor application or excessive rainfall soon after application – for instance in February 2005 pesticide contamination of streams feeding into Grand Vaux reservoir caused major problems in the public water supply. Soil erosion as a result of inappropriate cultivations or heavy localised rainfall can also have a detrimental affect on water quality. Criticism is also made of the negative visual impact that glasshouses, polythene tunnels and dumps of used polythene have on the landscape.

4.4.4 This strategy promotes rural diversification, enterprise and innovation ensuring there is active management of the countryside to maintain its unique character, whilst protecting and enhancing the

environment.

5. Key Sector Analysis and Proposals

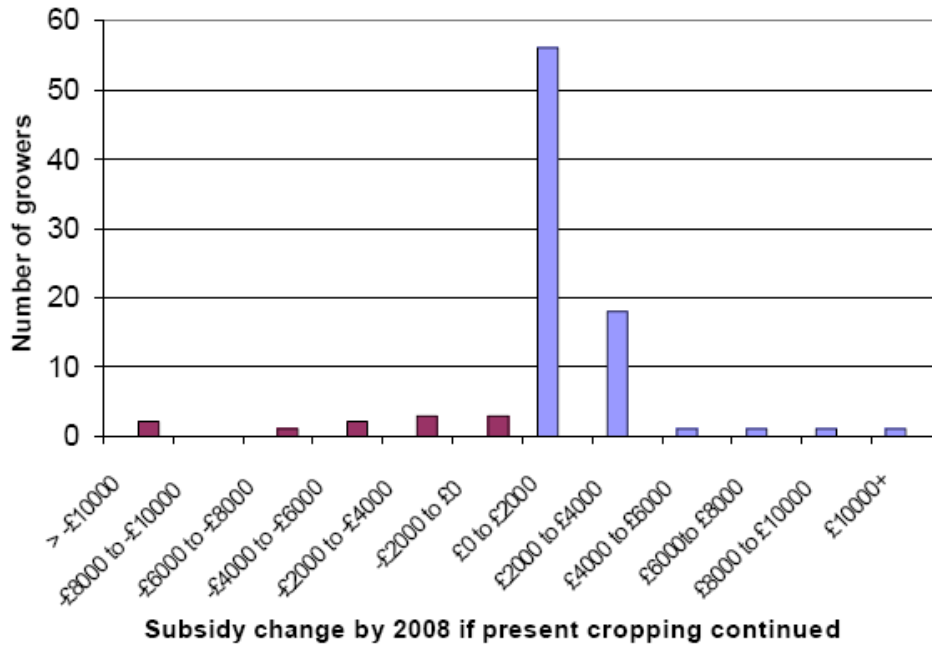
5.1 Arable Sector

- 5.1.1 The arable sector is generally showing a decline in profitability and is now heavily reliant on a single crop (the Jersey Royal potato). This has been due to a number of factors, including: increased competition, category management, globalisation, a change in consumer requirements and a high local cost base. Government financial support to the arable sector has been based on a narrow range of crops with each crop receiving a different level of aid dependant on its costs of production.
- 5.1.2 This system of government support has influenced some businesses to grow specific crops thereby inhibiting innovation and diversification in response to market forces. When the profitability of these specific crops has fallen the industry has generally looked to the government to increase aid payments rather than responding to the changing market.
- 5.1.3 The area planted to the Jersey Royal potato declined from 19,176 vergées in 1999 to 14,240 vergées in 2004. The industry has also seen a decline in the number of farmers and the concentration of marketing function into a small number of organisations. Second crops following the harvest of Jersey Royals have also declined meaning many growers are dependant on potatoes alone for their livelihood.
- 5.1.4 Primary production of commodity crops is unlikely to succeed in Jersey because of the economies of scale and lower cost base of their competitors and it is only by looking to high value, niche products or adding value that the industry can hope to succeed. The Jersey Royal Potato is unique; it cannot be grown and marketed as such from anywhere else in Europe because it is protected by a Protected Designation of Origin (PDO).

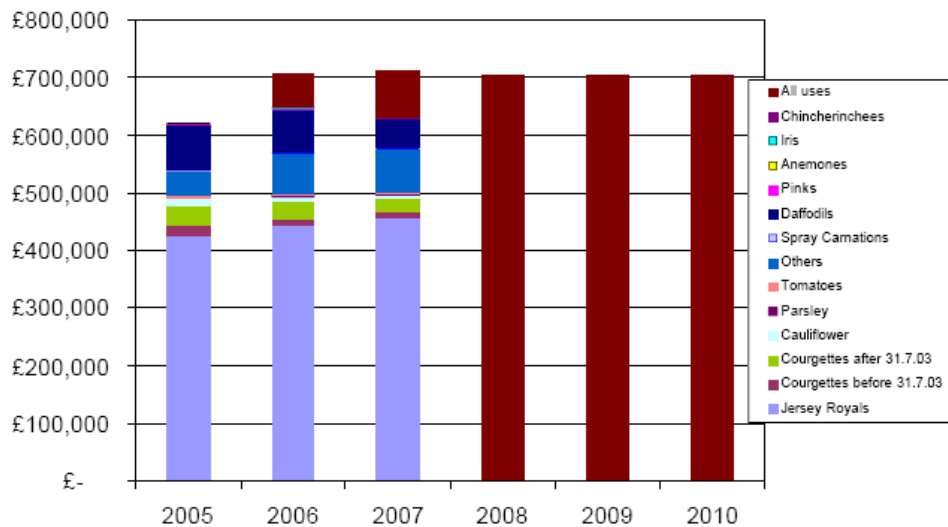
5.2 Policies

- 5.2.1 Financial support will be decoupled from crop production by moving to a Single Area Payment in 2006 with the various crop-based payments being replaced by a £35 per vergée per annum Single Area Payment by 2008. This will simplify the existing system of support and is consistent with the E.U. approach in separating support payments from production. This also removes any bias in Government support, leaving the industry free to respond to market demands.
- 5.2.2 The clear majority of the responses to the Strategy Consultation agreed with the introduction of a Single Area Payment as a more equitable means of government support that would help to stimulate diversification and innovation. Detailed analysis for every grower of the impact of implementing the £35 per vergée Single Area Payment shows that the majority of growers (86%) would actually be advantaged in net payment terms. The following graph shows the effect of the change from the present system to a Single Area Payment, based on present cropping patterns, on the amount of aid received by commercial arable growers.

Direct Aid changes under Single Area Payment in the arable sector.



The following graph shows payments to the arable sector under the Rural Economic Strategy.



5.2.3 Diversification and innovative responses to market opportunities will be encouraged by support from the proposed Rural Initiative Scheme (Section 7).

Key Sector Analysis and Proposals

5.4 Dairy Sector

5.4.1 The dairy industry's profitability over the last few years has been at an historic low and this has led to a low level of on-farm investment. The current viability of the industry relies on a high level of

Government direct aid payments, the Jersey consumer paying a high milk price compared to the U.K., and the maintenance of a law prohibiting the import of liquid milk. In addition there is also increasing demand by Government and the general public that the industry should play an enhanced role in the environmental management of the Island.

5.4.2 The Government has sought as much as possible to support the dairy industry. In 2002 the dairy industry, because of the collapse of the mini pot export market, received extra States funding of £0.8 million to restructure the industry, involving the removal of 4.5 million litres of milk production and 1,071 cow from the Island herd. In addition, despite the above drop in cow numbers the total level of direct aid payment to dairy farmers was maintained at the same level leading on average to a 25% increase in the support level per cow.

5.4.3 The recent improvements at Jersey Dairy, together with the efficiency gains made by individual dairy farmers, was discussed and acknowledged during the consultation process. In addition the industry indicated it is considering the following –

- The relocation of the Dairy to increase efficiency and reduce current overhead costs.
- Improving value for their consumers whilst maintaining the price paid to the dairy producer.
- Improving profitability for both the producer and the Dairy enabling them both to develop and invest in a sustainable future.
- Enhancing the Rules of Supply including an audited animal welfare and environmental scheme which supports its value-added products and market objectives.

5.4.4 The construction of a new dairy specifically designed and built to meet the industries' future needs will significantly reduce the Dairy's running costs. Milk supplies which are currently manufactured into bulk butter and skim milk will then be used to produce value-added products generating higher returns to the Dairy. These efficiency savings and higher returns will enable Jersey Dairy to provide better value to the Island consumer whilst maintaining and improving the price paid to the milk producer. The milk producers can also improve their profitability by introducing further efficiency measures on their farms which significantly reduce production costs – including the improvement of herd genetics.

5.5 Policies

5.5.1 The dairy industry has identified efficiency gains that will flow from, for instance, the relocation of the dairy. It is proposed that current levels of direct aid are maintained until 2007 during this initial transition phase. Thereafter the overall level of financial aid (including support service payments) will be reduced.

5.5.2 Financial support will be decoupled from production by removing current headage payments and moving to a Single Area Payment of £35/vg in 2006 in line with other sectors of the agricultural industry. Whilst the dairy industry adapts an additional Quality Milk Production scheme payment will be made of approximately £196 per animal in 2006 reducing to approximately £155 per animal by 2010. This scheme will be based on audited inspections carried out under the Dairy's Rules of Supply.

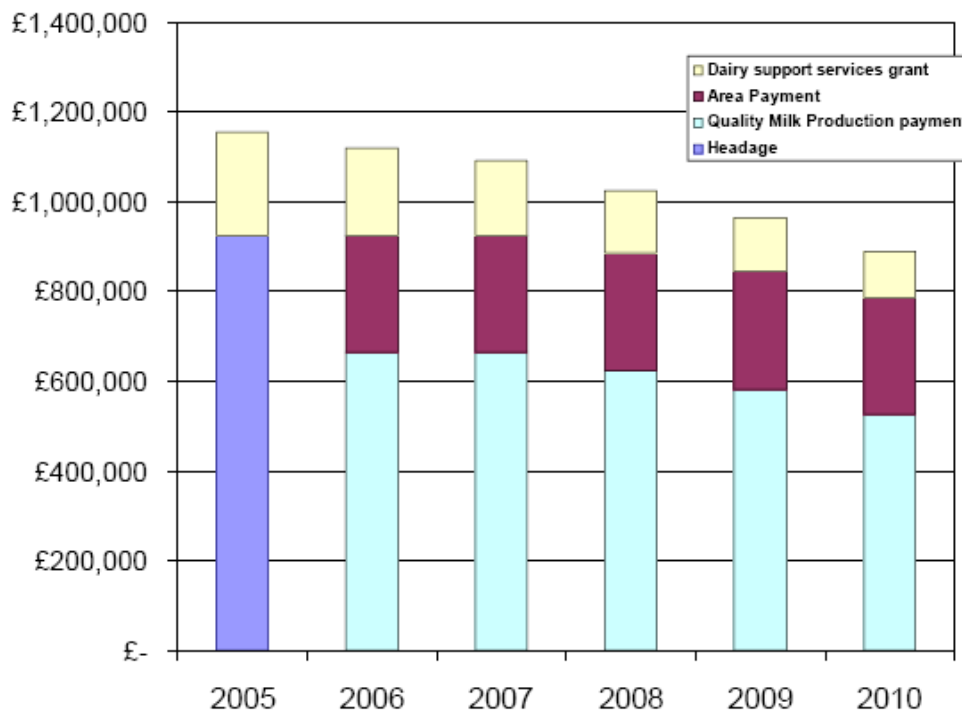
5.5.3 The importation of semen from genetically superior sires for the Island dairy herd must also be considered because it has considerable potential to reduce costs of production in the longer term. The full effects of this genetic improvement will be realised over a 10 to 12 year period with the maximum benefits only being achieved towards the end of this period. Scientific evidence points to major efficiency gains being inevitable if there is access to traceable semen from pure-bred Jersey bulls from outside the Island. Government therefore intends to work with the Dairy industry to identify a mechanism that can operate within the context of a closed herd and still allow very strictly controlled exceptions to the general ban on the importation of cattle semen so as to allow the importation under licence of highly selected genetic material of Jersey lineage to increase the efficiency of the Island's milking herd.

5.5.4 The dairy producers, and the industry as a whole, will also be able to apply for support from the Rural Initiative Scheme to improve their business, diversify, improve efficiency and add value to their products. Grants will be available under the Countryside Renewal Scheme for increased slurry storage capacity – almost half the value of the Countryside Renewal Scheme will be allocated to this environmental priority in the years 2005 to 2008.

5.5.5 The policies for the dairy industry in the Rural Economic Strategy will therefore –

- Support the Industry’s future plans and require that planned efficiencies are delivered.
- Fully decouple direct aid payments from production.
- Promote quality milk production and environmental improvements including greater slurry store capacity.
- Provide funding for diversification and value-added initiatives.
- Encourage the industry to greater self-reliance.

Graph showing current and proposed Dairy support funding.



Key Sector Analysis and Proposals

5.7 Protected Crops (Glasshouse and Polythene tunnels)

5.7.1 The protected cropping industry for the purposes of this strategy has been considered to consist of a high value, high cost and high subsidy sector namely the tomato and pepper growers (High Value sector) and, with a few exceptions, a relatively low value, low cost and low subsidy sector consisting of the remaining growers (Low Value sector).

5.8 High Value sector

- 5.8.1 The tomato and pepper industry has been at the cutting edge of production for a number of years, anticipating and leading in the development of trends such as biological control and the move away from round tomatoes to vine and cherry tomatoes. Despite the entrepreneurial skills which have served the industry well to date, it cannot indefinitely achieve market differentiation and will struggle to compete on a commodity basis because of high fuel, shipping and labour costs. Tomatoes are now traded as a commodity and retailers will continue to source the lowest cost product, provided the quality and continuity meet their criteria.
- 5.8.2 This sector currently receives 90% of the support payments made to the protected crops industry. However, High Value growers have recently experienced several loss-making years and foresee an irreversible decline in their profitability. Both the government and representatives of this sector of the industry acknowledge that current or even extra States aid will not solve their problems.

5.9 Low Value sector

- 5.9.1 The remaining producers (Low Value sector) are also subject to variable profitability due to increased competition and a high cost base. This sector only receives 10% of the total payments but again these are linked to production subsidies relating to a limited number of crops with the actual subsidy received being dependant on the crop grown.

5.10 Environmental Impact

- 5.10.1 The presence of glasshouses and polythene tunnels detract from the amenity value of the countryside and have no positive contribution to the character of the Island's rural landscape.

5.11 Policies

(1) Restructuring payment for the High Value Sector

- 5.11.1 The government has committed to the current level of support to 2007 which thereafter would be modulated down to the Single Area Payment by 2010. However due to the acknowledged irreversible decline in the profitability of this sector it is futile to continue these payments in the long term. A better approach would be to help the growers to adapt by either re-investing, diversifying or leaving the industry completely.
- 5.11.2 Therefore following consultation with the industry it has been agreed that there should be a one-off payment in 2006 to this sector by rolling forward 100% of the payments for long season tomatoes and peppers that would otherwise have been made in the years 2006, 2007 and 2008. This would be calculated on the average of the areas planted in the 2004 and the 2005 season. By bringing forward expenditure Government achieves a net saving after 3 years whilst at the same time enabling economic activity to continue in the sector through investment and diversification.

5.11.3 Development

In the eventuality that a site is developed or sold for development within the next 3 years the government reserves the right to recover part or all of any payment made to the individual or business.

- 5.11.4 The danger of sites just being abandoned is covered by existing planning legislation which can require the site to be returned to its former condition if it becomes derelict.

(2) Ongoing financial support (High and Low Value sectors)

- 5.11.5 In the future, financial support will be decoupled from crop production by moving to the Single Area

Payment for both sectors. The Single Area Payment would be achieved in 2006 for the High Value sector and through a managed transition of the payment rate by 2010 for the Low Value sector.

5.11.6 By staggering the move to the Single Area Payment over 5 years the Low Value sector will have sufficient opportunity to shift to uses that do not require the current level of subsidy.

5.11.7 Support for innovative projects and diversification would be available through the proposed Rural Initiative Scheme (Section 7). In addition further support will be available through components within the Countryside Renewal Scheme such as energy audits.

6. Diversification

6.1 Growing the rural economy

6.1.1 Whilst some growth will be achieved through greater productivity in existing businesses we expect the majority of the 2% growth target to be delivered by innovative diversification – into new land uses, new markets and new forms of added value. Such a transition will be enabled by the broader based support provided by the Single Area Payment, a more flexible use of agricultural land and the measures contained within the Rural Initiative Scheme described in section 7.

6.2 Agricultural diversification

6.2.1 Agricultural Statistics from 1970 to 2003 show a 26% reduction in the amount of agricultural land farmed in Jersey. While detailed information has not been collated it is apparent that some of this loss can be explained by permanent development, natural reversion of marginal land and change to other uses such as community projects.

6.2.2 The agricultural statistics also show a decrease of approximately 5,000 vergées in the area of Jersey Royal potatoes being cultivated between 1999 and 2004. In addition, in 2002 over 1,000 dairy cows were removed from the Island dairy herd again releasing approximately 2,500 vergées of land for other purposes. While most of this land has been taken up by active farmers to enhance their businesses, there has been a general decline in the amount of land farmed.

6.2.3 With the active management of agricultural land seen as vital to the maintenance of the unique character of the Jersey countryside there is obviously a need for diversification in the rural economy.

6.2.4 The present subsidy system is restrictive as it only supports milking cows and a limited number of crops. The proposed Rural Economic Strategy encourages an increase in diversification by the introduction of the Single Area Payment, which will support the greatest range of livestock and cropping. Further support will be available through the proposed Rural Initiative Scheme (section 7).

6.2.5 There is a considerable potential for adding value to locally produced foodstuffs by processing raw produce into prepared or pre-packed products or producing new higher value foodstuffs, which could either be marketed to the local consumer or sold as premium products for export.

6.3 Example 1 – Vegetables and salad

6.3.1 Local expenditure on vegetables and salads is around £12.5 million per annum. Much of the products required for this market are imported. Whilst some are basic commodities, a large proportion are value-added prepared products. An example of the changing market is the £1 million plus spent by local consumers on imported prepared salads and stew packs which are prepared in the U.K. with some of the ingredients originating in Europe. Currently the local agricultural industry lacks the infrastructure and market awareness to benefit from these added value products.

6.4 Example 2 – Meat production

6.4.1 The local meat market is worth at least £21.5 million per annum (without counting visitor consumption) but Jersey currently produces a tiny percentage of this market. An outstanding example of the potential for meat production in Jersey is the lamb market. Currently local farmers produce around 250 lambs per year. However the total imports of lamb are at least 15,000 per year. An increase in the production of local lamb therefore has great potential but will require investment, training and infrastructure and marketing skills to make it a success. Lamb is only one possibility; beef, pork and chicken have equal potential for the future. The increase in local meat production would also see a greater throughput at the abattoir, thus spreading fixed running costs which are mainly met by States funding. Feasibility studies to assess how meat production on the Island can be geared to satisfy local and export demand are underway.

6.5 Example 3 – Other agricultural diversifications

6.5.1 Examples of other agricultural activities that could be and are being considered by local farmers and new entrants include equine livery, cereal production for animal feeds or local bread supplies, protein crops for animal feed, essential oils for cosmetics or other therapies.

6.5.2 The local horse industry is large with around 1,200-1,500 horses on the Island and an estimated consumer spend of £8.5 million not including stabling and grazing costs. It is estimated the local consumer is purchasing between 8,000 to 10,000 loaves of bread per day with none of the wheat these loaves contain being produced in Jersey. The dairy industry and other livestock owners import large volumes of concentrated feedstuffs valued at over £2 million per annum in order to satisfy the demands of their animals. Pet and wild bird feeds purchased in Jersey are again virtually all imported at high cost. Jersey Lavender and La Mare vineyards have shown that successful businesses can be developed from niche high value crops grown in Jersey.

6.5.3 The above are just some of the examples of the large potential for diversification in Jersey but it should be remembered that it is not the role of Government to pick and choose winners but to provide support and advice in order to encourage entrepreneurs. Funding under the Rural Initiative Scheme for market research will highlight other potential opportunities.

6.5.4 The cost of providing infrastructure may be a barrier to business start-ups if undertaken by individual businesses. The Rural Initiative Scheme acknowledges this possibility and contains the option to cover the part-funding of common infrastructure to act as a catalyst for business development.

6.6 Policies

6.6.1 While there appears to be good potential for diversification in the agricultural economy, in order to succeed businesses will need to –

- Conduct market research and feasibility studies
- Raise capital for investment and operating costs
- Develop infrastructure and relevant skills
- Develop products that meet their customers' demands

6.6.2 Individual farmers, companies, new entrants and group/cooperative ventures will be aided by –

- Delivery and funding of advice and training
- Access to the Single Area Payment system
- Provision of support through the proposed Rural Initiative Scheme (section 7)
- The Small Business Development Service and the Small Firms Loan Guarantee Fund.

Diversification

6.7 Other Land-dependent Activities

Tourism and Leisure

- 6.7.1 Tourism is an important part of the economy and underpins many of the services such as sea and air travel that both visitors and residents rely on. Indeed many businesses also rely on the spending generated by tourism.
- 6.7.2 There is a need to encourage tourism based on the quality of the Island environment, especially where it relates or adds to, the Island's distinctive landscape, or its cultural or historic character.
- 6.7.3 At present traditional farmhouse accommodation is limited with few new developments. A high proportion of visitors are elderly and overall numbers are declining although this trend may have levelled out in 2004. As in the traditional farming sectors the Tourism and Leisure Industry has a high cost base and faces increased competition from other destinations. However there is an increased demand for leisure and activity facilities by locals and tourists.
- 6.7.4 Tourism has developed a strategy based on attracting first-time younger visitors, activity based holidays with a lower cost base and modern attractions. At the same time there is a need to increase the availability and range of accommodation from traditional Bed & Breakfast, to cabin style, self-catering farm stays combined with activity holidays such as golfing, walking and cycling. However these need to be accompanied by improved access, footpaths, bridle paths and other facilities and infrastructure.

6.8 Other activities

- 6.8.1 Tourism is only one possibility for diversification away from agriculture that could be considered as part of the rural economy. There are a whole range of businesses that could be encouraged to locate in rural parts of the Island as long as their impact on the locality is not detrimental. Examples could be alternative uses for redundant agricultural buildings and/or land such as document storage, fulfilment companies, service industries and manufacturing. This list is not comprehensive and a flexible approach to business activity in the countryside is required in order to encourage entrepreneurial activity and the growth of the rural economy.
- 6.8.2 It is proposed that the Rural Economic Strategy will help diversification from primary agricultural production by providing support and encouragement through the Rural Initiative Scheme.

7. Rural Initiative Scheme (RIS)

- 7.0.1 The underlying principle of the Rural Initiative Scheme (RIS) is to promote growth in the rural economy by supporting appropriate diversification, enterprise and innovation. Another prime consideration is that these new ventures will meet environmental and social objectives by reversing the decline in land-dependent activity and therefore helping to maintain and enhance the character of the Jersey countryside. The RIS is intended to help bring about a step change in the performance of the rural economy over the next 5 years.
- 7.0.2 Businesses in the agriculture sector can pose a high investment risk due to the uncertainty of production and the volatile marketplace in which they operate. Coupled with high levels of existing debt it is harder for them to raise capital and access conventional borrowing as they are perceived as a relatively high risk by banks and other mainstream lenders.
- 7.0.3 Non-agricultural industries within the rural economy may be seen as a relatively lower risk and may be able to secure commercial funding which agricultural businesses could not. New start-ups may however lack sufficient equity against which to secure borrowing.
- 7.0.4 The RIS will be consistent with the overall approach taken by the Economic Growth Plan to encouraging enterprise in the economy and could operate through a combination of mechanisms –
- Providing an additional Small Firms Loan Guarantee Scheme for the rural economy.

- Offering rural specific advice within an expanded Small Business Service in the Island.
- Supporting market research, demonstration projects and scoping studies.
- Enabling Government to fund the provision of common infrastructure where this will act as a catalyst to further rural activity - for instance to provide modification to the abattoir facilities that will support the creation of on-Island meat production.
- Offering businesses transitional support grants for diversification.

7.0.5 Support will be based on sound business plans which demonstrate that new and existing businesses will –

- Develop new markets and services,
- Improve employment opportunities,
- Not displace existing businesses,
- Add value,
- Identify skill requirements,
- Improve productivity,
- Reduce costs,
- Not detract from the rural landscape and countryside character.

7.0.6 The RIS will be funded from the amalgamation of existing marketing and other schemes. It is expected that it will total about £480k in 2006 and potentially increasing to about £530k by 2010.

7.1 Eligibility

7.1.1 Whilst support could have been restricted to agricultural businesses the RIS will encompass all land-dependent rural enterprises. By making all land-dependent rural enterprises eligible, including agricultural businesses and land-dependent soft development, a greater range of economic activity and entrepreneurial businesses can be supported.

8. Countryside Stewardship

8.0.1 In addition to stimulating the rural economy the Rural Economic Strategy is also designed to protect and enhance the unique character, recreational and amenity value of Jersey's countryside.

8.1 Basic Stewardship

8.1.1 At present compliance with basic Codes of Good Agricultural and Environmental Practice is patchy and there is no link between compliance with these Codes and the receipt of direct aid payments. Whilst some businesses are taking steps to implement a range of environmental initiatives others, possibly due to lack of funds, are lagging behind.

8.1.2 The Scrutiny Panel review of the Agri-environment Scheme in 2004 pointed out the desirability of making support payments conditional upon good environmental performance. It is therefore proposed to introduce basic conditionality – linking the receipt of Single Area Payments and Quality Milk Payments to the achievement of adequate compliance with basic environmental requirements.

8.2 Cross-compliance penalties

8.2.1 From 2006 to receive support payments all businesses will have to meet prevailing codes of good agricultural and environmental practice and other appropriate standards. Each farm, for example, will be required to have an approved Farm Manure and Waste Management Plan. A sliding scale of penalties will

be introduced for non-compliance.

8.3 Enhanced Stewardship

8.3.1 In 2005 the States of Jersey introduced a Countryside Renewal Scheme which will –

- Protect and enhance the visual attractiveness of the landscape.
- Provide greater access to the countryside for the public.
- Protect and enhance biodiversity.
- Adopt further measures to reduce diffuse pollution.
- Develop less intensive farming systems.

8.3.2 Annual funding of £600,000 for the Countryside Renewal Scheme has been agreed from 2005. The scheme is administered by the Environment and Public Services Committee thus avoiding the split between policy development and delivery which was flagged up as potentially unhelpful by the Scrutiny Panel.

9. Planning

9.0.1 The Jersey Island Plan was adopted in 2002, outlining framework policies for land use and planning decisions. The key principles underlying the Island Plan are those of sustainability and balance – allowing a rational balance between the development requirements of today's generation, without compromising the heritage to be passed on to future generations. This Rural Economic Strategy seeks to build on those principles.

9.0.2 The Rural Economic Strategy requires a co-ordinated approach with Planning, concerning development proposals in the countryside: It has long been recognised that Jersey's countryside is a precious resource, which must not be dissipated by uncontrolled piecemeal development. At the same time, research and consultation informing the Rural Economy Strategy have clearly shown that the Island's agricultural industry must continue to adapt, or face slow extinction.

9.0.3 Rural businesses, just like any others, need to invest in new facilities to improve efficiency, develop value-added products and/or replace outdated facilities. It is inevitable that these aims will require an element of new construction. This requirement raises 2 linked principal issues – how best to ensure that any new development has the most positive possible impact on the amenity of the countryside, (which includes the question of what should be done with built facilities which become redundant and/or need replacement), and the issue of how the necessary capital can be raised.

9.0.4 There already exist a number of interconnected planning policy options in the sphere of countryside development. It is proposed that these should be expanded and strengthened, with the aim of encouraging appropriate business development in the countryside, while protecting and enhancing the rural environment. The remainder of this section discusses these present and potential policy options in more detail.

9.1 Planning agreements/obligations (Planning gain)

9.1.1 When a new development is given planning permission, it can have an impact on the surrounding area which requires the existing infrastructure to be upgraded, e.g. through increased traffic movements, by placing additional demand on drainage, or by reducing the amenity value of the area. The current planning gain policy (the result of extensive consultation) allows the Environment and Public Services Committee, within very clear parameters, to extract a return from such developments, by granting planning permission subject only to conditions requiring the developer to make specific, proportionate improvements linked to the public good. An example of such planning gain, achieved through the existing policy, has been the road improvements required as a condition of the expansion of the Checkers store at Rue des Pres. It is proposed that the Environment and Public Services Committee should investigate the

scope for expanding that principle in the context of rural economy development applications.

9.2 Land Development Levy

9.2.1 When landowners are given planning permission to develop land, the value of that land immediately increases, giving rise to a one-off windfall benefit. The introduction of a Land Development Levy would enable a financial contribution (Levy) to be obtained from the landowner or developer who has gained from such a windfall, thereby allowing the States of Jersey to raise additional revenues to fund services for the benefit of the community. The evaluation of options for a Land Development Levy was agreed in the Fiscal Strategy debate of 11/12th May 2005.

9.3 Enabling or linked development

9.3.1 Enabling or linked development is the term given to development of a site for purposes outside the landowner's principal business, with the capital so raised being used to fund the construction of facilities which will enhance business performance and/or have a positive environmental benefit.

9.3.2 The agricultural industry has a major strategic asset, in its considerable land bank. It is self-evident that almost any business modernisation scheme could, in theory, be funded through the mechanism of obtaining development permission for non-agricultural development on part of that land. It should be equally self-evident that it would not be in the best long-term interests of the community to allow all and any such development to take place.

9.3.3 It is nevertheless possible for some business modernisation, with new facilities, to have a *positive* impact on the countryside, particularly when it is conditioned on the removal of unsightly, disused buildings, or on general amenity improvements. Such an arrangement might be used to achieve the clearance of derelict and eyesore sites, such as no-longer-viable glasshouses, and the return of the site to a natural condition, as part of a larger package. There could be an element of 'cross-subsidy', in planning gain terms, with construction on one site being offset against amenity improvements on the same or a different site.

9.3.4 The Environment and Public Services Committee therefore intends to review current countryside planning policies, with a view to facilitating appropriate enabling or linked development, in carefully prescribed circumstances. An underlying principle could reasonably be that the financial gain to the landowner from the development permitted should not exceed the investment necessary for new facilities to be constructed. It is also recognised as essential that the revised policies should reflect the general principle that unrelated construction should not be the automatic 'first resort' of rural businesses seeking to fund the modernisation of their core operations.

9.4 Agricultural Buildings

9.4.1 The Environment and Public Services Committee has recognised that the 2002 Island Plan lacks the appropriate level of detail, within the Countryside Planning policies, in terms of the criteria for determining agricultural planning applications, especially in terms of new storage sheds and proposals for the change of use of existing ones.

Agricultural sheds

9.4.2 To facilitate the most efficient use of redundant agricultural buildings, it is proposed to develop a web site giving information on the availability and demand for agricultural buildings. This will assist Planning Officers in arriving at an informed view about the appropriateness of alternative uses.

Agricultural dwellings

9.4.3 The Environment and Public Services Committee is also currently reviewing the detailed criteria used to determine the justification for the construction of new farm buildings, including sheds, farmhouses and

staff accommodation, and will be publishing the revised criteria as soon as that work is complete.

10. Legislation

- 10.0.1 Legislation is necessary to ensure that agricultural goods are produced, supplied and traded in a manner that protects public health, meets environmental standards and complies with international obligations. This necessary legislation has to be implemented, controlled and monitored cost-effectively, thus ensuring compliance and the maintenance of standards. The States of Jersey has enacted legislation covering agricultural trade and has an inspectorate service in place to monitor the effects and compliance to those Laws.
- 10.0.2 During the development of the Rural Economic Strategy a wide range of stakeholders were consulted about the current level of legislation and controls impacting on the rural economy. In general the stakeholders agreed with the need for effective legislation and had little or no problem with the laws enacted. However there was disquiet amongst some stakeholders with the current cost and bureaucracy involved in the implementation and monitoring of the laws by States Departments.
- 10.0.3 There was some concern that the industry's own voluntary effort was duplicating the current level of States regulatory effort. Conversely there was comment from other stakeholders that there is not enough enforcement of some areas of legislation, e.g. Weeds (Jersey) Law 1961.
- 10.0.4 To examine the above conflicting concerns an independent assessment was commissioned from the U.K. National Audit Office, assisted by Dr Donald McQueen, regarding livestock regulations. Their reports conclude that Jersey has an adequate legislative regime with proportionate levels of inspection and enforcement. One exception to this are regulations concerning the abattoir where a major revision of legislation and practices are required prior to the development of an export trade.

10.1 Agricultural Land (Control of Sales and Leases) (Jersey) Law 1974

- 10.1.1 Particular reference was made by the agricultural industry to the importance of maintaining the Agricultural Land (Control of Sales and Leases) (Jersey) Law, 1974. The purpose of this law is to maintain land for commercial agriculture, prevent the splitting of fields and prevent the domestication of agricultural land.
- 10.1.2 About 65% of agricultural land is owned by non-agriculturalists and Jersey farmers have no security of tenure as in the U.K. The removal of the restrictions, of who can occupy agricultural land, could therefore lead to existing farms losing tenure on important parts of their holding and face greater competition for land, leading to increased rents. In turn this would result in higher costs, less efficiency, fragmented farms and lower investment.
- 10.1.3 There is a convention for short-term/verbal leases between landlord and tenant rather than the formal registration of long-term agreements in the Royal Court. In such short-term arrangements the landlord is not tied into a long-term tenant if the possibility of higher rental income or windfall development arises and the tenant is not tied into his existing area of land if his business increases or diminishes or the possibility of cheaper, better and/or more convenient parcels of land become available.
- 10.1.4 The argument therefore for the maintenance of the 1974 Law is that it allows the flexible use of agricultural land by *bona fide* agriculturalists, maintains a bank of land for agricultural activity and plays a role in safeguarding the character of the Jersey countryside. The arguments for the abolition of the Law are that landowners cannot utilise their land according to their wishes and that rental value of agricultural land is kept artificially low as tenancy is restricted to agriculturalists.

10.2 Policies

- 10.2.1 The Agricultural Land (Control of Sales and Leases) (Jersey) Law, 1974 will be maintained but with a more flexible approach in respect of who can occupy agricultural land and what activities can take place

under license.

10.2.2 The designation of Smallholder will increase demand for agricultural land from small-scale or part-time farmers as will a wider definition of what agricultural activity entails, e.g. livery, etc. The maintenance of the Land (Control of Sales and Leases) (Jersey) Law 1974 will also have a positive effect of preserving the highly valued character of the Jersey countryside.

11. Delivery Mechanisms

11.1 Financial Support

11.1.1 The proposed Rural Economic Strategy will consolidate the present range of agricultural crop subsidies into a Single Area Payment linked to basic levels of environmental compliance. The dairy industry will receive additional payments for quality milk production. This proposal will remove production-led subsidies and encourage a broader and more diversified industry. This policy change will reduce bureaucracy, simplify administration and lead to more effective government intervention.

11.1.2 The creation of a new category of agricultural land occupant, the Smallholder, will provide financial support through eligibility for the Single Area Payment and act as an incentive for new entrants to the industry.

11.2 Legislation

11.2.1 The current laws and controls have been reviewed to ensure efficiency and compliance with international commitments.

11.3 Rural Initiative Scheme

11.3.1 The Rural Initiative Scheme will promote growth in the rural economy by supporting appropriate diversification, enterprise and innovation. This scheme will only be available to rural land-dependent initiatives and it will be funded from the amalgamation of existing marketing and promotion schemes, other grants and some of the Over Thirty Month Scheme funding.

11.4 Countryside Renewal Scheme

11.4.1 This scheme is in operation and provides funding to projects designed to protect and enhance the visual attractiveness of the landscape; provide greater access to the countryside for the public; protect and enhance biodiversity; adopt further measures to reduce diverse pollution and to develop less intensive farming systems.

11.6 Planning

11.6.1 Planning policies will be developed to facilitate enabling and linked development.

11.5 One-stop shop

11.5.1 Rural policy and delivery are currently fragmented across Government. In order to achieve a more co-ordinated approach to delivery the relevant elements from Jersey Agriculture, Public Services and the Department of Environment will need to be linked together. This will be addressed in the run-up to the implementation of Ministerial Government.

12. Measures of Progress

12.0.1 A co-ordinated approach to monitoring and measuring the impact of the strategy is essential to make best use of limited resources and to ensure the policy is achieving the desired outcomes.

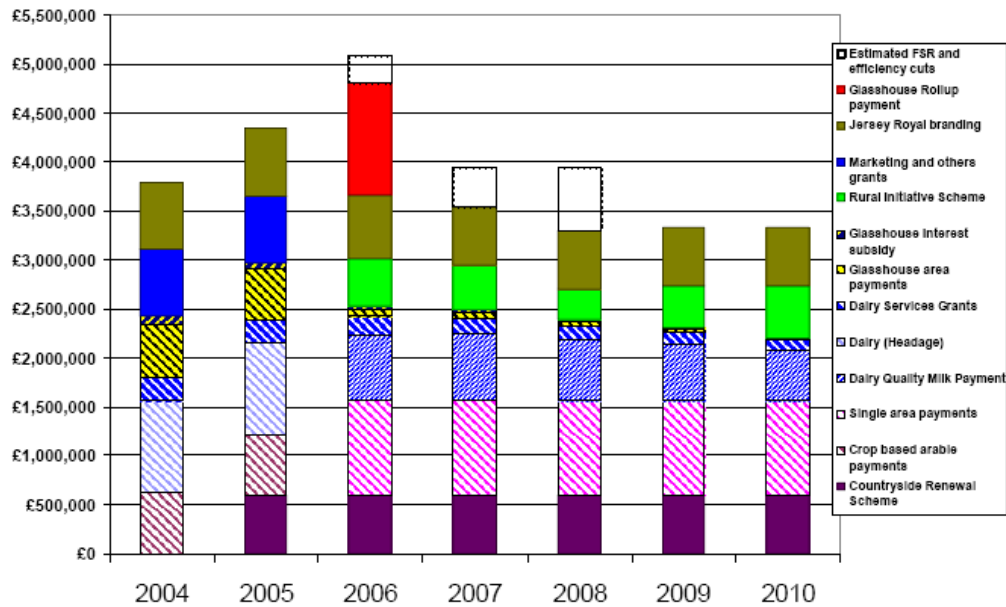
12.0.2 It is intended to use existing bodies (e.g. NGOs and other Government Departments and the Integrated Policy Network) together with current and proposed information sources to monitor and measure the

effects of the Rural Economic Strategy. In 2009 it is envisaged that a full review of the strategy will be undertaken in order to gauge if its desired outcomes have been achieved and if the adopted policies are adequate and appropriate for the period beyond 2010.

<i>The Rural economic Strategy will</i>	<i>Success Indicator</i>	<i>Measured By:</i>
<i>Implement an economic development policy to encourage economic growth</i>	Sustainable economic growth in the rural economy.	<ul style="list-style-type: none"> • Gross Value Added sector analysis • Tax revenue for sector • Business registrations • Financial data from rural sectors
<i>Explore and promote new opportunities for the rural economy.</i>	<p>Withdrawal of production-led subsidies for agriculture</p> <p>A wider range of rural enterprises</p> <p>Improved productivity and efficiency</p>	<ul style="list-style-type: none"> • Year on year reduction of production based subsidies from 2006. • Total withdrawal of production led subsidies by 2010. • Land use survey • Gross incomes imports/exports • Market survey • Statistics • Number of Smallholders • GVA per employee • Skills audit (TEP) e.g. NPTC registration
<i>Protect and promote Jersey's environment as one of its most important assets</i>	<p>Development of environmental Improvement and rural enterprise initiatives</p> <p>Diversified land-use which ensures protection of green-land</p> <p>Increased public access to the countryside</p>	<ul style="list-style-type: none"> • Increased land area covered by environmental initiatives. • Increased compliance with Codes of Good Agricultural practice measured by: <ul style="list-style-type: none"> • Increased number of approved Crop Protection Management Plans. • Increased number of approved Farm Manure and Waste Management Plans. • Land use survey • Species survey • Habitat survey • Footpath length • Bridle path length • Cycle path length

13. Budget Forecast

The effect of this strategy on the overall budget for the rural economy is shown in the following graph –



The existing 'marketing and other grants' in 2005 is made up of a number of different elements including: Trade promotion grants, small organic grants, joint marketing grants, OTMS funding, etc.

13.0.1 The Rural Economic Strategy simplifies the existing system of over 15 streams of funding (and numerous further sub-streams) to just 6.

13.0.2 Over the period 2005 to 2010 Government spending will reduce from £4.38 million to £3.60 million (a 2005 price base). This reduction is consistent with the overall drive to reduce Government expenditure.

14. Conclusion

14.1 The Rural Economic Strategy will:

- 1 – **Promote efficiencies and market responsiveness** by decoupling direct aid payments.
- 2 – **Increase diversification** by supporting a **broader base of agricultural activity**.
- 3 – **Promote business confidence** by giving a clear picture of government support.
- 4 – **Stimulate Economic growth** by **driving diversification** and **innovation** through the **Initiative Scheme** and **encouraging new entrants**.
- 5 – **Protect the environment** by introducing base line conditionality to direct aid payment.
- 6 – **Enhance the environment** through the **countryside renewal scheme**.

Increase government efficiency by:

- 1 – **Better** government as a result of integrated policies.
- 2 – **Cheaper** government through reduced expenditure.
- 3 – **Simpler** government by the consolidation of schemes.

14.2 Further information on this document can be obtained from

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A web-based version of this document is available at www.edd.gov.je/res

15. Appendix – Summary of questions and responses

During the consultation on this strategy a series of 30 questions were established to gauge opinions. The outcome of discussions around these questions and the written submissions received were used in finalising the policies within the strategy. A summary of the questions and the responses is given here.

1. Have we set the thresholds that distinguish between smallholders and *bona fide* Agriculturalist correctly?

Yes, the general consensus agreed to a distinction between smallholder and *bona fide* agriculturalists but where comment was made it was thought that the proposed levels were too low. *The strategy has accordingly been amended.*

2. Do you agree with the introduction of a Single Area Payment system?

Yes, the clear majority of the responses agreed with the introduction of a Single Area Payment as a more equitable means of government support that would help to stimulate diversification and innovation.

Perversely, some respondents argued both that the current system of subsidies had not distorted growers' choice of crops but that a move to a Single Area Payment would lead to some categories of crops which currently receive a higher level of support not being grown, and therefore to a lower diversity.

Detailed analysis of the impact of implementing the £35 per vergée Single Area Payment for every grower shows that the majority of growers (86%) would be actually be advantaged in net payment terms.

For example, a farm currently receiving say £3,700 a year for a range of crops attracting different levels of subsidy would in future receive about £4,800 if he maintained his existing cropping pattern. There is no coherent argument that would support the view that this would lead to changes in cropping patterns (unless of course the market response was actually being distorted by subsidy).

The move to a Single Area Payment is fundamental to this Strategy and its objectives and is pivotal to its success.

3. Should the law banning the importation of liquid milk be maintained?

Yes, the majority of responses were in favour of keeping the liquid milk ban.

4. Do you agree that production-based subsidies (headage payments) should be replaced by a combination of the Single Area Payment and an animal welfare incentive payment?

Yes, the majority of responses agree with the Single Area Payment and animal welfare payments (changed to the Quality Milk Payment). *It must be emphasized that it is the intention to phase out the Quality Milk Payments and service support to bring the dairy industry into line with the other agricultural sectors.*

5. Do you agree that the dairy industry should have a greater degree of self-reliance?

Yes, the majority of responses agree that the dairy industry should be more self-reliant.

6. Is the provision of financial support for the services required by the dairy industry a legitimate role for Government?

No, the majority of responses did not believe that government support of industry services was appropriate. *However support will continue on a reducing basis as a transitional arrangement whilst the Jersey Dairy and Industry implement their proposed restructuring.*

7. Do you agree that the roll forward of committed Government support is the best option to achieve a managed transition for the high value crop sector (Tomatoes and Peppers)?

Yes, the majority of responses agreed with the proposed roll forward of government aid. Discussions with the industry also confirm their support for this course of action and this will enable them to restructure and reposition their industry on a lower cost base thereby increasing profitability and ensuring a chance of future success. *It is the intention to base the roll forward on 50% of the High Value Tomato and Pepper areas grown in 2004 and 2005 to take into account the impact that the catastrophic 2004 season had on some growers and decisions they made as a result.*

8. Is the provision for the claw back of the above restructuring payments (if a high value glasshouse site is developed within three years) an equitable solution that sufficiently protects the public interest?

The majority of responses agreed with the clawback of government monies if the site should be developed. Comment was made that the clawback period should be extended longer than 3 years. *This was felt to be counterproductive and may delay or even stop new initiatives being implemented.*

9. Should the support payments for the whole protected crops industry be modulated to the Single Area Payment of £35 per vergée by 2010?

Yes, the majority of responses were in favour of the Single Area Payment.

10. Is diversification beyond Jersey's traditional agricultural activities essential if the rural economy is to expand and prosper?

Yes.

11. Is it the role of Government to provide advice, training and funding incentives in order to grow the rural economy?

Yes, the majority of the responses were in favour of government support as long as it was not prescriptive but was acting as an enabler or facilitator to achieve its desired goals.

12. Should more niche tourist and holiday activity ventures be encouraged in the Jersey countryside?

Yes, the majority of the responses were in favour that more niche tourist and holiday activity ventures should be encouraged in Jersey provided that the overall character of the countryside was not fundamentally changed.

13. Should the development and funding of tourist and activity holiday ventures be supported by the Rural Initiative scheme?

A number felt that support should come from the Tourism Development Fund where development was not derived from agriculture. *The intended support will benefit agriculturalists by helping them diversify in order to increase business profitability and to stimulate the Rural Economy. This will be done in conjunction with Jersey Tourism.*

14. Is a more flexible approach required to the location of other business activities into redundant

agricultural building and land?

Yes, the majority of the responses were in favour of a more flexible approach as this will meet a need for industrial units which is not being met at the moment. *It is also proposed to develop a web site which will act as an information awareness centre as to the availability and need for agricultural buildings and land which would then allow Planning to take an informed view on alternative uses.*

15. If agricultural buildings and/or land are to be used for alternative businesses should these developments be self-funding?

Yes, the majority of the responses were in favour of developments being self-funding.

16. What do you consider to be the main barriers that are currently limiting innovation and diversification?

A number of barriers were identified but the main ones were:

Planning Issues
Government Interference (unless financial support)
Lack of available finance
NIMBYism

17. Which of the components outlined in paragraph 7.1.4 (the Rural Initiative Scheme components) are most likely to deliver an effective, long-term change in innovation and diversification?

The responses indicated that Market Research and Start-Up Support Grants were perceived as the most likely to deliver innovation and diversification.

18. What should be the appropriate test for basic environmental compliance? For example should each farm have an approved Farm Manure and Waste Management Plan demonstrating the effective and safe use and storage of fuel, fertilisers, pesticides and manures and the environmentally friendly disposal of its waste products?

None of the respondents queried the need for basic environmental compliance in order for businesses to receive direct aid and the majority agreed that the minimum level should either be the Assured Produce Standard or its equivalent.

19. We intend, in the first 3 years, to spend approximately half the funds for the Countryside Renewal Scheme on support for the provision of adequate slurry storage facilities on dairy farms. Do you agree with giving this element priority?

Whilst this question highlighted conflicting view points, most people recognised the need to take action on slurry and manure disposal and as a consequence money has been committed under the CRS.

20. Should development control policy allow enabling and linked development?

Yes, the majority of the responses were in favour of allowing enabling and linked development.

21. Should significant developments in the Countryside be linked to the construction of improved infrastructure for the public good?

Yes, the majority of the responses were in favour of planning gain with the proviso that one should not be able to “buy” planning permission.

22. Should the taxpayer benefit from the increased value of agricultural land used for non-agricultural developments?

Yes, the majority of the responses were in favour of the taxpayer benefiting from increased land values.

23. Is the retention of the Agricultural Land (Control of Sales and leases) (Jersey) Law 1974 necessary to preserve the character of the Jersey Countryside?

Yes, the majority of the responses were in favour of retaining the Agricultural Land (Control of Sales and Leases) (Jersey) Law 1974, though it was felt that it could be modified to allow more flexibility in its implementation.

24. Should there be unrestricted removal of agricultural land from the agricultural land bank for domestication or other non-agricultural purposes?

No, the majority of the responses were against unrestricted removal of agricultural land from the agricultural land bank for domestication or other non-agricultural purposes but government should be flexible in its approach.

Domestication of agricultural land can be addressed by existing legislation.

25. Is a greater degree of flexibility in who can occupy agricultural land the correct approach for the Rural Economic Strategy?

Yes, the majority of the responses were in favour of a greater degree of flexibility.

26. Should the Agricultural Land (Control of Sales and leases) (Jersey) Law 1974 be repealed?

No, the majority of the responses were against the repeal of the Agricultural Land (Control of Sales and Leases) (Jersey) Law 1974.

27. Does the Rural Economic Strategy achieve the desired outcomes of –

- A. withdrawing production-led subsidies for agriculture?
- B. simplifying and decoupling the existing support system?
- C. creating a wider range of rural enterprises?

Yes, the majority of the responses agreed that the desired outcomes would be achieved by the Rural Economic Strategy.

28. Is a one-stop shop appropriate to deliver the aims of the strategy?

Yes, the majority of the responses agreed that a “one-stop shop” would be appropriate.

29. Are the RES success indicators measured effectively by the outlined monitoring process?

Yes, the majority of the responses agreed that the RES success indicators are measured effectively by the outlined monitoring process. These will need to take into account the fluctuations over an appropriate time scale due to quite large seasonal fluctuations when assessing progress.

30. Does the budget profile give the agricultural industry sufficient certainty about future levels of

Government support?

The majority of the responses agreed that knowing the budget profile to 2010 gives certainty that will aid business planning although not all agree with the amount of funding.

[1] *Jersey Gross Value Added (GVA) and Gross National Income (GNI) 1998-2003 – Statistics Unit States of Jersey, 2003.*

[2] *DEFRA Statistics.*