



Joint submission by the
JMMB & RJA&HS



States of Jersey – Rural Economy Strategy 2011-2015

Issues & Options Green Paper

Introduction:

This submission is formed in two parts, an overview that sets out the vision of the dairy industry and the interface with the proposed RES 2011-2015 together with a more detailed analysis of each issue and policy option in the document.

Overview:

In 2003, after a period of low profitability, the dairy industry adopted an action plan entitled the “Road Map to Recovery” which identified key work streams whereby both the JMMB and the RJA&HS took the lead in delivering particular objectives, e.g. dairy relocation and importation of genetics. Also adopted in that plan was the concept of an economically sustainable industry being one that achieved an average farm EBITDA (Earnings before Interest, Tax, Depreciation & Amortisation) of 20% of turnover and this has become the benchmark target accepted by industry and government.

It is important to maintain this target level of profitability over the long term to enable the industry to fund investment in major assets over their life cycle and encourage business succession by demonstrating that there is a viable future for the next generation.

An analysis of the dairy industry costings for the last five years, covering the financial years 2004/05 to 2008/09 shows that EBITDA fell from 9.6% in 2004/05 to 4.1% in 2007/08 before making a modest recovery to 6.2% in 2008/09. A major contribution to this decline resulted from changes in government support which included the closing of the Jersey Bull Proving Scheme and the end of the Over 30 Months Compensation Scheme both of which had a negative effect on farm incomes and the latter resulted in a build up of cull cows on farms until alternative markets for culls could be established.

The immediate forecasts suggest that further cost pressures will arise from increasing costs of land rental, purchased feeds and fertilisers. The issue of protecting agricultural land and ensuring that it is available for primary agricultural production is of paramount importance in mitigating these cost pressures.

The relocation of the dairy operation to a new, more efficient factory and the ability to actively seek value added export markets for a range of premium Jersey products brings the possibility of delivering greater returns to farms from the market for milk and products. The Jersey Dairy 5 Year Business Plan indicates that by 2011/12 EBITDA could reach 17% assuming no changes to the current level of government support. This support includes the Single Area Payment (SAP), Quality Milk Payment (QMP), and dairy services support.

The proposed reduction of the QMP at the rate of 20% from 2011 will immediately reduce the forecast EBITDA by approximately 30%. It is suggested that there needs to be greater recognition of the long term nature of building economic sustainability. The project to relocate the dairy took longer than anticipated for various reasons outside the control of the industry, the efficiency improvements from imported genetics takes some years to fully show in the herd (as replacements enter the milking herd) and the development of new markets requires a committed effort over time.

There is a real danger that premature reductions in government support will result in increased local milk prices, directly contrary to the industry’s strategy of ‘narrowing the gap’ between local prices and those of adjacent competitors. The industry feels strongly that the strategy needs time to mature before significant changes to the support mechanisms are introduced.

Analysis of Issues and Policy Options:

ISSUE	POLICY OPTION	ADDITIONAL COMMENTS
PR 1: Performance indicators	This is an immensely complex set of calculations that has not been completed satisfactorily anywhere.	It is likely to prove very costly for Jersey to develop its own set of indicators that would still fall short of being meaningful.
PR 2: Labour productivity	This is a broad brush statement which needs clarification in terms of the identified need and method of delivery.	There are a number of priorities that should be addressed. These include the provision of further education grants for off island studies in agriculture and CDP training for agricultural managers.
PR 3: Growth of the rural economy	This is a statement of intent with no pertinent examples that need to be addressed.	Growth, in absolute terms, is more likely to be delivered by existing enterprises that have a track record of market success rather than limited support for a string of attempts at ‘diversification’.
PR 4: Reducing the environmental costs of agriculture	This needs further iteration, for example, in terms of support funding, what does “...take into account appropriate environmental standards” actually mean.	Care should be taken to ensure that arbitrary standards, in excess of other jurisdictions, are not applied that result in the industry becoming less competitive.

PR 5: Land Classification	This is an unnecessary and bureaucratic suggestion that has been proposed and discounted on a number of occasions before. A particular type of land that is important for potato growing is marginal for dairying and visa versa.	It was accepted by previous politicians that a UK style system is not appropriate in the island situation. It should simply be a given that agricultural land is reserved for agricultural purposes. There are examples where small fields may be passed off as uneconomic, but in reality they are important access corridors. An assessment of the loss of agricultural land that has already taken place would be far more pertinent.
PR 6: Access to the countryside	This work has already been done in the Countryside Character Appraisal. It should be made clear that this is not a policy of general unrestricted access to what is an industry's 'factory floor'.	Jersey already has excellent access to the countryside through the network of interior footpaths, green lanes, common land and costal footpaths. Interestingly the UK 'right to roam' legislation is putting the mainland onto a status the Island already enjoys. Any available resources should be deployed in maintaining the current network rather than developing new paths.
PR 7: Environment plan	Again this has the potential to become a bureaucratic 'box ticking' exercise of little environmental benefit.	It would be of more relevance to incorporate environmental 'best practice', e.g. rotational hedge cutting, into the Codes of Good Agricultural & Environmental Practice.
PR 8: Review of Direct Support	A review of direct support is to be welcomed.	It should be stated that the agricultural industry in the island pays a suite of costs to the public purse that is not found elsewhere, e.g. harbour dues, rates on agricultural land and buildings, and roadside hedge cutting twice a year, that probably equate to the sum received in direct support.
PR 9: Quality Milk Payment	This continued support is welcomed.	It should be noted that the 'public good' delivered to the island by the Jersey breed is hard to quantify and arguably this represents 'good value for taxpayer money'. See overview.
PR 10: Safeguarding the pedigree Jersey Cow	This is welcomed.	To fully meet the aspirations of the Corporate Services Scrutiny Panel the support for milk recording and A.I. services should be maintained together with further research into the genetic makeup of the Island breed.
PR 11: Rural Initiative Scheme	The initial submission in 2005 remarked that "it is hard to comment on some £2.5m of expenditure without more supporting information". There is no	This is a large budget area which deserves greater focus.

	change to this.	
PR 12: RIS – Exploring the potential for local markets and greater food self sufficiency	It is very important to support and maintain essential industry infrastructure that is uneconomic due to economies of scale.	There have been considerable improvements in the running of the abattoir and recognition of this is due to the Economic Development and Transport & Technical Services departments.
PR 13: RIS – Exploring the potential for local markets and greater food self sufficiency	There is agreement with this statement.	There should be a public register of the initiatives that receive support from the RIS and a more open method of appraising applications.
PR 14: Organic farming	It is not certain what this would achieve. Aid given to furthering organic production needs to be proportionate to market demand.	There are some environmental benefits accrued by organic production and it fills an important niche in the market but it is questionable as to how much emphasis this needs in relation to ‘conventional’ production methods that have become more benign in recent years.
PR 15a: Countryside Renewal Scheme	There is no supporting evidence as to why the CRS is necessary to achieve the objectives in the States Strategic Plan or the Island Plan, ref. 1.33.	The initial submission in 2005 commented on the CRS that the remark relating to the RIS “it is hard to comment on some £2.5m of expenditure without more supporting information” was equally applicable. There is no change to this.
PR 15b: Countryside Renewal Scheme	This is not a role of government.	This potentially provides further scope for additional ‘box ticking’ that generates no real added value. Most of the large scale agricultural enterprises already have sophisticated environmental protection systems in place and the small scale enterprises tend not to have much influence on environmental management.
PR 16: Jersey Enterprise Grants	There is no need to develop a consolidated Rural Business Support Service, simply communicate to officers in Jersey Enterprise that rural businesses are eligible for the grants they offer.	Experience in grant application is that there tends to be a very rigid and disjointed approach to grant provision such that more often barriers are raised rather than opportunities created.
PR 17: Marketing	A review would be	There needs to be transparency in the deployment

Support for Jersey Produce	welcomed.	of these resources.
PR 18 to 21:	These are policies directed at the fisheries sector and not commented upon.	
PR 22: Charges for States of Jersey Services	A review would be welcomed.	There should also be reference to the cost of provision in the island situation versus what the market delivers where it is economic for private sector delivery.
PR 23a: Risk management tools	This underestimates the understanding farmers have of business risk.	There is an issue with succession planning in the industry especially associated with large capital investment.
PR 24: The future of processing and added value from food waste	Why should the States be 'considering the development of a greater range of local value added processed products'?	This should be left to existing businesses with the possibility of assistance from the RIS.
PR 25: The need for Research and Development	The development of a strategy is agreed.	There is potential for direct funding of private organisations to undertake publicly funded research in return to full publication of results.
PE 1: Allotments	This is vague; any research that has been completed was theoretical desk based exercises and not properly tested.	This is not the realm of government, or public money, as there are private ventures operating already. That said, if any financial assistance is made available, it should be available to all.
PE 2: Community Agriculture (CA)	This is not the role of government.	Schemes elsewhere are private initiatives and development of these in Jersey could be achieved without input from the public sector.
PE 3: Community Agriculture (CA)	Again this is not the role of the States, which only recently closed its horticultural training centre through lack of demand.	There are educational initiatives being developed in the private sector and involvement from government would not be necessary and therefore not helpful.
PE 4: Working together and collaboration	The claims made in the paper are unsubstantiated not felt to be correct. In some areas a high proportion of local produce is marketed in the Island.	The membership of the Genuine Jersey Products Association also comprises of businesses that are not part of the rural economy. In the rural sector much of this work is already being addressed through marketing groups.

PE 5: Climate Change – mitigation and adaption	There are challenges posed by climate change, and / or, measures adopted to mitigate against it. That said it is questionable to what extent local resources should be deployed to research into this subject.	PE 5: The agricultural industry in Jersey will benefit from the research being undertaken around the world into this subject. The role of the States of Jersey may be to assist with deployment of new technologies successfully trialled elsewhere. PE 5b&c: There needs to be greater clarity over the CRS & RIS, see comments above.
PE 6: Rural skills, training, advice & education	A strategy would be welcome.	See comments on PR 2 above.
PE 7: Rural skills, training, advice & education	See comments on PR 2 above.	It is highly questionable how much of this should be provided locally versus through 'bought in services'.
PE 8: Agri-tourism	It is questioned as to whether there is a need for a separate strategy for this specific area.	There are private sector companies already developing this offering.
PE 9: Access to the countryside	This has already been commented on under item PR 6.	
PE 10: Access to the countryside	This is hardly a priority area for government expenditure given that it is not necessary.	
E 1: Best practice in farming	See comments under PR 4 & PR 7.	The Island is inclined to consider itself on a par with jurisdictions that cover continents.
E 2: Environment Plan	See comments under PR 7	There is much scope to over complicate what is a fairly simple suite of Island specific measures. It is felt that much of the drive for environmental improvement will come from the market place as the major retail customers demand greater compliance with their own production protocols and thus local duplication must be avoided.
E 3: Wildlife corridors & increasing connectivity	There is merit in this approach.	
E 4: Understanding wildlife in the	This should be encouraged through the voluntary	

countryside	sector.	
E 5: Jersey Biological Records Centre	This should be encouraged through the voluntary sector.	
E 6: Nitrate pollution	There is debate over the justification for levels at which nitrates are permissible.	E 6: Other contributors are also natural processes, leisure gardeners, human drainage etc. E 6a,b&c: Research into this subject is welcomed.
E 7: Codes of Good Agricultural & Environmental Practice	A review of these is welcomed, see comments under PR 7.	Caution needs to be exercised regarding the requirement for documentary evidence. Meaningful results are important, not 'box ticking'.
E 8: Nutrient budgeting & green waste compost	There is scope for initial advice in this regard.	There should be a strong linkage with the results obtained from the research under E 6.
E 9: Farm health planning	This is of importance to supporting the marketing of local products and is welcomed.	The Jersey Herd Health initiative is a good example of the industry organising a pragmatic five year health programme with the help of government funding. (RIS)
E 10: Improving livestock handling and animal welfare	It is felt that the general standard of animal welfare in the Island, as practised by the professional livestock industry, is high.	There may be some scope for advice in improving facilities and practice, but this will also change some traditional aspects of Jersey which are not in themselves poor for animal welfare, e.g. tethering animals.
E 11: Disease free status and cattle exports	Designation of disease freedom is to be welcomed.	This supports the overall strategy of marketing high quality products from the Island.
E 12: Safeguarding the agricultural land bank	This is an item of the highest priority. There needs to be a robust policy backed by legislation that insists agricultural land is used for primary agricultural production.	Current policies aimed at retaining land for agricultural use are either; not being implemented, not working or being abused.
E 13: Land Development Levy	This is a policy outside the scope of a strategy aimed at sustaining and growing a rural economy.	
E 14: Enabling or	This policy has some	A carefully iterated policy needs to be drafted in

linked development	potential benefits but also has considerable scope for abuse.	conjunction with the Planning Department.
E 15: Change of use of buildings	There is a difference between traditional buildings that are no longer of use to a modern industry and new buildings which are serviceable. In general this is a policy that has been abused to the detriment of agriculturalists in the industry.	The same comment applies as above under E14. With regard to modern facilities, the requirement to advertise for only 3 months is too short and changes of use should only be temporary and time limited.
E 16: New agricultural buildings	A review of facilities would be informative.	
E 17: Derelict & redundant glasshouses	This is agreed.	